



Compagnie Financière Tradition

Reported revenue in H1 2014 : CHF 425.4m**Operating margin up to 6.3% from 6.0%****Consolidated equity Group share: CHF 305.8m****Continued investments in technology and costs reduction measures**

| <i>CHF m</i> | H1 2014 | H1 2013 | Variation in constant currencies |
|---|----------------|----------------|---|
| Reported revenue | 425.4 | 475.9 | -7.8% |
| Operating profit | 26.8 | 28.8 | -3.4% |
| Operating margin | 6.3% | 6.0% | |
| Net profit | 18.0 | 26.6 | -30.8% |
| Net profit Group share | 16.4 | 21.5 | -22.2% |
| Consolidated equity Group share | 305.8 | 282.0 | +8.4% |
| Net cash flows from operating activities* | 48.2 | 16.7 | +188.6% |
| Adjusted** revenue | 452.3 | 510.8 | -8.7% |
| Adjusted underlying operating profit *** | 35.8 | 46.7 | -20.7% |
| Adjusted underlying operating margin | 7.9% | 9.1% | |

* excluding variations from matched principal activities

** with proportionate consolidation method for joint ventures in line with the Group management reports ("Adjusted").

*** before amortisation of customer relationships and other exceptional costs and income.

Overview

The Group faced a challenging environment in the first six months, with low volatility on significant asset classes as well as a continued evolving market structure as a result of regulatory developments and related uncertainties, in particular regarding OTC derivative markets. In the context of the regulatory developments in the United States, the Group successfully developed the activities and positioning of Tradition SEF, especially through Trad-X, Tradition's market leading hybrid trading platform for interest rate swaps.

Against this backdrop, the Group posted consolidated revenue for the first six months of CHF 425.4m against CHF 475.9m in the first half of 2013, a decline of 7.8% in constant currencies. After a first quarter decline of 2.8% compared with the equivalent period last year, consolidated revenue fell 12.8% at constant exchange rates during the second quarter. Operating profit for the period declined 3.4% in constant currencies to CHF 26.8m for a margin of 6.3% compared with 6.0% in the first half of 2013.

The Group remains focused on measures to adapt its cost base to this evolving market environment, through cutting fixed costs while increasing its flexibility. Over the past 24 months, net savings of more than CHF 100 million were achieved through fixed cost reductions. The pay ratio of brokers now stands at 58.7% of revenue, with variable remuneration accounting for close to 44% of total pay. The measures will continue over the coming months.

At the same time, the Group continued its investments in technology, essential to the deployment of its electronic broking strategy to develop hybrid trading platforms using its proprietary technology. These platforms leverage innovative functionalities covering multi-asset classes and have been designed as a logical extension to Tradition's voice broking services. These substantial investments have a negative impact on the Group's short-term profitability but are critical in order to fully benefit from opportunities driven by the regulatory developments. Tradition's industry award-winning platforms, Trad-X and ParFX, are at the core of its electronic strategy.

Since its launch, Trad-X has matched more than 18,000 separate orders in interest rate swaps, amounting to a notional matched of more than CHF 1.1tn (single count). The phasing in since February of products traded through SEFs in the United States progressed trading activities on the platform, with Trad-X achieving record electronic trading volumes for US dollar swaps consecutively in May and June. During the period, Trad-X successfully extended its offering to Euro Short End products.

The Group also pursued development of ParFX, a global wholesale electronic trading platform for spot forex, during the first half. The platform now counts 14 banks amongst its founding members, with the addition of two major participants in the global spot forex market in early 2014, enabling it to further expand its distribution network.

Revenue

The Group's adjusted consolidated revenue was CHF 452.3m, compared with CHF 510.8m in 2013, a decline of 8.7% at constant exchange rates.

Adjusted revenue from IDB activity declined 7.8% in constant currencies with all asset classes impacted by the lower activity levels of the principal participants in the financial markets. Nonetheless, the decline was less severe in interest rate and foreign exchange products while more pronounced in fixed income products and commodities. However, results varied according to the geographic regions.

Revenue from the online forex trading platform for retail investors in Japan, Gaitame.com, decline by 37.2% at constant exchange rates compared with first-half 2013 which benefited from buoyant activity levels in the foreign exchange market.

Operating profit

The adjusted underlying operating profit (excluding exceptional costs) was CHF 35.8m, compared with CHF 46.7m in the first half of 2013, a decline of 20.7% in constant currencies. The adjusted underlying operating margin declined to 7.9% of consolidated revenue against 9.1% in first-half 2013. The IDB adjusted underlying operating profit was down 12.7% in constant currencies to CHF 34.7m for a margin of 7.8% compared with 8.3% in the first half of 2013.

Exceptional costs include an amortisation charge of CHF 0.5m (H1 2013: CHF 2.0m) in respect of the Group's intangible assets as well as net exceptional costs (consisting mainly of legal and reorganisation costs) of CHF 4.6m (H1 2013: CHF 6.4m). The related intangible asset was fully amortised in the first quarter of 2014.

Reported operating profit for the period was CHF 26.8m compared with CHF 28.8 in the first half of 2013, a decrease of 3.4% in constant currencies for an operating margin of 6.3% against 6.0% in the first half of 2013.

Net profit

Consolidated net profit was CHF 18.0m compared with CHF 26.6m in 2013 with a Group share of CHF 16.4m against CHF 21.5m in 2013, a decline of 22.2% at constant exchange rates.

Balance sheet

During the period, the Group bought out the entire shareholding of a minority shareholder in a Japanese subsidiary. This operation positively impacted equity attributable to shareholders of the parent by CHF 19.2m. Consolidated equity totalled CHF 315.6m at 30 June 2014, of which CHF 305.8m was attributable to shareholders of the parent (31 December 2013: CHF 282.0m), compared with a stock market capitalisation of some CHF 283m*. The Group's share of equity, net of goodwill and other intangible assets from acquisitions, is among the highest in the IDB industry.

Total adjusted cash, including financial assets at fair value, net of financial debt, rose to CHF 87.0m at 30 June 2014 against CHF 74.9m at 31 December 2013, benefiting from an improvement in net adjusted cash flows from operating activities of CHF 48.2m.

Outlook

Over the coming months, the Group will continue to focus on adapting its cost base to current market conditions by reducing fixed costs and increasing its flexibility. It will maintain its investments in electronic and hybrid technologies in order to respond to the new regulatory landscape and benefit from the resulting opportunities.

Half year report

The 2014 half year report of Compagnie Financière Tradition SA is now available on the Company's website at <http://tradition.com/financials/reports.aspx>

*At 26 August 2014: CHF 42.10 per share

ABOUT COMPAGNIE FINANCIERE TRADITION SA

Compagnie Financière Tradition SA is one of the world's largest interdealer brokers in over-the-counter financial and commodity related products. Represented in 28 countries, Compagnie Financière Tradition SA employs 2,250 people globally and provides broking services for a complete range of financial products (money market products, bonds, interest rate, currency and credit derivatives, equities, equity derivatives, interest rate futures and index futures) and non-financial products (energy and environmental products, and precious metals). Compagnie Financière Tradition SA (CFT) is listed on the SIX Swiss Exchange.

For more information, please visit www.tradition.com.

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