

# 2008 First Half Results

Zurich - 4 September 2008



Compagnie Financière Tradition

# Agenda

1. Tradition at a glance
2. Industry dynamics
3. 2008 first half performance
4. CFT share on SWX
5. Strategic outlook

# 1. Tradition at a glance



Compagnie Financière Tradition





# Roadmap based on long term view on the industry

## □ H1 2008 : solid growth

- Turnover up
  - 31.8% in constant currency terms
  - 16.5% in current currency terms
- Operating profit CHF 99.8m
- Profit before tax CHF 103.4m
- Net profit from continuing operations CHF 58.8m
- Net profit group share CHF 46.5m

## □ Strategic rationale

- Critical size
- Organic growth
- Sound balance sheet
- Attractive dividend policy

## □ A fast evolving industry

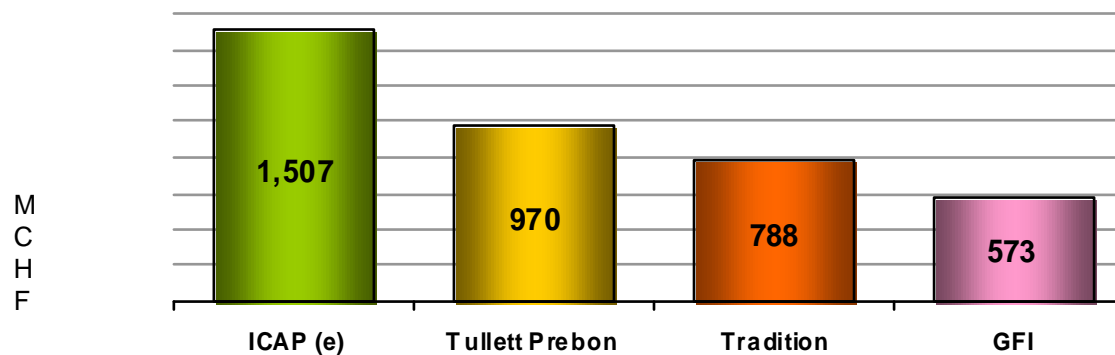
- Consolidation around global players
- Structural changes in market structure
- Short and medium term impact of the credit crisis

# Tradition is the third largest Interdealer Broker (« IDB ») in the world

## □ One of the very few global leaders of the sector

- Significant scale
- Diverse sources of revenues across the three time zones
- A global product offer covering exchange-traded and OTC instruments
- Strong positioning in high-growth derivatives markets

**Global positioning**  
peer group overview – H1 2008 turnover\*



\*Turnover includes brokerage revenues net of clearing fees and information services  
GBP and USD translated in CHF at H1 2008 average exchange rates  
For ICAP, estimates from Reuters Knowledge as of 12 August 2008



## IDBs play a critical role

- ❑ Smoothing the process of price discovery
- ❑ Sourcing counterparty and bringing the various market participants together
- ❑ Showing liquidity and market depth
- ❑ Providing transparency
- ❑ Facilitating the development of the secondary market
- ❑ Primarily in the **Over-the-Counter (OTC)** markets
  - More recently expanding to exchange-traded instruments
- ❑ **Highly skilled and efficient execution capabilities**
- ❑ Holding no position in the market
- ❑ Having an independent role
- ❑ Earning commission for arranging trades at pre-agreed fees

# Key revenue drivers

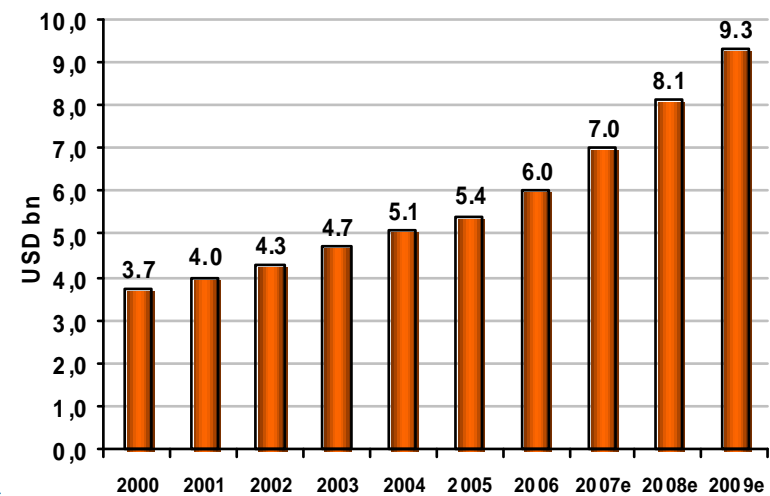
## ❑ Revenue sources - Execution

- Agency & Matched principal

## ❑ Drivers – Volumes + Market penetration

- Macroeconomic performance/uncertainty
- Interest rate movements
- Budget imbalances, bond issuance, credit cycle
- Markets volatility/liquidity
- Emerging economies
- Financial innovation
- Technology
- Activity of new investor groups

## Growth in IDB revenues

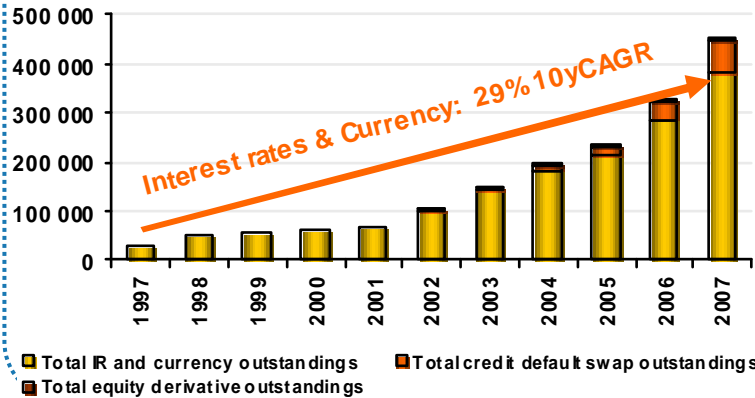


Source: Celent

# Transactions volumes have grown substantially over time

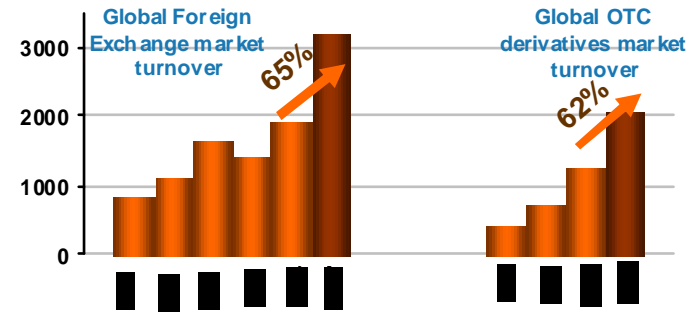
## ISDA - Market Survey

Notional amounts outstanding at year end in USD bn



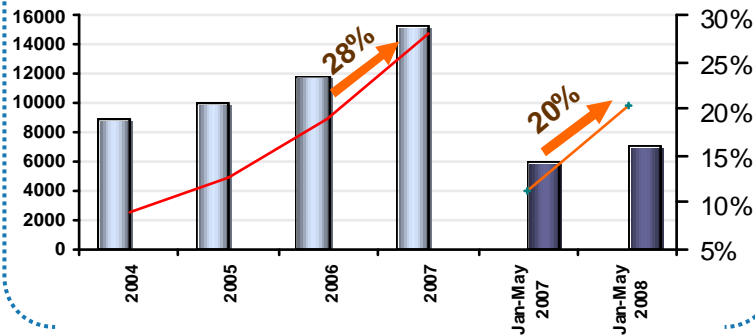
## BIS - Triennial Central Bank Survey

Average daily turnover in April in USD bn



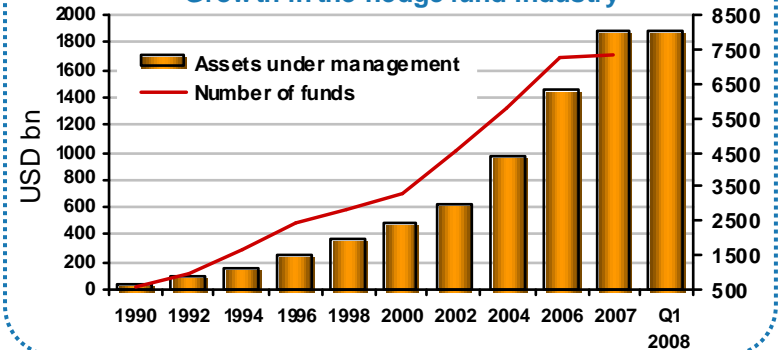
## FIA - Growth in global futures and options trading

