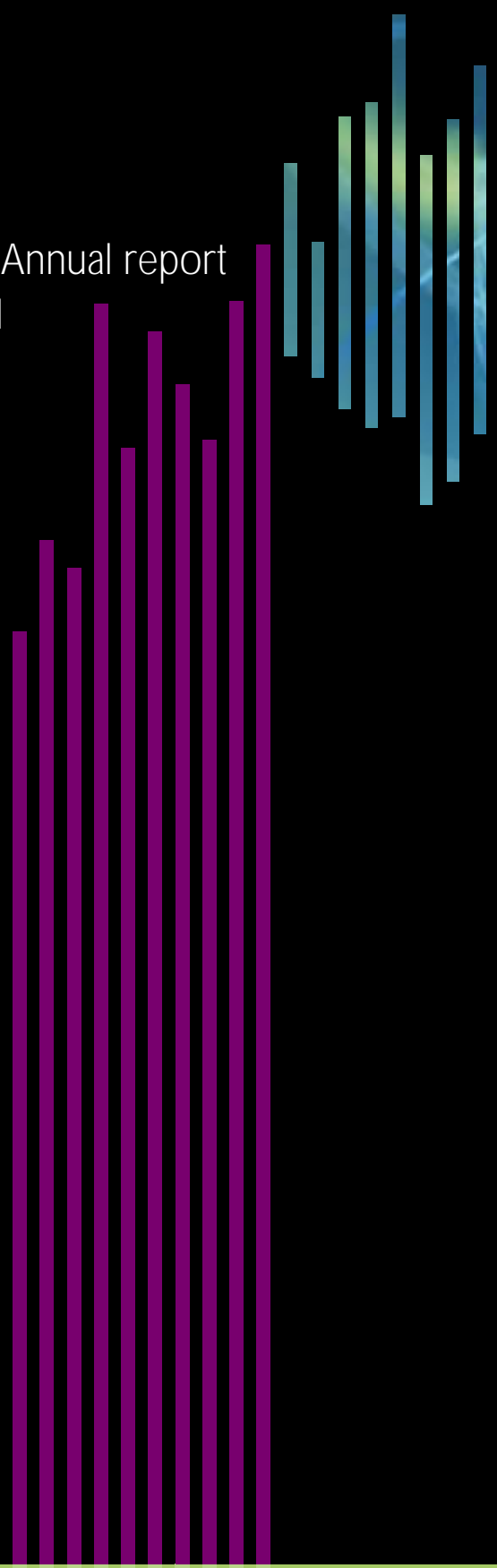
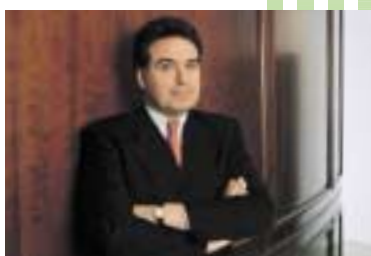


Annual report  
2001



Compagnie Financière Tradition

## Chairman's Message



2001 marked a new step for Compagnie Financière Tradition on the road to building a world leader in financial brokerage.

In what was a buoyant market for interest rate products, although somewhat less encouraging for equity products, Compagnie Financière Tradition continued an active policy to gain market share, achieve external growth and maintain a tight grip on operating expenses. Its excellent performance during the year has ensconced it as the global No. 3 player in a sector consisting exclusively of Anglo-American operators.

During the year, the Company enhanced its position in its traditional core activities: brokering interest rate derivatives, money market and foreign exchange products. These activities, which represent 58.5% of consolidated turnover, benefited from sustained volatility and repeated interest rate cuts throughout the year. At the same time, Compagnie Financière Tradition moved to strengthen its securities brokerage arm in the cash and derivatives markets. These operations now represent 28.6% of consolidated turnover. Finally, through its subsidiary TFS, Compagnie Financière Tradition secured its position as a leader in the precious metals and energy markets, which represent 11.4% of consolidated turnover.

