



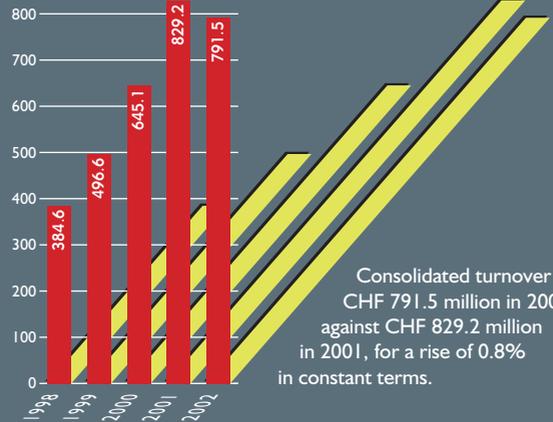
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Key figures

Consolidated turnover

in millions of Swiss francs



Consolidated turnover was CHF 791.5 million in 2002, against CHF 829.2 million in 2001, for a rise of 0.8% in constant terms.

Profit before tax

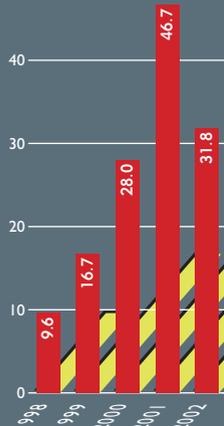
in millions of Swiss francs



Consolidated profit before tax was CHF 77.7 million, against CHF 104.8 million in 2001, reflecting a margin before tax of 9.8%.

Net profit - Group share

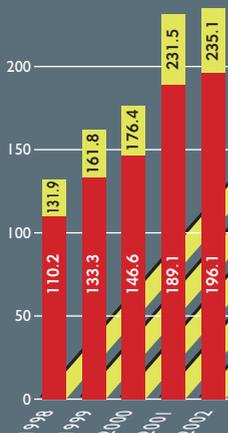
in millions of Swiss francs



Consolidated net profit stood at CHF 39.9 million, against CHF 61.0 million in 2001, for a net margin of 5.0%. After taking account of minority interests of CHF 8.1 million, Group share of net profit amounted to CHF 31.8 million in 2002.

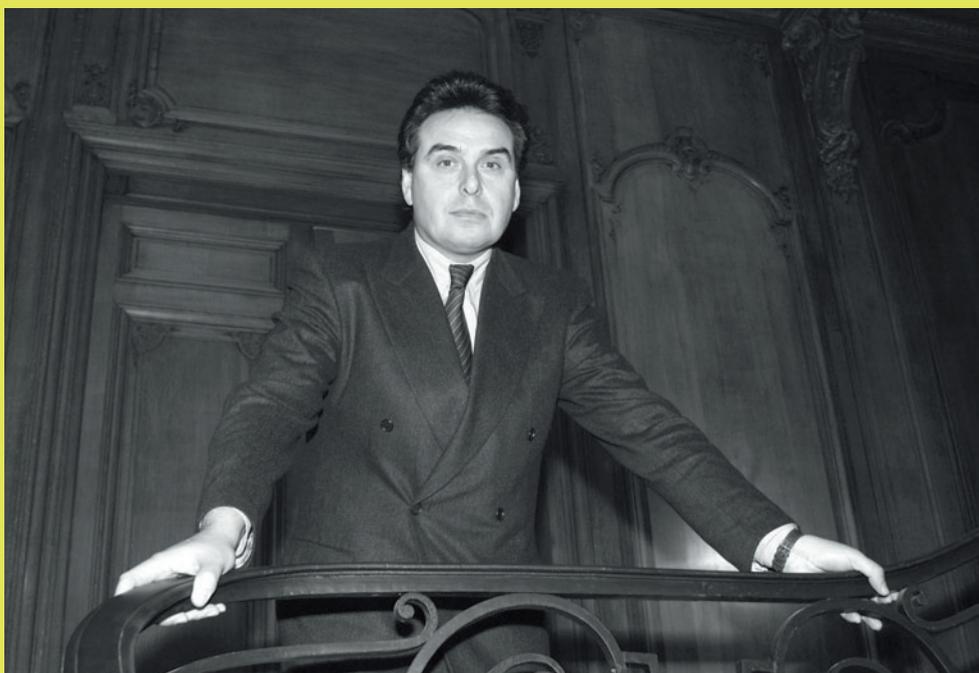
Consolidated shareholders' equity

in millions of Swiss francs



This result brought consolidated return on equity to 16.8% in 2002. Consolidated shareholders' equity stood at CHF 235.1 million at 31 December 2002, including CHF 196.1 million Group share, reflecting a robust financial situation with a consolidated cash position and marketable securities net of borrowings of CHF 181.5 million at 31 December 2002.

■ Consolidated shareholders' equity ■ Consolidated shareholders' equity - Group share



We would like to take this opportunity to thank all our shareholders for their continued loyalty and support and our teams for their persistent efforts in such a difficult context.

Chairman's message

Despite the adverse trading conditions, marked by a hostile economic climate and depressed financial markets, Compagnie Financière Tradition's underlying strengths enabled it to hold on to its achievements earned during five consecutive years of strong growth.

Following on the heels of 2001, which had seen turnover double in three years, and rise 28.5% last year, one of our major objectives was to maintain activity levels in the face of a challenging economic environment. With consolidated turnover of CHF 791.5 million, up 0.8% in constant terms, Compagnie Financière Tradition proved the value of its balanced portfolio of activities, in terms of both product diversity and geographic footprint, which allowed it to adapt during these less buoyant times.

The second objective in 2002 was to maintain the Group's earnings generating capacity. Profit before tax on ordinary activities reached CHF 77.7 million, for a profitability before tax of 9.8%, and Group share of net profit was CHF 31.8 million, for a return on consolidated shareholders' equity of 16.8%. These figures reflect the Group's ability to ride out cyclical economic fluctuations - a rare feat among financial companies - and to retain a strong balance sheet.

Compagnie Financière Tradition's leading position, management strategy and solid financial structure, are key factors in its ability to maintain its situation and to come out of these turbulent times even stronger than before. The Group has the potential for growth and to improve margins, which allows it to view the future with confidence, ready to pursue its development when the economic waters become less murky.

In light of these reflections, we have decided to continue our high-yield policy implemented six years ago. The Directors will therefore be seeking shareholder approval at the Annual General Meeting to pay a dividend of CHF 3.0 per share, plus one bonus share for every 50 shares held.

We would like to take this opportunity to thank all our shareholders for their continued loyalty and support and our teams for their persistent efforts in such a difficult context.



Patrick COMBES

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

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

Committed to offering its clients an efficient, comprehensive service, Compagnie Financière Tradition has a worldwide network, with trading floors in 16 countries. Its teams of 1,300 brokers provide traders, market makers and treasurers of financial institutions and large multinationals round-the-clock access to specialists in each product category. It is present in the interest rate, forex, securities, energy and precious metals markets, handling transactions in balance sheet instruments (spot transactions, loans/borrowings) and off-balance sheet instruments (derivatives).

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

Compagnie Financière Tradition's business

EXPERT

Financial innovation has been moving ahead at a phenomenal rate in recent years, and requires a high level of experience and expertise. Compagnie Financière Tradition is one of the world's top three brokers in the market for interest rate swaps, which now represents over 50% of over-the-counter derivative products, after two decades of uninterrupted growth in interest rate derivatives on world markets.

World markets have undergone a sea change since the eighties, with the appearance of increasingly complex financial instruments and an explosion in volumes traded. Compagnie Financière Tradition has always prided itself on its top-notch teams of financial brokers, experts in the fast-changing world of sophisticated financial products. It has acquired particular expertise in one of the leading markets characterising some of the greatest financial innovations of the past two decades: that of interest rate swaps.

Compagnie Financière Tradition is one of the world's three leading players in this sector. It is the leader in Japan, the leader in Europe in yen swaps, and the joint leader in Europe in euros and sterling. In 2002, the Group moved to develop its positions in U.S. dollars, particularly from its Asian desks.

PIONEER

As in any other service or industry, products evolve in line with innovations and market maturity. Over the years, Compagnie Financière Tradition has earned itself a solid reputation as a pioneer.

Steady financial innovation, so characteristic of the financial markets, generates a growing number of new markets in parallel to the industrialisation of those markets that are reaching maturity. The eighties and nineties were characterised by the emergence of derivative products and oil trading, while the second half of the nineties saw the advent of electricity and coal. There has been a parallel evolution in the risk sector, where risks are being analysed with increasing precision, and management of credit risk has become essential for banks.

Compagnie Financière Tradition has forged itself a reputation as a pioneer. In 1982, for example, it was the originator of the forward rate agreement or "FRA" (a hedging instrument in the form of an over-the-counter forward agreement that determines an interest rate to be paid or received on a loan or deposit, beginning at some time in the future), and then in 1997 it created the market for coal derivatives.

In 2002, Compagnie Financière Tradition was once again ahead of the field, when it integrated its voice brokerage operations in currency options with those of Volbroker, the electronic trading platform. This new business venture is one of the first in the world to offer complete integration of voice and electronic brokering, and one of the only two "Straight-Through Processing" solutions on the market, a subject that became particularly important for Compagnie Financière Tradition's customers in 2002.

GLOBAL

A broad geographic footprint and diversified product portfolio is the key to steady growth and economic stability. Compagnie Financière Tradition is present across three time zones and in most market segments.

Two basic trends exist on the capital markets, and are no doubt here to stay: globally increasing volatility and the juxtaposition of different cycles of a segment from one market to another. Volatility increases trading opportunities as well as the hedging needs of market players, leading them to turn more readily to derivative instruments. In 2002, the low interest rates drove investors into the bond markets in search of the higher returns offered on corporate paper, while volatility on the dollar was higher than it had been previously. Likewise, the prices of commodities varied considerably, but not necessarily consistently, from one geographic region to another.

Compagnie Financière Tradition's extensive geographic footprint and diversified product portfolio structurally reduce its exposure to markets in cyclical or structural downturn, which is not always possible for highly specialised intermediaries or those operating on a national level. Compagnie Financière Tradition, whose annualised growth of consolidated turnover was close to 20% from 1998 to 2002, can harness additional development resources, thanks to the diverse nature of its operations and depth of its expertise.

LEADER

Clients seek the best centres of liquidity in each segment for their operations. Compagnie Financière Tradition is No. 1 in several market segments, No. 2 in others and, overall, the world's No. 3 broker in financial and non-financial over-the-counter markets.

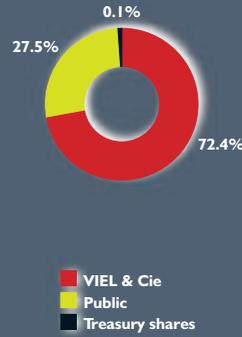
Compagnie Financière Tradition is a recognised leader in interest rate derivatives, currency options, metals, and non-financial products. In energy, for instance, its subsidiary TFS was voted "Broker of the Year 2002" by EPRM* magazine.

It is active across the whole energy spectrum. Launched in 1989, when the Company began brokering oil contracts, its product portfolio expanded to include natural gas, electricity, coal, and weather derivatives. The potential for development is still significant, even for an established leader in the field, and Compagnie Financière Tradition's teams of brokers are experts in derivative products, with many years of experience. They can be counted on to pursue the expansion of the product portfolio, by launching new activities and forming new teams, like the opening of a fuel-oil desk in the U.S. in the second half of 2002, similar to the existing ones in London and Singapore. Compagnie Financière Tradition also enhanced its presence during the year in environmental products, such as emission allowances in the United States. This market has great potential in Europe and Asia, following new legislation on environmental protection that has recently come in effect in these regions.

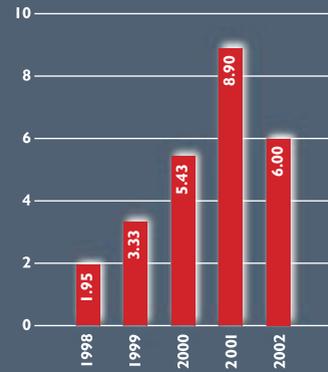
* Energy & Power Risk Management Magazine, edited by the Risk Waters Group, each year conducts a survey among professionals in the global energy and power markets. The nomination of TFS as "Broker of the year" was published in the May 2002 issue of EPRM.

At 31 December 2002, 72.4% of Compagnie Financière Tradition's share capital was held indirectly by VIEL & Cie, 27.5% was in public hands, and the remaining 0.1% comprised shares held by the Company.

Distribution of capital
at 31 December 2002



Net profit - Group share per share*
in Swiss francs



*based on weighted average number of shares of CHF 2.50 nominal value during the year

Information for shareholders

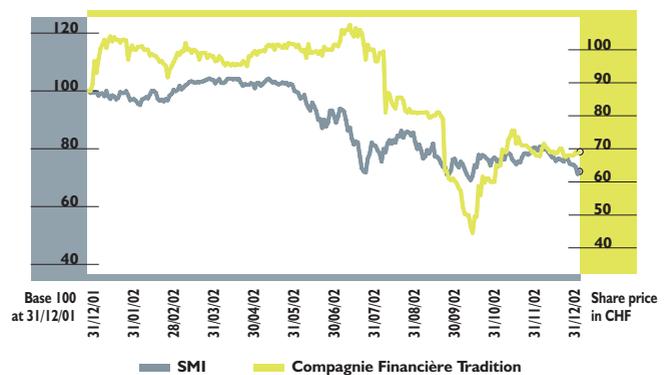
Market capitalisation at 31 December 2002 was CHF 366.0 million.

Share performance

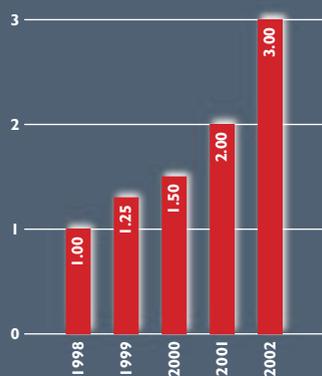
The shares began the year at CHF 87.5 (adjusted to take account of the two-for-one share split in July 2002) and rose during the first half of the year to reach their highest point in July, at CHF 107.5. In the second half, with stock markets tumbling and the Company posting a drop in half-year results, the share price fell sharply, closing the year down at CHF 69.0.

Having progressed 62.8% in 2001, the shares dropped 21.1% during the year, although still outperforming the SMI which registered a decline of 27.8%. Over the past five years, the value of Compagnie Financière Tradition shares has quadrupled, for an annualised growth of 33.8%. Over the same period, the SMI index lost one fourth of its value, for an annualised change of -5.9%.

Share performance



Dividend per share*



*based on a share with a nominal value of CHF 2.50

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for Compagnie Financière Tradition's
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- Share price
- Press releases
- Calendar of events
- Presentations
- Financial information
- Shareholders' forum

www.traditiongroup.com

In terms of the share's liquidity, an average of 3,200 shares exchanged hands each day in 2002, against 3,700 in 2001, with a record volume of 7,150 shares traded daily in May 2002.

In November 2002, the warrants programme set up in December 2000 and extended in December 2001, expired.

Capital

The Annual General Meeting of 17 May 2002 approved a halving of the nominal value of Compagnie Financière Tradition shares, which was reduced from CHF 5.00 to CHF 2.50. Capital at 31 December 2002 stood at CHF 13,261,750, consisting of 5,304,700 shares with a nominal value of CHF 2.50.

	2002	2001
Share price at 31 December	CHF 69.0	CHF 87.5*
Nominal value of the share	CHF 2.50	CHF 5.00
Number of shares at 31 December	5,304,700	2,652,350
Market capitalisation at 31 December (in millions)	CHF 366.0	CHF 464.2
Price Earning Ratio	11.51	9.94
EBITDA** / share***	CHF 12.6	CHF 18.2*
Consolidated net profit - Group share per share***	CHF 6.0	CHF 8.9*
Dividend per share	CHF 3.0****	CHF 2.0*

* Data adjusted to take account of the halving of the nominal value of the shares in July 2002, to facilitate comparison with 2002 figures.

** Earnings before interest, tax and depreciation of assets.

*** Based on the weighted average number of shares outstanding during the year.

**** The Board of Directors of Compagnie Financière Tradition will be recommending to the Annual General Meeting a dividend of CHF 3.0 a share, plus one bonus share for every 50 shares held.



Corporate governance

Compagnie Financière Tradition has always been committed to the highest standards of corporate governance. As part of this ongoing commitment, the Company adopted a number of measures during the year to enhance transparency in its shareholder relations, and it fully complies with the provisions of the new “Directive on Information Relating to Corporate Governance” published by the Swiss Stock Exchange in August 2002.

Share structure and shareholders’ rights

The structure of share capital, authorised capital and conditional capital, as well as changes in share capital over the past three years and information concerning options issued by the Company or its subsidiary undertakings on Compagnie Financière Tradition’s shares, are presented in the Notes to the financial statements on pages 61 and 62 of the Annual Report.

The Company’s Articles of Association do not provide for any restriction on shareholders’ statutory voting rights, other than in respect of attendance at a General Meeting - Article 17 of the Articles stipulates that *“a shareholder may only be represented at the General Meeting by his legal representative or by another shareholder attending that Meeting, in possession of an instrument of proxy”* - and the quorums required for the approval of an *“Extension and restriction of the scope of company operations”* and a *“Merger with another company”*. These last items both require the affirmative vote of no less than two-thirds of the shares represented and an absolute majority of the nominal value of shares represented at a general meeting where no less than 51% of the nominal value of all shares issued is represented. Finally, the employment contracts of Executive Board members and senior executives of Compagnie Financière Tradition and its subsidiary undertakings do not generally contain any specific provision concerning a change in control of Compagnie Financière Tradition, with the exception of employment contracts of three members of the Executive Board. All three contracts contain a clause providing for these executives to retain office, under identical employment conditions, in the event of a change in control of the Company.

