



**Compagnie Financière Tradition**

**AUDITORS' REPORT**

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**INCLUDING**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE HALF YEAR ENDED 30 JUNE 2002**

**OF**

**COMPAGNIE FINANCIERE TRADITION, LAUSANNE**

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## 1. BUSINESS REPORT – 1ST HALF 2002

**Compagnie Financière Tradition posted a consolidated turnover of CHF 433.9 million in the first half of 2002...**

Consolidated net profit rose 6.2% to CHF 433.9 million compared with CHF 408.4 million a year ago. This represents an increase of 1.5% in constant terms, with Finacor, taken over by Compagnie Financière Tradition at the end of June 2001 contributing CHF 38.5 million to turnover during the period.

An analysis of the contribution to consolidated turnover of the Group's three core businesses is as follows:

CHF (000s)	TSH		TFS		HTS		Total	
	1st half 2002	1st half 2001	1st half 2002	1st half 2001	1st half 2002	1st half 2001	1st half 2002	1st half 2001
Europe	108,669	99,762	43,363	34,729	48,237	42,282	200,269	176,773
U.S.A	129,881	133,535	38,117	34,873	-	-	167,998	168,408
Asia - Pacific	53,772	52,281	11,861	10,920	-	-	65,633	63,201
<b>Total</b>	<b>292,322</b>	<b>285,578</b>	<b>93,341</b>	<b>80,522</b>	<b>48,237</b>	<b>42,282</b>	<b>433,900</b>	<b>408,382</b>

TSH, a broker in money market products, OTC interest rate operations, emerging markets and credit derivatives, posted a 2.4% rise in first-half consolidated turnover, to CHF 292.3 million (-2.9% in constant terms). Turnover from European operations, up 8.9%, includes the contribution of Finacor, acquired by Compagnie Financière Tradition in June. Operations in the United States and Asia remained steady overall.

TFS, a specialist broker of currency options, equity derivatives, and non-financial products, reported a very satisfactory first half, with consolidated turnover ahead 15.9% (20.9% in constant terms). Excellent results in currency options from the TFS-ICAP-Volbroker joint venture, and high volatility on world equity markets boosted revenues from currency options and equity derivatives operations by 24.8% during the period. Activities in precious metals and energy progressed 14.0%, confirming TFS's position as the world's leading energy broker.

The third core business sector, Holding Tradition Securities (HTS), a pure broker specialised in securities and exchange markets, posted a rise in consolidated revenues of over 14% (-5.9% in constant terms) to CHF 48.2 million. This growth was powered mainly by the integration of Finacor's operations, taken over in June 2001, which give Compagnie Financière Tradition a stronger presence in the markets for financial futures and European government debt.

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

CHF (000s)	1 <sup>st</sup> half		1 <sup>st</sup> half	
	2002	%	2001	%
Interest rates	299,108	68.9	290,065	71.0
Futures	27,043	6.2	21,212	5.2
Equities, equity derivatives, currency options	53,986	12.5	48,302	11.8
Commodities	51,767	11.9	45,395	11.1
Other	1,996	0.5	3,408	0.9
<b>Total</b>	<b>433,900</b>	<b>100.0</b>	<b>408,382</b>	<b>100.0</b>

An income of CHF 6.0 million was recognised during the period, stemming from insurance indemnities for revenue losses sustained by its two U.S. subsidiaries in the wake of the September 11 attacks.

**... a consolidated operating profit of CHF 38.5 million ...**

Consolidated operating expenses rose overall by 13.3% on the year, to CHF 402.0 million. Personnel costs increased 11.4% to CHF 294.2 million, or 67.8% of consolidated income, against 64.6% a year ago, with variable personnel expenses representing 33.9% of total remuneration.

Consolidated operating profit stood at CHF 38.5 million, down from CHF 54.1 million in the first half of 2001, resulting in an operating margin of 8.9% of consolidated turnover, against 13.2% in the first half 2001. The overall decline in consolidated operating margin reflects a mixed performance among the Group's different business sectors:

- HTS was particularly hard hit in the first half, suffering the knock-on effects of plunging equity markets. Consolidated operating losses reached CHF 3.6 million against a consolidated operating profit of CHF 6.9 million in the same period last year. These negative results derived mainly from its equity operations,
- The contribution of TSH to consolidated operating profit fell sharply to CHF 29.8 million against CHF 37.6 million in the first half of 2001. TSH had benefited from an exceptional climate for interest rate operations in 2001 on the back of the Fed's successive rate cuts. This situation was reversed in 2002, however, as very low and stable interests rates across the board negatively impacted earnings on these markets, which dropped 8.1% in constant terms, and eroded operating profitability,
- TFS contributed CHF 11.6 million to consolidated operating profit, compared with CHF 8.0 million in the first half of last year. This represents a rise of 44.3% on revenues, up 15.9%, on the back of improved operating ratios, and a reduction in the negative contribution of new activities launched during 1999-2000.

