

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2004

OF

COMPAGNIE FINANCIERE TRADITION, LAUSANNE

1. ACTIVITY REPORT – FIRST HALF OF 2004

Compagnie Financière Tradition posted a 14.1% rise in consolidated turnover in the first half...

First half consolidated turnover rose by 14.1% to CHF 442.4 million at current exchange rates, against CHF 387.7 million a year ago. This represents an increase of 13.7% at constant exchange rates, reflecting the strength of the Swiss franc against the dollar and sterling.

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.

This strong increase reflects the Group's balanced growth, in terms of both products and geographic presence. In the first half of 2004 the United Kingdom accounted for 31.7% of turnover, the United States for 30.6%, Continental Europe for 19.6% and Asia for 18.1%, as presented below.

	Europe		United States		Asia-Pacific		Total	
	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June
	2004	2003	2004	2003	2004	2003	2004	2003
in thousands of Swiss francs								
Currencies and interest rates	106,399	94,638	55,204	41,756	70,872	56,222	232,475	192,616
Securities and security derivatives	104,347	92,648	63,803	61,174	1,531	2,389	169,681	156,211
Commodities and other activities	15,842	15,023	16,591	13,277	7,773	10,570	40,206	38,870
TOTAL	226,588	202,309	135,598	116,207	80,176	69,181	442,362	387,697

The item "Currencies and interest rates" covers operations in the money markets, interest rate and currency derivatives, as well as spot and forward forex trading. "Securities and security derivatives" comprises interest rate and equity activities in the futures markets, as well as broking operations in equities, government and corporate bonds, credit derivatives and repos, and corresponding derivatives. "Commodities and other activities" includes broking activities in energy, precious metals and pulp and paper, as well as income from brokerage activities for private investors, and income from recruitment activities.

Income from **European** operations grew by 12.0% overall. The United Kingdom was ahead 10.0% (3.7% at constant exchange rates), while continental Europe was up by 19.6% (11.9% at constant exchange rates) on the back of the rapid development of the Paris-based equities business.

Activities in the **United States** generated a 16.3% rise in turnover (24.1% at constant exchange rates) thanks to solid growth in the interest rate derivatives business, and an upturn in energy operations which grew by over 35% compared to the first half of 2003.

Finally, **Asia** benefited substantially from the input of new teams recruited over the past eighteen months, with turnover ahead by 15.9% overall (16.4% at constant exchange rates), and a particularly strong performance in interest rate activities in Singapore and Hong Kong.

... with consolidated operating profit of CHF 44.3 million...

Consolidated operating expenses reached CHF 398.0 million, a rise of 13.7% compared with the same period last year. Personnel costs climbed 12.9% to CHF 295.8 million, or 66.9% of consolidated revenues, against CHF 67.6% in the first half of 2003 and 68.5% for the full year. Variable personnel costs represented 39.6% of global pay costs during the period.

Consolidated operating profit stood at CHF 44.3 million, up 16.9% from CHF 37.9 million in the first half of 2003, with an operating margin of 10.% of consolidated revenues against 9.8% in the first half of 2003 and 7.8% for the full year.

... and Group share of consolidated net profit reaching CHF 42.1 million.

First-half consolidated **financial income** was CHF 2.1 million, against CHF 5.2 million a year ago. This slide is mainly due to consolidated foreign exchange losses of CHF 2.5 million during the period, compared with a net gain of CHF 2.6 million in the corresponding period last year.

Consolidated profit before tax stood at CHF 42.2 million, against CHF 43.1 million a year ago. The Group took a consolidated tax charge of CHF 16.5 million, compared with CHF 15.9 million in H1 2003. A tax expense of CHF 6.5 million was recognised on the disposal of Compagnie Financière Tradition's Lausanne buildings, booked under exceptional items. The overall consolidated tax rate reached 33.0% of profit before tax, against 36.9% in H1 2003.

The disposal of the two buildings in Lausanne at the end of June 2004 gave rise to an **exceptional net profit** of CHF 21.0 million. The buildings were sold to Compagnie Financière Tradition's direct majority shareholder for CHF 27.5 million, less a tax expense of CHF 6.5 million.

After taking account of goodwill amortisation of CHF 1.0 million, and a profit of CHF 0.2 million from associated undertakings accounted for using the equity method, **consolidated net profit** stood at CHF 46.0 million, against CHF 26.7 million in the same period last year.

The share of earnings attributable to **minority interests** was down sharply to CHF 3.9 million, or 8.5% of consolidated net profit, against CHF 4.8 million, or 17.9% in H1 2003. This decrease stemmed mainly from a strengthening of the Group's stake in the capital of its subsidiaries Tradition Securities And Futures, in which it now has a 99.87% controlling interest, and TFS, in which it had a 97.62% stake at 30 June 2004. These buyback operations were mainly carried out in the second half of 2004.