In millions of contracts and annual growth rates



## McKinsey Global Institute

Growth in the hedge fund industry





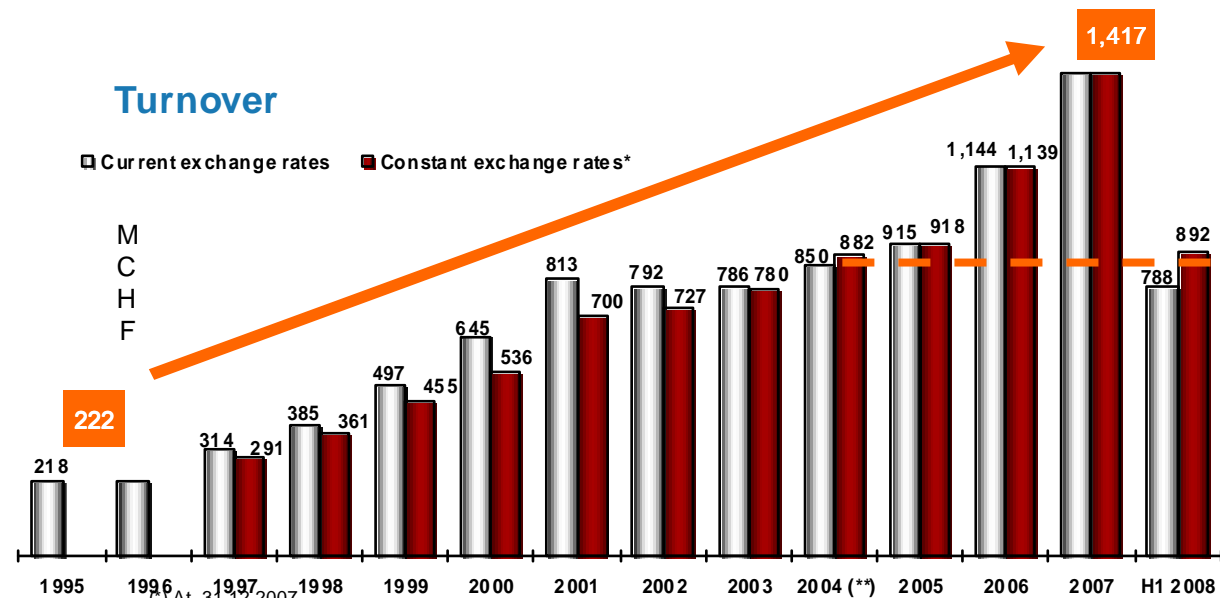
# Tradition has a track record of organic growth and innovation

- ❑ Founded in 1959 in Lausanne
- ❑ Listed on SWX since 1973
- ❑ VIEL & Cie acquired Compagnie Financière Tradition in 1996

- 16.2% 1997 - 2007 CAGR in current terms
- 17.1% 1997 - 2007 CAGR in 2007 constant currency terms

## Turnover

❑ Current exchange rates   ■ Constant exchange rates\*

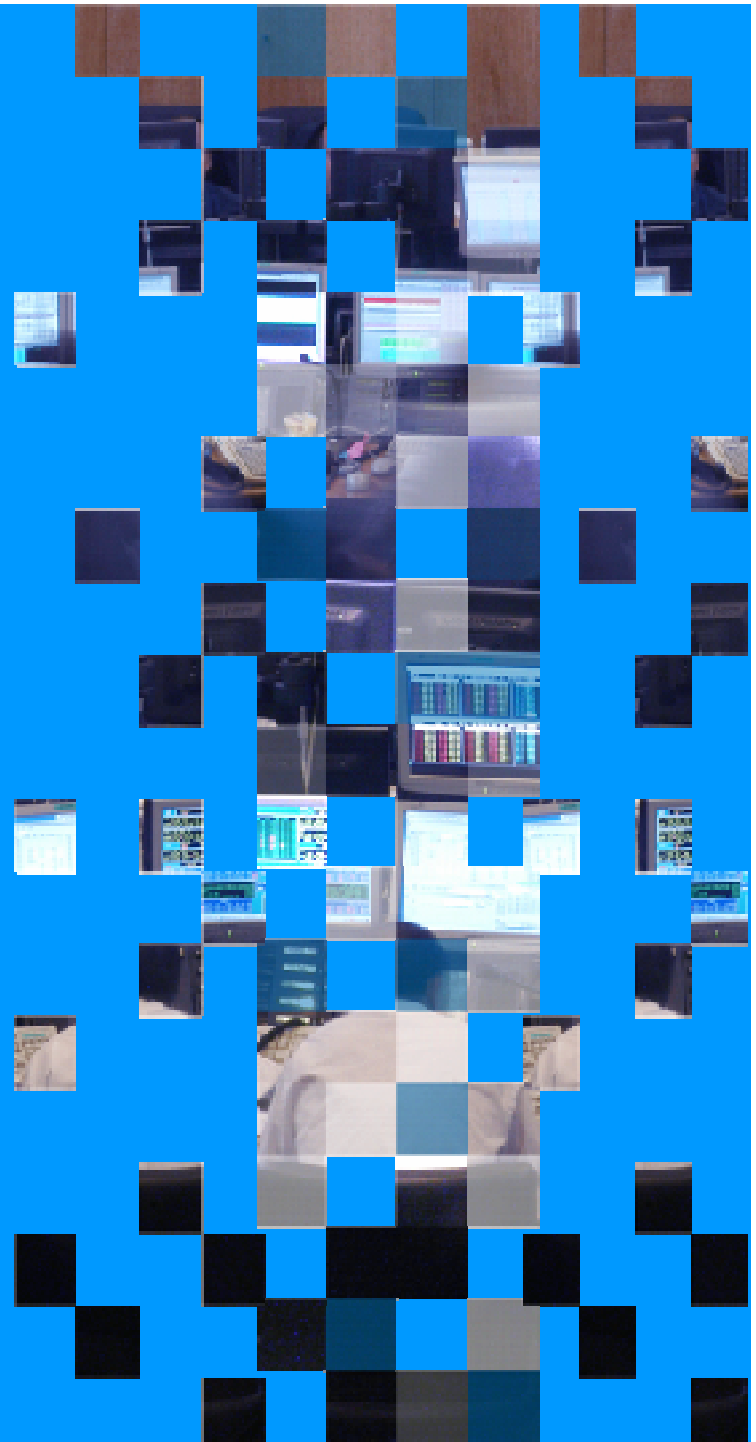


(\*) At 31.12.2007  
 (\*\*) IFRS since 2004  
 EBFL excluded in 2001  
 2005-2006-2007 exclude discontinued activities

## 2. Industry dynamics



Compagnie Financière Tradition



# Market structure driving strategic thinking

## IDBs

### *Focus on market evolution*

5 players with revenues above \$900m  
Leading players in the transactional value chain  
Continuously seeking scale in terms of products & geography

## Futures Brokers

### *Increased visibility of the global leaders*

2 players with revenues around \$1.5bn  
Their transactional services smaller in size than that of global IDBs

## Opportunities

- ✓ Search for liquidity, absolute return & efficiency in risk transfer
- ✓ Portfolio diversification & internationalisation
- ✓ Emergence of new markets
- ✓ Convergence/Consolidation

## Exchanges

### *Consolidation rush*

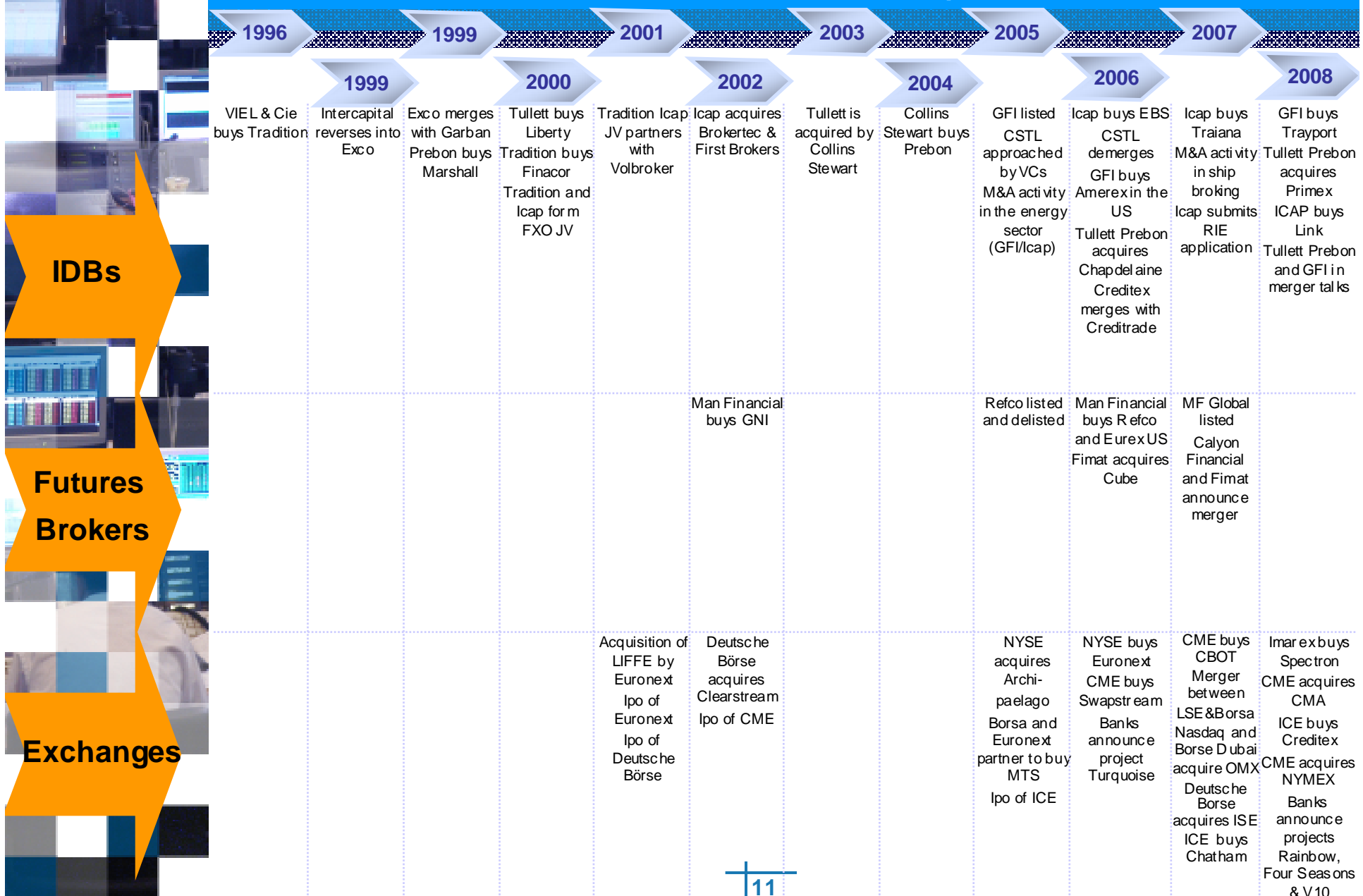
CME/CBOT/NYMEX  
Deutsche Borse/ISE  
LSE/Borsa - OMX/Nasdaq - Dubai  
High PE and market cap  
Search for efficiencies and ways to enter the OTC space