The Company continued to strengthen its foothold in the field of market technologies, building on action already undertaken to acquire a solid expertise in cutting-edge brokerage technologies. This action culminated at the end of the year in the creation of a joint venture with Volbroker, an electronic trading platform specialised in currency options, used by over 50 banks.

Globally, with turnover of CHF 829.2 million, up 28.5%, and an operating profit of CHF 104.8 million, up 54.9%, Compagnie Financière Tradition positioned itself as one of the most profitable brokers in its sector. This performance reflects a momentum of five years of uninterrupted growth with a doubling of its activities and a tripling of its profit over the past three years.

This excellent financial performance, and the balanced spread of its activities, in terms of both geographic footprint and product portfolio, should allow the Company to pursue its development in a market that is itself continually expanding. Compagnie Financière Tradition has the potential for growth and to improve its margins which, coupled with a sound financial structure, positions it well in the ongoing consolidation of the financial brokerage industry.

Building on these results and prospects, we want to continue our high-yield policy implemented five years ago. As such, the Directors will be seeking shareholder approval at the Annual General Meeting to increase the dividend yet again to CHF 4 a share, a rise of 33.3% over last year.

We would like to take this opportunity to congratulate our teams for their dynamism and ingenuity, and thank all our shareholders for their continued loyalty and support.

A handwritten signature in black ink, appearing to read 'Patrick Combes'.

Patrick COMBES

# Information for shareholders

Compagnie Financière Tradition shares outperformed the market, showing a 62.8% increase on the year and bringing the Company's market capitalisation to 464.2 million Swiss francs at 31 December 2001.

[www.traditiongroup.com](http://www.traditiongroup.com)

A website devoted to  
Compagnie Financière  
Tradition's shareholders:

- Share price
- Press releases
- Agenda
- Presentations
- Financial information
- Shareholders forum

Contacts :  
T. : +41 (0) 21 343 55 55  
E. : +41 (0) 21 343 55 00  
e-mail: [ir@tradition.ch](mailto:ir@tradition.ch)

## Share performance

The shares began the year at CHF 107.5 (adjusted for a two-for-one share split in July 2001) and progressed steadily to a level of CHF 110 to CHF 120. The announcement in September of a rise in first-half results propelled the shares forward, and they maintained this momentum throughout the fourth quarter. Amidst a morose trading climate, still reeling from the 11 September attacks, the shares managed above-trend growth, ending the year at CHF 175.0.

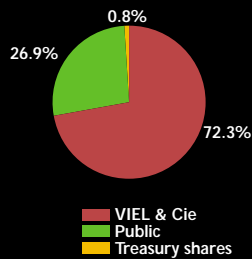
Extending their gains of 201.7% in 1999 and 18.8% in 2000, Compagnie Financière Tradition shares turned in one of the best performances on the Swiss stock market in 2001 with a solid gain of 62.8%, while the benchmark SMI sustained an overall drop of 21.1%. This outperformance confirmed the share's position as a growth stock, with an annualised gain of 61.5% over five years compared with 14.1% for the SMI index, and a total annualised yield of 71.6% against 15.6% for the SMI.

The share's liquidity also improved, with an average daily trading volume of 1,850 trades a day. The launch of a warrant programme in December 2000 contributed to this liquidity, and the programme was repeated in December 2001.

## Share capital

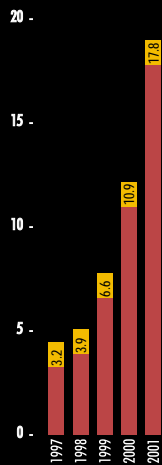
The Annual General Meeting of 11 May 2001 approved a split in two of the nominal value of Compagnie Financière Tradition shares, which was reduced from CHF 10 to CHF 5. Capital was increased by CHF 286,750 on 20 June 2001 through the creation of 57,350 shares, bringing share capital at year-end to CHF 13,261,750, comprising 2,652,350 shares of CHF 5.