Group share of net profit was up 92.2%, to CHF 42.1 million, compared with CHF 21.9 million in the same period last year. This result brought **consolidated shareholders' equity** to CHF 241.7 million at 30 June 2004, CHF 219.6 million of which was Group share, for a consolidated net cash and marketable securities position of CHF 169.5 million.

The return to solid and profitable growth, which began in 2003, gained momentum in the first half of this year. These results were achieved in line with Compagnie Financière Tradition's medium-term strategy, which focuses on three main objectives. First, the Group is targeting organic growth of over 5% a year, by continuing to enhance its product portfolio and geographic spread through a dynamic recruitment policy. Second it is committed to improving operational profitability, which reached 10.0% of consolidated revenues in the first half, by restructuring its remaining loss-making businesses and exploiting synergies between the Group's various business segments. Finally, it is intent on being a part of the consolidation process under way in the interdealer broking sector, which is gradually concentrating in the hands of a few key players which most of them will soon be listed.

Although third-quarter activities are somewhat becalmed, with markets stuck on the bench in the run-up to the U.S. presidential election, the Group looks set to pursue these objectives in 2004.

2. CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT AT 30 JUNE 2004

in thousands of Swiss francs	Notes	30 June 2004	30 June 2003	31 December 2003
Net turnover	4.1	442,362	387,697	786,132
Other net operating income	4.2	-3	150	27
Operating income		442,359	387,847	786,159
Employee compensation and benefits		-295,831	-261,928	-538,755
Other operating expenses		-96,688	-82,618	-175,576
Depreciation and amortisation		-5,498	-5,374	-10,739
Operating expenses		-398,017	-349,920	-725,070
Operating profit		44,342	37,927	61,089
Net financial income	4.3	-2,122	5,214	9,630
Profit before tax		42,220	43,141	70,719
Tax	4.4	-16,497	-15,923	-26,107
Net profit of consolidated companies		25,723	27,218	44,612
Associated undertakings		244	-293	-590
Goodwill amortisation		-999	-254	-641
Net exceptional items	4.5	21,021	-	-
Consolidated net profit		45,989	26,671	43,381
Group share		42,084	21,891	38,354
Minority interests		3,905	4,780	5,027
Net profit - Group share in Swiss francs, per share of CHF 2.50 nominal value based on weighted average number of shares outstanding		7.79	4.13	7.10

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2004

in thousands of Swiss francs	Notes	30 June 2004	30 June 2003	31 December 2003
<u>ASSETS</u>				
Current assets				
Cash	3.1	345	201	231
Call deposits	3.1	104,538	108,448	127,192
Short-term deposits	3.1	42,501	46,855	62,052
Trade debtors	3.2	123,688	128,555	93,329
Receivables linked to account holder activities	3.5	89,551	70,640	53,830
Other short-term receivables		39,967	37,344	30,685
Receivables from affiliated companies		1,340	758	1,269
Receivables from shareholder and associated companies		27,392	753	4,760
Marketable securities	3.1	51,557	65,844	42,639
Prepaid expenses and accrued income		21,571	13,008	18,016
Total current assets		502,450	472,406	434,003
Fixed assets				
Other long-term receivables		7,171	8,205	8,219
Associated undertakings and other investments		3,353	2,069	3,361
Treasury shares	3.3	10,166	8,092	7,367
Tangible fixed assets				
Installations and equipment		29,561	24,200	25,641
Buildings		-	7,516	7,516
Intangible fixed assets	3.4	26,118	13,042	25,944
Total fixed assets		76,369	63,124	78,048
TOTAL ASSETS		578,819	535,530	512,051

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2004

in thousands of Swiss francs	Notes	30 June 2004	30 June 2003	31 December 2003
<u>LIABILITIES</u>				
Creditors				
Short-term bank borrowings	3.1	56,285	45,723	66,965
Short-term debts to affiliated companies		738	1,456	1,082
Short-term debts to shareholder and associated companies		6,430	12,206	6,633
Other short-term debts		36,137	38,607	37,552
Debts linked to account holder activities	3.5	89,178	76,188	59,846
Taxes payable		33,498	21,410	18,431
Accrued expenses and deferred income		100,224	91,017	83,500
Long-term financial debts		1,727	1,698	1,730
Contingency and loss provisions	3.6	12,884	10,097	12,620
Total creditors		337,101	298,402	288,359
Shareholders' equity				
Share capital		13,503	13,262	13,503
Share premium		19,879	8,712	19,879
General reserve		17,570	17,570	17,570
Reserve for treasury shares		10,166	1,730	7,367
Special reserve		3,100	3,100	3,100
Other reserves		15,300	15,300	15,300
Consolidated reserves		98,013	112,707	87,376
Net profit - Group share		42,084	21,891	38,354
Shareholders' equity - Group share		219,615	194,272	202,449
Minority interests		22,103	42,856	21,243
Total shareholders' equity		241,718	237,128	223,692
TOTAL LIABILITIES		578,819	535,530	512,051