Group structure and major shareholdings

The Group’s organisation chart is shown in simplified form on page 18 of the Annual Report and the scope of consolidation is set out on pages 39 and 40. At 31 December 2002, Compagnie Financière Tradition had an interest in TFS, a company listed

on the Second Marché of Euronext Paris, and controlled 70.8% of its capital.

Major shareholders in the Group are shown on page 61. No shareholders' agreement existed at 31 December 2002, and there were no cross-shareholdings exceeding 5.0% of the voting rights or share capital.

Board of Directors and Executive Board

Board of Directors

The Board of Directors is composed of nine Directors. Other than its Chairman, Mr. Patrick Combes, all the Directors are independent and non-executive. None of the Directors has previously belonged to any of Compagnie Financière Tradition's governing bodies or any of its subsidiaries, or had business relations with Compagnie Financière Tradition or any of its subsidiaries at 31 December 2002, with the exception of Mr. Robert Pennone, a partner at Pennone, Luthi & Partners. On 26 May 2000, Compagnie Financière Tradition had entered into a liquidity contract with this firm, under which it was appointed market maker for Compagnie Financière Tradition shares. There was no cross-representation on the boards of directors of the companies listed at 31 December 2002. A detailed career history and the functions of each of the Directors appear on pages 12 and 13 of the Annual Report.

Directors hold office for three years, beginning at the General Meeting at which they were elected and ending at the General Meeting following the expiry of their office. Directors are eligible for re-election. When a director ceases to hold office, for whatever reason, a new director is elected for the term of office that would have remained had his or her predecessor completed their full term.

The Board of Directors is invested with powers and obligations under the law (Sec. 716(a) of the Code of Obligations), the Articles of Association and the Company Bylaws, which empower it to create one or more Board committees drawn from among its members. Accordingly, at the Board Meeting of 13 March 2002 it was decided to create two new committees - an Audit Committee and a Remuneration Committee.

The Board of Directors meets when the half-year and annual

accounts are closed, at each General Meeting, and whenever Company business requires. Its meetings last an average of three hours.

The *Audit Committee*, chaired by Mr. Robert Pennone, is made up of four independent, non-executive members, all experienced and knowledgeable in the fields of accounting standards, finance and auditing. The role of the Audit Committee is to assist the Board of Directors in its task of supervising the financial reporting process, the internal control of financial reporting and Company procedures aimed at ensuring compliance with the laws, regulations and code of best practice. The Audit Committee also reviews the performance, efficiency and fees of the external auditors, and ensures that they maintain their independence. Lastly, it reviews the effectiveness of the financial and risk management departments' cooperation with the external auditors.

This Committee meets three to four times a year and its meetings last between three and six hours.

The *Remuneration Committee*, chaired by Mr. Christian Baillet, is made up of three members. It approves the remuneration schemes and policies set in place by the Group and, more specifically, the terms of remuneration of members of the Executive Board. It approves the share option schemes and other incentive schemes.

The Board of Directors and its committees receive the full cooperation of the Executive Board, which regularly attends meetings of the Board of Directors to present accounts of its management.

Executive Board

The Executive Board of Compagnie Financière Tradition is made up of nine people, who meet regularly and exercise the powers conferred on them by the Organisational Regulations. A detailed career history of each of the Executive Board members, together with their functions within Compagnie Financière Tradition and other functions on governing and supervisory bodies of major corporations, foundations and institutions, directorships and consultancy functions for significant interest groups, official duties and political mandates exercised, are set out on pages 14 and 15 of the Annual Report. At 31 December 2002, there were no management contracts between Compagnie Financière Tradition and any companies outside the Group.

Share Interests of Members of the Board of Directors and Executive Board

At 31 December 2002, according to our information, the non executive Directors of Compagnie Financière Tradition and parties closely linked to them held a total of 80,007 Compagnie Financière Tradition shares and 7,000 share options, each one exercisable in respect of one Compagnie Financière Tradition bearer share. The share options were granted on 27 March 1998 at an option price of CHF 12.0 exercisable between 27 March 2001 and 27 March 2003.

According to our information, at 31 December 2002, the Chairman of the Board of Directors, members of the Executive Board and parties closely linked to them held a total of 161,080 Compagnie Financière Tradition shares, and 460,494 share options, each exercisable in respect of one Compagnie Financière Tradition bearer share. Details of these share options (date granted, expiry, and exercise price) are presented in the Notes to the financial statements, on page 62 of the Annual Report.

Remuneration for members of the Board of Directors and Executive Board

In 2002, non-executive Directors of the Company received total fees of CHF 173,000, paid in the form of cash. This annual remuneration comprises a fixed amount of CHF 10,000 per director, and a variable amount of up to CHF 10,000 per director, determined on the basis of directors' attendance at the various Board Meetings during the year. In addition, two non-executive Directors also receive CHF 10,000 for their directorships on the Board of TFS, a subsidiary company. The highest total compensation paid to a member of the Board of Directors in 2002 was CHF 30,000, paid in the form of cash. In 1997 and 1998, Compagnie Financière Tradition granted share options to its non-executive Directors in respect of 7,000 shares with a nominal value of CHF 2.50 each. These options were valid for five years at an exercise price of CHF 12.0 per share. Five Directors exercised their options during the year, purchasing 35,000 shares with a nominal value of CHF 2.50 each. Finally, travelling expenses incurred by Directors, and other expenses related to the performance of their duties, were reimbursed in full.

Remuneration for executive members of the Board of Directors and members of the Executive Board in 2002 amounted to CHF 20.0 million. CHF 4.7 million was paid in the form of salaries, CHF 15.1 million in the form of cash bonuses, and CHF 0.2 million in the form of perquisites. Executive Board members also received 146,094 share options during the year, each one exercisable in respect of one Compagnie Financière Tradition share. No options granted previously were exercised during the year. The characteristics of these options are described in the Notes to the financial statements, on page 62 of the Annual Report.

No remuneration or leaving bonuses were paid in 2002 to former members of the Board of Directors and Executive Board. Members of the Board of Directors and Executive Board did not receive any additional fees totalling or exceeding half of their ordinary remuneration.

Information policy

Compagnie Financière Tradition publishes its consolidated turnover on a quarterly basis, and its consolidated results on a half-yearly basis. Moreover, it communicates all events that may affect its share price, in accordance with the requirements of Article 72 of the Listing Rules. Permanent sources of information and contact addresses for the Company are shown on page 7 of the Annual Report.

Risk management and internal control

General risks involved in brokering operations conducted by Compagnie Financière Tradition and its subsidiary undertakings

Compagnie Financière Tradition is committed to strict risk management throughout its operations, and does not allow its operational subsidiaries to generate risks that are not directly related to its brokering business. The core of this brokering activity is to provide a point of contact for counterparties seeking to trade financial or non-financial products directly between themselves. The broker acts as a completely neutral intermediary. The risks are limited, and are mainly related to the transfer of information to clients and to the payment by these clients of commissions due.



The software systems, organisation of administrative teams, and control procedures that have been set in place, ensure efficient follow-up on client transactions. They also meet the standards required of financial institutions: separation of functions, automatic confirmations, recording of conversations and daily controls. Outstanding commissions are monitored regularly, both locally and on the consolidated level.

However, increasingly sophisticated customer requirements have brought about changes in brokering methods in equities, bonds and securities. Not all counterparties want the markets to know their intentions, and some may wish to remain anonymous. In this case they will ask a broker to act as a neutral agent between the buyer and seller. The broker buys and sells the securities simultaneously and therefore does not take up a market position. It must, however, guarantee settlement of all trades. This form of brokering is known as "principal transactions", and requires specific organisation and follow-up.

Specific risks incurred in principal and clearing transactions

Having executed the transactions, the broker must then ensure that the clearing is carried out correctly. The risk is that technical delays may occur or that the counterparty may default before the clearing takes place. There are two essential inputs in this operation: the quality of the counterparties involved in the trade, and the efficiency of the administrative organisation behind the clearing.

With respect to the first point, Group companies must, as a rule, obtain authorisation from the Credit Committee for the counterparties with which they wish to deal. Compliance with this authorisation, as well as day-to-day operations, are then monitored by the Risk Management Department.

The clearing operations themselves are handled by specialised teams. Compagnie Financière Tradition's subsidiary, Holding Tradition Clearing (HTC), is a dedicated clearing company. HTC in turn controls Tradition London Clearing Ltd., which is the pivot for the Group's principal transactions in Europe.

Tradition Global Clearing Inc., another HTC subsidiary, used to operate as a clearing house on the American market. It was a member of the Government Securities Clearing Corporation (GSCC), a central settlement counterparty for U.S. securities. Membership in the GSCC considerably reduced the risk of a counterparty default, since it guarantees settlement of all trades entering its net. However, with the growth of the

Group's American operations, another of its companies in the U.S., Tradition Asiel Securities Inc., became a direct member of the GSCC, and all clearing operations in the United States have now been taken over by this company.

Internal Control and Risk Management

The first level of control is identified within each operational entity of the Group. The Executive Board then actions a targeted information system, which allows it to follow key parameters, such as average client payment times, the possible imposition of financial penalties in the event of execution errors, and client distribution analysis.

The Risk Management Department also monitors principal transactions on a daily basis. Transactions are controlled on the basis of Group company, counterparty, and product, as well as from the angle of consolidated operations. This Risk Management Department is directly accountable to the Chairman of the Board of Directors.

Finally, risks, and risk management and control, are reviewed by the Group's Audit Committee.

External auditors

The Company's external auditors are Ernst & Young of Lausanne. They were first elected in 1996, and re-elected by the Annual General Meeting of 17 May 2002, for a term of one year. The firm is represented by Mr. Jacques Fournier, auditor in charge, who took up office for the audit of the 2001 financial statements, and Mr. Florian Magnollay. Ernst & Young earned fees of CHF 1,456,000 for fiscal 2002, CHF 122,000 of which were in addition to the audit of the accounts of Compagnie Financière Tradition and its subsidiaries.



Patrick Combes
Chairman of the Board of Directors
 French national, aged 50.

First elected on 7 January 1997.
 Re-elected 11 May 2001 for 3 years.

Chairman of the Board of Directors of Compagnie Financière Tradition (Switzerland), Chairman of the Board of Directors of VIEL & Cie (Paris), VIEL & Cie Finance, and Financière Vermeer B.V., Director of Verbalys.

None

None

CAREER HISTORY
 After studying at the ESCP-EAP in Paris, Patrick Combes left for the United States, where he obtained an MBA at Columbia University, New York. On his return in 1979, he took over VIEL & Cie, gradually transforming the Company through organic and external growth, first within France and then on the international level, into a global player on the world's financial markets. In 1996, when VIEL & Cie took control of Compagnie Financière Tradition, Patrick Combes became Chairman of the Board of Directors.



Christian Baillel
Director
 French national, aged 52.
 Member of the Audit Committee and Chairman of the Remuneration Committee.

First elected on 7 January 1997.
 Re-elected 11 May 2001 for 3 years.

Chairman of Quilvest Holding France, Chief Executive Officer of Quilvest, Chief Executive Officer and Director of Banque Privée Quilvest and Quilvest Capital France, Director of VIEL & Cie (Paris), Quilvest S.A. (Luxembourg), Garden Ridge (Houston), Quilmes Industrial (Luxembourg) and Botts & Cie (London) and deputy director of SIF in Zurich.

None

None

After studying in France and in the United States (MBA Wharton), Christian Baillel joined the Corporate Banking Division of Citicorp in New York in 1975. Since 1978, he has been with the Bemberg Group, based in Paris, where he was Manager of French and European Investments, and is now Group Finance Director. In 1994, he was appointed Chief Executive of Quilvest S.A. Luxembourg, in charge of investments; he is also Chief Executive Officer of Banque Privée Quilvest in Paris.



Hervé de Carmoy
Director
 French national, aged 65.

First elected on 29 September 1997.
 Re-elected 11 May 2001 for 3 years.

Managing Partner of Rhône Group LLC, Chairman of the Supervisory Board of Sydney & London Properties (Cardiff), member of the Supervisory Board of Société Industrielle du Hanau.

None

None

A graduate of the Institut d'Études Politiques in Paris and Cornell University (MBA), Hervé de Carmoy joined Chase Manhattan Bank in 1963, where he was Chief Executive for western Europe. In 1978, he joined Midland Bank PLC, and in 1984 was appointed Chief Executive, Director and member of the Executive Committee of the Midland PLC Group, London. From 1988 to 1991, he was Deputy Director of Société Générale of Belgium. In 1992 he was appointed President and Chief Executive of the BIMF, and then in 1999, he became Managing Partner of Rhône Group LLC in New York.



François Carrard
Director
 Swiss national, aged 64.
 Member of the Remuneration Committee.

First elected on 7 January 1997.
 Re-elected 11 May 2001 for 3 years.

Managing Director of the International Olympic Committee, partner in the law firm of Carrard, Paschoud, Heim & Partners, Chairman of the Board of Directors of Beau-Rivage Palace S.A. (Lausanne), Swissmetal UMS, Groupe Vaudoise Assurances (Lausanne) and member of the Board of Directors of Kamps AG (Germany), and ING Banque Bruxelles Lambert (Switzerland) Ltd.

None

None

LL.D. from the University of Lausanne, François Carrard has been a practising attorney since 1967. He is a partner in the law firm of Carrard, Paschoud, Heim & Partners in Lausanne, and is a specialist in corporate law, particularly the banking and financial sector. Since 1989, he has been Director General of the International Olympic Committee.

**APPOINTMENT AT
 COMPAGNIE FINANCIÈRE
 TRADITION**

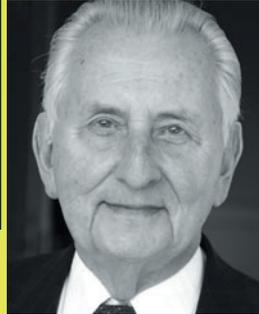
**FUNCTIONS IN GOVERNING
 AND SUPERVISORY BODIES
 OF MAJOR CORPORATIONS,
 FOUNDATIONS OR
 INSTITUTIONS AT
 31 DECEMBER 2002**

**PERMANENT MANAGEMENT
 AND CONSULTANCY
 FUNCTIONS FOR IMPORTANT
 INTEREST GROUPS AT
 31 DECEMBER 2002**

**OFFICIAL AND POLITICAL
 FUNCTIONS AT
 31 DECEMBER 2002**

CAREER HISTORY

Board of Directors



Jean-Marie Descarpentries
Director
 French national, aged 66.
 Member of the Audit Committee.

Christian Goecking
Director
 Swiss national, aged 59.
 Member of the Remuneration Committee.

Pierre Languetin
Director
 Swiss national, aged 79.
 Member of the Audit Committee.

Robert Pennone
Director
 Swiss national, aged 58.
 Chairman of the Audit Committee.

Urs Schneider
Director
 Swiss national, aged 57.

First elected on 7 January 1997.
 Re-elected 11 May 2001 for 3 years.

First elected on 7 January 1997.
 Re-elected 11 May 2001 for 3 years.

First elected on 4 May 1995.
 Re-elected 11 May 2001 for 3 years.

First elected on 7 January 1997.
 Re-elected 11 May 2001 for 3 years.

First elected on 7 January 1997.
 Re-elected 11 May 2001 for 3 years.

President of the FNEGE, Chairman of the Supervisory Board of Sidel, Chairman of the Board of Directors of Cabasse, director of Parsys (Paris), Completel (Amsterdam), and VIEL & Cie (Paris), member of the Advisory Board of Ernst & Young France and of the Advisory Committee of Groupe Bolloré.

Deputy director of Berney Conseil S.A. (Geneva) director of CIM Banque.

Chairman of the Board of Directors of Rosbank (Switzerland) and member of the Boards of Directors of the Ludwig Institute for Cancer Research and Prumerica Private Bank, Geneva.

President of FidGroupe, Vice-Chairman of the Board of Agefi Groupe (Lausanne), Chairman of the Board of Banque SCS Alliance and director of Reuteurs S.A.

Director of the IFCI Foundation, member of the International Board of the International Social Service (ISS) - Swiss Section.

None

A graduate of the Ecole Polytechnique (Paris), Jean-Marie Descarpentries has been a senior executive in some of Europe's major industrial groups. From 1982 to 1991, he was President and Chief Executive of Carnaud Metalbox. From 1994 to 1997, he was President and Chief Executive of Bull, and was responsible for turning the company around. He is presently President of the FNEGE (Fondation Nationale pour l'Enseignement de la Gestion des Entreprises).

Christian Goecking, graduate of the HEC, University of Lausanne, has spent 35 years in banking, finance, and particularly in financial brokerage. He has worked in senior management and as deputy director at major Swiss banks and English brokerage houses. He was Manager of private asset management at the Julius Baer Group in Geneva and Lugano.

Degree in economics and business administration and Docteur Honoris Causa from the University of Lausanne, Pierre Languetin began his career in Paris, at the Secretariat of the Organisation for European Economic Cooperation, from 1949 to 1954. He then moved to Bern, where he worked for the Department of Economic Affairs from 1955 to 1976. He was Ambassador-Delegate of the Federal Council for Int. Trade Agreements since 1966, and was a member then President of the Governing Board of the Swiss National Bank from 1976 to 1988. From 1985 to 1988, he was on the Board of Directors of the BIS.

A chartered accountant, Robert Pennone has worked as Managing Director of ATAG Ernst & Young, where he was also a director, then Managing Director of Ernst & Young M + A Europe. From 1996 to 1999, he was Chief Executive of corporate banking operations at the bank Marcuard Cook & Cie S.A. From 1979 to 1983 he was President of the Ordre des experts-comptables of Geneva.