Share capital  
at 31 December 2001



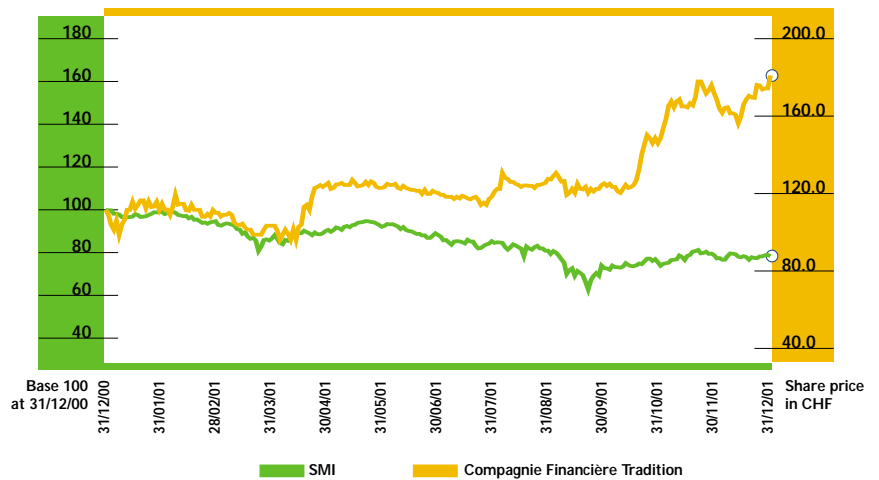
72.3% of share capital was held indirectly by VIEL & Cie, 26.9% was in public hands, and the remaining 0.8% was comprised of shares held by Compagnie Financière Tradition.

Net profit - Group share  
by share\*  
in Swiss francs



\* based on weighted average number of shares during the year

Share performance



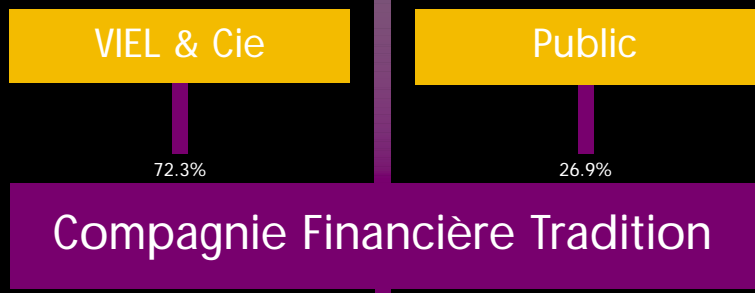
	2001	2000
Share price at 31 December	CHF 175.0	CHF 107.5*
Nominal value of the share	CHF 5	CHF 10
Number of shares at 31 December	2,652,350	1,297,500
Market capitalisation at 31 December (in millions)	CHF 464.2	CHF 279.0
Price Earning Ratio	9.94	9.95
EBITDA / share**	CHF 36.45	CHF 24.10*
Net profit - Group share by share **	CHF 17.79	CHF 10.87

\* data adjusted to take account of the division of the nominal value of the shares in July 2001  
\*\* based on weighted average number of shares during the year

The screenshot shows the website for Compagnie Financière Tradition. At the top, there is a navigation menu with options like 'Home', 'About', 'Share prices', 'Financials', 'Investor relations', and 'Contact'. Below the navigation, there is a 'SHAREHOLDERS' FORUM' button. The main content area features a 'COMPAGNIE FINANCIÈRE TRADITION' header and a table of share prices. The table lists the share price at 175.00 CHF, with a change of 67.8% since the start of the year. Below the table is a line chart titled 'CFT's Daily (per 175.00)' showing the share price performance over time. The chart shows a significant upward trend, starting around 100 and ending near 175.