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

in thousands of Swiss francs	Shareholder's equity at 01.01.03	Miscellaneous reserves	Dividend paid net of dividend on treasury shares	Increase in capital in 2003	Effect of changes in the basis of consolidation	Currency translation adjustments	Net profit 2003	Shareholders' equity at 31.12.03
Share capital	13,262	-	-	241	-	-	-	13,503
Share premium	8,712	-	-	11,167	-	-	-	19,879
General reserve	17,570	-	-	-	-	-	-	17,570
Reserve for treasury shares	339	7,028	-	-	-	-	-	7,367
Special reserve	3,100	-	-	-	-	-	-	3,100
Other reserves	15,300	-	-	-	-	-	-	15,300
Consolidated reserves	137,803	-7,028	-37,783	-	-258	-5,358	38,354	125,730
TOTAL - Group share	196,086	-	-37,783	11,408	-258	-5,358	38,354	202,449
Minority interests	39,026	-	-1,928	-	-22,366	1,484	5,027	21,243
TOTAL	235,112	-	-39,711	11,408	-22,624	-3,874	43,381	223,692

in thousands of Swiss francs	Shareholders' equity at 01.01.04	Miscellaneous reserves	Dividend paid net of dividend on treasury shares	Increase in capital in 2004	Effect of changes in the basis of consolidation	Currency translation adjustments	Net profit 2004	Shareholders' equity at 30.06.04
Share capital	13,503	-	-	-	-	-	-	13,503
Share premium	19,879	-	-	-	-	-	-	19,879
General reserve	17,570	-	-	-	-	-	-	17,570
Reserve for treasury shares	7,367	2,799	-	-	-	-	-	10,166
Special reserve	3,100	-	-	-	-	-	-	3,100
Other reserves	15,300	-	-	-	-	-	-	15,300
Consolidated reserves	125,730	-2,799	-26,560	-	-	1,642	42,084	140,097
TOTAL - Group share	202,449	-	-26,560	-	-	1,642	42,084	219,615
Minority interests	21,243	-	-3,000	-	-366	321	3,905	22,103
TOTAL	223,692	-	-29,560	-	-366	1,963	45,989	241,718

CONSOLIDATED CASH FLOW STATEMENT

in thousands of Swiss francs	30 June 2004	30 June 2003	31 December 2003
Cash flow from operating activities			
Group profit before tax and associated undertaking	68,705	42,887	70,078
Elimination of income and expenses of no material effect on cash flow and/or not related to activities :			
Net financial results and exchange gains and losses	2,122	-5,214	-9,630
Depreciation and amortisation	6,497	5,628	11,380
Exceptional items	-27,484	-	-
Net changes relating to operating activities before changes in working capital	49,840	43,301	71,828
Changes in working capital	-20,998	-8,826	-1,923
Cash inflow from operating activities	28,842	34,475	69,905
Tax paid	-17,234	-9,410	-22,573
Net cash inflow from operating activities	11,608	25,065	47,332
Cash flow from investment activities			
Purchase/sale of marketable securities	-8,918	-10,500	12,705
Purchase of treasury shares	-2,799	-6,331	-1,199
Purchase/sale of non-consolidated investments	-2,844	3,883	3,883
Net financial income	398	1,170	2,792
Net acquisition of fixed assets	-8,141	-4,709	-12,424
Cash from disposal of tangible fixed assets	35,000	-	-
Net acquisition of intangible assets	-1,946	-655	-15,312
Net cash inflow / outflow from investment activities	10,750	-17,142	-9,555
Cash flow from financing activities			
Change in receivables and debts related to shareholder and associated companies	-23,373	-3,886	-12,228
Increase in capital and share premium	-	-	11,408
Effect of changes in the basis of consolidation	-	67	67
Dividends and other payments outside Group	-3,000	-1,951	-1,928
Dividends paid by the Company	-26,560	-23,141	-37,783
Net cash outflow from financing activities	-52,933	-28,911	-40,464
Currency translation adjustments	-836	2,834	-2,738
Net decrease in cash and cash equivalents (cf. Note 3.1)	-31,411	-18,154	-5,425

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES, PRINCIPLES OF CONSOLIDATION AND VALUATION METHODS

The consolidated financial statements have been prepared in compliance with SWISS GAAP FER 12, 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 2003.