**... and Group share of consolidated net profit of CHF 17.8 million, for a return on consolidated equity of 18.9%.**

Financial income was strongly ahead at CHF 15.3 million, against CHF 5.9 million in the first half of 2001 and CHF 19.7 million for the full year. This result includes net capital gains of

CHF 14.4 million on the sale of securities and investments, CHF 14.1 million of which was realised on the sale of the stake in Euronext N.V., held by MIA, a subsidiary of Compagnie Financière Tradition (which impacted Group share of net profit by CHF 3.9 million).

Consolidated profit before tax stood at CHF 53.9 million, against CHF 60.0 million in a year ago. The Group took an exceptional net charge of CHF 1.1 million to cover any negative outcome of litigation currently before the courts between Compagnie Financière Tradition and Maxcor Financial Group Inc., over the latter's stake in Eurobrokers Finacor Ltd.

The consolidated tax charge for the period was up slightly at CHF 25.0 million, compared with CHF 23.2 million a year ago, taking the consolidated average tax rate from 38.6% in the first half of 2001, when several subsidiaries benefited from tax loss carry-overs, to 46.5% in the first half of 2002. The average tax rate for the period was negatively impacted by losses incurred by some subsidiaries. The average consolidated tax rate not including these elements, which should disappear in 2003, would otherwise have been 41.5% for the period.

After taking account of this tax charge, consolidated net profit stood at CHF 26.5 million, against CHF 35.3 million in the first half of 2001. Minority interests' share of profit was ahead 21.1% to CHF 8.6 million on the back of the good showing from TFS and MIA, in which Compagnie Financière Tradition has participating interests respectively of 69.6% and 42.4%.

Group share of net profit stood at CHF 17.8 million, against CHF 28.1 million in the same period 2001, bringing annualised return on consolidated equity to 18.9%. Consolidated equity stood at CHF 228.1 million at 30 June 2002, CHF 185.4 million of which was Group share.

2001 had been a particularly rewarding year for interest rate operations - Compagnie Financière Tradition's core business – resulting in an exceptional increase in operating profitability.

This trend was reversed in the first half of 2002 with the sharp turnaround in market conditions. Interest rate operations were hit by low volatility, while equity markets around the world went into freefall. Despite the poor trading climate, Compagnie Financière Tradition posted an overall operating margin of 8.9% of consolidated revenues and realised a consolidated net profit of CHF 26.5 million, or 6.1% of consolidated turnover. At the same time, it firmly ensconced its position as the world's No. 3 player in financial brokerage.

## 2. CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2002

### CONSOLIDATED BALANCE SHEET AT 30 JUNE 2002 AND 2001 AND 31 DECEMBER 2001

	Notes	30 June 2002 CHF (000s)	30 June 2001 CHF (000s)	31 December 2001 CHF (000s)
<b><u>ASSETS</u></b>				
<b>Current assets</b>				
Cash	3.1	52	41	134
Call deposits	3.1	121,319	63,351	115,542
Short-term deposits	3.1	47,953	90,343	58,035
Trade debtors	3.2	129,898	118,694	130,505
Receivables linked to account holder activities		58,256	51,331	60,537
Other short-term receivables		36,784	28,173	25,553
Receivables from affiliated companies		5,757	5,663	5,775
Receivables from shareholders and associated companies		3,505	3,280	282
Marketable securities	3.1	40,435	73,322	49,127
Prepaid expenses and accrued income		19,712	15,263	15,304
<b>Total current assets</b>		<b>463,671</b>	<b>449,461</b>	<b>460,794</b>
<b>Fixed assets</b>				
Other long-term receivables		9,152	10,215	9,162
Associated undertakings and other investments		2,162	735	2,680
Treasury shares		339	1,335	1,730
Tangible fixed assets				
Installations and equipment		19,894	23,074	21,722
Buildings		7,516	7,515	7,516
Intangible fixed assets	3.3	6,081	5,551	6,577
Goodwill	3.3	11,005	10,928	11,443
<b>Total fixed assets</b>		<b>56,149</b>	<b>59,353</b>	<b>60,830</b>
<b>TOTAL ASSETS</b>		<b>519,820</b>	<b>508,814</b>	<b>521,624</b>