# Organisation chart

at 31 December 2001



**Brokerage**

- Currency options
- Equity derivatives
- Energy
- Precious metals
- Recruitment
- Venture capital
- Stockholm
- London
- Frankfurt
- Johannesburg
- Stamford
- New York
- Houston
- Sydney
- Tokyo
- Hong Kong
- Singapore

**Brokerage**

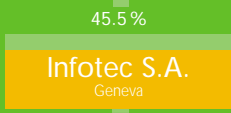
- Money markets
- Interest rate derivatives
- Credit derivatives
- Emerging markets
- Moscow
- London
- Brussels
- Luxembourg
- Paris
- Munich
- Lausanne
- Milan
- Lisbon
- New York
- Los Angeles
- Buenos Aires
- Tokyo
- Beijing
- Hong Kong
- Singapore

**Brokerage**

- Equities
- Bonds
- Financial futures markets
- Frankfurt
- London
- Paris
- Lausanne

**Clearing**

- London
- New York



Diffusion of financial information on the Internet

Note : Names of companies and their percentage shareholdings are detailed in the Notes to the consolidated financial statements on pages 31-32.

# Compagnie Financière Tradition's business

## A marketplace

Compagnie Financière Tradition is a true marketplace, operating in a similar way to the world's main stock exchanges. The Group, with a presence in seventeen countries, matches the supply and demand of a broad spectrum of clients for a wide range of financial and non-financial products. Compagnie Financière Tradition offers its clients a fair price, transparency and complete confidentiality, while acting as a source of high liquidity.

## A pure broker

Compagnie Financière Tradition is an independent agent in over-the-counter (OTC) financial and non-financial markets. Its role is that of a transaction partner between institutional clients wishing to buy or sell specific financial products. Income is derived from brokerage commissions paid by both counterparties. These commissions usually represent a minute percentage of the notional value of the brokered transactions.



## Activity report of Compagnie Financière Tradition

TSH Group	p. 6 / 9
TFS Group	p. 10 / 12
HTS Group	p. 13 / 15
Clearing activities (HTC)	p. 15
New technologies	p. 16
Results 2001	p. 17 / 19
Outlook	p. 20

# TSH Group

67.5%  
of consolidated  
turnover

904 brokers  
16 offices in  
13 countries

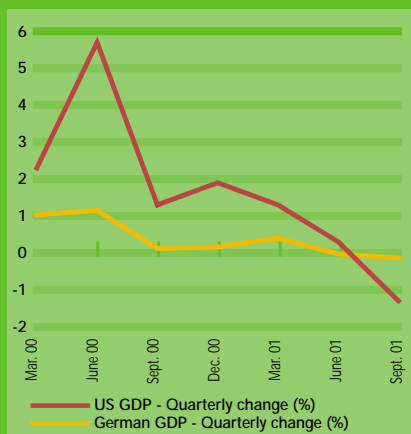
Pure brokerage in:

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

Tradition Service Holding acts as a broker in over-the-counter (OTC) markets, functioning as the transaction partner between two counterparties and earning a commission on such trades. Historically at the heart of Compagnie Financière Tradition's brokerage activities, Tradition Service Holding is one of the world's top three pure brokers in money markets, interest rate derivatives, emerging market debt, and credit derivatives.

## Economic review

### Easing of growth in the United States and slowdown in the world economy



*Soft landing for the American economy, but much of the slack taking up by buoyant European markets; corporate profits enjoying double-digit growth... The reality ran contrary to most analysts' expectations as 2001 got underway. In the U.S. record growth of investments in potentially lucrative projects and a massive use of credit facilities to finance them led to increasingly noticeable imbalances: uncomfortably high debt levels in certain sectors (particularly in TMT securities), overcapacities and low revenue growth. These were accompa-*

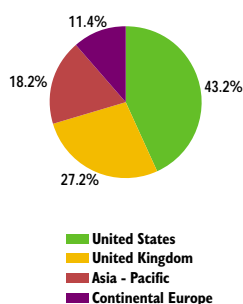
*nied by totally unrealistic asset valuations.*

*The abrupt collapse of investment spending, and the marked slowdown in consumer spending, sent American GNP tumbling from a quarterly rise of 5% in 2000 to a drop of 1.3% in the third quarter of 2001. The aftermath of the September 11<sup>th</sup> events only served to exacerbate this trend. During the same period, growth was sluggish in Germany and Japan slid into a recession for the third time in ten years.*

# TSH Group

With the takeover of Finacor, a broker that has its origins in France, in June, TSH completed its coverage of European markets, where it now has a subsidiary in Munich, an office in Brussels, two new subsidiaries in London, and an enhanced presence in France.