2. BASIS OF CONSOLIDATION

2.1 Basis of consolidation at 30 June 2004

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 in thousands	Method FCM/PCM/EM
COMPAGNIE FINANCIÈRE TRADITION		Switzerland			CHF 13,503	Consolidating company
1. FINANCIAL COMPANIES						
<u>TRADITION SERVICE HOLDING S.A., LAUSANNE</u>		Switzerland	100.00%	100.00%	CHF 21,000	FCM
Tradition (UK) Ltd, London		United Kingdom	100.00%	100.00%	GBP 15,050	FCM
Tradition Bond Brokers Ltd, London		United Kingdom	100.00%	100.00%	GBP 9,160	FCM
Tradition Beaufort House Ltd, London		United Kingdom	100.00%	100.00%	GBP n/s	FCM
SP Angel & Co Ltd	✓	United-Kingdom	100.00%	100.00%	GBP 2,088	FCM
ABC Clearing Ltd	✓	United-Kingdom	100.00%	100.00%	GBP 250	FCM
Monecor (London) Ltd, London		United Kingdom	100.00%	100.00%	EUR 10,621	FCM
Finacor Belgique S.A., Brussels		Belgium	99.95%	99.95%	EUR 149	FCM
Finacor & Associés S.A., Brussels		Belgium	100.00%	99.95%	EUR 497	FCM
Arbitrage Change S.A., Luxembourg		Luxembourg	99.93%	99.93%	EUR 372	FCM
Finance 2000 S.A., Paris		France	100.00%	100.00%	EUR 4,575	FCM
Finacor Deutschland GmbH, Munich		Germany	100.00%	100.00%	EUR 547	FCM
Tradition S.A., Lausanne		Switzerland	100.00%	100.00%	CHF 100	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 4,092	EM
Tradition (North America) Inc., New York		U.S.A.	100.00%	100.00%	USD 14,500	FCM
FXDirectDealer LLC, New York		U.S.A.	75.00%	75.00%	USD 1,397	FCM
<i>Tradition Asiel Securities Inc, New York</i>		U.S.A.	100.00%	100.00%	USD n/s	FCM
Tradition (Global Clearing) Inc, New York		U.S.A.	100.00%	100.00%	USD n/s	FCM
<u>Tradition Services (Delaware) Corp., Delaware</u>		U.S.A.	100.00%	100.00%	USD n/s	FCM
Govdesk LLC, Redondo Beach, California		U.S.A.	35.00%	35.00%	USD 75	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%	ARS 485	FCM
Meitan Tradition Co. Ltd, Tokyo		Japan	55.34%	55.34%	JPY 300,000	FCM
Meitan Information Service Co. Ltd, Tokyo		Japan	100.00%	59.81%	JPY 10,000	FCM
Gaitame.com Co., Ltd, Tokyo		Japan	37.40%	20.70%	JPY 267,500	EM
Tradition (Asia) Ltd, Hong Kong		Hong Kong	100.00%	100.00%	HKD 25,001	FCM
Tradition Singapore (Pte) Ltd, Singapore		Singapore	100.00%	100.00%	SGD 1,200	FCM
Tradition International S.A., Panama		Panama	100.00%	100.00%	CHF 1,790	FCM
Tradition Australia Pty Ltd, Sydney		Australia	100.00%	100.00%	AUD n/s	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
<u>HOLDING TRADITION SECURITIES S.A., LAUSANNE</u>		Switzerland	100.00%	100.00%	CHF 250	FCM
Tradition Wertpapierhandelsbank AG, Frankfurt		Germany	98.53%	99.25%	EUR 2,531	FCM
Tradition Eurobond S.A., Luxembourg		Luxembourg	100.00%	100.00%	EUR 500	FCM
Tradition Securities And Futures S.A., Paris, and branches in London and Lausanne		France	99.87%	99.87%	EUR 13,325	FCM
VIEL Tradition S.A., Paris		France	99.94%	99.81%	EUR 100	FCM
MIA, Paris		France	55.00%	54.93%	EUR 1,976	FCM