## Global themes

### *New market power paradigm*

Unprecedented combination of macroeconomic factors  
Impact of credit crisis  
Client segmentation  
Electronification  
Diversification of business models  
New cash equities execution venues

# Space marked by demutualisation, consolidation and « coopetition »



IDBs

Futures Brokers

Exchanges

# Short and long term impact of current environment

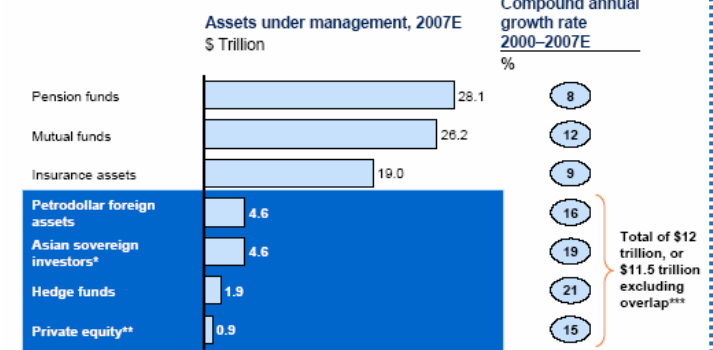
## Unusual market conditions started last summer

- Sharp fall in interbank confidence
  - Liquidity shortage
- Extreme levels of volatility
- > USD 500bn of write-downs
  - With additional to come
  - Europe representing 45% of the total

## Unprecedented combination of challenges

- For financial institutions and governments
- Urgent and dramatic need for a rapid and large recapitalisation of banks
  - Disposal of assets, new opportunities for cash rich financial institutions
- New roles for central banks
  - Forced to intervene as liquidity supplier of « last resort »
  - Managing rescue operations
- Rising structural inflation (record oil prices, rising commodity prices)
- New geographical power distribution among financial players

### NEW POWER BROKERS' ASSETS UNDER MANAGEMENT REACHED \$11.5 TRILLION BY END OF 2007



\* Includes Asian central banks (\$3.9 trillion) and Asian sovereign wealth funds (\$870 billion).  
 \*\* Leveraged buyout funds only.  
 \*\*\* Excludes investments of oil and Asian investors in private equity and hedge funds.  
 Source: International Financial Services, London; Hedge Fund Research; Investment Company Institute; Preqin; McKinsey Global Institute analysis

FIGURE 5.  
Which market centers, if any, will be as dominant or more dominant than New York, London and Tokyo by year 2025?

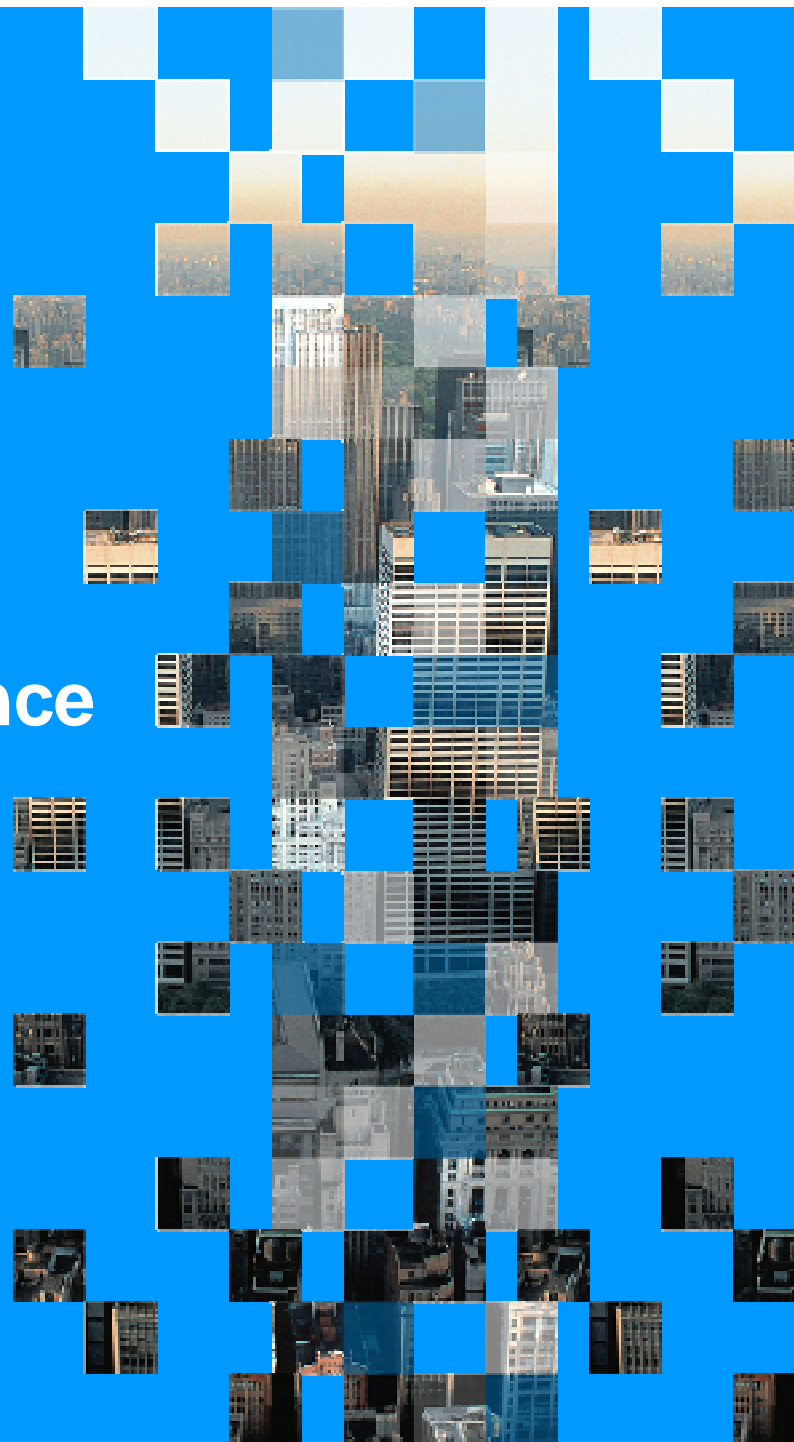


Source: IBM Institute for Business Value/EIU 2007 financial markets executive survey.