Turnover 2001 of TSH  
by geographical area



## Continental Europe

Tradition Service Holding has a much larger footprint than any of its principal competitors in Continental Europe, where it carries out 11.4% of its activities, with offices in Brussels, Luxembourg, Paris, Munich, Lausanne and Milan. These locations, primarily serving a local clientele, registered a global turnover of CHF 64.0 million in 2001, up 33.1% on the previous year, with most of the growth coming from the operations of Finacor, taken over half way through the year. VIEL Tradition S.A. achieved significant revenue growth, confirming its leadership in the Paris market following the integration of Finacor's brokerage team.

## United Kingdom

Tradition (UK) Ltd. enjoyed an excellent year in 2001. The volatility generated by plummeting stock markets, repeated cuts in interest rates by Central Banks, and 11 September tragedy caused major movements in the financial markets, which were successfully exploited by Tradition (UK) Ltd. A tight rein on costs and a solid market position in several sectors allowed it to stay ahead of the wave with a turnover of CHF 135.6 million, operating profit rose substantially in 2001. The centralisation of Tradition (UK) Ltd.'s dollar operations under a single team was a key success, enabling its clients to deal across the full yield curve in all products, and contributing strongly to the increase in turnover and market share in this sector. Tradition (UK) Ltd. is now a respected player in the Sterling market, both for its steadily expanding activities in the money markets and its leadership position in interest rate derivatives. The Company also has a long-standing reputation in euro-denominated interest rate derivatives, with revenues rising on the back of corporate bond issues that injected welcomed liquidity into the swaps market. In other sectors, such as interest rate options and credit derivatives, Tradition (UK) Ltd. turned in a nice performance, as did activities in Russian government debt.

In June, TSH acquired a second London office, Euro Brokers Finacor Ltd. (EBFL). EBFL turned in an excellent performance in 2001, with revenues strongly ahead thanks to an active recruitment strategy. With last year's deficit behind it, company profits were once again solidly in the black on the



# TSH Group

back of an excellent performance in interest rate options, where it has substantial market share, and a good showing in dollar-denominated interest rate derivatives business, and to a stronger presence in derivatives in euros and Scandinavian currencies. In the aggregate, the London operations of Tradition (UK) Ltd. and EBFL account for 27.2% of TSH's turnover, against 30.4% in 2000.



## United States

Tradition Service Holding further built on the success of its business activities in the U.S., which now represent 43.2% of consolidated turnover against 38.8% in 2000. Despite the events of 11 September, which resulted in their having to evacuate their premises close to the World Trade Center for almost three months, Tradition (North America) Inc. and its subsidiary, Tradition Asiel Securities Inc., further profited from the restructuring operations implemented in 1999 and the continuing trend towards consolidation in the interdealer brokerage community to significantly grow its presence in the American market. The Federal Reserve's monetary policy, with eleven successive cuts in interest rates, generated high volatility and substantial trading volumes on the American interest rate markets, which favourably impacted Tradition (North America) Inc. Apart from this increased volatility, activities in interest rate derivatives also benefited from a deterioration in corporate credit quality on the other side of the Atlantic, which forced swap spreads to widen dramatically. On the other hand, the severe credit problems of emerging countries - culminating in the default of Argentina on its outstanding external debt and its abandoning parity with the dollar - led to a general drop in volumes in these securities. On 30 June 2000, Tradition Asiel Securities Inc. took over the operations of Asiel & Co. LLC, one of the founding members of the NYSE, and developed new equity activities to complete those already built up over a long and respected presence on the American fixed interest securities market. Although the Company's equities business suffered the spillover effects of the general downturn in these markets, it moved to strengthen its presence globally in this sector and enhance its product portfolio with new teams in convertibles and preferred securities. In its other activities - government bonds and mortgage-backed securities - Tradition Asiel Securities Inc. enjoyed an excellent year. In 2002, TSH will focus on increasing market share in all its core markets and on further enhancing its range of activities.