**CONSOLIDATED BALANCE SHEET AT 30 JUNE 2002 AND 2001 AND 31 DECEMBER 2001**

	Notes	<b>30 June 2002</b>	<b>30 June 2001</b>	<b>31 December 2001</b>
		<b>CHF 1,000</b>	<b>CHF 1,000</b>	<b>CHF 1,000</b>
<b><u>LIABILITIES</u></b>				
<b>Creditors</b>				
Short-term bank borrowings	3.1	47,041	35,987	32,686
Debts to shareholders and associated companies		13,355	17,807	12,530
Other short-term debts		38,464	61,870	44,351
Debts linked to account holder activities		54,206	49,826	59,328
Taxes payable		23,838	28,947	19,603
Accrued expenses and deferred income		98,052	94,613	105,312
Long-term financial debts		1,870	2,167	1,929
Contingency and loss provisions	3.4	14,929	8,308	14,389
<b>Total creditors</b>		<b>291,755</b>	<b>299,525</b>	<b>290,128</b>
<b>Shareholders' equity</b>				
Share capital		13,262	12,975	13,262
Share premium		8,712	2,117	8,712
General reserve		17,570	17,570	17,570
Reserve for treasury shares		1,730	942	937
Special reserve		3,100	3,100	3,100
Other reserves		15,300	15,300	15,300
Consolidated reserves		107,903	88,835	83,459
Net profit - Group share		17,839	28,130	46,716
<b>Shareholders' equity - Group share</b>		<b>185,416</b>	<b>168,969</b>	<b>189,056</b>
<b>Minority interests</b>		<b>42,649</b>	<b>40,320</b>	<b>42,440</b>
<b>Total shareholders' equity</b>		<b>228,065</b>	<b>209,289</b>	<b>231,496</b>
<b>Total liabilities</b>		<b>519,820</b>	<b>508,814</b>	<b>521,624</b>

## CONSOLIDATED PROFIT AND LOSS ACCOUNT 2002 AND 2001

	Notes	30 June 2002	30 June 2001	31 December 2001
		CHF 1,000	CHF 1,000	CHF 1,000
Net turnover	4.1	433,900	408,382	829,180
Other operating income	4.2	6,631	363	3,664
<b>Operating income</b>		<b>440,531</b>	<b>408,745</b>	<b>832 844</b>
Employee compensation and benefits		-294,165	-263,952	-560,877
Other operating expenses		-100,815	-85,569	-176,251
Depreciation and amortisation		-7,028	-5,140	-10,632
<b>Operating expenses</b>		<b>-402,008</b>	<b>-354,661</b>	<b>-747,760</b>
<b>Operating profit</b>		<b>38,523</b>	<b>54,084</b>	<b>85,084</b>
Net financial income	4.3	15,336	5,949	19,666
<b>Profit before tax</b>		<b>53,859</b>	<b>60,033</b>	<b>104,750</b>
Exceptional items	4.4	-1,110	-	-
Taxes		-25,037	-23,187	-39,261
<b>Net profit of consolidated companies</b>		<b>27,712</b>	<b>36,846</b>	<b>65,489</b>
Associated undertakings		-838	-1,226	-3,768
Goodwill amortisation		-401	-361	-709
<b>Consolidated net profit</b>		<b>26,473</b>	<b>35,259</b>	<b>61,012</b>
Group share		17,839	28,130	46,716
Minority interests		8,634	7,129	14,296
Net profit per share, based on weighted average number of shares outstanding		6.75	10.79	17.79

## CHANGE IN CONSOLIDATED EQUITY

	Shareholders' equity at 01.01.01	Miscellaneous special reserves	Dividend paid net of dividend on treasury shares	Increase in capital	Effect of changes in the basis of consolidation	Other changes	Currency translation adjustments	Net profit	Shareholders' equity at 31.12.01
Capital	12,975	-	-	287	-	-	-	-	13,262
Share premium	2,117	-	-	6,595	-	-	-	-	8,712
General reserve	17,570	-	-	-	-	-	-	-	17,570
Reserve for treasury shares	514	423	-	-	-	-	-	-	937
Special reserve	3,100	-	-	-	-	-	-	-	3,100
Other reserves	15,300	-	-	-	-	-	-	-	15,300
Consolidated reserves	94,984	-423	-7,736	-	-	-236	-3,130	46,716	130,175
<b>TOTAL - Group share</b>	<b>146,560</b>	<b>-</b>	<b>-7,736</b>	<b>6,882</b>	<b>-</b>	<b>-236</b>	<b>-3,130</b>	<b>46,716</b>	<b>189,056</b>
Minority interests	29,794	-	-2,943	-	2,706	-25	-1,388	14,296	42,440
<b>TOTAL</b>	<b>176,354</b>	<b>-</b>	<b>-10,679</b>	<b>6,882</b>	<b>2,706</b>	<b>-261</b>	<b>-4,518</b>	<b>61,012</b>	<b>231,496</b>

	Shareholders' equity at 01.01.02	Miscellaneous special reserves	Dividend paid net of dividend on treasury shares	Increase in capital	Effect of changes in the basis of consolidation	Other changes	Currency translation adjustments	Net profit	Shareholders' equity at 30.06.02
Capital	13,262	-	-	-	-	-	-	-	13,262
Share premium	8,712	-	-	-	-	-	-	-	8,712
General reserve	17,570	-	-	-	-	-	-	-	17,570
Reserve for treasury shares	937	793	-	-	-	-	-	-	1,730
Special reserve	3,100	-	-	-	-	-	-	-	3,100
Other reserves	15,300	-	-	-	-	-	-	-	15,300
Consolidated reserves	130,175	-793	-10,609	-	-	-	-10,870	17,839	125,742
<b>TOTAL - Group share</b>	<b>189,056</b>	<b>-</b>	<b>-10,609</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-10,870</b>	<b>17,839</b>	<b>185,416</b>
Minority interests	42,440	-	-5,316	-	-2,016	470	-1,563	8,634	42,649
<b>TOTAL</b>	<b>231,496</b>	<b>-</b>	<b>-15,925</b>	<b>-</b>	<b>-2,016</b>	<b>470</b>	<b>-12,433</b>	<b>26,473</b>	<b>228,065</b>



