

# First half report 2003



Compagnie Financière Tradition is a leading broker on the world's financial and non-financial markets.

Compagnie Financière Tradition acts as a broker, generating liquidity by negotiating trades and facilitating counterparty transactions in specific products in the over-the-counter (OTC) financial and non-financial markets. Its role can be compared to that of a marketplace, stock exchange or futures market, which allows its clients to trade in standard instruments, equities or futures.

Committed to offering its clients an efficient, comprehensive service, Compagnie Financière Tradition has a worldwide network, with trading floors in 16 countries.

Its teams of 1,300 brokers provide traders, market makers and treasurers of financial institutions and large multinationals round-the-clock access to specialists in each product category. It is present in the interest rate, forex, securities, energy and precious metals markets, handling transactions in balance sheet instruments (spot transactions, loans/borrowings) and off-balance sheet instruments (derivatives).

As the No. 3 global player and the only non-Anglo-American Group in this sector, which has been developed and dominated by American and British companies, Compagnie Financière Tradition is an exception, with a well-earned reputation for its progressive strategy.



Compagnie Financière Tradition

# Comparative consolidated results

CHF (000s)	30 June 2003	30 June 2002	31 December 2002
Net turnover	387,697	433,900	791,505
Other operating income	140	6,631	6,408
<b>Operating income</b>	<b>387,837</b>	<b>440,531</b>	<b>797,913</b>
Employee compensation and benefits	-261,918	-294,165	-546,630
Other operating expenses	-82,618	-100,815	-184,437
Depreciation and amortisation	-5,374	-7,028	-12,468
<b>Operating expenses</b>	<b>-349,910</b>	<b>-402,008</b>	<b>-743,535</b>
<b>Operating profit</b>	<b>37,927</b>	<b>38,523</b>	<b>54,378</b>
Net financial income	5,214	15,336	23,277
<b>Profit before tax and exceptional items</b>	<b>43,141</b>	<b>53,859</b>	<b>77,655</b>
Exceptional items	-	-1,110	-1,452
Taxes	-15,923	-25,037	-31,998
<b>Net profit of consolidated companies</b>	<b>27,218</b>	<b>27,712</b>	<b>44,205</b>
Associated undertakings	-293	-838	-3,043
Goodwill amortisation	-254	-401	-1,220
<b>Consolidated net profit</b>	<b>26,671</b>	<b>26,473</b>	<b>39,942</b>
• Group share	21,891	17,839	31,813
• Minority interests	4,780	8,634	8,129

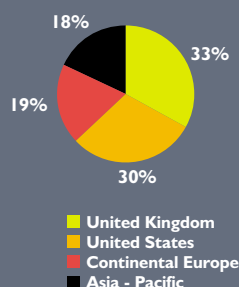
The contribution to consolidated turnover of Compagnie Financière Tradition's three core businesses is as follows:

CHF (000s)	TSH		TFS		HTS		TOTAL	
	30 June 2003	30 June 2002	30 June 2003	30 June 2002	30 June 2003	30 June 2002	30 June 2003	30 June 2002
Europe	106,897	108,669*	42,636	43,363	52,776	48,237	202,309	200,269
United States	91,273	129,881	24,934	38,117	-	-	116,207	167,998
Asia - Pacific	58,582	53,772	10,599	11,861	-	-	69,181	65,633
<b>TOTAL</b>	<b>256,752</b>	<b>292,322</b>	<b>78,169</b>	<b>93,341</b>	<b>52,776</b>	<b>48,237</b>	<b>387,697</b>	<b>433,900</b>

\* of which CHF 15.0 million was EBFL's contribution to TSH's consolidated turnover.

## Business report - 1<sup>st</sup> half 2003

TURNOVER BY GEOGRAPHIC AREA  
at 30 June 2003



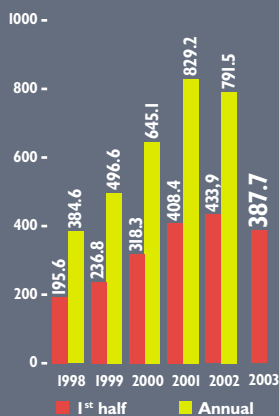
Compagnie Financière Tradition posted a consolidated turnover of CHF 387.7 million at 30 June 2003, against CHF 433.9 million a year ago. This represents an increase of 3.0% in constant terms, after restatement of EBFL's contribution to first-half consolidated revenues, of CHF 15.0 million.

These figures reflect Compagnie Financière Tradition's good showing in the U.K., which accounts for 32.9% of consolidated turnover, and in Asia, where the Group enhanced its leadership in interest rate derivatives. The Group's business model of a diversified product portfolio and broad geographic footprint, significantly limits its dependence on any specific market. The wisdom of this policy was born out by its strong performance in interest rate derivatives, which helped offset the fall of over 50% in the electricity and natural gas markets

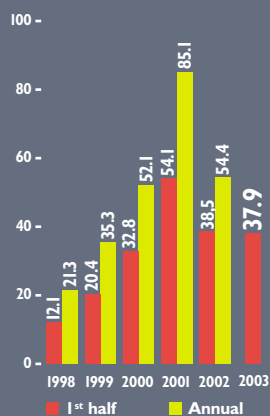
A segmental analysis of consolidated revenues of Compagnie Financière Tradition is as follows:

CHF (000s)	30 June 2003	%	30 June 2002	%
Currencies and interest rates	214,608	55.4	220,109	50.8
Futures	36,322	9.4	27,043	6.2
Securities	100,534	25.9	132,985	30.6
Commodities	32,049	8.3	51,767	11.9
Other	4,184	1.0	1,996	0.5
<b>TOTAL</b>	<b>387,697</b>	<b>100.0</b>	<b>433,900</b>	<b>100.0</b>

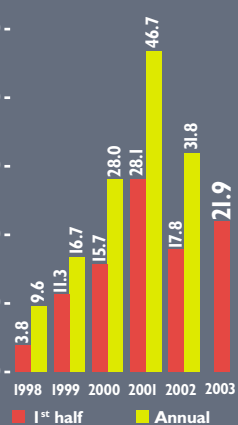
**CONSOLIDATED TURNOVER**  
in millions of Swiss francs  
CAGR: 15.0%



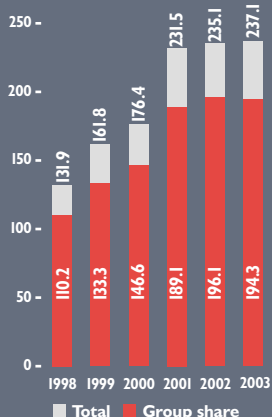
**CONSOLIDATED OPERATING PROFIT**  
in millions of Swiss francs  
CAGR: 25.7%



**NET PROFIT - GROUP SHARE**  
in millions of Swiss francs  
CAGR: 41.7%



**CONSOLIDATED SHAREHOLDERS' EQUITY**  
in millions of Swiss francs



... a consolidated operating profit of CHF 37.9 million ...

Consolidated operating expenses dropped 13.0% to CHF 349.9 million in the first half. Personnel costs were down 11.0% to CHF 261.9 million, or 67.6% of consolidated revenues, against 67.8% in H1 2002. Variable personnel costs represented 43.5% of global pay costs during the period.

Consolidated operating profit stood at CHF 37.9 million, down from CHF 38.5 million in the first half of 2002. In H1 2002, the operating profit included income of CHF 6.3 million from insurance payouts and compensation from the New York City Government, for losses suffered by two U.S. subsidiaries in the aftermath of the 11 September attacks. During the period, Compagnie Financière Tradition booked a final compensation of CHF 0.5 million from New York City, received by its U.S. subsidiary.

In constant terms, and excluding compensation related to the 11 September events and the contribution of EBFL, consolidated operating profit was ahead 34.2%. The consolidated operating margin, as restated, reached 9.7% of consolidated turnover compared with 7.4% in the first half of 2002. This marked improvement was due to restructuring measures announced and implemented during the second half of last year.

... and Group share of consolidated net profit of CHF 21.9 million, for a return on consolidated equity of 22.3% ...

First-half consolidated financial income was CHF 5.2 million, against CHF 15.3 million a year ago, when Compagnie Financière Tradition realised net capital gains of CHF 14.4 million on the disposal of marketable securities and investments. Net gains on marketable securities and investments in the first half of this year amounted to CHF 1.7 million.

Consolidated profit before tax stood at CHF 43.1 million, against CHF 53.9 million a year ago. The Group took a consolidated tax charge of CHF 15.9 million, compared with CHF 25.0 million in H1 2002. This brought the average consolidated tax rate down from 46.5% in the first half of 2002 to 36.9% in the first six months of this year. This average tax rate was negatively impacted by losses suffered by certain subsidiaries in H1 2002, without which it would have been 41.5%.

After taking account of this tax charge, consolidated net profit stood at CHF 26.7 million, against CHF 26.5 million in the first half of 2002. Minority interests' share of profit dropped significantly to CHF 4.8 million, or 17.9% of consolidated profit, against CHF 8.6 million, or close to one-third of consolidated profit in H1 2002. This decline in minority interests stemmed primarily from deterioration in profitability of the companies concerned, but also, to a marginal extent, from the gradual strengthening of Compagnie Financière Tradition's stake in its subsidiaries. This strategy, which began in 2002, will be pursued in the second half of this year.

Group share of net profit was up 22.7%, to CHF 21.9 million, compared with CHF 17.8 million in the same period last year. This result brought consolidated shareholders' equity to CHF 237.0 million at 30 June 2003, CHF 194.3 million of which was Group share, for a consolidated net cash and marketable securities position of CHF 173.9 million. Compagnie Financière Tradition's strong balance sheet position is still a rarity in the financial brokerage business.

After five consecutive years of strong growth, which made Compagnie Financière Tradition the world's No. 3 leader in financial and non-financial products, followed by a year of consolidation in 2002, the Group set itself two strategic objectives at the end of 2002: to reinforce cost controls and increase cost flexibility, and to pursue the diversification of its portfolio of activities in order to further reduce its exposure to economic and monetary cycles.

The benefits of this strategy were felt in the first half, despite a flat trading climate at the start of the year. The Group posted an increase of 22.7% in its net profit, Group share, with an increase of 3.0% in consolidated turnover in constant terms.

The restructuring measures undertaken in 2002, coupled with the gradual repurchase of minority interests and a simplification of the Group's organisational structure, should provide the impetus for Compagnie Financière Tradition to consolidate these trends in 2003.



Compagnie Financière Tradition

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