### 3. 2008 first half performance



Compagnie Financière Tradition



# H1 2008 overview

Turnover

+16.5%

Expenses

+15.4%

Operating profit

+22.7%

Operating margin

12.0%

PBT

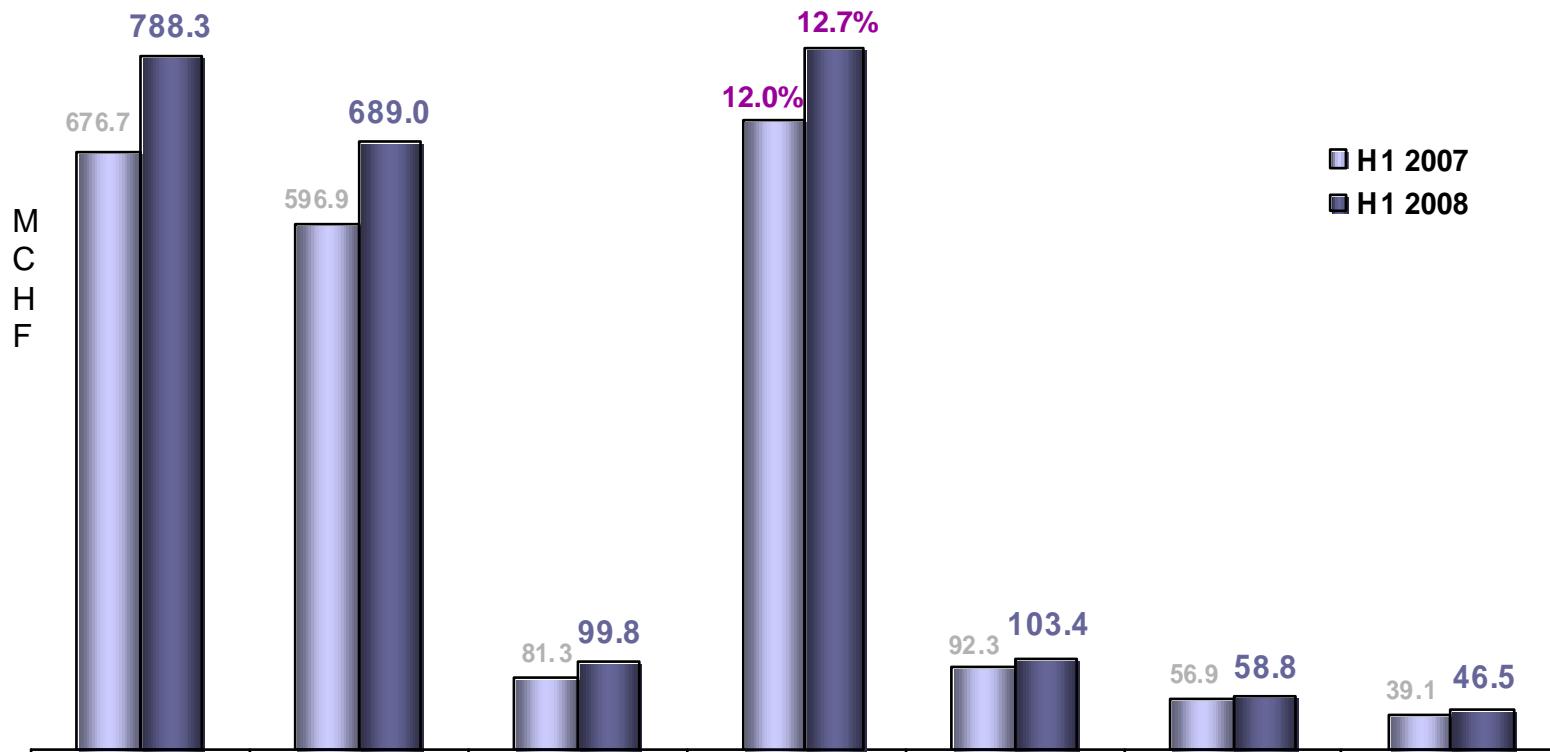
+12.0%

Net profit from cont. operations

+3.3%

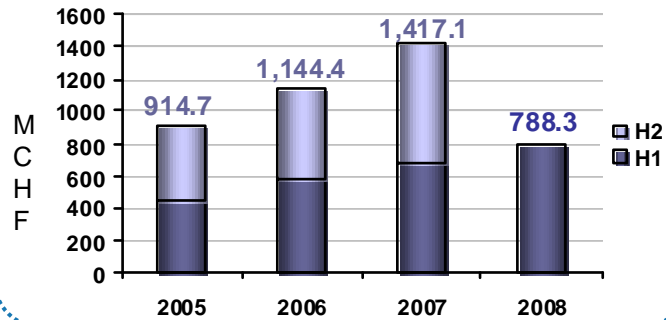
Net profit group share

+18.9%



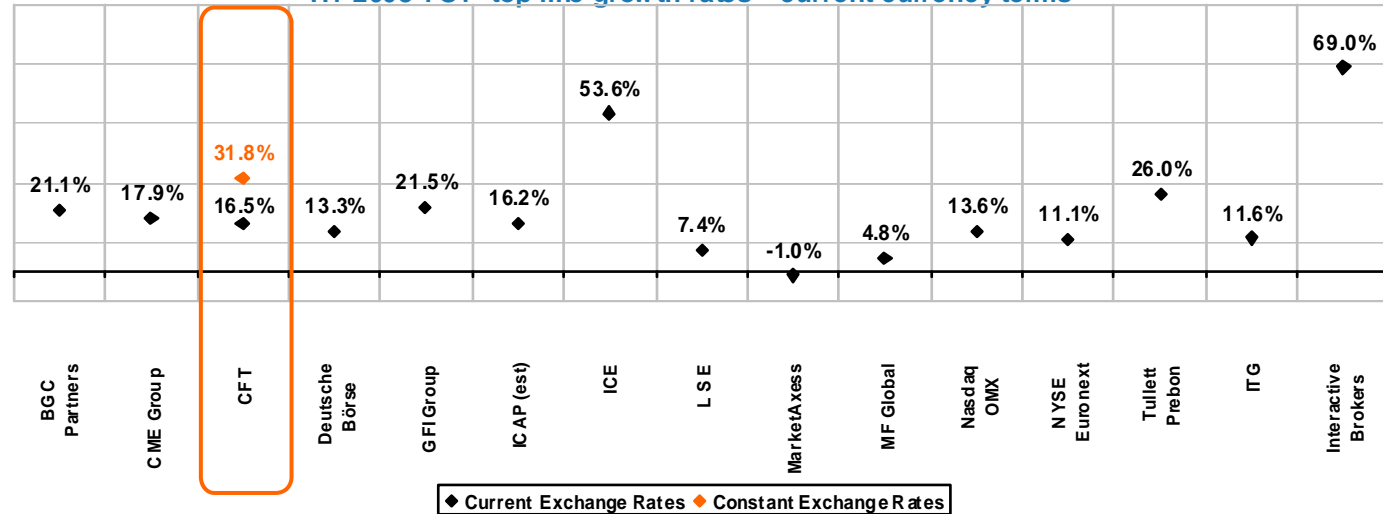
# Sustained organic growth

## Half year and yearly turnover in current currency terms



## Sector overview

### H1 2008 YOY top line growth rates – current currency terms

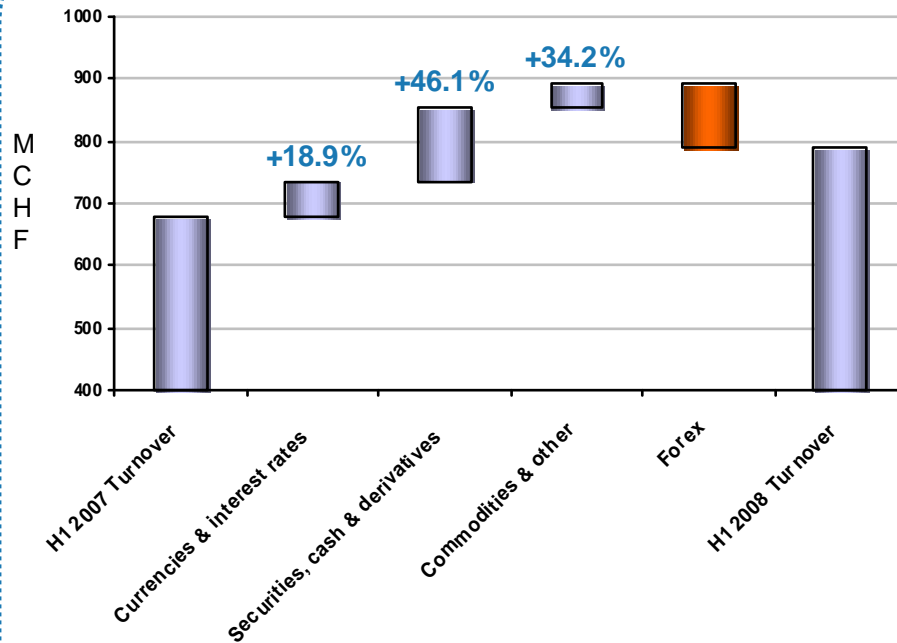


Estimates from Reuters Knowledge as of August 12 for half year figures for ICAP



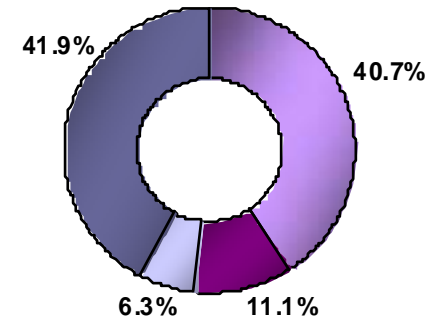
# Favourable market conditions for equity derivatives, commodities and rates

## Turnover by product – H1 2008 bridge

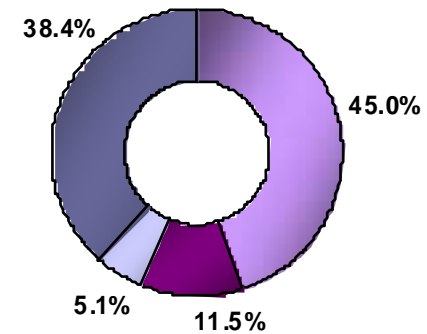


All percentages based on calculations in constant currency terms

## H1 2008



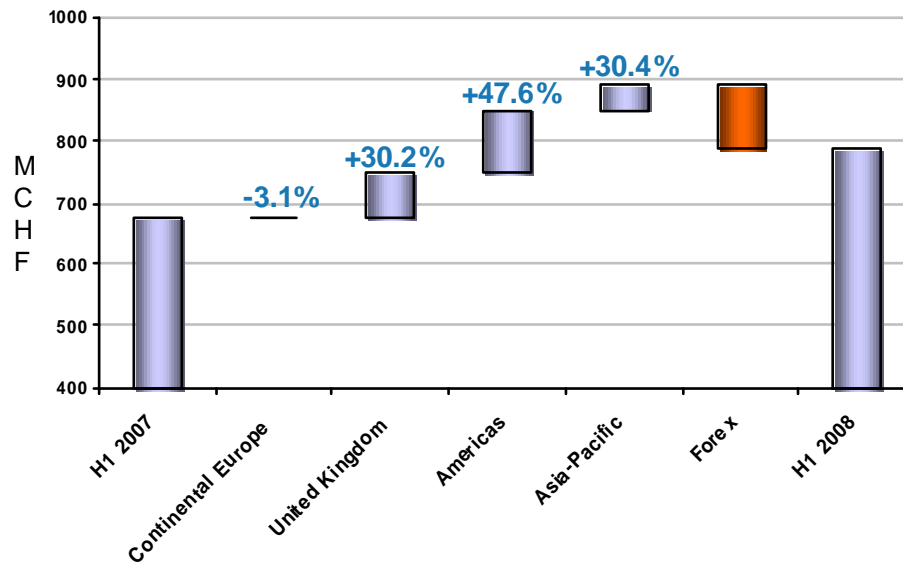
## H1 2007



- Currencies & interest rates
- Securities, cash & derivatives
- Other activities
- Commodities