After graduating from the Haute Ecole de Commerce in St. Gallen, in 1969, Urs Schneider spent two years at Leica, Heerbrugg, before joining the IMI/IMD (International Management Institute), Lausanne, where he held different posts from 1971 to 1984, including Administrative Director and Director of the MBA programme. Since 1985, he has been Director of the International Financial Risk Institute (IFCI) Foundation.

Emil Assentato

Chief Executive of Tradition North America
American national, aged 53

Graduating in 1973 with an economics degree from Hostra University, Emil Assentato began his career on Wall Street. He joined Tradition in 1986 as Manager of money market and derivatives operations. In 1991, he was appointed Chief Executive of Tradition (North America) Inc. and Tradition Asiel Securities Inc. (formerly Tradition Government Securities Inc.).

Catherine Bienstock

Risk Manager
French national, aged 48

After training as an economist, Catherine Bienstock joined the Organisation for Economic Cooperation and Development in 1979. She moved to Banque Nationale de Paris in 1983 where she held several positions, the last being the control of market operations. In January 1995, she became internal auditor at Compagnie Financière Tradition, based in London. During her stay in England, she did a Master's degree, specialising in the regulation of financial services. She became Risk Manager in September 2001.

Guido Boehi

President of TSH and HTS
Swiss national, aged 55

After completing a commercial apprenticeship at St. Gallische Creditanstalt, Switzerland, Guido Boehi joined Banque Suisse-Israël of Geneva, where he was manager of the securities trading department from 1968 to 1972. He then spent twelve years with Cosmorex, a brokerage house in Geneva, before joining Compagnie Financière Tradition as manager of money market operations in Lausanne. His responsibilities gradually extended to cover European operations, and in January 1997, he took the helm at the TSH division and then, in 1998, at the newly created HTS division.

Olivier Dillenschneider

Managing Director in charge of legal affairs
French national, aged 41

After obtaining an LL.M., Olivier Dillenschneider became head of legal and tax services at the auditing firm of France Fiduciaire-Metz from 1984 to 1990. During this period he also studied at the Institut Français des Affaires. From 1990 to 1991, he was manager of the legal department of the Frey Group in Reims. He joined the VIEL & Cie Group in 1992 as Legal Officer before becoming Secretary General. After Compagnie Financière Tradition was taken over by VIEL & Cie, he became Secretary General and then Managing Director of the Company. He is also a director of the ACEC, school of graphic arts in Paris.

Executive Board

Julian Harding

Managing Director of TFS
British national, aged 45

Julian Harding is a graduate of Newcastle University, England. He began his career at Société Générale in London, where he handled spot and forward currency operations. In 1981, he joined International Treasury Management, a subsidiary of Marine Midland Bank / HSBC. He went to New York in 1983, where he was a pioneer in currency options trading, particularly in emerging markets. In 1985, along with David Pinchin and Compagnie Financière Tradition, he participated in the creation of TFS, becoming its Managing Director.

Robin Houldsworth

Chief Executive of Tradition (UK) Ltd., Manager of European Operations at TSH
British national, aged 39

After graduating from Hull University in 1985, Robin Houldsworth became a solicitor in 1986. In 1987, he joined Tradition where he created the interest rate swaps desk. He was appointed a Director of Tradition (UK) Ltd. in 1989, then Chief Executive in 1997. Since 2000, he is also Chief Executive of Monecor (London) Ltd.

Ghislaine Mattlinger

Managing Director in charge of finance
French national, aged 34

A graduate of the Ecole des Hautes Etudes Commerciales (HEC) in France, Ghislaine Mattlinger spent seven years at Arthur Andersen, where she was responsible for several consulting and auditing missions in the financial markets department. She joined Compagnie Financière Tradition in October 1996 as Chief Financial Officer, before becoming Managing Director in charge of finance.

David Pinchin

President of TFS
American national, aged 55

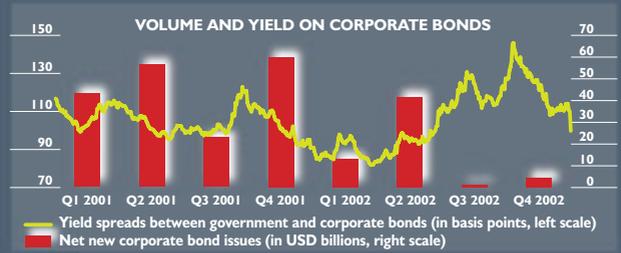
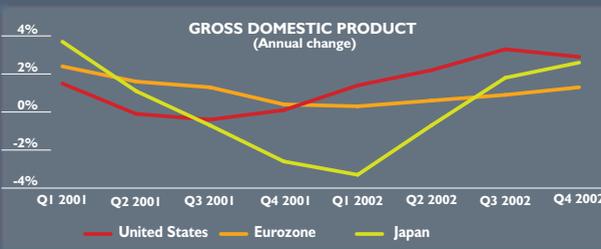
David Pinchin is a graduate of the City of London College, in England. He headed International Treasury Management, a subsidiary of Marine Midland Bank / HSBC, where he helped found the over-the-counter market in currency options, before joining the Tradition Group in 1986. Along with Julian Harding and Compagnie Financière Tradition, he participated in the creation of TFS, becoming Chairman of the Board of Directors.

Dominique Velter

Strategic Marketing Director
French national, aged 38

Master in Economics at Dauphine (France), Dominique Velter joined BATIF the capital market banking arm of Thomson, when it was formed in 1986. In 1989, she became Director of Finance and Treasury of Bernard HAYOT group, leader of the wholesale and retail distribution in the French overseas territories. She graduated with an MBA from ISA-HEC in 1996, and joined VIEL & Cie, as assistant to the President on development planning. In 1999, she created the Group's online trading company, Capitol.fr, and was its President until April 2001, when she was appointed Strategic Marketing Director of Compagnie Financière Tradition.

A mixed economic picture...



Economic review

Mixed economic performance

Economic growth in the developed countries was globally weak in 2002, although there were considerable differences between the various regions of the world. While continental Europe suffered sub-par growth of less than 1%, dragged down by a Germany close to a recession, and Japan remained in the grips of its recession, the United States enjoyed higher than expected growth of 2.5%. Household consumption, bolstered by falling interest rates and the government's stimulus measures, remained the driving force behind American growth.

The serious imbalances in this quarter, particularly the high level of household debt and current account deficit, are showing no signs of being reabsorbed. Prospects for the months to come remain particularly uncertain since authorities no longer seem to have much room for manoeuvre on either the monetary or fiscal levels.

Difficult investment climate

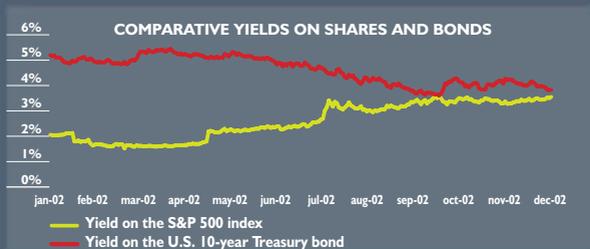
This morose economic climate gave investors little joy. Worries about the lack of direction were heightened by the looming threat of war in the most important oil-producing region in the world. Fuelling negative sentiment were the many accounting scandals and rising defaults in corporate America, coupled with the somewhat dubious ethical practices of some of the investment banks. In short, 2002 was a year in which investor confidence deteriorated very significantly.

This deterioration had a knock-on effect on the equity markets, sending them lurching downwards. Interest rate spreads were also affected as investors demanded higher yields than in previous years for lower quality credits. Since companies had to pay more for capital, net new issues of corporate bonds and IPOs dropped substantially in 2002.

Increasing risk aversion among investors also spawned the rapid development of new hedging instruments in specific risk areas, such as credit derivatives, which hedged against bankruptcy or the downgrading of issuers of debt instruments.

Legislators and regulators in several countries, particularly in the United States, have begun to tighten the rules on corporate governance in the hope of bolstering investor confidence in the financial markets.

... led to increased volatility...



Stock markets nosedive while volatility soars

The uncertainty reigning throughout the year resulted in strong price variations in the different markets. Equity markets were the first to feel the impact: the major indices dropped for the third year running, with falls from the highs of early 2002 being the worst since the stock market crises of the late 1920s. In the United States, the Dow Jones lost 16.8%, while the Nasdaq plummeted 31.5%. In Europe, the German Dax went into freefall, losing 43.9%, the French CAC 40 dropped 33.7%, while the Swiss SMI fared little better with a loss of 27.8%.

On the whole, the bond market enjoyed a relatively good year. The “flight to quality” provoked a very strong drop in government bond yields, which reached their lowest level in 40 years in the United States.

Currency markets saw the end of the euro’s decline against the dollar. The single currency, which had consistently fallen against the dollar since its introduction in January 1999, gained 17% in 2002, while the Swiss franc showed similar gains against the dollar during the year.

Finally, the threat of a new Gulf war and erratic economic growth caused significant fluctuations in the price of oil, although volatility in this market remained relatively low compared with that on the equity and interest rate markets.

Bumpy ride for commodities

Commodity prices in 2002 reflected the various trends in the financial markets.

The fall in equities and the muddy economic outlook sent investors running for cover. For a short while gold was sought as a safe haven, pushing up prices, but with little risk of inflation the attractiveness of investing in gold remained relatively weak.

Oil prices were one of the major worries of operators throughout the year. Although the price of oil dropped significantly in the early part of the year, on the back of fears of a world recession, the threat of a new Gulf war sent prices back up, to almost \$30 a barrel.

Many uncertainties still hang over the price of commodities, particularly oil, which will remain sensitive to geopolitical development in the early part of 2003.

Simplified organisation chart

at 31 December 2002

Compagnie Financière Tradition Lausanne

VIEL & Cie

Paris

72.4%

Public

27.6%

100.0%
TSH
Lausanne

70.8%
TFS
Lausanne

100.0%
HTS
Lausanne

100.0%
HTC
Lausanne

Brokerage

Brokerage

Brokerage

Clearing

Money markets
Interest rate derivatives
Credit derivatives
Emerging markets

Moscow
London
Brussels
Luxembourg
Paris
Munich
Lausanne
Milan
Lisbon
New York
Los Angeles
Buenos Aires
Beijing
Tokyo
Hong Kong
Singapore

Currency options
Equity derivatives
Energy
Precious metals
Pulp and paper
Energy consulting
Recruitment
Venture capital

London
Frankfurt
Johannesburg
Stamford
New York
Houston
Sydney
Tokyo
Hong Kong
Singapore

Equities
Government and
corporate bonds
Financial futures markets

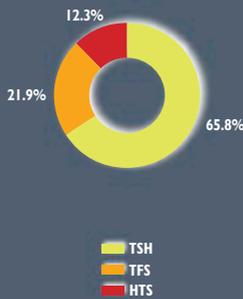
London
Frankfurt
Paris
Lausanne

London

Note: names of companies and their percentage shareholdings are detailed in the Notes to the consolidated financial statement on pages 39 and 40.

Activity report

Turnover in 2002
by division

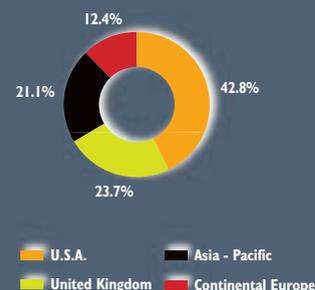


Compagnie Financière Tradition again proved its resilience in 2002, despite the challenging economic climate and financial markets in sharp decline. Revenues for the period, in constant terms, remained on a par with 2001 with consolidated turnover of CHF 791.5 million.

Consolidated net profit - Group share was CHF 31.8 million, for a net return on consolidated revenues of 4.0%.



TSH turnover in 2002
by geographic area



Key facts and figures...

Brokerage in:

- Money markets
- Interest rate derivatives (forwards, swaps, options)
- Credit derivatives
- Emerging markets

TSH Group

Tradition Service Holding (TSH) handles Compagnie Financière Tradition's brokerage activities on the money markets, in interest rate derivatives, emerging market debt, and credit derivatives. Asia proved to be one of the main driving forces in 2002, a year in which the United States and Europe were marked by an abrupt end to six years of uninterrupted growth, as the economic and monetary cycle turned less favourable for this product mix. Turnover in 2002 was CHF 521.1 million, for a Group share of net profit before exceptionals of CHF 22.4 million.

United States

In terms of turnover, **New York** is the most important centre for both Compagnie Financière Tradition and the TSH Group. Tradition (North America) Inc., a broker historically specialised in OTC markets, such as deposits and interest rate derivatives, completely restructured its portfolio of activities since taking over the operations of Asiel & Co. LLC, a founding member of the NYSE, in June 2000.

The company was able to sustain activity levels in 2002, despite a mixed performance in its key markets. The Fed's interest rate policy took its toll on the activity levels of all regular participants in the global money markets. Offsetting this negative impact, however, was a sharp deterioration in credit ratings for corporate paper which generated a strong increase in activities for products such as short-term interest rate swaps, credit derivatives and distressed bonds, all segments in which the New York operations have a competitive edge.

United Kingdom

In **London**, Tradition (UK) Ltd. is a respected broker in the money markets and interest rate derivatives markets, for a broad range of currencies, particularly the euro, the yen, the sterling and certain emerging currencies, as well as credit derivatives and emerging market debt.

2002 was a mixed year for the company, with turnover down slightly over the previous period. The historically low and stable interest rates, particularly on the euro and sterling, negatively impacted activities on interest rate instruments, and the company was unable to maintain the exceptional levels of business it enjoyed in 2001. However, the economic climate prevailing throughout 2002 was favourable to the development of credit derivatives, and Tradition (UK) Ltd., which had enhanced its brokering teams during the year, was able to take full advantage of the upswing. Activities on the sterling markets, across all its product lines, benefited from the addition of a Gilts segment to the portfolio. Finally, business on forwards also showed encouraging progress.

Monecor (London) Ltd. successfully launched a new online service, Tradindex.com, in 2002, which offers spread betting on financial indices to a retail clientele.

880 brokers

16 offices
in **13** countries

65.8%
of consolidated
turnover

Continental Europe

Compagnie Financière Tradition is the only global brokerage Group with a strong network in Continental Europe. Activities at its **Brussels, Luxembourg, Paris, Munich, Lausanne** and **Milan** offices are focused mainly on the money markets and short-term off-balance sheet products. The consolidation that has taken place in the sector in recent years has reduced the number of local brokers and this, coupled with the very high calibre of Compagnie Financière Tradition's teams, has placed these offices in a unique position in their local markets. However, even that was not enough to overcome the particularly difficult economic climate in 2002, which seriously impacted volumes in their core sectors of activity.

Against this backdrop, the strategies implemented by the offices were tailored to the specific aspects of each market. They included seeking enhanced hedging for their clients, as in Belgium, and new product lines, like Tradition S.A. Lausanne, which launched a spot rates segment in October 2002. However, in Munich, Finacor Deutschland GmbH, an industry leader with significant market share, managed to maintain its turnover and profitability during the period.

In Paris, VIEL Tradition S.A. turned in a mixed performance. Its interest rate swaps, deposits and securities lending sectors suffered from the deterioration in banks' credit standing, coupled with competition in off-balance sheet products and low interest rates. However, weak business in these products was offset by increased turnover on bonds, which benefited particularly from the synergies created with the Frankfurt-based Finacor Rabe AG team.

Asia - Pacific

The Group's Asian operations enjoyed a particularly good year, with a significant rise in turnover. Mirroring the experience of Tokyo in recent years, it was the turn of Hong Kong and Singapore to register sustained growth momentum.

In **Japan**, Meitan Tradition Co. Ltd. consolidated its leadership in the Japanese market, across all its product lines. In particular, concerted efforts to enhance its position in forwards, U.S. dollar business, and interest rate options, were rewarded with an increase in market share. Fading hopes of seeing Japanese banks return to near normal volumes of

activity in the traditional money markets, led the company to create a new activity during the year. Harnessing the expertise of its local brokers, it successfully launched a new foreign exchange brokerage business via the Internet and I-mode (mobile Internet access), aimed at a retail clientele.

In **Hong Kong**, Tradition (Asia) Ltd. was able to grow its business and enjoy a record year despite the adverse economic climate, marked by moroseness in the marketplace and the weakened position of Japanese banks in the capital markets. Three factors in particular benefited the company: Tradition's established leadership in Japan; sustained growth in the credit derivatives market, where Tradition (Asia) Ltd. has been active since 1999; and Switchfix, an online tool designed to allow automatic clearing of residual risk positions in swaps, also launched in 1999. Looking ahead, the quality of the teams recruited during the year, the Company's fast-growing reputation on the Hong Kong dollar, and the largely untapped medium-term potential of China, provide an encouraging platform for the future growth of the company.

In **Singapore**, Compagnie Financière Tradition took 100% control of its subsidiary, Tradition Singapore (Pte) Ltd., which reported an increase in turnover during the year. Following the successful strategy of the Hong Kong office concerning the Hong Kong dollar, priority was given to developing activities on the Singapore dollar, particularly in interest rate swaps, through the recruitment of new teams. Despite the negative impact of these investments on profitability in the short-term, the new climate and potential for cooperation with other offices in the Group will provide Tradition Singapore (Pte) Ltd. with important growth resources for the future.



Key facts and figures...