## CONSOLIDATED CASH FLOW STATEMENT

FOR 2002 AND 2001

	<b>30 June 2002</b>	<b>31 December 2001</b>
	<b>CHF 1,000</b>	<b>CHF 1,000</b>
<b>Cash flow from operating activities</b>		
Profit before tax	52,348	104,041
<b>Adjustments:</b>		
<b>Net financial income and exchange gain/loss</b>	-15,336	-19,666
Depreciation and amortisation	7,429	11,341
Exceptional items	1,110	-
<b>Net changes relating to operating activities before change in operating assets and liabilities</b>	<b>45,551</b>	<b>95,716</b>
Increase decrease in working capital	-32,932	-10,414
<b>Cash inflow from operating activities</b>	<b>12,619</b>	<b>85,302</b>
Taxes paid	-20,802	-42,763
<b>Net cash inflow from operating activities</b>	<b>-8,183</b>	<b>42,539</b>
<b>Cash flow from investment activities</b>		
Purchase/sale of marketable securities	8,692	754
Purchase/sale of treasury shares	420	-793
Purchase/sale of non-consolidated investments	544	9,676
Net financial income	15,655	17,656
Net acquisition of fixed assets	-3,639	-12,066
Net acquisition of intangible assets	-2,081	-11,697
<b>Net cash outflow from investment activities</b>	<b>19,591</b>	<b>3,530</b>
<b>Cash flow from financial activities</b>		
Change in receivables and debts related to shareholders and affiliated companies	-2,398	11,506
Increase/decrease in external financial debt	-	-2,279
Increase in capital	-	6,882
Effect of changes in the basis of consolidation	-1,546	2,681
Dividends and other payments outside Group	-5,108	-2,943
Dividends paid by the Company	-10,609	-7,736
<b>Net cash outflow from financing activities</b>	<b>-19,661</b>	<b>8,111</b>
<b>Exceptional income affecting cash flow</b>	-	-
Exchange gain/loss	-10,489	-3,011
<b>Net increase/decrease in cash and cash equivalents</b>	<b>-18,742</b>	<b>51,169</b>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **1. ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in compliance with the provisions of the Accounting and Reporting Recommendations (ARR), in accordance with the listing rules of the SWISS Stock Exchange, and include those of Compagnie Financière Tradition and its affiliates.

The same accounting policies have been applied in the preparation of these financial statements as those applied for year ended 31 December 2001.

## 2. BASIS OF CONSOLIDATION

### 2.1 Basis of consolidation at 30 June 2002

The table below shows the consolidated companies held, directly or indirectly, by Compagnie Financière Tradition and the method of consolidation used for each company:

	New companies	Country	Controlling interest	Equity interest	Capital (000 currency)	Method of consolidation
<b>1 - Financial companies</b>						
- <u>TRADITION SERVICE HOLDING S.A., LAUSANNE</u>		Switzerland	100.00%	100.00%	CHF 21,000	FCM
- <i>Tradition (UK) Ltd., London</i>		United Kingdom	100.00%	100.00%	GBP 15,050	FCM
- Tradition Bond Brokers Ltd., London		United Kingdom	100.00%	100.00%	GBP 8,410	FCM
- Tradition Securities (Kenya) Ltd., Nairobi		Kenya	70.00%	70.00%	KES 7,500	FCM
- <i>Monecor Ltd., London</i>		United Kingdom	100.00%	100.00%	EUR 10,621	FCM
- Euro Brokers Finacor Ltd., London		United Kingdom	50.00%	50.00%	GBP 4,650	PCM
- <i>Finacor Belgique S.A., Brussels</i>		Belgium	99.95%	99.95%	EUR 149	FCM
- Finacor & Associés S.A., Brussels		Belgium	50.00%	49.98%	EUR 2,125	PCM
- Arbitrage Change S.A., Luxembourg		Luxembourg	99.93%	99.93%	EUR 375	FCM
- <i>Finance 2000 S.A., Paris</i>		France	100.00%	100.00%	EUR 4,575	FCM
- VIEL Tradition S.A., Paris		France	100.00%	100.00%	EUR 9,099	FCM
- Finacor Deutschland GmbH, Munich		Germany	100.00%	100.00%	EUR 547	FCM
- <i>Tradition S.A., Lausanne</i>		Switzerland	100.00%	100.00%	CHF 100	FCM
- Tradition S.A., Luxembourg (branch)		Luxembourg	100.00%	100.00%	EUR 375	FCM
- Tradition Italia Sim S.p.A., Milan		Italy	100.00%	100.00%	EUR 1,550	FCM
- Fincor SGPS, Lisbon		Portugal	20.00%	20.00%	EUR 4,090	EM
- <i>Tradition (North America) Inc., New York</i>		U.S.A.	100.00%	100.00%	USD 14,500	FCM
- Tradition Asiel Securities Inc., New York		U.S.A.	100.00%	100.00%	USD n/s	FCM
- Tradition Securities (Delaware) Corp., Delaware		U.S.A.	100.00%	100.00%	USD n/s	FCM
- Govdesk, LLC, Redondo Beach, California		U.S.A.	35.00%	35.00%	USD 531	EM
- VIEL Debeausse and Co. Inc., New York		U.S.A.	91.00%	91.00%	USD 50	FCM
- Tradition Argentina S.A., Buenos Aires		Argentina	100.00%	100.00%	USD 12	FCM
- <i>Meitan Tradition Co. Ltd., Tokyo</i>		Japan	55.34%	55.34%	JPY 300,000	FCM
- Tradition Orient FX Co. Ltd.	✓	Japan	50.00%	27.67%	JPY 100,000	PCM
- Tradition (Asia) Ltd., Hong Kong		Hong Kong	100.00%	100.00%	HKD 25,000	FCM
- Ong Tradition Singapore (Pte) Ltd., Singapore		Singapore	100.00%	100.00%	SGD 300	FCM
- Tradition International S.A., Panama		Panama	100.00%	100.00%	USD 1,790	FCM
- <u>HOLDING TRADITION CLEARING, LAUSANNE</u>		Switzerland	100.00%	100.00%	CHF 100	FCM
- Tradition London Clearing Ltd., London		United Kingdom	100.00%	100.00%	GBP 1,000	FCM
- <i>Tradition Holding (U.S.A.) Inc., New York</i>		U.S.A.	100.00%	100.00%	USD 400	FCM
- Tradition (Global Clearing) Inc., New York		U.S.A.	100.00%	100.00%	USD n/s	FCM
- <u>HOLDING TRADITION SECURITIES S.A., LAUSANNE</u>		Switzerland	100.00%	100.00%	CHF 250	FCM
- Finacor Rabe AG, Frankfurt		Germany	73.53%	76.19%	EUR 8,500	FCM
- Tradition Eurobond S.A., Luxembourg		Luxembourg	100.00%	100.00%	EUR 500	FCM
- <i>Tradition Securities And Futures S.A., Paris and branches in London and Lausanne</i>		France	77.10%	77.10%	EUR 12,121	FCM
- MIA, Paris		France	55.00%	42.41%	EUR 1,976	FCM
- <u>TFS, LAUSANNE</u>		Switzerland	69.65%	69.65%	CHF 3,419	
- <i>Tradition Financial Services Ltd., London and its Swedish branch</i>		United Kingdom	100.00%	69.65%	GBP 250	FCM
- <u>TFS-ICAP Holding Ltd., London</u>	✓	United Kingdom	50.00%	38.31%	GBP 2,240	PCM
- TFS-ICAP Ltd., London		United Kingdom	100.00%	38.31%	GBP 2,240	PCM
- TFS Derivatives Ltd., London		United Kingdom	100.00%	69.65%	GBP 1,200	PCM
- Equitek Capital Ltd., London		United Kingdom	100.00%	69.65%	GBP 1,200	FCM