	New companies	Country	Controlling interest	Equity interest	Capital in thousands	Method FCM/PCM/EM
TFS, LAUSANNE		Switzerland	97.11%	97.62%	CHF 3,916	FCM
<i>Tradition Financial Services Ltd, London and branch in Tel Aviv</i>		United Kingdom	100.00%	97.62%	GBP 250	FCM
<u>TFS-ICAP Holdings Ltd, London</u>		United Kingdom	50.00%	53.69%	GBP 2,470	PCM
TFS-ICAP Ltd, London		United Kingdom	51.00%	26.85%	GBP 20	FCM
TFS-ICAP Currency Options Ltd, London		United Kingdom	100.00%	26.85%	GBP 550	FCM
TFS Currency Options Ltd, London		United Kingdom	100.00%	26.85%	GBP 5	FCM
Intercapital Currency Options Ltd, London		United Kingdom	100.00%	26.85%	GBP 5	FCM
TFS Derivatives Ltd, London		United Kingdom	100.00%	97.62%	GBP 1,200	FCM
Equitek Capital Ltd, London		United Kingdom	100.00%	97.62%	GBP 1,300	FCM
TFS Futures & Options (Pty) Ltd, Johannesburg		South Africa	100.00%	97.62%	ZAR 250	FCM
TFS Securities (Pty) Ltd, Johannesburg		South Africa	100.00%	97.62%	ZAR 1,000	FCM
Tradition Financial Services GmbH, Frankfurt		Germany	100.00%	97.62%	EUR 153	FCM
Tradition Financial Services Inc, New York		U.S.A.	100.00%	97.62%	USD 50	FCM
TFS Derivatives Corp., New York		U.S.A.	100.00%	97.62%	USD 95	FCM
<u>TFS-ICAP Holdings LLC, New York</u>		U.S.A.	50.00%	53.69%	USD n/s	PCM
TFS-ICAP LLC, New York		U.S.A.	51.00%	26.85%	USD n/s	FCM
<u>TFS Energy LLC, Stamford</u>		U.S.A.	53.00%	51.74%	USD n/s	FCM
TFS Energy Futures LLC, Stamford		U.S.A.	100.00%	51.74%	USD 35	FCM
<u>TFS Blackwood LLC, New York</u>		U.S.A.	93.75%	91.52%	USD 1,388	FCM
TFS Blackwood Ltd, London		United Kingdom	93.75%	91.52%	GBP n/s	FCM
Equitek Capital Inc., Delaware		U.S.A.	100.00%	97.62%	USD n/s	FCM
Equitek Capital LLC, Delaware		U.S.A.	50.00%	48.81%	USD n/s	FCM
TFS Australia Pty Ltd, Sydney		Australia	100.00%	97.62%	AUD 5	FCM
Tradition Financial Services Japan Ltd, Tokyo		British Virgin Islands	100.00%	97.62%	USD 50	FCM
Tradition Financial Services (Hong Kong) Ltd, Hong Kong		Hong Kong	100.00%	97.62%	HKD 200	FCM
TFS Energy (S) Pte Ltd, Singapore		Singapore	100.00%	97.62%	SGD 100	FCM
TFS Currencies Pte Ltd, Singapore		Singapore	100.00%	97.62%	SGD 1,000	FCM
TRC Lausanne, Lausanne		Switzerland	100.00%	97.62%	CHF 100	FCM
<i>The Recruitment Company Holdings Inc., Delaware</i>		U.S.A.	79.00%	77.12%	USD n/s	FCM
TRC Recruitment Ltd, London		United Kingdom	100.00%	77.12%	GBP 1	FCM
The Recruitment Company Pty Ltd, Sydney		Australia	100.00%	77.12%	AUD n/s	FCM
The Recruitment Company Ltd, Tokyo		Japan	100.00%	77.12%	JPY 5,000	FCM
The Recruitment Company Ltd, Hong Kong		Hong Kong	100.00%	77.12%	HKD 10	FCM
Equitek Capital Limited, Georgetown		Cayman Islands	50.00%	48.93%	USD -	FCM
Cofitra Investments Inc., British Virgin Islands		British Virgin Islands	100.00%	100.00%	USD 5,000	FCM
2. NON-FINANCIAL COMPANIES						
Tradcom Management, Lausanne		Switzerland	100.00%	100.00%	CHF 100	FCM
Tradicom International, Lausanne		Switzerland	100.00%	100.00%	CHF 100	FCM
StreamingEdge.com Inc., New Jersey		U.S.A.	60.00%	60.00%	USD 1,000	EM
StreamingEdge (Canada) Inc., Toronto		Canada	100.00%	60.00%	CAD n/s	EM
GIE VIEL Gestion		France	78.05%	77.95%	EUR -	FCM
GIE VCF Gestion		France	90.00%	89.89%	EUR -	FCM

FCM: Full consolidation method - PCM: Proportionate consolidation method - EM: Equity method

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. 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 during the period were as follows:

Tradition Wertpapierhandelsbank AG: formerly Finacor Rabe AG, owned 91.07% by Holding Tradition Securities SA (HTS) at 31 December 2003, undertook a division of the nominal value of its shares by four, through capitalisation of losses. This operation reduced its capital from €6,125,000 to €1,531,250. It was followed by an capital increase of €1,000,000, fully subscribed by HTS, bringing its holding in the company to 98.53% at 30 June 2004, including several purchases of additional shares from minority shareholders. Additional goodwill arising on these operations amounted to CHF 0.1 million.