Brokerage in:

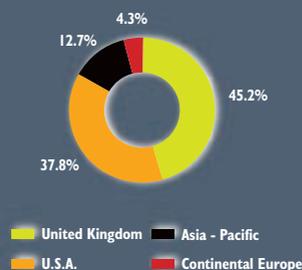
- Currency options
- Equity derivatives
- Energy
- Precious metals

Energy consulting

Recruitment

Venture capital

TFS turnover in 2002
by geographic area



TFS Group

TFS, 70.8% owned by Compagnie Financière Tradition, brokers currency options, energy products, precious metals, pulp and paper and equity derivatives in over-the-counter markets. This diversified portfolio enabled TFS to continue its growth path in 2002, and attain a record turnover. Underlying performance of its product segments was mixed, with currency options and equity derivatives more than compensating for the slowdown in some of its energy divisions, hit by the fallout from the Enron debacle. Consolidated turnover reached CHF 173.2 million, for a net profit of CHF 11.6 million, with a Group share of CHF 8.9 million. TFS's contribution to Compagnie Financière Tradition's net profit - Group share was CHF 6.3 million in 2002.

Financial products

Brokerage activities in financial products accounted for 46.2% of consolidated revenues, against 37.9% in 2001.

In **currency options**, the success of the joint venture with ICAP was further enhanced by the merger announced late in 2001 with Volbroker, a trading platform owned by a banking consortium (Citigroup, Deutsche Bank, Goldman Sachs, J.P. Morgan Chase, Royal Bank of Scotland, and UBS Warburg). This alliance between the number one voice broker and the number one electronic platform has proved very positive for all concerned, resulting in increased turnover and profits in the sector, and improvements in TFS-ICAP's margins and market share. This platform is installed and operating in over 60 banks worldwide.

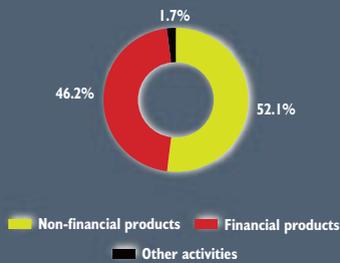
In **equity derivatives**, mainly single stock and index options. TFS again had a good year, showing improvements in turnover, market share and profit in this sector. In Europe, TFS was particularly well placed to adapt to market changes, with its strong presence in OTC markets and extensive exchange presence. In the U.S., which showed the strongest improvement in equity derivatives, the growth in volumes in OTC and exchange-traded markets justified the Group's investments in enhancing its presence and operational teams, which commenced in 2001.

280 brokers

10 offices
in **8** countries

21.9%
of consolidated
turnover

TFS turnover in 2002
by product



Non-financial products

TFS remains the world's foremost **energy** broker, and in February 2002 it received the "Energy Broker of the Year" award from the prestigious EPRM Magazine, a leading journal in financial circles. Over the past two years, TFS has received the most rankings in terms of products and countries than any of its competitors, once again benefiting from the diversification strategy that it has pursued over the last several years.

The fallout from the Enron debacle spread throughout most of the energy market, affecting virtually all of the participants and causing an unprecedented contraction of liquidity in the world's electricity markets. In the U.S., U.K. and Germany, TFS's turnover dropped sharply as its clients, voluntarily or otherwise, had to scale back their business. In such a climate, the importance of a leadership position is essential to capture the lion's share of residual liquidity and bolster client confidence.

The fall in electricity volumes was offset through strong growth in the natural gas sector, where in the U.S. TFS has an important market share, and oil derivatives, where the Company added a U.S. office to its top notch London-Singapore axis. The coal market continued to develop and, for the first time, volumes in the derivatives markets equalled those on the physical market. Weakness in the weather derivatives market mirrored the fall-off in the electricity sector. Finally, TFS continued gradually to increase its presence in the environmental service markets.

TFS's market share in **precious metals** remained strong, particularly in options in the U.S., U.K. and Australia, although its activities in precious metals have become less important in terms of turnover and profitability. The Company is also aiming to win back market share in swaps and forwards by redistributing its precious metals teams between New York and London, where the marketplace for precious metals picked up in the second half of 2002. Finally, **pulp and paper** had a better year in 2002, as the use of hedging mechanisms by the forestry industry gradually became more prevalent.

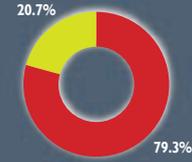
Other activities

For several years, TFS has been diversifying into new activities alongside its core businesses. Revenues to date on these new ventures are still marginal.

Capstone Global Energy, created in 1999, has provided energy consulting services to European and U.S. companies in the energy field. During 2002, the company created a joint venture with Harvard Management Company in the U.S. This new entity, Current Capital, aims to assist investors in acquiring distressed assets in the energy field. **The Recruitment Company** (TRC), created in September 1999, is a recruitment specialist in the financial, energy and new technologies sectors, with offices in London, New York, Sydney and Tokyo. 2002 was a difficult year in the recruitment sector, and the company gradually had to scale back its presence in Asia, with the exception of Japan and Australia. **Equitek**, created in July 2000, is a venture capital company focusing its portfolio on broadband and enabling technology. The company's first fund, opened in 2001, is now 90% invested. **TFS Blackwood**, created in October 2000, was a day trading company. It was closed in the first quarter of 2002 after succumbing to the adverse market conditions that severely impacted the whole day trading industry.



HTS turnover in 2002
by geographic area



Continental Europe United Kingdom

Key facts and figures...

Brokerage in:

- Equities
- Government and corporate bonds
- Financial futures markets

IPOs

Liquidity contracts

HTS Group

The HTS Group is active in Europe through its subsidiaries Tradition Securities And Futures, Finacor Rabe and MIA. Operating in three core segments - futures, regulated exchanges, and options - it brokers interest rate and index products, government and corporate bonds, and securities on the spot markets. Although its market share in this last product line is only marginal, the protracted sluggishness on the stock markets over the past two years triggered substantial losses in 2002, necessitating a wide-ranged restructuring during the year.

Tradition Securities And Futures

Tradition Securities And Futures (TSAF) is a major broker in the European financial futures markets, and a leader in options. It is a member, directly or through its London subsidiary, of the MATIF, MONEP, LIFFE and EUREX.

Volumes traded on the futures markets experienced record growth of between 10% and 50% in 2002, when strong volatility and increased counterparty risks created a fertile climate for hedge products and cleared off-balance sheet instruments. However, brokers were unable to capitalise on the full extent of this growth in volumes, since in some cases clients chose direct access to the market, and in others, demanded reductions in brokerage fees. Despite the downward pressure on margins, the TSAF teams managed to keep their activity levels on an even keel, and the Company maintained satisfactory market shares. Finally, the company has extended its global presence over the past three years, opening a branch first in London and then in Lausanne, and enhanced its product portfolio to cover the market for government and corporate bonds.

Operations in corporate bonds progressed well, on the back of widening spreads between government and corporate paper, with the market for the latter offering great development potential.

In equities, TSAF sought to enhance its presence in securities by recruiting a new Paris-based team specialised in European equities. This team of high calibre brokers had an appreciable impact on turnover from the outset.

140 brokers

5 offices
in **4** countries

12.3%
of consolidated
turnover

Finacor Rabe

HTS gradually increased its holding in this subsidiary in 2001 and 2002, bringing it to 82.5% by year-end. Finacor Rabe AG is a Frankfurt-based broker, active in fixed-rate securities and equities. These activities showed very mixed results during the year.

In fixed-rate securities, teams struggled to maintain market share in German securities and the main European benchmark indices, in the face of strong competition from online brokers. While results were successful on this front, thanks to the teams' expertise and the synergies created with other subsidiaries of Compagnie Financière Tradition, the hostile economic climate took its toll on equities. The sharp fall in transactions in these markets prompted a substantial drop in revenues, and compelled Finacor Rabe AG to implement a restructuring plan which resulted in significant losses.

MIA

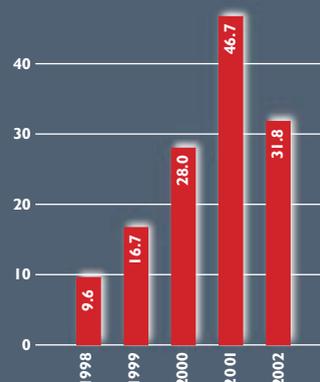
MIA, 55% owned by TSAF, is a brokerage house specialised in French equities. The company continued to suffer from very weak trading volumes in 2002, as commissions from IPOs and liquidity contracts failed to offset the drop in brokerage fees, resulting in a 40% decline in turnover.

In this particularly hostile climate, turnover remained stable at CHF 97.3 million, compared with CHF 97.5 million in 2001, but consolidated operating results showed a loss of CHF 8.4 million, against a consolidated operating profit of CHF 6.6 million in 2001. Group share of HTS net results showed a loss of CHF 3.7 million in 2002, against a net profit - Group share of CHF 9.7 million in the previous year.

Consolidated turnover
in millions of Swiss francs



Net result - Group share
in millions of Swiss francs



Results 2002

Consolidated results

Consolidated turnover was down 4.5% on the year at CHF 791.5 million, compared with CHF 829.2 million in 2001. Excluding acquisitions and disposals of undertakings in 2001 and 2002, consolidated turnover would have dropped 5.6%. At constant exchange rates and with an unchanged scope of consolidation, turnover would have been up by 0.8%.

Globally, the segmental analysis of consolidated turnover was as follows:

in thousands of Swiss francs	2002	%	2001	%
Interest and currencies	407,800	51.5	430,257	51.9
Futures	67,043	8.5	68,237	8.2
Securities	220,636	27.9	223,874	27.0
Commodities	90,361	11.4	100,160	12.1
Other activities	5,665	0.7	6,652	0.8
TOTAL	791,505	100.0	829,180	100.0

The Company booked **other operating income** of CHF 6.4 million in 2002, against CHF 3.7 million in the previous period. This item consisted mainly of insurance payouts to compensate Compagnie Financière Tradition for income losses sustained by its two U.S. subsidiaries in the wake of the September 11 attacks.

Consolidated operating profit was CHF 54.4 million, against CHF 85.1 million in 2001, for an operating margin of 6.9% of consolidated turnover, compared with 10.3% in 2001. Underlying this global drop in consolidated **operating margin**

was a mixed performance from subsidiaries:

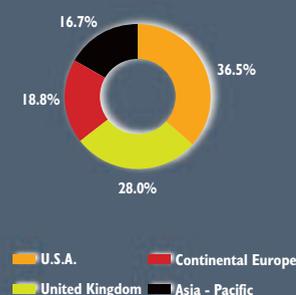
- **HTS** turned in a disappointing performance in 2002, in what was a particularly challenging year on the equity markets, with a consolidated operating loss of CHF 8.4 million, compared with a consolidated operating profit of CHF 6.6 million the previous year,
- **TSH's** contribution to consolidated operating profit was sharply down on the year, at CHF 41.2 million against CHF 54.9 million in 2001. TSH had benefited from an exceptionally buoyant market for interest rate activities in 2001, on the back of successive interest rate cuts initiated by the Fed. In 2002, low and stable interest rates worldwide pushed revenues on the interest rate markets down by 8.0% in constant terms, leading to a deterioration in operating profitability of these activities,
- **TFS's** contribution to consolidated operating profit was CHF 19.1 million against CHF 19.9 million in 2001. Underlying this relative stability was a good performance in currency options and equity derivatives, offset by a sharp slowdown in energy products, which was more pronounced in the second half as the shockwaves from the Enron affair impacted the markets.

Against this economic backdrop, **operating ratios** retreated slightly in 2002, after rising steadily for five consecutive years during a period of sustained growth in a buoyant economic climate. Personnel costs dropped to CHF 546.6 million during the year, against CHF 560.9 million in 2001, representing 69.1% and 67.6% of turnover respectively. The variable part of salaries accounted for almost one third of all remuneration, and is slightly up on 2001.

Consolidated shareholders' equity in millions of Swiss francs



Compagnie Financière Tradition turnover in 2002 by geographic area



Telecommunication costs and the purchase of financial information, the second biggest expense category, represented 8.4% of consolidated revenues, against 7.6% in 2001 and 9.0% in 2000. This rise is mainly due to the purchase of financial information, which increased in tandem with changes in the product portfolio. The Group's product mix is steadily making inroads into the securities markets.

Consolidating its position as a leading broker in a broad range of financial products, where it ranks first or second in the world, Compagnie Financière Tradition set up a comprehensive strategy to lever better value from its market information capital. Over the long-term, this strategy will allow the Company to offset its purchases of financial information with earnings from the sale of its own information flows. The first contracts, concluded in 2002, are showing potential but revenues on this front are expected to remain marginal in 2003.

Net financial income for the period amounted to CHF 23.3 million against CHF 19.7 million in 2001. This included CHF 24.9 million of net gains on disposals of interests, comprised mainly of a profit of CHF 10.4 million on the disposal of the Company's interest in Infotec S.A., a company specialised in providing online financial information, and CHF 14.1 million on the disposal of the remaining stake in Euronext N.V. held by one of its subsidiaries. The effect of this gain on Group share of net profit was confined to CHF 3.9 million.

Consolidated profit before tax and exceptional items was CHF 77.7 million, against CHF 104.8 million in 2001, for a profitability before tax of 9.8% in 2002 against 12.6% in 2001. The Group took a consolidated tax charge of CHF 32.0 million in 2002, or 41.2% of profit before tax, against 37.5% in the previous period. In fiscal 2001, Compagnie Financière Tradition had used tax loss carry forwards from companies that had returned to profitability.

The negative **contribution of associated undertakings**, consolidated under the equity method, was CHF 3.0 million in 2002, against CHF 3.8 million in 2001. This item mainly covers the contributions of Infotec S.A. and Current Capital LP. An **exceptional net loss** of CHF 1.5 million was booked to provision for the outcome of litigation against Maxcor Financial Group Inc. Under the terms of the judgment rendered on 11 February 2003, Compagnie Financière Tradition had to sell its interest in Eurobrokers Finacor Ltd. to Maxcor Inc.

Consolidated net profit was CHF 39.9 million. After taking account of minority interests of CHF 8.1 million, **net profit - Group share** stood at CHF 31.8 million, down 31.9% on the year. This result brought return on consolidated shareholders' equity to 16.8% in 2002. **Consolidated shareholders' equity** stood at CHF 235.1 million at 31 December 2002, CHF 196.1 million of which was Group share, reflecting the Company's solid financial position, particularly when compared to its cash position and marketable securities net of financial debts, of CHF 181.5 million.

Company results

Company operating income rose to CHF 10.8 million, against CHF 6.8 million in 2001. Operating expenses amounted to CHF 4.7 million, against CHF 3.0 million in the previous year, bringing Company operating profit to CHF 6.1 million, compared with CHF 3.8 million in 2001. After taking account of exceptional income of CHF 5.6 million from the dissolution of depreciation allowance and contingency and loss provisions, and a tax charge of CHF 0.2 million, Company profit reached CHF 11.5 million, compared with CHF 0.9 million in 2001, bringing Company shareholders' equity to CHF 129.8 million at 31 December 2002.

Outlook

Compagnie Financière Tradition has enjoyed exceptional growth since 1996, with annualised growth in turnover exceeding 30% between 1996 and 2001, a performance that projected it into the ranks of the world leaders. 2002 was a year of consolidation. Compagnie Financière Tradition remains staunchly committed to consolidating its global position, and by harnessing its competitive advantages, long-term vision of the industry and solid financial structure, it will continue to adapt its strategy and organisation in response to, and in anticipation of developments in the marketplace.

The lessons learned in 2002, and the climate of significant economic uncertainty and geopolitical instability that seems set to overshadow the 2003 financial year at least, require the Company in the short-term to concentrate its operational and strategic efforts on two core axes. It will continue to keep a tight rein on costs, whose variable input is likely to increase. At the same time, emphasis will be placed on enhancing the portfolio of activities, on a case-by-case basis, to introduce greater diversity and thus diminish exposure to economic and monetary cycles.

In the medium-term, the deployment of activities will be accompanied by greater integration in its business operations and more simplified organisational structures. Finally, Compagnie Financière Tradition will remain poised for any opportunity for strategic external growth, in order to accelerate both economies of scale and the diversification of its portfolio of activities.

Consolidated financial statements

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Report of the Group auditors

to the General Meeting of Compagnie Financière Tradition, Lausanne

As auditors of the Group, we have audited the consolidated financial statements (balance sheet, profit and loss account, cash flow statement and Notes) of Compagnie Financière Tradition for the year ended 31 December 2002.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the SWISS GAAP RPC and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

Lausanne, 18 March 2003

Ernst & Young S.A.