	New companies	Country	Controlling interest	Equity interest	Capital (000 currency)	Method of consolidation
- TFS Futures & Options Pty. Ltd., Johannesburg		South Africa	100.00%	69.65%	ZAR 250	FCM
- TFS Securities Pty. Ltd., Johannesburg	✓	South Africa	100.00%	69.65%	ZAR 100	FCM
- Tradition Financial Services GmbH, Frankfurt		Germany	100.00%	55.91%	EUR 153	FCM
- <b>Tradition Financial Services Inc., New York</b>		U.S.A.	100.00%	69.65%	USD 50	FCM
- TFS Derivatives Corp., New York		U.S.A.	100.00%	69.65%	USD 95	FCM
- TFS ICAP LLC, New York		U.S.A.	50.00%	38.31%	USD n/s	PCM
- TFS Energy LLC, Stamford		U.S.A.	53.00%	36.91%	USD n/s	FCM
- TFS Energy Futures LLC, Stamford		U.S.A.	100.00%	36.91%	USD 35	FCM
- TFS Blackwood LLC, New York and its London branch, TFSB Ltd.		U.S.A.	93.75%	65.30%	USD 1,000	FCM
- Equitek Capital Inc., Delaware		U.S.A.	100.00%	69.65%	USD n/s	FCM
- <u>Capstone Global Energy LLC, Houston</u>		U.S.A.	57.50%	40.05%	- -	FCM
- Current Capital LP, Houston	✓	U.S.A.	50.49%	20.22%	- -	FCM
- Current Capital LLC, Houston	✓	U.S.A.	51.00%	20.42%	- -	FCM
- TFS Australia Pty. Ltd., Sydney		Australia	100.00%	69.65%	AUD 5	FCM
- Tradition Financial Services Japan Ltd., Tokyo		British Virgin Islands	100.00%	69.65%	USD 50	FCM
- Tradition Financial Services (Hong Kong) Ltd., Hong Kong		Hong Kong	100.00%	69.65%	HKD 200	FCM
- TFS Energy (S) Pte Ltd., Singapore		Singapore	100.00%	69.65%	SGD 100	FCM
- TFS Currencies Pte Ltd., Singapore		Singapore	100.00%	69.65%	SGD 1,000	FCM
- <b>TRC Lausanne, Lausanne</b>		Switzerland	100.00%	69.65%	CHF 100	FCM
- <u>The Recruitment Company Holdings Inc., Delaware</u>	✓	U.S.A.	75.50%	52.59%	USD n/s	FCM
- The Recruitment Company Ltd., London		United Kingdom	100.00%	52.59%	GBP n/s	FCM
- The Recruitment Company Inc., New York		U.S.A.	100.00%	52.59%	USD n/s	FCM
- The Recruitment Company Pty. Ltd., Sydney		Australia	100.00%	52.59%	AUD n/s	FCM
- The Recruitment Company Ltd., Hong Kong		Hong Kong	100.00%	52.59%	GBP n/s	FCM
- Cofitra Investments Inc., British Virgin Islands		British Virgin Islands	100.00%	100.00%	USD 6,000	FCM
<b>2 - Entreprises non financières</b>						
- HKI Systems Ltd, London		United Kingdom	50.03%	34.85%	GBP n/s	FCM
- Tradcom Management, Lausanne		Switzerland	100.00%	100.00%	CHF 100	FCM
- Tradificom International, Lausanne		Switzerland	100.00%	100.00%	CHF 100	FCM
- Infotec S.A., Geneva		Switzerland	45.53%	45.53%	CHF 10,000	EM
- <b>StreamingEdge.com Inc., New Jersey</b>		U.S.A.	60.00%	60.00%	USD 1,000	EM
- StreamingEdge (Canada) Inc., Toronto		Canada	100.00%	60.00%	CAD n/s	EM

All affiliates and major companies in which Compagnie Financière Tradition has a direct or indirect equity interest are active in the brokerage of financial products and their derivatives, with the exception of Tradcom Management and Tradificom International, service providers in the telecommunications and IT sectors working exclusively for the Group. Infotec S.A., an online financial information portal and StreamingEdge.com Inc. and its Canadian subsidiary, developers of online transactional platforms, were consolidated using the equity method since the nature of their activities was different from those of the Group.

## **2.2 Changes in the-basis of consolidation**

The main changes in the basis of consolidation in the 1<sup>st</sup> half of 2002 were as follows:

### **TFS**

- TFS-ICAP Holdings Ltd., capitalised at GBP 2,240,000, is 55% owned by Tradition Financial Services Ltd., London (50% control of equity voting rights). In March 2002, the company received a contribution of 100% of the capital of TFS-ICAP Ltd., in which Tradition Financial Services Ltd. previously owned a 55% direct interest.
- TFS Securities Pty. Ltd., an equities broker, was created in February 2002 with a capitalisation of ZAR 100,000. This 100% owned subsidiary of Tradition Financial Services Ltd., London, became a member of the Johannesburg Stock Exchange (JSE) in April 2002.
- Current Capital LP, Current Capital LLC, joint ventures created with Harvard Private Capital Properties III Inc. in 2002, are companies in which Capstone Global Energy LLC has respectively 50.49% and 51.00% participating interests. Capstone Global Energy and its affiliates provide consulting and project structuring services to clients in the energy markets.
- TRC Holdings Inc., a newly created American company, received a contribution from TRC Lausanne of its holdings in The Recruitment Company Ltd., London, The Recruitment Company Inc., New York and The Recruitment Company Ltd., Sydney, in exchange for 75.5% of its capital. It also holds 100% of the capital of The Recruitment Company Ltd., Hong Kong, a newly created company, which took over the business activities of The Recruitment Company Ltd., BVI. TRC Lausanne's minority interests in TRC Holdings Inc., for a negative amount of CHF 886,000, were fully provisioned at 30 June 2002.

### **TSH**

Meitan Tradition Co. Ltd. created a joint venture with Orient Trading Co. Ltd. - Tradition FX Orient Co. Ltd. - capitalised at JPY 100 million, in which it has a 50% stake. This new company, consolidated at 30 June 2002 using the proportional consolidation method, began operations in April 2002 as an online retail broker of currency instruments.