TFS: the company's share capital increased by CHF 216,000 when the last 86,200 share options granted to Group employees were exercised in March 2004. The operation brought its capital from CHF 3,700,000 at end-2003 to CHF 3,916,000 at 30 June 2004. The newly created shares were acquired by Compagnie Financière Tradition, bringing its stake in the company to 97.11% at 30 June 2004 from 96.93% at 31 December 2003, and its controlling interest to 97.62 % at that date. Additional goodwill booked on this operation amounted to CHF 1.6 million.

Two companies were wound up during the period: The Recruitment Company Inc. in New York, and Capstone Global Energy LLC in Houston.

SP Angel & Co. Ltd.: in March of this year, Tradition (UK) Ltd acquired the entire capital of SP Angel & Co. Ltd., a member of the London Stock Exchange since 1935, for a cash consideration of GBP 1.2 million, plus an earn-out clause set at 20% of the adjusted earnings of the company for the 2005 to 2007 financial years, up to a maximum of GBP 1.4 million. Goodwill booked on this operation amounted to GBP 0.3 million or CHF 777,000, amortised over ten years from mid-March 2004. SP Angel & Co. Ltd. holds a 100% stake in ABC Clearing Ltd., a company capitalised at GBP 250,000, which was inactive in the first half of 2004.

3. NOTES TO THE CONSOLIDATED BALANCE SHEET

3.1 Cash and cash equivalents

Net liquid assets

in thousands of Swiss francs	<u>30 June 2004</u>	<u>31 December 2003</u>
Cash and call deposits	104,883	127,423
Short-term deposits	42,501	62,052
Short-term bank borrowings	-56,285	-66,965
Net cash at end of period	91,099	122,510
Net cash at beginning of period	122,510	127,935
Net cash outflow during the period	<u>-31,411</u>	<u>-5,425</u>

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:

in thousands of Swiss francs	30 June 2004	31 December 2003
Short-term cash products	33,758	35,836
Bonds	555	1,239
Shares	16,954	4,370
Investment funds	2,171	2,476
GROSS TOTAL	53,438	43,921
Provisions for depreciation	-1,881	-1,282
NET TOTAL	51,557	42,639

3.2 Trade debtors

These are short-term receivables representing a net amount of CHF 123,688,000 at 30 June 2004, compared to CHF 93,329,000 at 31 December 2003. They are booked at face value after deduction of economically necessary provisions.

3.3 Treasury shares

At 30 June 2004, the Company held 82,723 treasury shares with a nominal value of CHF 2.50. These shares were acquired at a purchase value of CHF 10,166,000. Movements on treasury shares during the period were as follows:

	Book value in thousands of Swiss francs	Acquisition cost or realisation price in thousands of Swiss francs	No. of shares of CHF 2.50 nominal
Situation at 1 January 2004	7,367	7,367	63,748
Acquisitions	5,259	5,259	46,221
Sales	-2,460	-2,997	-27,246
Capital gains for the year	-	537	-
Situation at 30 June 2004	10,166	10,166	82,723

3.4 Intangible fixed assets

Intangible fixed assets

Intangible fixed assets comprised the following:

in thousands of Swiss francs	30 June 2004			31 December 2003		
	Gross	Amort.	Net	Gross	Amort.	Net
Telephone rights	1,868	1,845	23	1,871	1,848	23
Intangible business assets	1,656	1,028	628	1,671	934	737
Goodwill	27,531	4,858	22,673	25,425	3,865	21,560
Other intangible fixed assets	14,466	11,672	2,794	14,703	11,079	3,624
TOTAL	45,521	19,403	26,118	43,670	17,726	25,944

Goodwill

Goodwill arising on acquisitions was as follows:

in thousands of Swiss francs	30 June 2004			31 December 2003	
	Gross	Cumulative Amort.	Net	Amort. for the period	Net
TFS	18,702	2,471	16,231	884	15,564
StreamingEdge.com Inc.	692	288	404	35	438
Govdesk LLC	495	204	291	25	308
Tradition					
Wertpapierhandelsbank AG	3,667	1,004	2,663	183	2,761
Finacor Deutschland GmbH	3,198	870	2,328	161	2,489
SP Angel & Co Ltd	777	21	756	21	-
TOTAL	27,531	4,858	22,673	1,309	21,560

Amortisation, for a net amount of CHF 999,000 (CHF 254,000 in H1 2003), included CHF 1,309,000 for amortisation of goodwill, less an amortisation of CHF 310,000 recognised on negative goodwill arising on Finacor Belgique (cf. Note 3.6).