# TSH Group

## Asia

The Company realised 13.8% of its consolidated turnover in Japan, through its subsidiary, Meitan Tradition Co. Ltd., in which it has a 55.3% controlling interest. Turnover at Meitan Tradition Co. Ltd. rose again in 2001, and it maintained its leadership position in the medium-term yen swaps market, where it enjoys a market share approaching 40%. At the same time, it asserted a position as one of the two leading Japanese brokers across all its product lines. USD / Yen forward operations now enjoy a dominant market share consolidating the Company's position in traditional markets.

The persistent sluggishness of the Japanese economy continued to negatively impact the Asian financial markets, such as Hong Kong and Singapore, which were also confronted with a reduction in the number of banks in the region, and less activity from Japanese banks. Despite this adverse trading backdrop, Ong Tradition Singapore, 49.0% owned by Tradition Service Holding, managed a 27.5% rise in turnover, consolidating its leadership position in American dollar deposits. This was accompanied by a resurgence in its Singapore dollar business on the back of the recruitment of new teams. In Hong Kong, trading volumes on the money and interest rate markets continued to decline, negatively impacting Tradition (Asia) Ltd.'s traditional activities. Nevertheless, overall performance was exceptional, with revenues up 86.0% on the back of new activities launched in 1999. These new sectors comprised credit derivatives and Switchfix, an online tool designed to allow automatic clearing of residual risk positions in swaps. China's admission to the World Trade Organisation, and the liberalisation of the Chinese financial markets expected to result from it, should favourably impact Tradition Service Holding, which should enjoy a privileged position in this market through the representative office, opened in Beijing in 1997 by Compagnie Financière Tradition.

With consolidated net profit reaching CHF 34.2 million, compared with CHF 29.6 million in 2000, TSH confirmed the excellent orientation of its business activities. In 2001, the Company consolidated its market shares and profitability in the world's three principal financial centres, London, New York and Tokyo, while maintaining regional teams that allowed it to grow its client base.



# TFS Group

20.7%  
of consolidated  
turnover

250 brokers  
11 offices in  
9 countries

Pure brokerage in:

- Currency options
- Equity derivatives
- Precious metals
- Energy

Energy consulting

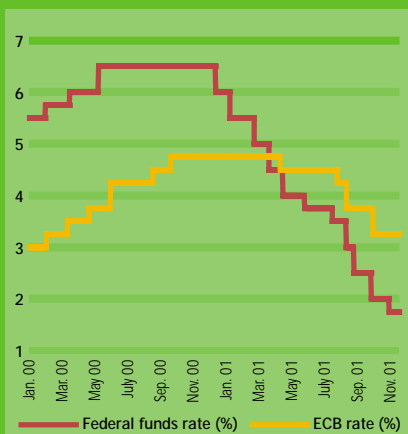
Recruitment

Venture capital

TFS is a leading broker of inter-dealer OTC physical and derivative products. The Company has a presence in the world's major financial centres. TFS conducts business within the foreign exchange, precious metals, equity, pulp & paper and energy markets. Electricity, natural gas, oil, coal and weather are among those energy markets covered by the TFS energy division.

## Economic review

### Economic responses



The reaction of the Federal Reserve in the U.S. was spectacular – eleven interest rate cuts in 2001 alone, bringing the Federal funds rate down to 1.75% by the end of the year, the lowest level since 1961. The European Central Bank responded more slowly and moderately, but nonetheless aligned its efforts with the Fed's post-September 11<sup>th</sup> measures. Over the past two years, European monetary policy has been less predictable and less aggressive than that of the United

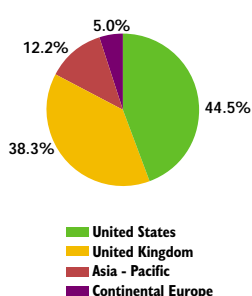
States, but has still earned itself a certain degree of credibility.