### 3. NOTES TO THE CONSOLIDATED BALANCE SHEET

#### 3.1 Cash and cash equivalents

##### Net liquid assets

	<b>30 June 2002</b>	<b>31 December 2001</b>
	<b>CHF (000s)</b>	<b>CHF (000s)</b>
Cash and call deposits	121,371	115,676
Short-term deposits	47,953	58,035
Short-term bank borrowings	-47,041	-32,686
Net cash at end of period	122,283	141,025
Net cash at 1 January	141,025	89,856
<b>Net cash inflow/outflow during the period</b>	<b>-18,742</b>	<b>51,169</b>

This change in cash position during the year is detailed in the consolidated cash flow statement.

##### Marketable securities

The marketable securities portfolio comprised the following:

	<b>30 June 2002</b>	<b>31 December 2001</b>
	<b>CHF (000s)</b>	<b>CHF (000s)</b>
Short-term cash products	28,911	28,185
Bonds	1,116	1,444
Shares	9,912	17,730
Investment funds	2,292	2,381
Gross total	42,231	49,740
Provisions for depreciation	-1,796	-613
<b>TOTAL</b>	<b>40,435</b>	<b>49,127</b>

#### 3.2 Trade debtors

These are short-term receivables representing a net amount of CHF 129 898 000 at 30 June 2002, compared to CHF 130 505 000 at 30 December 2001. They are booked at face value after deduction of economically necessary provisions.

### 3.3 Intangible fixed assets

Intangible fixed assets comprised the following:

	<u>30 June 2002</u>			<u>31 December 2001</u>		
	<u>CHF (000s)</u>			<u>CHF (000s)</u>		
	<b>Gross</b>	<b>Amort.</b>	<b>Net</b>	<b>Gross</b>	<b>Amort.</b>	<b>Net</b>
Telephone rights	2,059	1,638	421	2,112	1,568	544
Intangible business assets	1,696	555	1,141	1,487	168	1,319
Goodwill	13,652	2,647	11,005	13,452	1,959	11,443
Other intangible fixed assets	15,411	10,892	4,519	13,680	9,016	4,664
<b>TOTAL</b>	<b><u>32,818</u></b>	<b><u>15,732</u></b>	<b><u>17,086</u></b>	<b><u>30,731</u></b>	<b><u>12,711</u></b>	<b><u>18,020</u></b>

### 3.4 Contingency and loss provisions

Contingency and loss provisions at 30 June 2002 were as follows:

	<u>30 June 2002</u>	<u>31 December 2001</u>
	<u>CHF (000s)</u>	<u>CHF (000s)</u>
Provisions for pension benefits	3,737	3,988
Negative value of Infotec S.A. consolidated under the equity method	6,065	4,841
Negative goodwill	1,237	4,612
Other contingent liabilities	3,890	948
	<b><u>14,929</u></b>	<b><u>14,389</u></b>

Negative goodwill was recognised on two acquisitions made in June 2001: Finacor Belgique S.A., in the amount of CHF 1,855,000, and Monecor Ltd. in the amount of CHF 3,066,000. Negative goodwill on Finacor Belgique S.A. is being amortised over three years, resulting in an income of CHF 309,000 in the first half of 2002, recognised under "Goodwill amortisation".

The negative goodwill in respect of Monecor arises from legal contingencies. Monecor has a 50% participating interest in the English company Eurobrokers Finacor Ltd. (EBFL), a joint venture operated by Finacor and Maxcor Financial Group Inc., an American financial broker. On 28 December 2000, Maxcor Financial Group Inc. invoked a provision of the shareholders' agreement signed with Monecor, in a move to buy out Monecor's stake on the basis of 70% of the company's equity at that date, while maintaining Monecor's presence on EBFL's Board. In May of this year, the English court ruled in favour of Maxcor Financial Group Inc., and Monecor immediately appealed the ruling. The sale of Eurobrokers Finacor Ltd. shares has been suspended by the appeal, scheduled for hearing early in 2003.

In light of these events, EBFL continued to be accounted for at 30 June 2002 using the proportional consolidation method. The company contributed CHF 15.0 million to consolidated turnover and CHF 0.7 million to Group share of consolidated net profit during the period. However, in accordance with the prudence concept, a contingency provision of CHF 3,890,000 was booked at 30 June 2002, CHF 3,066,000 of which came from reclassification of the original negative goodwill. This provision was calculated on the basis of the difference between the likely sale price of Compagnie Financière Tradition's indirect stake in EBFL and EBFL's contribution to consolidated equity at 30 June 2002.

#### 4. NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

##### 4.1 Net turnover

Consolidated net turnover rose 6.2% to CHF 433.9 million of consolidated net income, up from CHF 408.4 million a year earlier. This represents an increase of 1.5% in constant terms.

Turnover is generated from commissions on pure brokerage operations conducted by Compagnie Financière Tradition's affiliates for a broad clientele of banks, financial institutions and large corporations. A very marginal input (less than 1%) came from revenues on arbitrage operations in the regulated markets, earned by Tradition Securities And Futures S.A. during the period.