3.5 Account holder activities

Tradition Securities And Futures S.A. exercises an account holder activity, meaning it receives deposits from its clients. These deposits are then placed with clearing institutions to ensure a satisfactory conclusion to the clients' operations. Its subsidiary MIA mainly specialises in matched principal operations, resulting in it having to show on its balance sheet, in the short-term, securities purchased in the market on behalf of its clients.

Tradition Orient FX Co. Ltd, FX DirectDealer LLC and Monecor (London) Ltd, as part of their online brokerage activities in spot foreign exchange, receive deposits from their clients, which in turn they deposit with their clearing bank.

Assets and liabilities associated with this activity, booked in the balance sheet under "Receivables linked to account holder activities" and "Debts linked to account holder activities" were as follows:

in thousands of Swiss francs	30 June 2004	31 December 2003
Receivables linked to account holder activities		
Deposits paid	37,174	39
Current accounts with clearing institutions	14,500	10,841
Dealing accounts	37,877	42,950
TOTAL	89,551	53,830
Debts linked to account holder activities		
Deposits received	-37,258	-3,068
Current accounts with clearing institutions	-14,473	-9,689
Dealing accounts	-37,447	-47,089
TOTAL	-89,178	-59,846
NET TOTAL	373	-6,016

The net balance of this activity represents the difference between the amounts received from clients and the amounts paid to clearing institutions. This balance is held in bank deposits or borrowed short.

3.6 Contingency and loss provisions

Contingency and loss provisions were as follows:

in thousands of Swiss francs	30 June 2004	31 December 2003
Provisions for pension benefits	6,825	6,731
Provisions for litigation	3,994	5,579
Negative goodwill	-	310
Other contingent liabilities	2,065	-
TOTAL	12,884	12,620

Negative goodwill of CHF 1,855,000 and CHF 3,066,000 was recognised at the time of acquiring interests in Finacor Belgique S.A. and Monacor Ltd, on 29 June 2001. Negative goodwill on Finacor Belgique S.A. is being amortised over three years, resulting in an income of CHF 310,000 in the first half of 2004, recognised under "Goodwill amortisation".

4. NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

4.1 Net turnover

Consolidated turnover rose 14.1% to CHF 442.4 million, against CHF 387.7 million a year ago. In constant terms, this represents a rise of 13.7% during the period.

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:

in thousands of Swiss francs	Europe		United States		Asia – Pacific		Total	
	30 June 2004	30 June 2003	30 June 2004	30 June 2003	30 June 2004	30 June 2003	30 June 2004	30 June 2003
Currencies and interest rates	106,399	94,638	55,204	41,756	70,872	56,222	232,475	192,616
Securities and security derivatives	104,347	92,648	63,803	61,174	1,531	2,389	169,681	156,211
Commodities and other activities	15,842	15,023	16,591	13,277	7,773	10,570	40,206	38,870
TOTAL	226,588	202,309	135,598	116,207	80,176	69,181	442,362	387,697

The item "Currencies and interest rates" covers operations in the money markets, interest rate and currency derivatives, as well as spot and forward forex trading. "Securities and security derivatives" comprises interest rate and equity activities in the futures markets, and broking operations in equities, government and corporate bonds, credit derivatives and repos, as well as corresponding derivatives. "Commodities and other activities" includes broking activities in energy, precious metals and pulp and paper, as well as income from brokerage activities for private investors and recruitment activities.

4.2 Other operating income

This item may be summarised as follows:

in thousands of Swiss francs	<u>30 June 2004</u>	<u>30 June 2003</u>
Net income on real estate assets	120	144
Net income from the TFS-ICAP joint venture	-123	-467
Compensation payments received from New York City	-	473
TOTAL	<u>-3</u>	<u>150</u>

Net income from the TFS-ICAP joint venture consists of TFS' share of profits from the currency options businesses in Sydney and Copenhagen (25.0% and 27.5% respectively), less a 72.5% share of the profit on the currency options business of Tradition Financial Services GmbH, a fully consolidated company, which revert to ICAP and Volbroker.