On the corporate front, particularly in the States, companies also moved quickly to tackle the slowdown in growth. Vigorous cutbacks were implemented, including sometimes massive layoffs. Although these measures negatively impacted the unemployment rate, they may have a beneficial effect on productivity from 2002 onward.

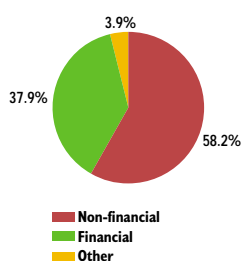
# TFS Group

TFS, 69.64% owned by Compagnie Financière Tradition, realised a consolidated turnover of CHF 172.0 million, compared with CHF 130.1 million in 2000.

Turnover 2001 of TFS  
by geographical area



Turnover 2001  
by product



## Financial products

Brokerage activities in financial products generated CHF 65.2 million in revenues in 2001, against CHF 54.3 million the previous year, representing 37.9% of aggregate turnover, compared with 41.7% in 2000.

Synergies resulting from the July 2000 merger of the currency options businesses of TFS and ICAP began to kick in early in the first quarter of 2001, and continued to grow throughout the year. Operating under the name of "TFS-ICAP", the group achieved significant growth in its two core businesses, G-10 currencies and exotic options, while enjoying exceptional growth in emerging markets currencies.

TFS-ICAP implemented a joint venture with Volbroker in December 2001. Volbroker is the leading electronic platform in the field of foreign exchange options, used by over 50 banks in the world and its bank owners are amongst the foremost traders in this product. This new venture will offer TFS-ICAP clients the experience and liquidity provided by traditional voice brokers, and the efficiency and cutting-edge technology of electronic trading platforms.

TFS continued to grow its brokerage operations in equity derivatives from its London office, which covers all major European stocks and indices. In line with its commitment to widen its product offer, TFS became a non-clearing member of LIFFE and Eurex in 2001, in addition to its existing membership in the South African Futures Exchange (SAFEX). The Company also reinforced its presence on the American markets in OTC transactions in the S&P 500 and NDX 100.

## Non-financial products

Consolidated turnover on brokerage activities in non-financial products rose 42.2% on the year to reach CHF 100.2 million, against CHF 70.4 million in 2000, and now accounts for 58.2% of revenues.

With a falling gold market and weak price volatility for the second year running, producers and investment funds curtailed hedging operations, and trading volumes tumbled. In spite of this difficult environment, TFS maintained its dominant market share, particularly in options.

# TFS Group



Activities in a broad range of energy derivatives moved ahead strongly during the year, particularly in the electricity, natural gas, oil, coal and weather derivatives sectors. In electricity, TFS again benefited from the deregulating markets, with its London, Frankfurt and Sydney offices all turning in good performances. It was also successful in enhancing its presence on the American market, which had difficulty digesting the collapse of Enron, thanks to its experienced brokering teams. Oil operations were boosted by the arrival of a new team of specialised gasoline brokers in London, enhancing TFS's leadership in Europe and Asia. On the general front, all product sectors scored significant gains globally, with high liquidity levels, sustained volatility and better price transparency.

## Other activities

Since 1999, while reinforcing its traditional operations, TFS has pursued a policy of selective expansion into new activities related to its original core businesses. Capstone Global Energy LLC, created in June 1999 and 57.5% owned by TFS at 31 December 2001, provides energy-related consulting and brokerage services. Its broad client base comprises participants in the world's deregulating and restructuring energy markets. The Recruitment Company, created in September 1999, specialises in job placement in the financial and new technologies sectors. Initially based in Hong Kong, the recruitment Company has expanded its operations to London, New York and Sydney. Equitek, created in July 2000, is a venture capital company. In the aggregate, these activities contributed CHF 6.6 million to consolidated turnover in 2001, against CHF 5.4 million in the previous year.

Despite these new activities weighing on profits, TFS posted a net profit of CHF 13.8 million in 2001, against CHF 0.8 million the previous year. After taking account of minority interests of CHF 5.3 million, net profit-Group share amounted to CHF 8.5 million, compared with a loss of CHF 0.5 million in 2000.