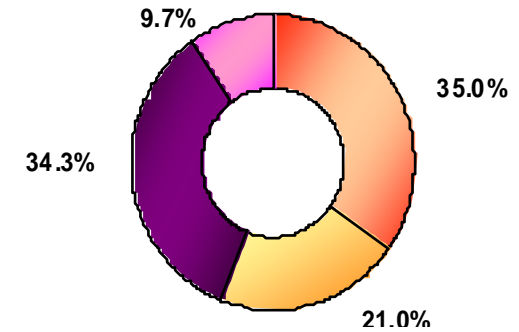
# Top line engines in the three time zones

## Turnover by region – H1 2008 bridge

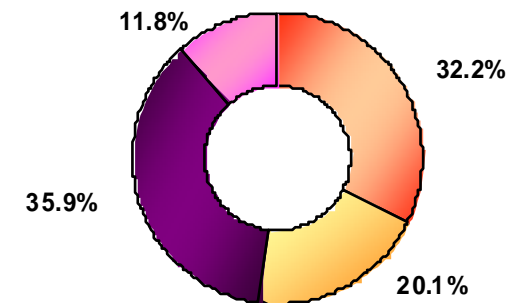


All percentages based on calculations in constant currency terms  
 \* Growth rates are calculated with scope of consolidation in 2007 applied to 2006 revenues

### H1 2008



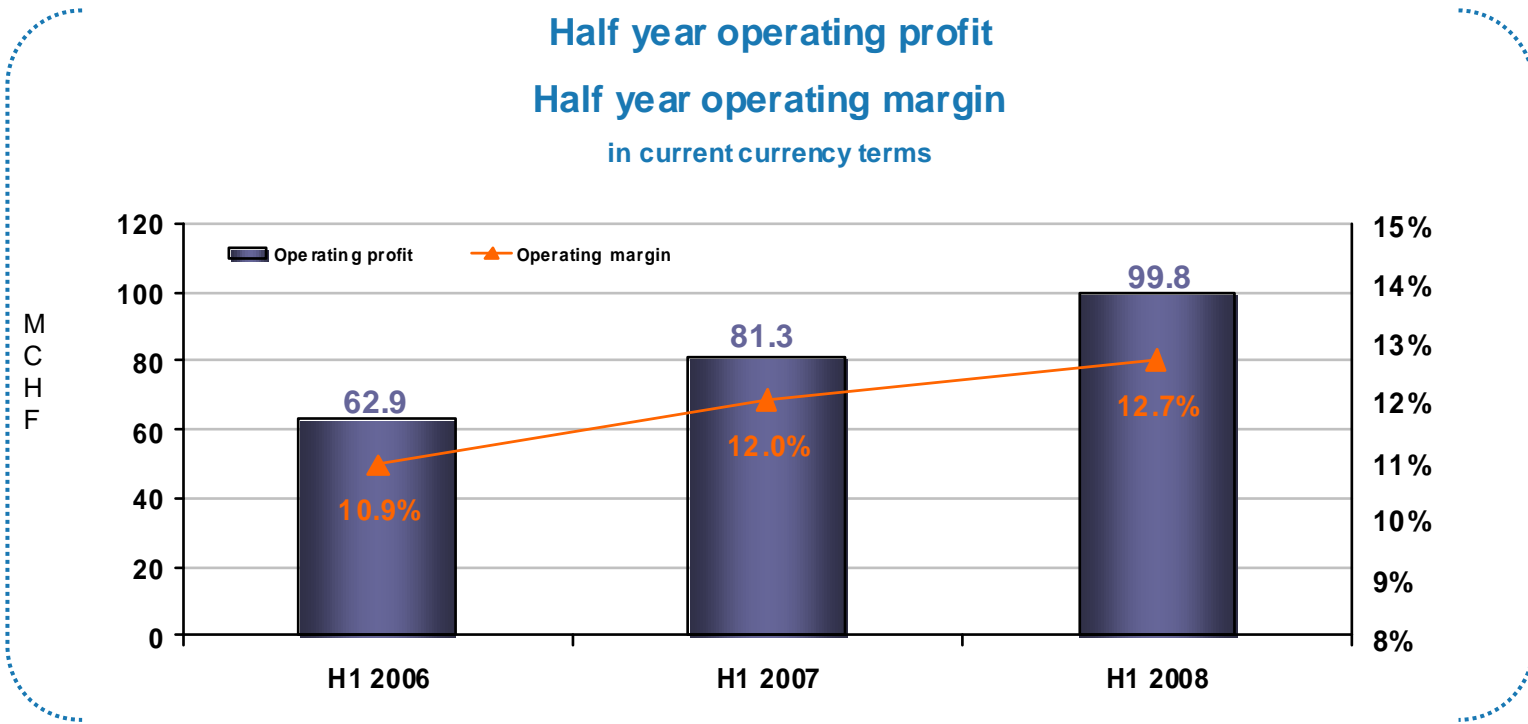
### H1 2007



■ Continental Europe      ■ Americas  
■ United Kingdom      ■ Asia-Pacific

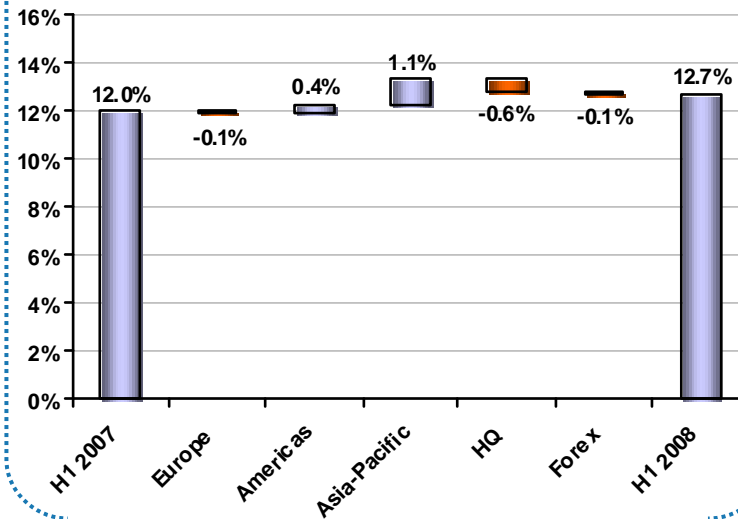
# Operating profit increased by 22.7%

Half year operating profit  
Half year operating margin  
in current currency terms

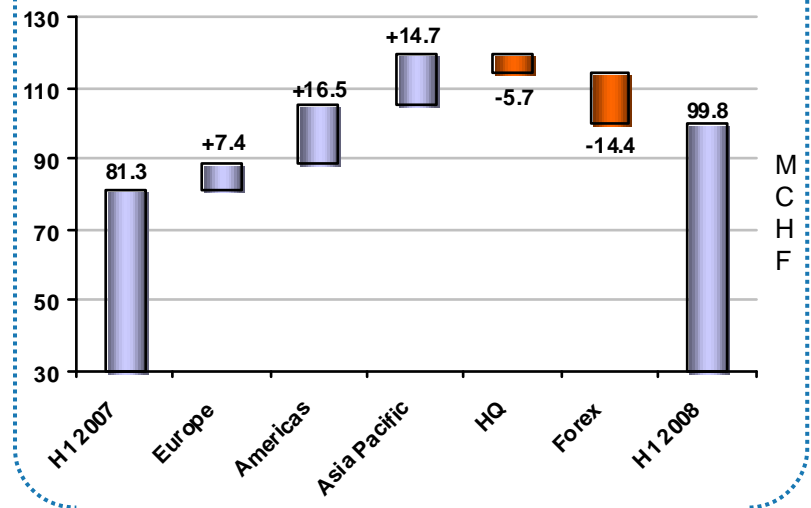


# Operating margin improved to 12.7%

Operating margin – H1 2008 bridge



Operating profit – H1 2008 bridge



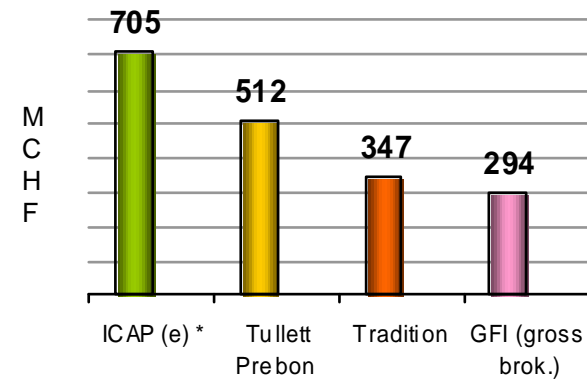
- ❑ Positive impact of 0.5% from recovery of 2007 underperforming UK operations
- ❑ Sustained level of profitability in Asia-Pacific
- ❑ Negative impact of 1.6% from exceptional items