The segmental and geographical analysis of revenues is as follows:

CHF (000s)	TSH		TFS		HTS		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
Europe	108,669	99,762	43,363	34,729	48,237	42,282	200,269	176,773
United States	129,881	133,535	38,117	34,873	-	-	167,998	168,408
Asia – Pacific	53,772	52,281	11,861	10,920	-	-	65,633	63,201
<b>Total</b>	<b>292,322</b>	<b>285,578</b>	<b>93,341</b>	<b>80,522</b>	<b>48,237</b>	<b>42,282</b>	<b>433,900</b>	<b>408,382</b>

TSH, Tradition Service Holding, is a broker specialised in money market products, interest rate derivatives and credit derivatives. TFS is a broker in currency options and equity derivatives, as well as energy and precious metals. HTS, Holding Tradition Securities, brokers exchange-traded securities.

##### 4.2 Other operating income

Other operating income, totalling CHF 6,631,000, includes income of CHF 117,000 relating to the TFS-ICAP joint venture, and indemnities totalling CHF 6,262,000 booked by Compagnie Financière Tradition's two U.S. subsidiaries, Tradition (North America) Inc. and Tradition Financial Services Inc., in the wake of the September 11 attacks in New York. This amount includes indemnities of CHF 245,000, received in April 2002 from the City of New York, and insurance payouts of CHF 6,017,000 for lost revenues.



### 4.3 Net financial income

This item may be summarised as follows:

	<u>30 June 2002</u>	<u>30 June 2001</u>
	<u>CHF (000s)</u>	<u>CHF (000s)</u>
Income from investments	266	1,220
Capital gains on investments and marketable securities	14,362	-
Interest and exchange gains and losses	1,892	4,729
Provisions on investments	-1,184	-
<b>TOTAL</b>	<b><u>15,336</u></b>	<b><u>5,949</u></b>

Financial income, which rose to CHF 15,336,000 from CHF 5,949,000 in the first half of 2001, comprises interest from the replacement of short-term cash, interest paid on consolidated short-term debt, and exchange gains and losses.

This item also includes revenues of CHF 266,000 from non-consolidated holdings, against CHF 1,220,000 in the first half of 2001, and net capital gains of CHF 14,362,000 on the sale of securities and investments (zero in H1 2001). A consolidated capital gain of CHF 14,101,000 was realised on the sale of the stake in Euronext N.V., held by Compagnie Financière Tradition's subsidiary MIA (impacting Group share of net profit by CHF 3,896,000).

### 4.4 Exceptional items

	<u>30 June 2002</u>	<u>30 June 2001</u>
	<u>CHF (000s)</u>	<u>CHF (000s)</u>
<b>Exceptional income</b>		
Partial use of the contingency provision	948	-
	<u>948</u>	<u>-</u>
<b>Exceptional expenses</b>		
Other exceptional items	-	-
	<u>-2,058</u>	<u>-</u>
<b>NET EXCEPTIONAL ITEMS</b>	<b><u>-1,110</u></b>	<b><u>-</u></b>

A contingency and loss provision was set aside in 1996 and 1997, amounting to CHF 9,865,000 at 31 December 1997, to cover risks involving Compagnie Financière Tradition and some of its subsidiaries. This provision was fully written back at 30 June 2002. Partial write-backs were made in each of the years 1998, 1999, 2001 and 2002, at the same time as those subsidiaries took exceptional charges for costs and penalties sustained, in the amount of CHF 5,647,000 in 1998, CHF 842,000 in 1999, CHF 2,428,000 in 2001 and CHF 948,000 in the first half of 2002.

An exceptional contingency and loss provision of CHF 824,000 was recognised in connection with litigation involving Maxcor Financial Group Inc. (cf. Note 3.4), as well as CHF 286,000 of expenses relating to the case.

### 3. REVIEW REPORT ON THE HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS

To the attention of the Board of Directors of

**Compagnie Financière Tradition**  
**Lausanne**

According to the terms of our engagement, we have reviewed the half-yearly consolidated financial statements of Compagnie Financière Tradition, Lausanne for the period from January 1<sup>st</sup> 2002 to June 30<sup>th</sup> 2002.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to issue a report on these consolidated financial statements based on our review.

Our review was conducted in accordance with standards promulgated by the Swiss profession, which require that a review be planned and performed to obtain moderate assurance about whether the half-yearly consolidated financial statements are free from material misstatement. A review provides less assurance than an audit. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data on which the half-yearly consolidated statements are based. We have not performed an audit, and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly financial statements do not give a true and fair view of the financial position and the results of operations in accordance with the Swiss GAAP ARR.

Lausanne, September 19<sup>th</sup> 2002

Ernst & Young S.A.

Florian Magnollay  
Swiss Certified Accountant

Jacques Fournier  
Swiss Certified Accountant  
in charge of the audit

**Enclosures:**

- Half-yearly consolidated financial statements as of June 30<sup>th</sup> 2002
- Activity report for the 1<sup>st</sup> semester 2002