F. Magnollay
Certified accountant

J. Fournier
Certified accountant
(Auditor in charge)

Consolidated profit and loss account 2002

in thousands of Swiss francs	Notes	2002	2001
Net turnover	IV.1	791,505	829,180
Other operating income	IV.2	6,408	3,664
Operating income		797,913	832,844
Employee compensation and benefits		- 546,630	- 560,877
Other operating expenses		- 184,437	- 176,251
Depreciation and amortisation		- 12,468	- 10,632
Operating expenses		- 743,535	- 747,760
OPERATING PROFIT		54,378	85,084
Net financial income	IV.3	23,277	19,666
PROFIT BEFORE TAX		77,655	104,750
Exceptional items	IV.4	- 1,452	-
Taxes	IV.5	- 31,998	- 39,261
NET PROFIT OF CONSOLIDATED COMPANIES		44,205	65,489
Associated undertakings	III.3	- 3,043	- 3,768
Goodwill amortisation		- 1,220	- 709
CONSOLIDATED NET PROFIT		39,942	61,012
• Group share		31,813	46,716
• Minority interests		8,129	14,296
Net profit - Group share in Swiss francs per share of CHF 2.50 nominal value, based on weighted average number of shares outstanding		6.00	8.90

Consolidated balance sheet at 31 December 2002

ASSETS

in thousands of Swiss francs	Notes	2002	2001
CURRENT ASSETS			
Cash	III.1	50	134
Call deposits	III.1	113,291	115,542
Short-term deposits	III.1	58,939	58,035
Trade debtors	III.2	101,245	130,505
Receivables linked to account holder activities	III.7	54,996	60,537
Other short-term receivables	III.2	36,193	24,664
Receivables from affiliated companies		636	6,664
Receivables from shareholder and associated companies	III.8	3,344	282
Marketable securities	III.1	55,344	49,127
Prepaid expenses and accrued income	III.2	13,619	15,304
TOTAL CURRENT ASSETS		437,657	460,794
FIXED ASSETS			
Other long-term receivables	III.2	9,135	9,162
Associated undertakings and other investments	III.3	9,639	2,680
Treasury shares	III.3	339	1,730
Tangible fixed assets			
• Installations and equipment	III.4	21,363	21,722
• Buildings	III.4	7,516	7,516
Intangible fixed assets	III.4	13,815	18,020
TOTAL FIXED ASSETS		61,807	60,830
TOTAL ASSETS		499,464	521,624

LIABILITIES

in thousands of Swiss francs	Notes	2002	2001
CREDITORS			
Short-term bank borrowings	III.1	44,345	32,686
Debts to affiliated companies		2,269	286
Debts to shareholder and associated companies	III.8	16,334	12,530
Other short-term debts	III.5	37,999	44,065
Debts linked to account holder activities	III.7	53,877	59,328
Taxes payable	III.5	14,897	19,603
Accrued expenses and deferred income	III.5	82,596	105,312
Long-term financial debts	III.5	1,753	1,929
Contingency and loss provisions	III.6	10,282	14,389
TOTAL CREDITORS		264,352	290,128
SHAREHOLDERS' EQUITY			
Share capital	III.9	13,262	13,262
Share premium		8,712	8,712
General reserve	III.10	17,570	17,570
Reserve for treasury shares		339	937
Special reserve		3,100	3,100
Other reserves		15,300	15,300
Consolidated reserves	III.11	105,990	83,459
Net profit - Group share		31,813	46,716
SHAREHOLDERS' EQUITY - GROUP SHARE		196,086	189,056
Minority interests		39,026	42,440
TOTAL SHAREHOLDERS' EQUITY		235,112	231,496
TOTAL LIABILITIES		499,464	521,624

Changes in consolidated shareholders' equity

in thousands of Swiss francs	Shareholders' equity at 01.01.01	Miscellaneous reserves	Dividends 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 2001	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
Total - Group share	146,560	–	– 7,736	6,882	–	– 236	– 3,130	46,716	189,056
Minority interests	29,794	–	– 2,943	–	2,706	– 25	– 1,388	14,296	42,440
TOTAL	176,354	–	– 10,679	6,882	2,706	– 261	– 4,518	61,012	231,496

in thousands of Swiss francs	Shareholders' equity at 01.01.02	Miscellaneous reserves	Dividends 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 2002	Shareholders' equity at 31.12.02
Capital	13,262	–	–	–	–	–	–	–	13,262
Share premium	8,712	–	–	–	–	–	–	–	8,712
General reserve	17,570	–	–	–	–	–	–	–	17,570
Reserve for treasury shares	937	– 598	–	–	–	–	–	–	339
Special reserve	3,100	–	–	–	–	–	–	–	3,100
Other reserves	15,300	–	–	–	–	–	–	–	15,300
Consolidated reserves	130,175	598	– 10,567	–	103	–	– 14,319	31,813	137,803
Total - Group share	189,056	–	– 10,567	–	103	–	– 14,319	31,813	196,086
Minority interests	42,440	–	– 6,058	–	– 2,949	–	– 2,536	8,129	39,026
TOTAL	231,496	–	– 16,625	–	– 2,846	–	– 16,855	39,942	235,112

Consolidated cash flow statement

in thousands of Swiss francs	2002	2001
Cash flow from operating activities		
Group profit before tax and associated undertakings	74,983	104,041
Elimination of income and expenses of no material effect on cash flow and/or not related to activities:		
Net financial income and exchange gains and losses	- 23,277	- 19,666
Depreciation and amortisation	13,688	11,341
Exceptional items	1,452	-
Net changes relating to operating activities before change in operating assets and liabilities	66,846	95,716
Changes in working capital	- 6,038	- 10,414
Cash inflow from operating activities	60,808	85,302
Taxes paid	- 36,704	- 42,763
Net cash inflow from operating activities	24,104	42,539
Cash flow from investment activities		
Purchase/sale of marketable securities	- 6,217	754
Purchase/sale of treasury shares	420	- 793
Purchase/sale of non-consolidated investments	- 2,664	9,676
Net financial income	26,904	17,656
Net acquisition of fixed assets	- 10,295	- 12,066
Net acquisition of intangible assets	- 3,594	- 11,697
Net cash inflow from investment activities	4,554	3,530
Cash flow from financing activities		
Changes in receivables and debts related to shareholders and associated companies	742	11,506
Increase/decrease in long-term financial debt	-	- 2,279
Increase in capital	-	6,882
Effect of changes in the basis of consolidation	- 8,922	2,681
Dividends and other payments outside Group	- 6,058	- 2,943
Dividends paid by the Company	- 10,567	- 7,736
Net cash inflow/outflow from financing activities	- 24,805	8,111
Exceptional income affecting cash flow	- 1,404	-
Currency translation adjustments	- 15,539	- 3,011
Net increase/decrease in cash and cash equivalents (cf. Note III.1)	- 13,090	51,169

Notes to the consolidated financial statements

Introduction

Monecor, prior to its acquisition by Compagnie Financière Tradition on 30 June 2001, had been required to participate in a capital call of GBP 250,000 (CHF 610,000) for its subsidiary EuroBrokers Finacor Ltd. (EBFL). Monecor London Ltd. (Monecor) failed to meet this capital call. Under the terms of a shareholders' agreement, signed between Maxcor Financial Group Inc. (Maxcor, Monecor's partner in EBFL) and Monecor in 1998, if such an event were to occur, the shareholder had an obligation to sell its entire holding to its partner, on the basis of 70% of EBFL's equity.

Pursuant to this shareholders' agreement, Maxcor sued Monecor in 2001. Monecor defended the case before the High Court in London, and then appealed against the judgment. In February 2003, the appeal was dismissed by the Court of Appeal, and as a result, Monecor had to sell its holding in EBFL on 19 February 2003, for GBP 1,625,000 (CHF 3,628,000).

Accordingly, EBFL has been excluded from the consolidated accounts as of 1 January 2002, and turnover for 2002 has been restated to reflect this change. EBFL's contribution to consolidated turnover and net profit in 2001 represented respectively CHF 16.5 million and CHF 0.5 million. The Group took a one-off exceptional charge of CHF 1.5 million in respect of this litigation (cf. Note IV.4).

I. ACCOUNTING POLICIES

I.1 Principles of consolidation

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.

General accounting conventions were applied, respecting the conservatism principle, in accordance with generally accepted accounting standards for the preparation of consolidated statements.

Consolidation methods

Interests are fully consolidated when Compagnie Financière Tradition, directly or indirectly, holds majority voting rights in a company or owns a controlling interest in it. Minority interests in the shareholders' equity and net income of these companies are presented separately in the consolidated balance sheet and profit and loss account.

The financial statements of jointly controlled companies are consolidated using the proportionate consolidation method. Compagnie Financière Tradition's share of jointly controlled entities is stated on a line-by-line basis in the consolidated balance sheet and profit and loss account.

Affiliated companies in which Compagnie Financière Tradition has a significant but not controlling influence are consolidated using the equity method. "Significant influence" is presumed when Compagnie Financière Tradition directly or indirectly holds over 20% of the equity voting rights in these companies. Companies with totally different activities from those of the Group, whose inclusion could prejudice the fair presentation of the Group's consolidated financial statements, are also consolidated using the equity method.

With the exception of recently created companies of strategic importance to the Group, companies in which Compagnie Financière Tradition has exclusive or joint control or significant influence, but one which is not significant in terms of turnover or balance sheet total within the consolidation, are not included in the consolidated accounts.

Elimination of intercompany transactions

When preparing the consolidated statements, the results of intragroup transactions are eliminated if they are of material importance.

Intercompany receivables and debts, and income and expenses of fully consolidated companies are eliminated fully, as are the results of sales of assets between consolidated companies and provisions for depreciation recognised on consolidated investments, and loans and advances to consolidated affiliates.

I.2 Goodwill

The difference between the acquisition cost of newly consolidated company shares and the share capital acquired in such a company at the date of acquisition is divided between:

- premium (or negative premium) concerning certain identifiable items,
- goodwill (or negative goodwill) for the non-attributable balance.

Premium (or negative premium) is booked using the same rules as the foregoing items.

Goodwill is amortised over a maximum of ten years. However, a reserve for depreciation may be established if the performance of the acquired company is not in line with expectations.

Negative goodwill is recoverable on an individual basis over a period not exceeding five years, depending on the profitability of the new company.

I.3 Foreign currencies, foreign exchange and interest rate transactions

Currency translation

At the time of consolidation, financial statements of foreign affiliates prepared in foreign currencies are translated into Swiss francs as follows:

- assets and liabilities are translated at the exchange rate effective on the date of consolidation,
- income and expenses are translated at the average exchange rate for the year.

Foreign exchange differences resulting from variations in exchange rates from one year to the next, as applied to the net worth of the companies, and the difference between the average rate over the year and the closing rate applied to the results of such subsidiaries, are taken directly to shareholders' equity and dealt with under "Currency translation adjustment".

Foreign exchange transactions

Foreign exchange gains and losses are recorded under "Net financial income".

Foreign exchange risk arising from brokerages listed or billed in foreign currencies is evaluated and, if necessary, hedged by each affiliate of Compagnie Financière Tradition, in accordance with prudent practices. These entities only conduct forward foreign exchange transactions with highly reputable financial institutions.

These hedging transactions are booked in the same manner as hedged transactions.

Interest rate transactions

Compagnie Financière Tradition and its subsidiaries are not significantly affected by fluctuations in interest rates since all their fixed rate monetary assets and liabilities are short-term.

I.4 Valuation methods

The main valuation methods used are as follows:

Recognition of income

Brokerage revenues are recognised in the profit and loss account under specific income and expenses at the time of the transaction and recorded after deduction of correspondents' fees.

Current assets and short-term debts

Current assets and short-term debts include receivables and debts payable or renewable within a year. Receivables are entered in the balance sheet after deduction of economically necessary provisions.

Accrued and deferred items

Accrued items are calculated according to the cut-off principle, with expenses and income allocated proportionally in the year in which they arise.

Marketable securities

Marketable securities are recorded in the balance sheet at their acquisition cost, after deduction of necessary provisions, valued on the basis of their stock market price, for listed securities, or probable realisable value, for unlisted securities.

Notes to the consolidated financial statements

Long-term investments

Long-term investments are recorded in the balance sheet at their acquisition cost, after deduction of necessary provisions, valued on the basis of their stock market price, for listed securities, or probable marketable value, for unlisted securities.

Tangible fixed assets

Tangible fixed assets are stated at cost and depreciated on a straight-line method over their estimated useful life as follows:

Fixtures and installations	between 5 and 10 years
Computer and telecom. equipment	between 3 and 5 years
Other tangible fixed assets	between 3 and 5 years

Intangible fixed assets

Intangible fixed assets are stated at cost and depreciated on a straight-line basis over their useful economic life, over a maximum of ten years.

Other balance sheet items

Other balance sheet items are booked at face value, after deducting economically necessary provisions and amortisation.

Provisions for future and deferred taxes

Provisions for taxes are calculated on the basis of profits for the financial year in accordance with applicable local tax regulations.

Provision is made for deferred taxes using the variable carry-over method. Provisions include deferred taxes calculated on all timing differences outstanding at the close of the financial year, on the basis of rates ruling at the balance sheet date in each country, or rates known in advance for future financial years if those timing differences are of material importance.

Deferred tax assets are recognised when it is considered probable that they will be recovered in the foreseeable future because of the existence of future profits. Should this not be the case, they are booked at the amount of deferred tax liabilities for each company considered individually.

Debtor minority interests

Where, following losses, the share attributable to minority interests of a fully consolidated company becomes negative, the excess and subsequent losses chargeable to minority interests are deducted from majority interests, unless partners or minority shareholders have a formal obligation to make good such losses. If the consolidated company subsequently returns to profit, the majority interests are credited with the full profits until the portion they assumed of losses chargeable to minority interests has been fully eliminated.

Pension and other post-retirement benefits

Defined benefit or defined contribution pension plans have been set up, depending on the country in which the Group has operations and local pension regulations.

Under defined contribution plans, contributions from employees and companies of the Group are paid to approved pension institutions.

An actuarial valuation of defined benefit plans is carried out each year by independent experts, and a provision is made and adjusted accordingly.

Other pension commitments, such as pension indemnity, are subject to an actuarial valuation and are fully provisioned.

Derivative financial instruments

Derivative financial instruments outstanding at the balance sheet date are shown in the notes to the consolidated financial statements. Hedging transactions are valued on the same basis as hedged transactions. Other off-balance sheet transactions in derivative instruments are valued at the market price at the balance sheet date. Unrealised gains and losses arising from derivative instruments traded on regulated interest rate, currency and equity markets are recognised under financial income. A provision is made to cover unrealised losses determined by homogeneous portfolio of operations for OTC traded instruments.

II. BASIS OF CONSOLIDATION

II.1 Basis of consolidation at 31 December 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 in thousands	Method EM/FCM/PCM
COMPAGNIE FINANCIÈRE TRADITION		Switzerland	Consolidating company		CHF 13,262	
I. FINANCIAL COMPANIES						
TRADITION SERVICE HOLDING S.A., LAUSANNE						
<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 9,160	FCM
Tradition Beaufort House Ltd., London		United Kingdom	100.00%	100.00%	GBP n/s	FCM
Tradition Securities (Kenya) Ltd., Nairobi		Kenya	70.00%	70.00%	KES 7,500	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	50.00%	49.98%	EUR 2,125	PCM
Arbitrage Change S.A., Luxembourg		Luxembourg	99.93%	99.93%	EUR 372	FCM
Finance 2000 S.A., Paris						
VIEL Tradition S.A., Paris		France	100.00%	100.00%	EUR 9,899	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 S.A., Luxembourg (branch)		Luxembourg	100.00%	100.00%	EUR 372	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
Tradition (North America) Inc., New York						
STAFF USA Inc., New York		U.S.A.	100.00%	100.00%	USD 14,500	FCM
FXDirectDealer LLC, New York	✓	U.S.A.	100.00%	100.00%	USD 943	FCM
		U.S.A.	75.00%	75.00%	USD 650	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
<i>Tradition Services (Delaware) Corp., Delaware</i>		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%	ARS 12	FCM
Meitan Tradition Co. Ltd., Tokyo						
Meitan Information Service Co. Ltd., Tokyo	✓	Japan	55.34%	55.34%	JPY 300,000	FCM
Tradition Orient FX Co. Ltd., Tokyo	✓	Japan	100.00%	59.81%	JPY 10,000	FCM
		Japan	50.00%	27.67%	JPY 100,000	PCM
Tradition (Asia) Ltd., Hong Kong		Hong Kong	100.00%	100.00%	HKD 25,000	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
HOLDING TRADITION CLEARING, LAUSANNE						
Tradition London Clearing Ltd., London		Switzerland	100.00%	100.00%	CHF 100	FCM
Tradition Holding (U.S.A.) Inc., New York		United Kingdom	100.00%	100.00%	GBP 1,000	FCM
		U.S.A.	100.00%	100.00%	USD 1	FCM
HOLDING TRADITION SECURITIES S.A., LAUSANNE						
Finacor Rabe AG, Frankfurt		Switzerland	100.00%	100.00%	CHF 250	FCM
Tradition Eurobond S.A., Luxembourg		Germany	82.50%	84.51%	EUR 6,250	FCM
		Luxembourg	100.00%	100.00%	EUR 500	FCM
Tradition Securities And Futures S.A., Paris, and branches in London and Lausanne						
MIA, Paris		France	77.10%	77.10%	EUR 12,121	FCM
		France	55.00%	42.40%	EUR 1,976	FCM

Notes to the consolidated financial statements

	New companies	Country	Controlling interest	Equity interest	Capital in thousands	Method EM/FCM/PCM
TFS, LAUSANNE		Switzerland	70.77%	70.77%	CHF 3,441	FCM
Tradition Financial Services Ltd., London		United Kingdom	100.00%	70.77%	GBP 250	FCM
TFS-ICAP Holdings Ltd., London	✓	United Kingdom	50.00%	38.92%	GBP 10	PCM
TFS-ICAP Ltd., London		United Kingdom	51.00%	19.85%	GBP 20	FCM
TFS-ICAP Currency Options Ltd., London	✓	United Kingdom	100.00%	19.85%	GBP 550	FCM
TFS Currency Options Ltd., London		United Kingdom	100.00%	19.85%	GBP 5	FCM
ICAP Currency Options Ltd., London		United Kingdom	100.00%	19.85%	GBP 5	FCM
TFS Derivatives Ltd., London		United Kingdom	100.00%	70.77%	GBP 1,200	FCM
Equitek Capital Ltd., London		United Kingdom	100.00%	70.77%	GBP 1,300	FCM
TFS Futures & Options (Pty.) Ltd., Johannesburg		South Africa	100.00%	70.77%	ZAR 250	FCM
TFS Securities (Pty.) Ltd., Johannesburg	✓	South Africa	100.00%	70.77%	ZAR 1,000	FCM
Tradition Financial Services GmbH, Frankfurt		Germany	100.00%	70.77%	EUR 153	FCM
Tradition Financial Services Inc., New York		U.S.A.	100.00%	70.77%	USD 50	FCM
TFS Derivatives Corp., New York		U.S.A.	100.00%	70.77%	USD 95	FCM
TFS-ICAP Holdings LLC, New York		U.S.A.	50.00%	38.92%	USD n/s	PCM
TFS-ICAP LLC, New York		U.S.A.	51.00%	19.85%	USD n/s	FCM
TFS Energy LLC, Stamford		U.S.A.	53.00%	43.88%	USD n/s	FCM
TFS Energy Futures LLC, Stamford		U.S.A.	100.00%	43.88%	USD 35	FCM
TFS Blackwood LLC, New York and its London Branch, TFSB Ltd.		U.S.A.	93.75%	66.35%	USD 1,388	FCM
Equitek Capital Inc., Delaware		U.S.A.	100.00%	70.77%	USD n/s	FCM
Capstone Global Energy LLC, Houston		U.S.A.	57.50%	40.69%	USD –	FCM
Current Capital LP, Houston	✓	U.S.A.	50.49%	20.55%	USD 4,064	EM
Current Capital LLC, Houston	✓	U.S.A.	51.00%	20.75%	USD –	EM
TFS Australia Pty. Ltd., Sydney		Australia	100.00%	70.77%	AUD 5	FCM
Tradition Financial Services Japan Ltd., Tokyo		British Virgin Islands	100.00%	70.77%	USD 50	FCM
Tradition Financial Services (Hong Kong) Ltd., Hong Kong		Hong Kong	100.00%	70.77%	HKD 200	FCM
TFS Energy (S) Pte Ltd., Singapore		Singapore	100.00%	70.77%	SGD 100	FCM
TFS Currencies Pte Ltd., Singapore		Singapore	100.00%	70.77%	SGD 1,000	FCM
TRC Lausanne, Lausanne		Switzerland	100.00%	70.77%	CHF 100	FCM
The Recruitment Company Holdings Inc., Delaware	✓	U.S.A.	79.00%	55.91%	USD n/s	FCM
The Recruitment Company Ltd., London		United Kingdom	100.00%	55.91%	GBP 1	FCM
The Recruitment Company Inc., New York		U.S.A.	100.00%	55.91%	USD n/s	FCM
The Recruitment Company Pty. Ltd., Sydney		Australia	100.00%	55.91%	AUD n/s	FCM
The Recruitment Company Ltd., Tokyo	✓	Japan	100.00%	55.91%	JPY 5,000	FCM
The Recruitment Company Ltd., Hong Kong		Hong Kong	100.00%	55.91%	HKD 10	FCM
Equitek Capital Limited, Georgetown	✓	Cayman Islands	50.00%	36.85%	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
Tradificom 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

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 completely different from those of the Group.