# Europe: positive impact of 2007 reorganisation

## P&L dynamics before HQ costs

MCHF	H1 2008	Variance vs H1 2007
<b>Turnover</b>	347.0	+7.5%
<b>Expenses</b>	315.0	+7.3%
	H1 2008	H1 2007
<b>Margin</b>	9.2%	9.1%

## Regional positioning peer group overview – H1 2008 turnover

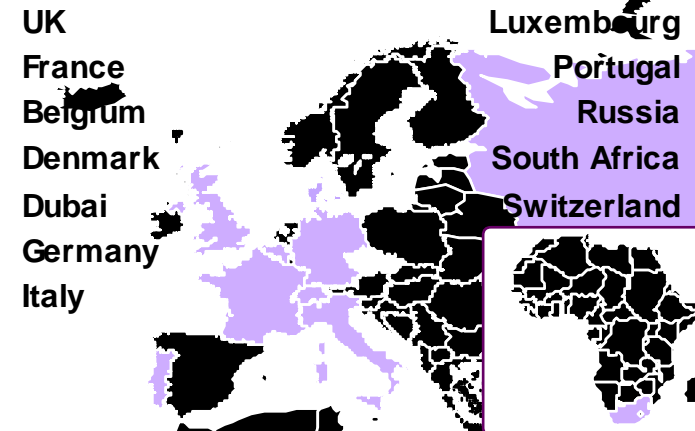


\* Estimates from Reuters Knowledge as of 12 August - regional contribution as per last company report

## Comments

- Equity derivatives, commodities and capital markets leading the growth in the UK
- London new office under one single management
- Turnaround of 2007 underperforming UK operations
- Decline outside UK

## Presence

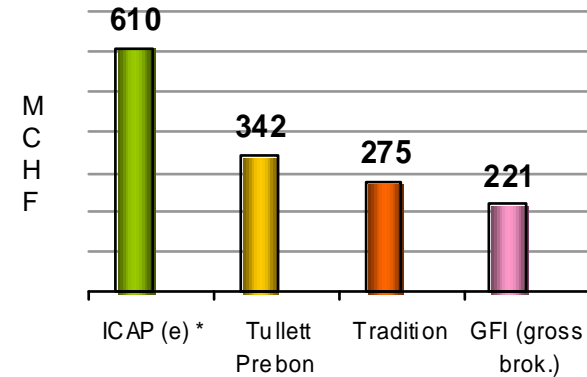


# Americas: a solid performance

## P&L dynamics before HQ costs

MCHF	H1 2008	Variance vs H1 2007
<b>Turnover</b>	275.5	+26.5%
<b>Expenses</b>	234.1	+26.3%
	H1 2008	H1 2007
<b>Margin</b>	15.0%	14.9%

## Regional positioning peer group overview – H1 2008 turnover



\* Estimates from Reuters Knowledge as of 12 August - regional contribution as per last company report

## Comments

- ❑ Strong top line performance across a wide variety of products
- ❑ Good level of cost control
- ❑ Continued investment in new teams

## Presence

USA  
Argentina  
Chili  
Columbia  
Mexico

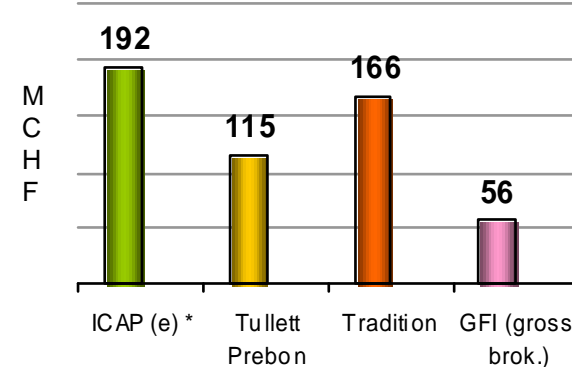


# Asia-Pacific: numerous medium term opportunities

## P&L dynamics before HQ costs

MCHF	H1 2008	Variance vs H1 2007
<b>Turnover</b>	165.8	+21.9%
<b>Expenses</b>	124.2	+16.1%
	H1 2008	H1 2007
<b>Margin</b>	25.1%	21.3%

## Regional positioning peer group overview – H1 2008 turnover



\* Estimates from Reuters Knowledge as of 12 August - regional contribution as per last company report

## Comments

- ❑ Benefits from expansion of product line
- ❑ Preparing for the launch in Mainland China
- ❑ Continuously exploring new geographies
- ❑ Sustained pace of growth at Gaitame

## Presence

Japan  
 China (Hong Kong and rep. offices in Beijing & Shanghai)  
 India  
 Malaysia  
 Singapore  
 South Korea  
 Australia

# Continued focus on areas of progress

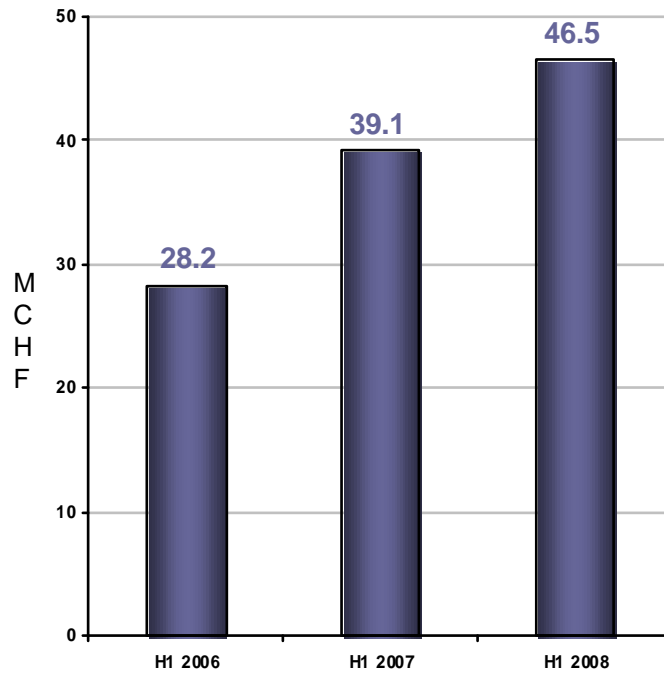
In % of turnover	H1 2008	H1 2007	H1 2006
Compensation costs	66.7	67.0	67.5
Operational	58.7	59.1	60.2
Administrative	8.0	7.9	7.3
<i>Variable part / compensation cost</i>	<i>53.0</i>	<i>46.5</i>	<i>42.1</i>
Telecom & IS	4.9	5.5	6.5
T&E	5.2	5.2	5.3
Rent	1.5	1.6	1.7
Other operating expenses	7.1	7.4	6.8
Amortisation & assets depreciation	1.9	1.3	1.3
<b>Operating margin</b>	<b>12.7</b>	<b>12.0</b>	<b>10.9</b>

Brokers: 1459 - Total Staff: 2281



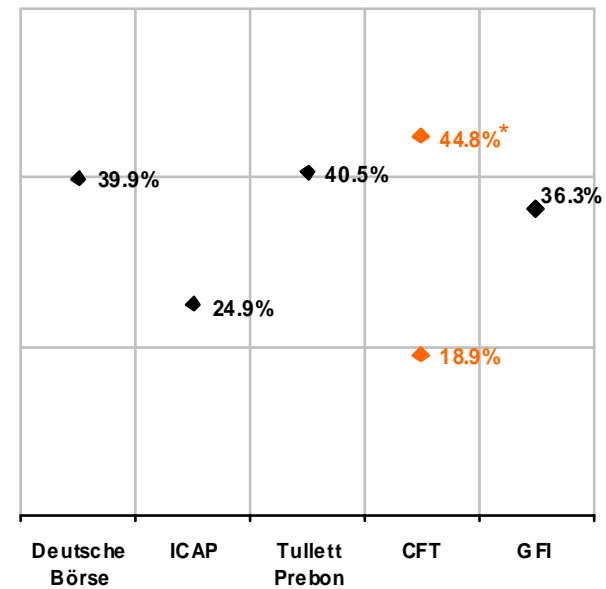
# Net profit group share up 18.9%

## Half year net profit group share



## Global positioning

Peer group overview – H1 08 net profit group share growth yoy



Estimates from Reuters Knowledge as of August 12 for ICAP

\* Excluding negative goodwill in 2007

# Net profit group share at CHF 46.5m

MCHF	H1 2008	H1 2007	% change
Operating profit	99.8	81.3	+22.7
Net financial income	-0.9	1.2	-177.5
Share of profit of equity accounted companies	4.5	9.8	-53.7
Profit before tax	103.4	92.3	+12.0
Income tax	-44.6	-35.4	+26.0
Profit for the period from continuing operations	58.8	56.9	+3.3
Result after tax for the year from discontinued operations	-1.0	-8.0	+87.2
Profit for the period	57.8	48.9	+18.0
Net profit - Group share	46.5	39.1	+18.9

