

December 2004

EST Half Year Status Report and Update

Exchange Systems Technology Limited (EST) the supplier of multi-asset clearing (Eclipse), post trade risk management (Risk-Watch) and on-line margin (MarginClick) applications end 2004 with a strong outlook for 2005.

Following an initial round of venture capital investment at the beginning of the year and new sales and product development expansion, the end of year highlights include:

- * Substantial increase in turnover over previous year
- * Client increase up from 4 to 22 during the year
- * Cash in bank at the end of September £1.829m
- * Six new implementations of Eclipse system in 2004 (3 of which from major competitors)
- * Significant Eclipse license agreement with global US Investment Bank
- * Major implementation of Eclipse 'Contracts For Difference' for French stockbroker
- * Large Risk-Watch installation with major European Investment Bank
- * Multiple MarginClick sales to both buy and sell side clients
- * Client base expanded into mainland Europe and USA
- * Large OTC processing developments including LCH.Clearnet RepoClear scheduled for 2005

EST continues to expand the functionality of the Eclipse clearing system:

- * Eclipse US for SEB Futures London, the world's first remote clearer of CME/CBOT
- * Eclipse Metals launched for LME Clearing Members
- * Launch of RiskWatch online Post Trade Risk Management as a stand-alone module
- * Eclipse Energy Clearing module, including UKPX, IPE and Energy Swaps
- * Contracts For Difference

MarginClick, the on-line margin calculation engine launched in mid 2003 continues to gain new clients for both the ASP and in-house versions as customer demand grows for intra-day on-line margining. Main highlights in 2004 include:

- * New 'server farm' for retail and other mass distribution users
- * Development of OTC risk margin algorithms
- * Successful integration into a number of leading ISV platforms
- * Enhanced Cross-Asset functionality
- * Successful platform for Risk-Watch launch



eclipse

marginClick

RISK-WATCH

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Risk-Watch was launched in October 2004 and, as already noted, has been chosen by a leading Investment Bank for their post trade risk management. Much interest has been shown in this product and the sales prospect pipeline has grown very rapidly.

Commentary:

Rob Lowry, MD of EST comments, '2004 was a very challenging year for EST. We have made significant investment in both modern technology and increased multi asset functionality, across our product range. Our investment in these areas has been a major contributing factor in the success of our sales pipeline throughout 2004. We are seeing increased demand for intra-day on-line technology demonstrating finally that the old business model of single asset processing using outdated non-relational technologies is disappearing fast.

MarginClick has been a great success in attracting a very broad range of customers from Tier 1 banks to Hedge Funds. Risk-Watch is now very well positioned to satisfy the increasing needs of post trade risk management and the Eclipse Clearing system is now becoming a well established toolkit to satisfy the back-office requirements of all users of the global markets.

Our projections for next year are ambitious but not unrealistic. Our client pipeline is very promising and we hope to have a total of 30 clients on board by year-end. On this basis we would expect our turnover to be around the £2m mark by this time. Obviously this increased business will have an impact on our existing resources, says Lowry. We have made provisions to increase our head count by up to 25% next year initially in the technical area but expanding into business development, sales and finance as the year progresses.

We are confident that our highly experienced management team can take EST to the next phase of development. Given the extent of our growing client base, and our continued mission to deliver modern and flexible technology solutions, we are confident that 2005 will be a highly successful year for EST' concludes Lowry.

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