II.2 Changes in the basis of consolidation

The main changes in the basis of consolidation in 2002 were as follows:

TFS

On 3 December 2001, TFS concluded an agreement with Volbroker to merge its brokerage operations in currency options, handled jointly with ICAP under the name of TFS-ICAP, with those of Volbroker, the most active electronic trading platform in these products. Under the terms of the agreement, which covers seven countries, TFS-ICAP was to receive all profits generated by the new entity during the first year of operations, from 1 December 2001 to 30 November 2002. Between 1 December 2002 and 30 November 2003, profits from the new entity is to be allocated as follows: TFS-ICAP is to receive all consolidated pre-tax profit up to an amount of USD 4.75 million (CHF 7.4 million). Volbroker is to receive the second tranche of consolidated pre-tax profit, between USD 4.75 million and USD 9.5 million (between CHF 7.4 million and CHF 14.8 million), while any consolidated pre-tax profit in excess of USD 9.5 million (CHF 14.8 million) is to be divided equally between TFS-ICAP and Volbroker. After 1 December 2003, profits from the new entity will be divided equally between TFS-ICAP and Volbroker.

A number of new companies or partnerships were created in connection with this operation:

- *TFS-ICAP Holdings Ltd.*: a company capitalised at GBP 10,000 with 55% of its shares (50% of voting rights) held by Tradition Financial Services Ltd., London. In March 2002, the entire share capital of TFS-ICAP Ltd., 55% of which was previously held directly by Tradition Financial Services Ltd., was transferred to this company.

On 3 December 2001, Volbroker.com Ltd. sold its U.K. and U.S. electronic trading businesses to its subsidiary TFS-ICAP Currency Options Ltd., a newly formed company capitalised at GBP 550,000. On 25 July 2002, Volbroker.com Ltd. contributed its stake in TFS-ICAP Currency Options Ltd. to TFS-ICAP Ltd., in return for 9,607 of the company's shares, representing 49% of its capital.

TFS-ICAP Holdings Ltd. holds majority voting rights in its subsidiaries, which were all fully consolidated at 31 December 2002. The company itself was 55% consolidated in the TFS accounts using the proportional consolidation method,

- *TFS-ICAP Holdings LLC*: a company created in July 2002, in which Tradition Financial Services Inc. has a 55% interest. 100% of the capital of TFS-ICAP LLC, previously held directly by Tradition Financial Services Inc., was transferred to the company at the time of creation.

On 25 July 2002, TFS-ICAP LLC acquired the U.S. electronic trading business of TFS-ICAP Currency Options Ltd. for a consideration of GBP 365,000. Simultaneously, Volbroker.com Ltd. subscribed a share capital increase of GBP 365,000 for TFS-ICAP LLC. As a result of these operations, Volbroker.com Ltd. now holds 196 shares in the company, representing a 49% interest, while TFS-ICAP Holdings LLC holds a 51% interest.

TFS-ICAP Holdings LLC, holds majority voting rights in its subsidiaries, which were all fully consolidated at 31 December 2002. The company itself was 55% consolidated in the TFS accounts using the proportional consolidation method.

Joint ventures were created in Tokyo and Singapore on 1 December 2002. Since then, TFS Currencies Pte Ltd. and Tradition Financial Services Japan Ltd. book 25% of the income and expenses on brokerage operations in currency options transacted in Tokyo and Singapore.

Joint ventures between TFS, ICAP and Volbroker in Sydney, Frankfurt and Copenhagen, were not yet finalised at 31 December 2002. Accordingly, accrued income was recognised in the consolidated accounts to reflect TFS's share in the Copenhagen and Sydney operations, which was 55% and 50% respectively until 30 November 2002 then 27.5% and 25% after 1 December 2002, as well as its partners' share of profit on the currency options of its German subsidiary, Tradition Financial Services GmbH, which was 45% until 30 November 2002 then 72.5% after 1 December 2002. This profit, a net amount of CHF 118,000, is carried under "Other operating income".

Notes to the consolidated financial statements

Other changes in consolidation for TFS were as follows:

- *TFS Securities (Pty.) Ltd.*: created in February 2002, capitalised at ZAR 1,000,000. This equities broker is a wholly-owned subsidiary of Tradition Financial Services Ltd., London, which became a member of the Johannesburg Stock Exchange (JSE) in April 2002,
- *Current Capital LP, Current Capital LLC*: joint ventures created in 2002 with Harvard Private Capital Holdings Inc., in which Capstone Global Energy LLC holds 50.49% and 51.00% stakes respectively. The two companies had no turnover in 2002, and were consolidated in the accounts at 31 December 2002 using the equity method, with a negative contribution of CHF 1,239,000 (cf. Note III.3),
- *The Recruitment Company Holdings Inc.*: TRC Lausanne contributed its interests in The Recruitment Company Ltd., London, The Recruitment Company Inc., New York and The Recruitment Company Pty. Ltd., Sydney to this newly created American company in exchange for 79% of its capital. The Recruitment Company Holdings Inc. also holds 100% of the share capital of The Recruitment Company Ltd., Hong Kong, a newly formed company which took over the business operations of The Recruitment Company Ltd., BVI, as well as The Recruitment Company Ltd., Tokyo, a company capitalised at JPY 5,000,000, created in 2002. TRC Lausanne's negative minority interests in TRC Group, amounting to CHF 408,000, were fully provisioned at 31 December 2002.

Finally, TFS Nordisk AS, which was dormant at 31 December 2001, was also wound up in 2002.

TSH

Meitan Tradition Co. Ltd. created a joint venture with Orient Trading Co. Ltd. – *Tradition Orient FX Co. Ltd.* – capitalised at JPY 100 million, in which it has a 50% stake. This new company, consolidated at 31 December 2002 using the proportional consolidation method, began operations in April 2002 as an online retail broker of currency instruments.

Meitan Tradition Co. Ltd. also acquired 45% of Infotec Japan Co. Ltd., now renamed *Meitan Information Service Co. Ltd.*, thereby bringing its controlling interest in the company to 90%, the remaining 10% being held by Compagnie Financière Tradition. Meitan Information Service Co. Ltd. provides financial information, online and via I-mode (mobile Internet access), to retail and institutional clients.

Tradition (North America) Inc. created a new company, *FXDirectDealer LLC*, in which it holds a 75% interest. This company will be offering online brokerage services in spot foreign exchange to a retail clientele, from the first quarter of 2003.

Finally, TSH acquired 100% of the capital of ONG Tradition Singapore (Pte) Ltd., renamed *Tradition Singapore (Pte) Ltd.* TSH had held a 49% stake in the company at the end of 2001.

Infotec S.A.

At 31 December 2001, the Group directly and indirectly held a 45.53% interest in Infotec S.A., a company specialised in providing online financial information. In July 2002, Compagnie Financière Tradition subscribed an increase in the company's capital, bringing its consolidated interest to 73.56%.

Under an agreement entered into on 23 September and completed on 19 November 2002, Compagnie Financière Tradition sold 43.72% of Infotec S.A.'s capital to Edipresse S.A. At the same time, Edipresse S.A. granted Compagnie Financière Tradition an option to sell its remaining 29.84% interest in the company; this option was exercised on 30 December 2002. The total consolidated profit of CHF 10,411,000 realised on these disposals is reported under Financial income (cf. Note IV.3).

II.3 Non-consolidated majority shareholdings

Three companies were excluded from the basis of consolidation at 31 December 2002 as they had no material effect on Group results:

- *Tradition CIS LLC*, Moscow, which ceased operations at the end of 1998. Tradition Service Holding S.A.'s investment in this company and the financing provided were fully provisioned at 31 December 2002,
- *Tradition Australia Ltd.*, a company capitalised at AUD 800,000, which ceased operations at the end of 1996. Tradition Service Holding S.A.'s investment in this company and the financing provided were fully provisioned at 31 December 2002,
- *Tradcom International*, a company capitalised at CHF 250,000, 34% held by Tradcom Management. This company, created at the end of 1998, had ceased all activities at 31 December 2000, and was in liquidation at 31 December 2002. Compagnie Financière Tradition's investment in this company and the financing provided were fully provisioned at 31 December 2002.

III. NOTES TO THE CONSOLIDATED BALANCE SHEET

III.1 Cash and cash equivalents

Net liquid assets

in thousands of Swiss francs	2002	2001
Cash and call deposits	113,341	115,676
Short-term deposits	58,939	58,035
Short-term bank borrowings	- 44,345	- 32,686
Net cash at 31 December	127,935	141,025
Net cash at 1 January	141,025	89,856
Net cash inflow/ outflow during the year	- 13,090	51,169

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	2002	2001
Short-term cash products	43,277	28,185
Bonds	704	1,444
Shares	9,968	17,730
Investment funds	2,557	2,381
GROSS TOTAL	56,506	49,740
Provisions for depreciation	- 1,162	- 613
TOTAL	55,344	49,127

III.2 Receivables and other assets

Trade debtors

These are short-term receivables representing a net amount of CHF 101,245,000 at 31 December 2002, compared to CHF 130,505,000 the previous year. They are booked at face value after deduction of economically necessary provisions.

Other short-term receivables

in thousands of Swiss francs	2002	2001
Employee current accounts	7,168	5,792
Public authorities	4,760	2,812
Security deposits	2,785	3,353
Other short-term receivables	21,480	12,707
TOTAL	36,193	24,664

These receivables are booked at their face value.

At 31 December 2002, Compagnie Financière Tradition and its subsidiaries held total receivables of CHF 4,387,000 from Infotec S.A., a former subsidiary (CHF 5,775,000 in 2001, reported under "Receivables from affiliated companies"); this amount consisted of a medium-term subordinated loan. Under the terms of a transfer agreement of 16 January 2003, this loan was transferred to Edipresse S.A., the new majority shareholder of Infotec S.A. in January 2003. Accordingly, the amount of CHF 4,387,000 was reclassified under "Other short-term receivables" at 31 December 2002. This heading also includes an amount of CHF 3,633,000 due from Edipresse S.A., representing the selling price of the balance of Compagnie Financière Tradition's interest in Infotec S.A., which was repaid in January 2003.

Prepaid expenses and accrued income

in thousands of Swiss francs	2002	2001
Prepaid expenses	9,513	11,528
Deferred tax asset	3,795	3,747
Other accrued income	311	29
TOTAL	13,619	15,304

Notes to the consolidated financial statements

Other long-term receivables

This item contains receivables held by Compagnie Financière Tradition and its subsidiaries from its former ultimate majority shareholders, Comipar, Paris, and Banque Pallas Stern, Paris. These receivables, totalling CHF 9,135,000 at 31 December 2002 (CHF 9,162,000 at 31 December 2001) are guaranteed by VIEL & Cie Finance, ultimate indirect shareholder of Compagnie Financière Tradition. Since the beginning of the liquidation, Compagnie Financière Tradition and its subsidiaries have received liquidation dividends totalling CHF 16,189,000, equivalent to 62.0% of all stated receivables. An additional dividend equivalent to 4.0% of stated receivables, was received in January 2003.

III.3 Financial investments

Associated undertakings and other investments

This item includes Compagnie Financière Tradition's equity holdings in associated companies, consolidated using the equity method, and in companies where it holds the majority shareholding but which are not included in the basis of consolidation (cf. Note II.3). It also includes minority interests acquired with a view to a long-term holding.

This item may be summarised as follows:

in thousands of Swiss francs	2002	2001
Associated undertakings		
Banque Pallas Monaco	-	578
Govdesk LLC	460	550
Fincor SGPS	964	737
StreamingEdge.com Inc.	787	726
Current Capital LP	418	-
	2,629	2,591
Other investments		
Tradition Australia Ltd.	850	850
Tradition CIS LLC	230	230
Tradcom International	85	85
Eurobrokers Finacor Ltd.	6,672	-
Other investments	2,339	2,056
	10,176	3,221
GROSS TOTAL	12,805	5,812
Provisions for depreciation	- 3,166	- 3,132
TOTAL	9,639	2,680

An analysis of the Group's share in the results of associated undertakings is as follows:

in thousands of Swiss francs	2002	2001
Infotec S.A.	- 2,278	- 3,576
Banque Pallas Monaco	-	44
Govdesk LLC	262	234
Fincor SGPS	223	- 310
StreamingEdge.com Inc.	- 11	- 160
Current Capital LP	- 1,239	-
TOTAL	- 3,043	- 3,768

Banque Pallas Monaco was liquidated in 2002, with no material effect on the Group's consolidated results. The negative value of Infotec S.A., sold by Compagnie Financière Tradition at the end of 2002, was presented at 31 December 2001 under the heading "Contingency and loss provisions" (cf. Note III.6).

Treasury shares

At 31 December 2002, the Company held 7,308 treasury shares with a nominal value of CHF 2.50. These shares were acquired at a purchase value of CHF 339,000. 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 2002	1,730	1,730	42,308
Acquisitions in 2002	10,379	10,379	152,548
Sales in 2002	- 11,770	- 10,800	- 187,548
Capital losses for the year	-	- 970	-
Situation at 31 December 2002	339	339	7,308

III.4 Tangible and intangible fixed assets**Tangible fixed assets**

Consolidated tangible fixed assets of Compagnie Financière Tradition are as follows:

in thousands of Swiss francs	2002			2001		
	Gross	Amort.	Net	Gross	Amort.	Net
Land and buildings	7,516	-	7,516	7,516	-	7,516
Fixtures and installations	41,269	33,159	8,110	37,766	30,476	7,290
Computer and telecom. equipment	34,558	22,287	12,271	49,967	35,979	13,988
Other tangible fixed assets	3,225	2,243	982	1,017	573	444
TOTAL	86,568	57,689	28,879	96,266	67,028	29,238

The item "Land and buildings" includes buildings in Lausanne owned by Compagnie Financière Tradition. These land and buildings are recorded on the balance sheet at their original cost price at the time of construction in 1971, i.e. CHF 7,516,000, which is significantly lower than their market value at 31 December 2002. No depreciation has been made on this property.

Notes to the consolidated financial statements

Changes in tangible fixed assets in 2002 and 2001 were as follows:

in thousands of Swiss francs	2002	2001
Gross value at 1 January	96,266	92,673
Changes in the basis of consolidation	120	5,096
Translation adjustments	- 8,262	- 425
Acquisitions during the year	10,258	8,142
Disposals and write-offs	- 11,814	- 9,220
Gross value at 31 December	86,568	96,266
Cumulative depreciation at 1 January	67,028	66,017
Changes in the basis of consolidation	83	1,064
Translation adjustments	- 5,764	- 547
Amortisation and depreciation for the year	8,156	9,606
Disposals and write-offs	- 11,814	- 9,112
Cumulative depreciation at 31 December	57,689	67,028
Net value at 31 December	28,879	29,238

Fire insurance value at 31 December 2002 stood at CHF 80,867,000 for installations and equipment and CHF 18,104,000 for buildings (CHF 91,505,000 and CHF 17,775,000 respectively at 31 December 2001).