**7.0m of non recurring profit in 2007**

**Increase in group normative tax rate due to higher contribution from Asia and Americas**

**Last operation sold in H1 2008**

**Minority interests in 4 areas  
Stable in % of total profit**

# Organic growth strategy reflected on the balance sheet

## Simplified consolidated balance sheet

MCHF	June 08	Dec 07
<b>Non-current assets</b>	205.9	141.2
<b>Current assets</b>	1,380.8	1,277.7
Other short term assets	24.8	19.0
Receivables related to MP act.	204.6	139.5
Receivables related to AH act.	494.6	468.8
Trade & other receivables	304.2	289.2
Financial assets at fair Value	9.3	30.1
Cash & Cash equivalents	343.3	331.1
<b>Assets held for sale</b>	-	29.0
<b>TOTAL ASSETS</b>	1,586.7	1,447.9

	June 08	Dec 07
<b>Shareholders' equity</b>	308.9	327.8
<i>Of which Minority interests</i>	42.3	36.0
<b>Non-current liabilities</b>	37.2	41.2
<i>Of which Financial debts</i>	1.8	3.3
<i>Of which Other fin. debts *</i>	7.2	6.2
<b>Current liabilities</b>	1,240.6	1,055.2
Short term financial debts	180.1	166.8
<i>Of which Financial debts</i>	146.4	123.9
<i>Of which Other fin. debts *</i>	33.7	42.9
Trade & other payables	403.0	310.3
Payables related to MP act.	160.5	104.3
Payables related to AH act.	497.0	473.8
<b>Liabilities held for sale</b>	-	23.7
<b>TOTAL LIABILITIES</b>	1,586.7	1,447.9

- ❑ Decrease in equity explained by dividend payments (CHF 47.7m) and translation differences (CHF 30.2m)
- ❑ Goodwill amounts to CHF 27.5m

Note: MP act. stands for Matched Principal activities – AH act. stands for Account Holder activities  
 \* Relates to obligations under finance leases and debt linked to matched principal activities

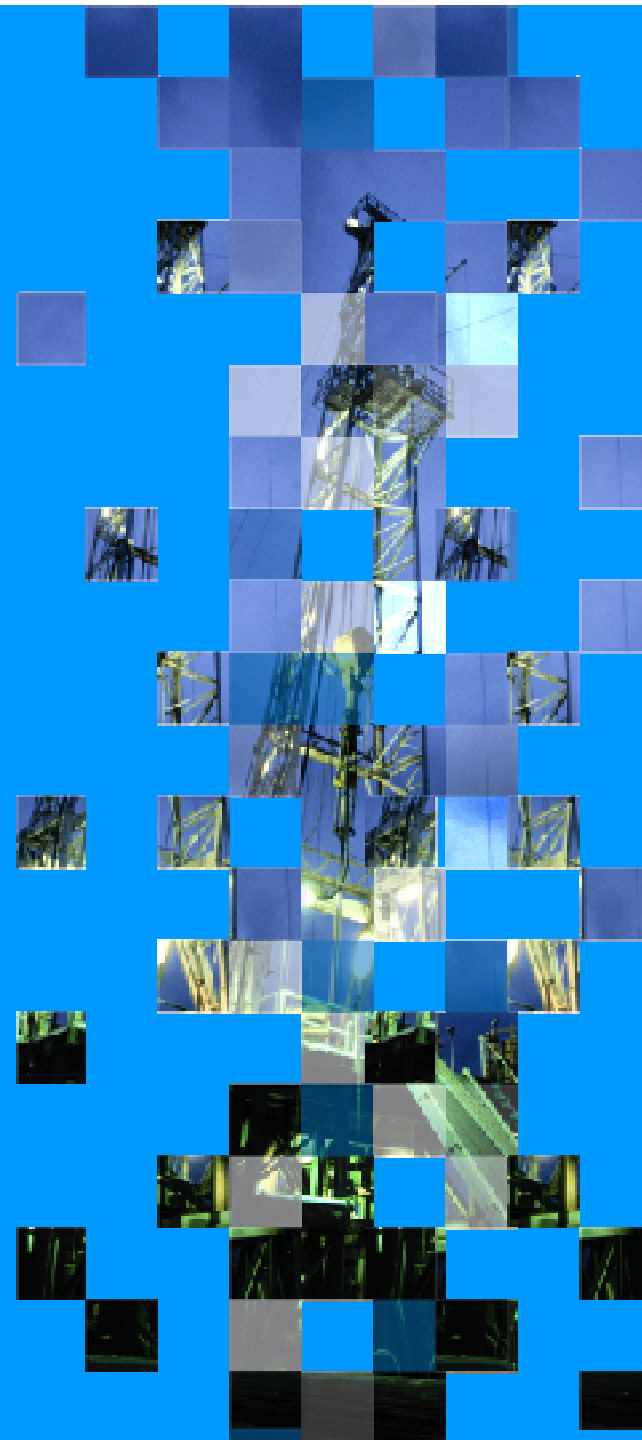
# CHF 216.4m of adjusted net funds

MCHF	June 08	Dec 07
Cash & cash equivalents	343.3	331.1
Financial assets @ fair value	9.3	30.1
Short term financial debt *	-146.4	-123.9
Long term financial debt *	-1.8	-3.3
Net funds	204.4	234.0
Adjustments linked to variances in AH & MP activities	12.0	-9.4
Net funds adjusted	216.4	224.6

\* Excluding obligations under finance leases and debt linked to matched principal activities

- ❑ Decrease due to dividend payments, investments and translation differences

## 4. CFT share on SWX



# Demonstrable track record on SWX

## Long term performance

since 30 Dec 2002 & 1997

	5Y	10Y	28 oct 96*
<b>CFT</b>	+132%	+893%	+3898%
<b>SMI</b>	+56%	+16%	+92%

At 29 August 2008, based on CFT share price of 156.8, SMI at 7238.74

\* CFT all time low at the time of the controlling shareholder's change. CHF 3.92

- Stock No. : 1,248,815
- Listing : SWX Zurich
- No. of shares : 5,619,451
- Nominal value : CHF 2.50
- Free float : 34%\*

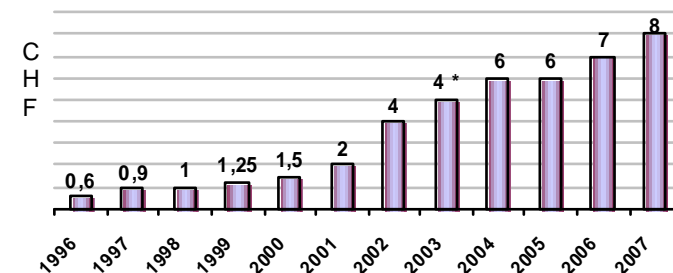
\*as of August 31st 2008

**Next Release**  
**Q3 results**  
**6 November 2008**

## Sector overview

As of 29 Aug. 2008	Ytd	6 months	12 months
<b>CFT</b>	-23%	-18%	-19%
<b>ICAP</b>	-35%	-25%	-3%
<b>Tullett Prebon</b>	-6%	-13%	+6%
<b>GFI</b>	-52%	-39%	-37%
<b>Deutsche Börse</b>	-52%	-38%	-20%
<b>SMI</b>	-15%	-4%	-18%
<b>SPIEXX</b>	-16%	-7%	-19%

## Dividend policy



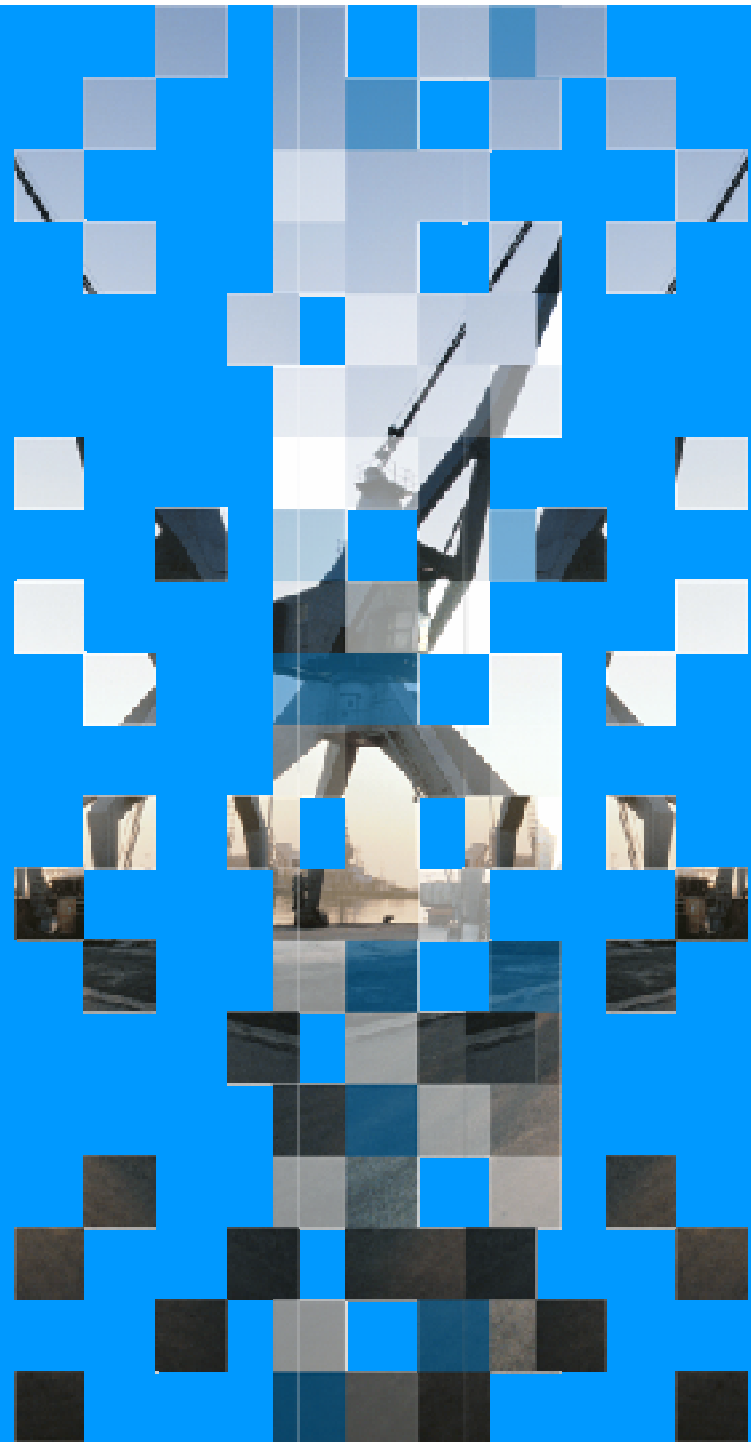
Based on a share with a nominal value of CHF 2.50 since 2002