4.3 Net financial income

This item may be summarised as follows:

in thousands of Swiss francs	<u>30 June 2004</u>	<u>30 June 2003</u>
Net capital gains on investments and marketable securities	128	12
Net profit on sale of treasury shares	537	1 615
Interest and exchange gains and losses	-2 337	3 720
Provisions on investments	-450	-133
TOTAL	<u>-2 122</u>	<u>5 214</u>

The financial loss of CHF 2,122,000 in the first half, against net income of CHF 5,214,000 in H1 2003, comprised interest from the replacement of short-term cash, interest paid on consolidated short-term debt and exchange rate gains and losses. Net foreign exchange results fell from a net profit of CHF 2.6 million in H1 2003, when Compagnie Financière Tradition contracted currency options, to a net expense of CHF 2.5 million in the first half of 2004.

It also included a net profit of CHF 537,000 on the disposal of treasury shares, and a provision for amortisation of CHF 450,000, recognised on the 10.0% stake in IFX, which was acquired in February 2004 for a consideration of CHF 7.3 million. The amount of the provision was determined on the basis of the market price of IFX's shares on 30 June 2004.

4.4 Consolidated income tax

A consolidated tax expense of CHF 22,960,000 was booked in the first half, including a tax expense of CHF 6,463,000 on profit on the disposal of buildings in Lausanne, recognised under exceptional income (cf. Notes 4.5). This tax expense takes account of deferred tax income of CHF 1,447,000 in relation to accumulated depreciation recognised by Tradition (North America) Inc. on its tangible fixed assets. Realisation of this deferred tax asset is considered likely in view of past results and the company's future prospects. This produced an average consolidated tax rate of 33.0% of profit before tax and exceptional items of fully consolidated companies, against 36.9% in the first half of 2003 and 36.9% for the full year. Compagnie Financière Tradition is present in sixteen countries through its various subsidiaries, making it liable for income tax in several tax jurisdictions.

The average standard consolidated tax rate, calculated as the weighted average of all tax rates in effect in the various tax jurisdictions in which the Group has subsidiaries, was 31.6%, against 33.6% in the first half of 2003 and 31.6% for the full year.

An analysis of the difference between the effective tax rate and the standard tax rate is as follows:

	30 June 2004		30 June 2003	
	Effect on tax rate %	Effect on tax charge in thousands of Swiss francs	Effect on tax rate %	Effect on tax charge in thousands of Swiss francs
Standard tax rate	31.6	22,016	33.6	14,492
<u>Tax effect of the following elements:</u>				
Unadjusted tax loss carry forwards	-1.3	- 896	-0.9	-369
Unadjusted tax loss for the period	2.3	1,571	2.5	1,055
Unadjusted tax loss from previous years	-0.4	-277	0.0	-
Tax expense for fully-consolidated fiscally transparent entities charged to minorities	-1.0	-665	-1.2	-515
Deferred tax income/expenses	-2.2	-1,541	-1.7	-736
Non-taxable income	-0.8	-585	-1.4	-590
Non-deductible expenses	6.1	4,239	9.2	3,961
Miscellaneous items	-1.3	-902	-3.2	-1,375
Group's effective tax rate	33.0	22,960	36.9	15,923

4.5 Net exceptional items

in thousands of Swiss francs	30 June 2003	30 June 2002
Exceptional income		
Use of the contingency provision	-	4,116
Net profit on disposal of buildings in Lausanne	21,021	-
	21,021	4,116
Exceptional expenses		
Other exceptional items	-	-4,116
	-	-4,116
NET EXCEPTIONAL ITEMS	21,021	-

A profit of CHF 27.5 million was recognised on the disposal of the Group's two buildings in Lausanne. These were sold to its direct majority shareholder at the end of June 2004 for CHF 35.0 million, compared with a net book value of CHF 7.5 million. After taking account of a tax expense of CHF 6.5 million, the sale realised a net profit of CHF 21.0 million.

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 (balance sheet, profit and loss account, cash flow statements and notes) of Compagnie Financière Tradition, Lausanne for the period from 1 January 2004 to 30 June 2004.

These half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to issue a report on these half-yearly 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 FER, except the following:

In the half-yearly consolidated financial statements, treasury shares for a total of CHF 10,166,000 are recorded as an asset. In addition, a net result on the sale of treasury shares for an amount of CHF 537,000 has been credited to the profit and loss account. According to Swiss GAAP FER 24, which came into force on January 1, 2004, the treasury shares should be deducted from equity and the result on the sale should be credited to equity and not the profit and loss account.

Lausanne, 15 September 2004

Ernst & Young S.A.

Hans Isler
Swiss certified accountant
in charge of the audit

Simon Durrance
Chartered Accountant