Intangible fixed assets

Intangible fixed assets comprised the following:

in thousands of Swiss francs	2002			2001		
	Gross	Amort.	Net	Gross	Amort.	Net
Telephone rights	1,917	1,647	270	2,112	1,568	544
Intangible business assets	1,664	694	970	1,487	168	1,319
Goodwill	11,382	2,662	8,720	13,452	1,959	11,493
Other intangible fixed assets	15,197	11,342	3,855	13,680	9,016	4,664
TOTAL	30,160	16,345	13,815	30,731	12,711	18,020

Goodwill

Goodwill arising on acquisitions was as follows:

in thousands of Swiss francs	2002				2001
	Gross	Accrued amort.	Net	Amort. for the period	Net
TFS	3,459	1,111	2,348	334	2,441
Infotec S.A.	-	-	-	398	1,963
StreamingEdge.com Inc.	691	184	507	69	576
Govdesk LLC	547	146	401	61	554
Finacor Rabe AG	3,279	465	2,814	316	2,834
Finacor Deutschland GmbH	3,051	401	2,650	286	2,719
Capstone Global Energy LLC	355	355	-	374	406
TOTAL	11,382	2,662	8,720	1,838	11,493

III.5 Accrued expenses and deferred income

Other short-term debts

This item may be summarised as follows:

in thousands of Swiss francs	2002	2001
Public authorities	13,356	12,331
Trade creditors	5,711	3,937
Other short-term debts	18,932	27,797
TOTAL	37,999	44,065

Accrued expenses and deferred income

This item is broken down as follows:

in thousands of Swiss francs	2002	2001
Employee compensation and benefits	59,902	78,499
Other miscellaneous accrued expenses	22,694	26,813
TOTAL	82,596	105,312

Taxes payable

Consolidated taxes payable at 31 December 2002 totalled CHF 14,897,000 compared with CHF 19,603,000 at 31 December 2001.

Long-term financial debts

Long-term financial debts of CHF 1,753,000 at 31 December 2002 consisted of JPY 150 million owed by Meitan Tradition Co. Ltd. (JPY 150 million or CHF 1,929,000 at 31 December 2001) repayable in November 2010.

III.6 Contingency and loss provisions

Contingency and loss provisions were as follows:

in thousands of Swiss francs	2002	2001
Provisions for pension benefits	5,238	3,988
Negative value of Infotec S.A. consolidated under the equity method	-	4,841
Negative goodwill	928	4,612
Other contingent liabilities	4,116	948
TOTAL	10,282	14,389

Negative goodwill was recognised at the time of purchasing interests in Finacor Belgique S.A. and Monecor (London) Ltd. in June 2001, in the amount of CHF 1,855,000 and CHF 3,066,000 respectively. Negative goodwill on Finacor Belgique S.A. is being amortised over three years, i.e. an income of CHF 618,000 in 2002 recognised under "Goodwill amortisation".

The negative goodwill in respect of Monecor arose from legal contingencies. Monecor had a 50% participating interest in the English company Eurobrokers Finacor Ltd. (EBFL), a joint venture operated by Monecor and Maxcor Financial Group Inc., an American financial broker.

As mentioned in the Introduction to the consolidated financial statements, on 11 February 2003, the Court of Appeal in London dismissed the appeal of Monecor. As a result, Monecor had to sell its holding in EBFL on 19 February 2003 for GBP 1,625,000 (CHF 3,628,000), the price calculated on the basis of 70% of EBFL's equity at 26 December 2000.

Accordingly, EBFL was excluded from the consolidated accounts at 31 December 2002. A contingency provision of CHF 4,116,000 was booked at 31 December 2002, CHF 3,066,000 of which came from reclassification of the original negative goodwill. This provision covers the loss incurred on the disposal, calculated as the difference between the selling price and EBFL's contribution to consolidated equity at 31 December 2001, as well as all legal costs.

Notes to the consolidated financial statements

III.7 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. 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 at 31 December 2002 and 2001:

in thousands of Swiss francs	2002	2001
Receivables linked to account holder activities		
Deposits paid	1,162	255
Current accounts with clearing institutions	10,420	10,315
Dealing accounts	43,414	49,967
TOTAL	54,996	60,537
Debts linked to account holder activities		
Deposits received	- 961	- 590
Current accounts with clearing institutions	- 10,338	- 9,669
Dealing accounts	- 42,578	- 49,069
TOTAL	- 53,877	- 59,328
NET TOTAL	1,119	1,209

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.

III.8 Receivables from and debts to shareholder and associated companies

The items "Receivables from shareholder and associated companies" and "Debts to shareholder and associated companies" include all receivables and debts owed by Compagnie Financière Tradition Group to its ultimate majority shareholder, VIEL & Cie Finance, Paris, and its subsidiaries.

Compagnie Financière Tradition's total outstanding consolidated net debt to shareholder and associated companies at 31 December 2002 stood at CHF 12,990,000 (net debt of CHF 12,248,000 in 2001).

III.9 Share capital

Composition of share capital

Capital at 31 December 2001 consisted of 2,652,350 bearer shares with a nominal value of CHF 5.00, for a total capital of CHF 13,261,750.

The Annual General Meeting of 17 May 2002 approved a two-for-one share split, which was implemented on 4 July 2002. At December 2002, capital consisted of 5,304,700 bearer shares with a nominal value of CHF 2.50, for a total capital of CHF 13,261,750.

Major shareholders

At 31 December 2002, the only shareholder holding over 5.0% of equity voting rights in Compagnie Financière Tradition was VIEL & Cie Finance, Paris, with 72.40%, compared to 72.31% the previous year.

The 72.40% equity voting rights held by VIEL & Cie Finance, Paris, are exercised indirectly through Financière Vermeer B.V., Amsterdam, 100% owned by VIEL & Cie, Paris, which itself was 58.40% held by VIEL & Cie Finance at 31 December 2002.

Increase in share capital

Share capital may be increased by up to CHF 5,713,250, through the issue of up to 2,285,300 new bearer shares of CHF 2.50. The issue price of such new shares and the date from which they are to pay dividends shall be determined by the Board of Directors. This authorisation, renewed by the Annual General Meeting of 11 May 2001, is valid until 11 May 2003.

The Board of Directors is empowered to cancel or limit existing shareholders' preferential subscription rights to allow acquisitions or equity interest acquisitions to take place. Share subscription rights for which a preferential subscription right is granted but not exercised are available to the Board of Directors for use in the Company's interests.

Conditional capital

Share capital may be increased by up to CHF 1,325,000 through the issue of up to 530,000 bearer shares of CHF 2.50. Such an increase is effected through the exercise of preferential subscription rights by Company employees. The preferential subscription rights of existing shareholders are cancelled. Conditions for employee participation are to be determined by the Board of Directors.

Share capital may also be increased by up to CHF 5,000,000 through the issue of up to 2,000,000 bearer shares of CHF 2.50. Such an increase is effected through the exercise of a conversion feature attached to the Company's issue of bonds or similar convertible notes on national and international markets. The preferential subscription rights of existing shareholders are cancelled. Conditions for employee participation are to be determined by the Board of Directors, with a conversion right based on an issue price of no less than the average quoted price of the last twenty sessions prior to the issue date. The preferential rights of shareholders to subscribe to such notes are cancelled. The conversion rights may be exercised for a period not exceeding five years from the date of issue, after which time such rights will automatically expire.

III.10 General reserve

The general reserve is not available for distribution.

III.11 Consolidated reserves

This item includes cumulative consolidated currency translation adjustments, which decreased by CHF 14,319,000 in 2002 (decrease of CHF 3,130,000 in 2001).

IV. NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT**IV.1 Net turnover**

Consolidated turnover fell 4.5%, from CHF 829.2 million in 2001 to CHF 791.5 million in 2002. With the same scope of consolidation, excluding acquisitions and disposals of undertakings in 2002, turnover would have dropped 5.6%. Turnover would have been up 0.8% in constant terms, without the effects of exchange rates and changes in the basis of consolidation.

This turnover results from commissions on brokerage operations conducted by Compagnie Financière Tradition's affiliates for a broad clientele of banks, financial institutions and large corporations.

The segmental and geographical analysis of revenues is as follows:

in thousands of Swiss francs	TSH		TFS		HTS		TOTAL	
	2002	2001	2002	2001	2002	2001	2002	2001
Europe	188,114	216,140	85,627	74,495	97,259	97,475	371,000	388,110
United States	223,018	241,552	65,620	76,503	-	-	288,638	318,055
Asia - Pacific	109,957	102,033	21,910	20,982	-	-	131,867	123,015
TOTAL	521,089	559,725	173,157	171,980	97,259	97,475	791,505	829,180

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 and financial futures.

Notes to the consolidated financial statements

IV.2 Other operating income

This item may be summarised as follows:

in thousands of Swiss francs	2002	2001
Net income on real estate assets	310	531
Net income from the TFS-ICAP joint venture	118	331
Insurance payments received in relation to September 11	5,747	2,802
Compensation payments received from New York City	233	–
TOTAL	6,408	3,664

IV.3 Net financial income

This item may be summarised as follows:

in thousands of Swiss francs	2002	2001
Income from investments	266	1,175
Net capital gains on investments and marketable securities	25,861	15,225
Net losses on sale of treasury shares	– 970	– 194
Interest and exchange gains and losses	– 680	5,427
Provisions on investments	– 1,200	– 1,967
TOTAL	23,277	19,666

Net financial income of CHF 23,277,000 in 2002 (CHF 19,666,000 in 2001) consisted of interest from the reinvestment of short-term cash, interest paid on the short-term consolidated debt, and exchange gains and losses.

This item also includes income of CHF 266,000 (CHF 1,175,000 in 2001) from non-consolidated investments, and net gains of CHF 25,861,000 (CHF 15,225,000 in 2001) on the sale of investments and marketable securities. A consolidated profit of CHF 14,075,000 was recognised on the disposal of Compagnie Financière Tradition's interest in Euronext N.V., held by its subsidiary MIA, Paris (the effect of this disposal on net profit - Group share amounted to CHF 3,889,000), as well as a consolidated profit of CHF 10,411,000 on the disposal of its holding in Infotec S.A. (cf. Note II.2).

IV.4 Exceptional items

in thousands of Swiss francs	2002	2001
Exceptional income		
Partial use of the contingency provision	948	2,428
Cancellation of debts	54	–
TOTAL	1,002	2,428
Exceptional expenses		
Other exceptional items	– 2,454	– 2,428
TOTAL	– 2,454	– 2,428
EXCEPTIONAL ITEMS	– 1,452	–

A contingency provision of CHF 9,865,000 was set aside in 1996 and 1997 to cover risks involving Compagnie Financière Tradition and its affiliates. This provision was gradually written back in 1998, 1999 and 2001, with the balance recovered in 2002. At the same time an exceptional charge was recognised for costs and penalties sustained in those years, amounting to CHF 5,647,000 in 1998, CHF 842,000 in 1999, CHF 2,428,000 in 2001 and CHF 933,000 in 2002 respectively.

An exceptional contingency provision of CHF 1,050,000 was recognised in 2002, in connection with litigation against Maxcor Financial Group Inc. (cf. Note III.6), as well as CHF 471,000 for associated legal costs.

IV.5 Income tax expense

Compagnie Financière Tradition took a consolidated income tax charge of CHF 31,998,000 in 2002, or 41.2% of the consolidated profit before tax against 37.5% in 2001. The Group is present in sixteen countries through its network of 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 35.4% for fiscal 2002 against 37.0% in the previous year.

Notes to the consolidated financial statements

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

	2002		2001	
	Effect on tax rate (%)	Effect on tax charge (CHF 000)	Effect on tax rate (%)	Effect on tax charge (CHF 000)
Standard tax rate	35.38	27,477	36.95	38,719
Tax effect of the following elements:				
Unadjusted tax loss carry forwards	- 3.62	- 2,810	- 2.90	- 3,041
Unadjusted tax loss for the period	5.25	4,081	3.32	3,474
Unadjusted tax loss from previous years	-	-	-	-
Tax expense for fully-consolidated fiscally transparent entities charged to minorities	- 1.29	- 999	- 2.33	- 2,439
Deferred tax income/expenses	0.10	73	- 2.51	- 2,636
Non-taxable income	- 5.51	- 4,285	- 1.76	- 1,842
Non-deductible expenses	9.27	7,206	6.17	6,464
Miscellaneous items	1.62	1,255	0.54	562
Group's effective tax rate	41.20	31,998	37.48	39,261

V. ADDITIONAL INFORMATION

V.1 Commitments and contingent liabilities

Guarantees and commitments given

in thousands of Swiss francs	2002	2001
Guarantees and commitments to third parties	22	27

Guarantees and commitments received

When VIEL & Cie Finance purchased the shares of Compagnie Financière Tradition held by Banque Pallas Stern, it undertook to pay Compagnie Financière Tradition and its subsidiaries the difference between aggregate receivables from Comipar and Banque Pallas Stern and the liquidation dividends to be received by Compagnie Financière Tradition and its subsidiaries in respect of such receivables.

This undertaking relates to receivables of EUR 16,444,000 declared by Compagnie Financière Tradition and its subsidiaries at the time Comipar and Banque Pallas Stern went into receivership. VIEL & Cie Finance will honour this undertaking when these two entities pay the final liquidation dividend in connection with these receivables.

In 1999, 2000 and 2001, Compagnie Financière Tradition and its affiliates received repayments from Banque Pallas Stern and Comipar, equivalent to 50.8%, 7.2% and 4.0% of their receivables, bringing total unsecured dividends received since the liquidation of Banque Pallas Stern and Comipar to 62.0% of declared receivables. Residual receivables stood at CHF 9,135,000 at 31 December 2002. An additional dividend, representing 4.0% of all stated receivables, was received in January 2003.

V.2 Off-balance sheet operations

in thousands of Swiss francs	2002	2001
Securities for delivery	52,289	102,717
Securities to be purchased	33,833	95,573
Futures purchased	-	90,532
Futures sold	-	91,102
Options purchased	-	391,933
Options sold	-	904,649
Securities received as guarantee	-	5,393
Securities given as guarantee	-	5,393

Purchases and sales of futures relate to proprietary arbitrage transactions conducted on the regulated markets by Tradition Securities And Futures S.A. Securities for delivery and to be purchased reflect purchase and sale transactions initiated prior to 31 December 2002 and liquidated after that date, in connection with matched principal activities realised by Tradition London Clearing Ltd., Tradition (Global Clearing) Inc. and Finacor Rabe AG.

Notes to the consolidated financial statements

V.3 Assets pledged or given as guarantees

in thousands of Swiss francs	2002	2001
Cash and security deposits frozen as a guarantee for brokerage activity	11,635	17,425

Apart from these cash deposits frozen in clearing institutions such as Euroclear or GSCC (Government Securities Clearing Corporation) - included in the consolidated balance sheet under "Short-term deposits" or "Marketable securities" - a number of Compagnie Financière Tradition's affiliates are subject to minimum equity restrictions imposed by the regulatory authorities, which limit the availability or free circulation of their liquid assets within the Group.

Compagnie Financière Tradition pledged a mortgage note of CHF 12.0 million encumbering its two buildings in Lausanne, whose net book value was CHF 7.5 million at 31 December 2002.

V.4 Other information

Dividends

Dividends paid by Compagnie Financière Tradition are subject to withholding tax of 35.0% in Switzerland. Shareholders resident in Switzerland may claim back the full tax. Foreign residents may obtain a tax credit under any applicable double taxation treaties in force between Switzerland and their country of tax residence.

Earnings per share

Consolidated earnings per ordinary share of CHF 2.50 stood at CHF 6.00 in 2002 and CHF 8.90 in 2001, based on the weighted average number of shares outstanding in each of these two years.

Company financial statements

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Report of the statutory auditors

to the **General Meeting of Compagnie Financière Tradition, Lausanne**

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, profit and loss and notes) of Compagnie Financière Tradition for the year ended 31 December 2002.

These 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. We confirm that we meet the legal requirements concerning professional qualification and independence.

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 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 financial statements are based. We have not performed an audit, and, accordingly, we do not express an audit opinion.

In our opinion, the financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the SWISS GAAP RPC. Furthermore, the accounting records and financial statements and the proposed approbation of available earnings comply with the Swiss law and the Company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Lausanne, 18 March 2003

Ernst & Young S.A.

F. Magnollay
Certified Accountant

J. Fournier
Certified Accountant
(Auditor in charge)

Profit and loss account 2002

in thousands of Swiss francs	Notes	2002	2001
Dividends received	III.1	5,538	16
Other operating income	III.1	5,788	5,038
Financial results	III.1	- 524	1,735
Operating income		10,802	6,789
Employee compensation and benefits		- 1,447	- 1,265
Other operating expenses		- 3,223	- 1,659
Depreciation and amortisation		- 49	- 79
Operating expenses		- 4,719	- 3,003
OPERATING PROFIT		6,083	3,786
Exceptional income	III.2	5,583	2,428
Exceptional expenses	III.2	-	- 4,514
Taxes		- 174	- 846
NET PROFIT		11,492	854

Changes in retained earnings

in thousands of Swiss francs	2002	2001
RETAINED EARNINGS		
Retained earnings brought forward	66,823	76,536
Movements on reserve for treasury shares	598	-
Net profit for the year	11,492	854
RETAINED EARNINGS AT 31 DECEMBER	78,913	77,390
CHANGES IN RETAINED EARNINGS		
Retained earnings	78,913	77,390
Dividend of CHF 3.0/ CHF 2.0 per bearer share of CHF 2.50 nominal value	- 15,914	- 10,609
Dividend on treasury shares	-	42
RETAINED EARNINGS CARRIED FORWARD	62,999	66,823

The Board of Compagnie Financière Tradition will be recommending to the Annual General Meeting a dividend of CHF 3.0 (CHF 2.0 in 2001) a share, plus one bonus share for every 50 shares held.