\* CHF 4.0 cash dividend per share with a nominal value of 2.50 plus one bonus share for every 25 shares held

## 5. Strategic outlook



Compagnie Financière Tradition



# Priorities going forward

- ❑ **Continue to build size and scale**
  - ❑ **Monitoring current market environment**
  - ❑ **Balanced focus between growth & margin**
  - ❑ **Address the minority interests gap at the right price**
- 
- ❑ **Solid foundations for the future**
    - Track record of organic growth
    - Sizeable market share
    - Exposure to fast-growth markets
    - Diversity of products & geographies



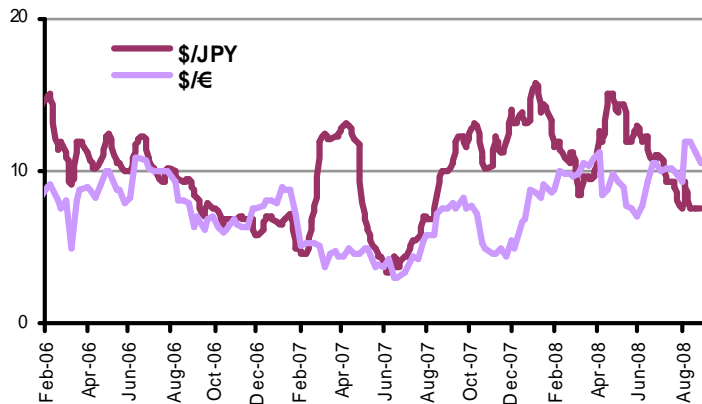
# APPENDIX



Compagnie Financière Tradition

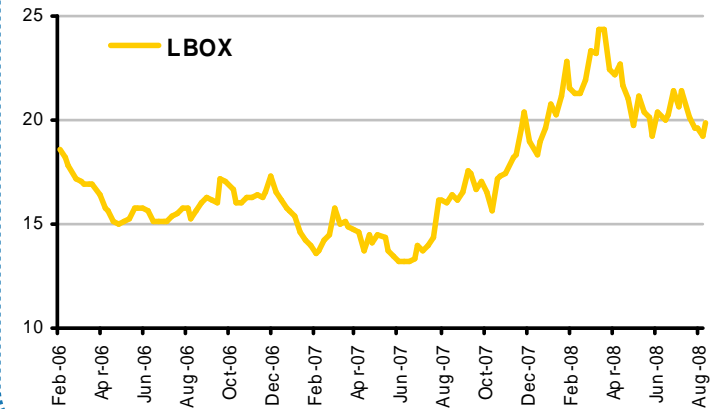
# Market volatilities

**Foreign exchange**  
historic volatilities



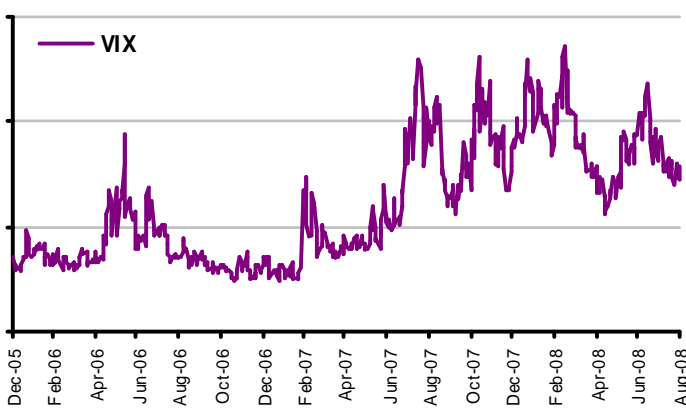
Source: Bloomberg

**Fixed Income**



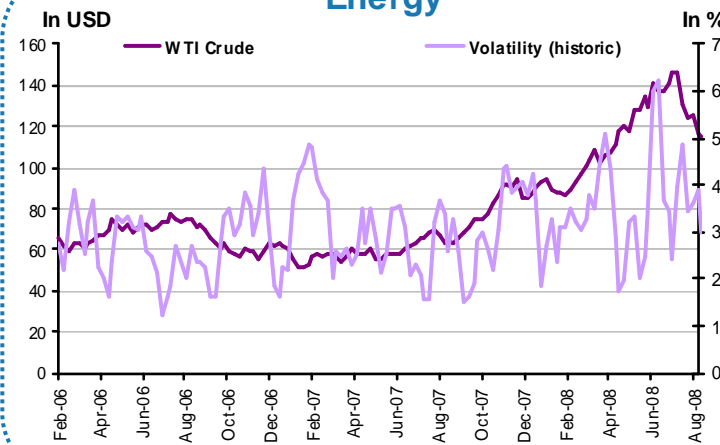
Source: Bloomberg

**Equities**



Source: Reuters

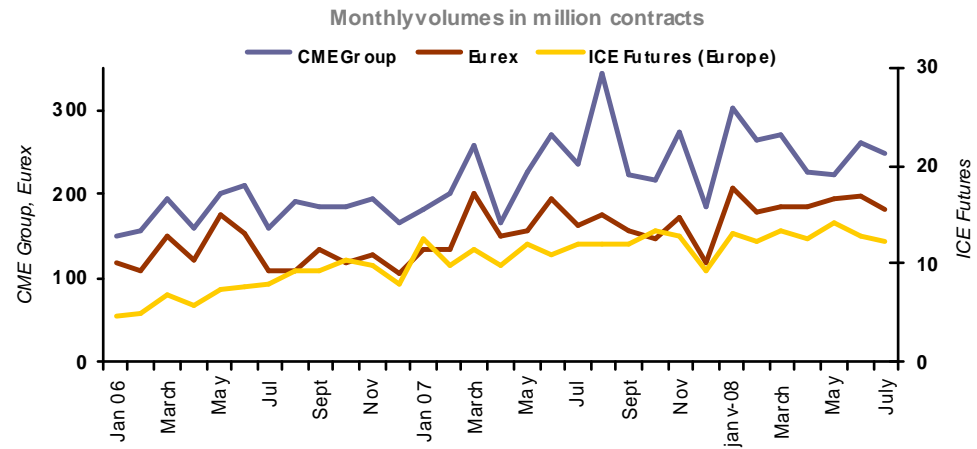
**Energy**



Source: Bloomberg

# Trading volume

## Exchange-traded derivatives



Source: exchanges websites

## Global Futures and Options Volume by Category

Based on the number of contracts traded and/or cleared at 61 exchanges worldwide

Sector	Jan-May 2008	Jan-May 2007	% Change
Equity Index	2,276,596,415	2,102,211,929	8.30%
Individual Equity	2,210,910,420	1,636,088,196	35.13%
Interest Rates	1,572,015,423	1,439,456,793	9.21%
Agricultural	361,053,133	214,931,708	67.99%
Energy	237,157,406	202,249,933	17.26%
Currency	229,413,070	145,790,236	57.36%
Precious Metals	73,282,220	42,342,579	73.07%
Non-Precious Metals	68,623,246	58,196,593	17.92%
Other	10,841,602	10,505,100	3.20%
Credit	10	0	NA
<b>TOTAL</b>	<b>7,039,892,945</b>	<b>5,851,773,067</b>	<b>20.30%</b>

Source: FIA

# FX rates

## vs CHF

	Closing rates 30 June 2008	Average rates 30 June 2008	Closing rates 29 August 2008
<b>GBP</b>	<b>2.03</b>	<b>2.07</b>	<b>2.01</b>
<b>USD</b>	<b>1.02</b>	<b>1.05</b>	<b>1.10</b>
<b>EUR</b>	<b>1.61</b>	<b>1.61</b>	<b>1.62</b>