Balance sheet at 31 December 2002

ASSETS

in thousands of Swiss francs	Notes	2002	2001
CURRENT ASSETS			
Cash and call deposits		6,232	3,465
Term deposits		14,000	–
Short-term receivables from affiliated companies	II.3	5,499	8,476
Other short-term receivables	II.3	10,295	618
Marketable securities		1,492	1,538
Prepaid expenses and accrued income		221	291
TOTAL CURRENT ASSETS		37,739	14,388
FIXED ASSETS			
Long-term receivables from affiliated companies	II.2	58,935	89,951
Receivables from direct and ultimate shareholders		–	20
Other long-term receivables	II.3	7,804	7,804
Investments	II.1	43,212	44,295
Treasury shares	II.7	339	1,730
Installations and equipment	II.4	316	402
Buildings	II.4	7,516	7,516
TOTAL FIXED ASSETS		118,122	151,718
TOTAL ASSETS		155,861	166,106

LIABILITIES

in thousands of Swiss francs	Notes	2002	2001
CREDITORS			
Short-term bank borrowings		-	2,000
Short-term debts to affiliated companies		6,483	5,513
Debts to shareholders		7,461	6,887
Other short-term debts	II.5	952	943
Taxes payable		1,392	339
Accrued expenses and deferred income	II.5	824	508
Long-term debts to affiliated companies	II.5	8,938	20,083
Contingency and loss provisions		-	948
TOTAL CREDITORS		26,050	37,221
SHAREHOLDERS' EQUITY			
Share capital	II.6	13,262	13,262
Share premium		8,713	8,712
General reserve		13,284	13,284
Reserve for treasury shares		339	937
Other reserves		15,300	15,300
Retained earnings		78,913	77,390
TOTAL SHAREHOLDERS' EQUITY		129,811	128,885
TOTAL LIABILITIES		155,861	166,106

Notes to the Company financial statements

I. ACCOUNTING PRINCIPLES

The accounting principles applied by Compagnie Financière Tradition comply with the provisions of the Swiss Code of Obligations and the SWISS GAAP RPC, as contained in the Listing of the Swiss Stock Exchange, particularly the conservatism principle.

The basic principles applied in the evaluation and presentation of balance sheet items are as follows:

Current assets and short-term debts

Current assets and short-term debts are stated in the balance sheet at face value, after deduction of economically required provisions. Assets and liabilities denominated in foreign currencies are translated into Swiss francs at the year-end exchange rate. Marketable securities are recognised on the balance sheet at their acquisition cost, after deduction of necessary provisions, and are valued on the basis of their stock market price, for listed securities, or their estimated realisable value, for unlisted securities.

Fixed assets

Long-term receivables

Long-term receivables are stated in the balance sheet at their face value at historical exchange rates, when their nature is that of quasi-equity capital. Otherwise, they are translated at the year-end exchange rates, after deduction of economically necessary provisions.

Investments

Holdings are stated at cost, translated at historical exchange rates. If the value of a company, based on net worth and anticipated results, appears to be less than the historical cost, a provision is made and carried in the section as a deduction.

These provisions are estimated individually for each company.

Tangible fixed assets

Buildings are valued at cost or net worth after deduction of economically necessary provisions. Other fixed assets are shown in the accounts at cost and amortised over their estimated useful life.

II. NOTES TO THE BALANCE SHEET

II.1 Investments

Compagnie Financière Tradition holds significant interests in the following companies:

	Share capital		Percentage shareholding		Acquisition cost	
	in thousands of local currency		%		in thousands of Swiss francs	
			2002	2001	2002	2001
Tradition Service Holding S.A., Lausanne	CHF	21,000	100.00	100.00	20,892	20,892
TFS, Lausanne	CHF	3,441	70.77	69.64	12,325	11,330
Holding Tradition Securities S.A., Lausanne	CHF	250	100.00	100.00	250	250
Holding Tradition Clearing, Lausanne	CHF	100	100.00	100.00	50	50
Tradcom Management, Lausanne	CHF	100	100.00	100.00	100	100
Tradifocom International, Lausanne	CHF	100	100.00	100.00	100	50
Cofitra Investments Inc., British Virgin Islands	USD	5,000	100.00	100.00	8,880	8,880
Infotec S.A., Geneva	CHF	10,000	-	43.87	-	2,193
StreamingEdge.com Inc., New Jersey	USD	1,000	60.00	60.00	1,698	1,698
Other investments					932	932
GROSS TOTAL					45,227	46,375
Provisions for depreciation					- 2,015	- 2,080
TOTAL					43,212	44,295

Notes to the Company financial statements

The first four companies above are sub-holdings, which in turn hold significant interests in companies active in the brokerage of financial products and their derivatives. Tradcom Management and Tradificom International provide the Group with information technology and telecommunication services. Cofitra Investments Inc. is a financial company. StreamingEdge.com Inc. develops online transactional platforms.

The net asset value, on which economically necessary provisions were estimated, was determined on the basis of the company financial statements or, when required, the consolidated financial statements of these companies, translated at year-end exchange rates. Such provisions stood at CHF 2,015,000 at 31 December 2002 compared with CHF 2,080,000 at 31 December 2001, resulting in a net recovery of CHF 65,000 in 2002, recognised under exceptional items.

At 31 December 2001, the Company held a 43.87% interest in Infotec S.A. In July 2002, Compagnie Financière Tradition subscribed an increase in the company's capital, bringing its total holding to 71.89%. Under an agreement entered into on 23 September and completed on 19 November 2002, Compagnie Financière Tradition sold 42.05% of Infotec S.A.'s capital to Edipresse S.A. At the same time, Edipresse S.A. granted Compagnie Financière Tradition an option to sell its remaining 29.84% interest in the company; this option was exercised on 30 December 2002. The total profit of CHF 2,085,000 realised on these disposals is reported under Financial results (cf. Note III.1).

II.2 Long-term receivables from affiliated companies

This item was composed of the following:

	Currency	Receivables in thousands of local currency		Receivables in thousands of Swiss francs	
		2002	2001	2002	2001
Tradition Service Holding S.A., Lausanne	CHF	39,851	68,867	39,851	68,867
Tradition Service Holding S.A., Lausanne	EUR	466	466	743	743
Holding Tradition Securities S.A., Lausanne	CHF	18,341	20,524	18,341	20,524
Infotec S.A., Geneva	CHF	-	4,387	-	4,387
GROSS TOTAL				58,935	94,521
Provisions for depreciation				-	- 4,570
TOTAL				58,935	89,951

Gross receivables from Holding Tradition Securities S.A. were subordinated to the extent of CHF 1,248,000 at 31 December 2002 (CHF 1,248,000 at 31 December 2001).

At 31 December 2001, Compagnie Financière Tradition had a subordinated loan outstanding to Infotec S.A., an affiliated company. This loan was fully subordinated and provisioned. At 31 December 2002, following the Company's disposal of its interest in Infotec S.A., the loan was reclassified in "Other short-term receivables", and the provision for amortisation, created in 2001, was fully recovered and booked under exceptional income (cf. Note III.2). Under the terms of a transfer agreement of 16 January 2003, the loan was transferred to Edipresse S.A., the new majority shareholder of Infotec S.A., in January 2002.

II.3 Other receivables

Short-term receivables from affiliated companies

These receivables stood at CHF 5,499,000 at 31 December 2002 (CHF 8,476,000 at 31 December 2001). They are payable in the short-term and result from day-to-day transactions between Compagnie Financière Tradition and affiliated companies.

Notes to the Company financial statements

Other short-term receivables

Other short-term receivables totalled CHF 10,295,000 at 31 December 2002 (CHF 618,000 in 2001), and comprised CHF 3,633,000 due from Edipresse S.A., representing the balance of the selling price of Compagnie Financière Tradition's interest in Infotec S.A. (cf. Note II.1), as well as an amount of CHF 4,387,000 outstanding from Infotec S.A., transferred to Edipresse S.A. in January 2003 (cf. Note II.2). These two receivables were repaid in January and February 2003 respectively.

Other long-term receivables

This item includes receivables held by Compagnie Financière Tradition on its former ultimate shareholders, Comipar, Paris, and Banque Pallas Stern, Paris. These receivables, totalling CHF 7,804,000 at 31 December 2002 (CHF 7,804,000 at 31 December 2001) are secured by a commitment from the new ultimate majority shareholder, VIEL & Cie Finance, Paris (cf. Note IV.2). From 1999 to 2001, Compagnie Financière Tradition received liquidation dividends totalling CHF 13,633,000 equivalent to 62.0% of all stated receivables. An additional liquidation dividend of 4.0% was received in January 2003.

II.4 Fixed assets

in thousands of Swiss francs	2002			2001		
	Gross	Amort.	Net	Gross	Amort.	Net
Land and buildings	7,516	–	7,516	7,516	–	7,516
Fixtures and installations	3,719	3,651	68	3,717	3,581	136
Computer and telecom. equipment	2,421	2,370	51	4,460	4,205	255
Other fixed assets	881	684	197	643	632	11
TOTAL	14,537	6,705	7,832	16,336	8,418	7,918

At 31 December 2002, fire insurance values stood at CHF 12,728,000 for installations and equipment, and CHF 18,104,000 for buildings (CHF 12,728,000 and 17,775,000 respectively at 31 December 2001).

II.5 Accrued expenses and other debts

Other short-term debts

This item was comprised as follows:

in thousands of Swiss francs	2002	2001
Employee current accounts	50	24
Public authorities	18	47
Other short-term debts	884	872
TOTAL	952	943

Accrued expenses and deferred income

This item was comprised as follows:

in thousands of Swiss francs	2002	2001
Employee compensation and benefits	535	135
Other miscellaneous accrued expenses	289	373
TOTAL	824	508

Long-term debts to affiliated companies

This item, which amounted to CHF 8,938,000 at 31 December 2002 (CHF 20,083,000 at December 2001), consists of a debt to Cofitra Investment Inc., British Virgin Islands, a dormant company in which Compagnie Financière Tradition holds a 100% direct interest.

II.6 Share capital

Changes in share capital over the past three financial years were as follows:

At 1 January 2000, share capital stood at CHF 12,683,500, consisting of 1,268,350 shares with a nominal value of CHF 10.00. Capital was increased by CHF 291,500 in April 2000, following the exercise of share options, bringing the share capital to CHF 12,975,000 at 31 December 2000, consisting of 1,297,500 shares of CHF 10.00.

Notes to the Company financial statements

The Annual General Meeting of 11 May 2001 approved the halving of the nominal value of shares to CHF 5.00 per share, and in July 2001, share capital was increased by CHF 286,750 in consideration of Compagnie Financière Tradition's acquisition of four investments. These two operations brought the number of shares at 31 December 2001 to 2,652,350 and issued share capital to CHF 13,261,750.

Another two-for-one share split was approved by the Annual General Meeting of 17 May 2002 and was implemented on 4 July 2002. At 31 December 2002, capital consisted of 5,304,700 bearer shares with a nominal value of CHF 2.50, for a total capital of CHF 13,261,750.

Major shareholders

At 31 December 2002, the only shareholder holding over 5.0% of equity voting rights in Compagnie Financière Tradition was VIEL & Cie Finance, Paris, with 72.40%, compared to 72.31% at 31 December 2001.

The 72.40% interest held by VIEL & Cie Finance, Paris, is exercised indirectly through Financière Vermeer B.V., Amsterdam, wholly owned by VIEL & Cie, Paris, which itself was 58.40% held by VIEL & Cie Finance at 31 December 2002.

Increase in share capital

Share capital may be increased by up to CHF 5,713,250, through the issue of up to 2,285,300 new bearer shares with a nominal value of CHF 2.50. The issue price of such new shares and the date from which they are to pay dividends shall be determined by the Board of Directors. This authorisation, renewed by the Annual General Meeting of 11 May 2001, is valid until 11 May 2003.

The Board of Directors is empowered to cancel or limit existing shareholders' preferential subscription rights to allow acquisitions or equity interest acquisitions to take place. Share subscription rights for which a preferential subscription right is granted but not exercised are available to the Board for use in the Company's interests.

Conditional capital

Share capital may be increased by up to CHF 1,325,000, through the issue of up to 530,000 bearer shares of CHF 2.50. Such an increase is effected through the exercise of preferential subscription rights of existing shareholders are cancelled. Conditions for employee participation are to be determined by the Board of Directors.

There were 460,494 employee share options outstanding at 31 December 2002, representing a potential increase in capital of CHF 1,151,235. An analysis of these options is as follows:

	No. of shares of CHF 2.50 nominal value	Potential increase in capital in Swiss francs	Exercise date	Expiry date	Exercise price in Swiss francs
Plan of 29.09.97	48,400	121,000	16,000 shares on 29.09.99 16,000 shares on 29.09.00 16,400 shares on 29.09.01	28.09.04	9.0
Plan of 10.03.00	266,000	665,000	88,800 shares on 10.03.01 88,800 shares on 10.03.02 88,400 shares on 10.03.03	09.03.12	60.0
Plan of 17.05.02	40,000	100,000	40,000 shares on 17.05.04	16.05.16	97.5
Plan of 18.09.02	106,094	265,235	106,094 shares on 18.09.07	17.09.14	81.5
TOTAL	460,494	1,151,235			

Notes to the Company financial statements

Share capital may also be increased by up to CHF 5,000,000 through the issue of up to 2,000,000 bearer shares with a nominal value of CHF 2.50. Such an increase is effected through the exercise of a conversion feature attached to the Company's issue of bonds or similar convertible notes on national and international markets. The preferential subscription rights of existing shareholders are cancelled. Conditions for employee participation are to be determined by the Board of Directors, with a conversion right based on an issue price of no less than the average quoted price of the last twenty sessions prior to the issue date. The preferential rights of shareholders to subscribe to such notes are cancelled. The conversion rights may be exercised for a period not exceeding five years from the date of issue, after which time such rights will automatically expire.

II.7 Treasury shares

At 31 December 2002, the Company held 7,308 treasury shares with a nominal value of CHF 2.50, booked at an acquisition value of CHF 339,000. Movements in 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 value
Situation at 1 January 2002	1,730	1,730	42,308
Acquisitions in 2002	10,379	10,379	152,548
Sales in 2002	- 11,770	- 10,800	- 187,548
Capital losses for the year	-	- 970	-
Situation at 31 December 2002	339	339	7,308

III. NOTES TO THE PROFIT AND LOSS ACCOUNT

III.1 Operating income

Dividends of CHF 5,538,000 were received from subsidiaries in 2002 (CHF 16,000 in 2001), CHF 5,040,000 of which were paid by Tradition Service Holding S.A. and CHF 498,000 by TFS.

Since Compagnie Financière Tradition became a pure holding company on 1 July 1998, it did not exercise any operational activities. As a holding company, it received rental income on its buildings of CHF 310,000 in 2002 (CHF 531,000 in 2001) and, since the second quarter of 2001, royalties from subsidiaries totalling CHF 5,478,000 for the year.

A net financial charge of CHF 524,000 was booked in 2002 (net financial income of CHF 1,735,000 in 2001), comprising the following:

in thousands of Swiss francs	2002	2001
Interest income and expense	- 286	2,122
Net exchange gains and losses	- 1,359	- 241
Net capital loss on disposal of treasury shares (cf. Note II.7)	- 970	- 194
Profit on disposal of Infotec S.A.	2,085	-
Other profit on investments	6	48
TOTAL	- 524	1,735

III.2 Exceptional income and expenses

This item was comprised as follows:

in thousands of Swiss francs	2002	2001
Exceptional income		
Liquidation of provisions on investments	65	–
Dissolution of depreciation allowances for long-term receivables from affiliated companies	4,570	–
Partial use of the contingency provision	948	2,428
TOTAL	5,583	2,428
Exceptional expenses		
Provision on investments	–	– 450
Allowance for long-term receivables from affiliated companies	–	– 4,064
TOTAL	–	– 4,514

IV. ADDITIONAL INFORMATION

IV.1 Commitments and contingent liabilities

in thousands of Swiss francs	2002	2001
Guarantees and commitments to third parties	22	27

The Company also issued comfort letters in favour of two of its indirectly held affiliates:

- Letter of 27 January 1988 to the Bank of England confirming a support commitment in favour of Tradition (UK) Ltd., London, with no stated limit,
- Letter of 8 February 1988 to the Bank of England confirming support commitment in favour of Tradition Financial Services Ltd., London, with no stated limit.

IV.2 Guarantees and commitments received

When VIEL & Cie Finance purchased the shares of Compagnie Financière Tradition held by Banque Pallas Stern, it undertook to pay Compagnie Financière Tradition the difference between aggregate receivables from Comipar and Banque Pallas Stern and the liquidation dividends to be received by Compagnie Financière Tradition in respect of such receivables.

This undertaking relates to receivables of EUR 14,032,000 declared by Compagnie Financière Tradition when Comipar and Banque Pallas Stern went into receivership. VIEL & Cie Finance will honour this undertaking when these two entities pay the final liquidation dividend in respect of such receivables.

In 1999, 2000 and 2001, Compagnie Financière Tradition received payments from Banque Pallas Stern and Comipar, equivalent to 50.8%, 7.2% and 4.0% of its disclosed receivables, bringing total unsecured dividends received since the liquidation of Banque Pallas Stern and Comipar to 62.0% of disclosed receivables. Residual receivables stood at CHF 7,804,000 at 31 December 2002. An additional payment was made in January 2003, equivalent to 4.0% of stated receivables.

IV.3 Pledged assets

Compagnie Financière Tradition pledged a mortgage note of CHF 12,000,000 encumbering its two buildings in Lausanne, whose net book value was at CHF 7,516,000 at 31 December 2002.



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