# HTS Group

**11.8%**  
of consolidated  
turnover

**179 brokers**  
**5 offices**  
in 4 countries

Pure brokerage in :

- Equities
- Government and corporate bonds
- Financial future markets

Holding Tradition Securities S.A., a wholly owned subsidiary of Compagnie Financière Tradition, handles all brokerage activities in the financial futures markets, as well as the equity and bond products of Tradition Securities And Futures and its subsidiary, MIA, together with Finacor Rabe AG, acquired in June 2001. Consolidated turnover reached CHF 97.5 million in 2001, up 82.9% over the previous period, with a consolidated net profit of CHF 15.0 million.

Economic review

## Market reaction: falls across-the-board and extreme volatility

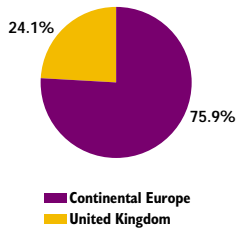
After a year spent readjusting to more realistic valuations in 2000, all the major world stock indexes continued to fall last year. The American S&P 500 lost 13% of its value in 2001, the European DJ Stoxx 50 dropped 18%, and the Japanese Nikkei was off by 24%. The hit taken by tech stocks was particularly painful, with over 60% being wiped off the value of the Nasdaq between its record high in March 2000 and the end of 2001.

2001 was also a volatile year for the world's stock markets, with fluctuations being most pronounced in the spring and the days following the 11 September attacks.



# HTS Group

Turnover 2001 of HTS  
by geographical area



Tradition Securities And Futures (formerly STAFF S.A.), in which Holding Tradition Securities S.A. took a 77.1% controlling interest in September 1998, is a major broker in the European financial futures markets, and a leader in options. Tradition Securities And Futures is a member, directly or through its London subsidiary, of Matif, Eurex and LIFFE. Turnover for the Company and its branches rose 161.3% to CHF 82.0 million. This increase takes account of the merger last year with its subsidiary Prominnofi, a specialist screen-based broker dealing in French government securities for primary dealers in France and elsewhere, the renting of the business of VIEL Eurovaleurs, a pure broker in French and European government debt, and the acquisition of the intangible business assets of Finacor connected with brokerage of exchange-traded interest rate and equity products. These external growth operations enhanced Tradition Securities And Futures' leadership position in the European market, in the brokerage of French government debt and in Eurex, where it is one of the top ten players.

Over the past two years, the Company has extended its global footprint, opening a branch in London and then in Lausanne. Turnover at Tradition Securities And Futures London surged 94,8% in 2001, buoyed by robust marketing tactics and good performance in futures and interest rate options (Eurex and LIFFE). The Lausanne operation was a success from the outset, offering its predominantly Swiss clientele a complete portfolio of exchange-traded interest rate and currency products in Europe and the United States. These facilities complete the services Tradition S.A. Lausanne offers Swiss financial institutions.

MIA, a French equities brokerage company catering to a largely institutional clientele, 55.0% owned by Tradition Securities And Futures, experienced a sharp drop in turnover in 2001 impacted by the falling volumes of trade in the equities markets.

# HTS Group

Finacor Rabe AG, 70.0% owned by Holding Tradition Securities, is a Frankfurt-based house, brokering government debt, Pfandbriefe - sector in which it holds a leadership position in Jumbos - and Eurobonds. It is also active in equities, specialising in American stocks. In the government securities market, dominated in Germany by electronic trading platforms, Finacor Rabe AG is one of the last remaining brokers. Revenues in 2001 were hard hit by weak trading volumes in the equity markets, leading the company to restructure its operations.



Compagnie Financière Tradition continued to strengthen its securities brokerage arm. In addition to operations conducted by Holding Tradition Securities S.A., the Company successfully developed activities at Tradition Asiel Securities Inc. in American securities, at Tradition (UK) Ltd. in warrants and convertible bonds, and at TFS in the sector of equity derivatives, enabling it to generate 28.6% of consolidated turnover in the securities markets, 8.4% of which was in equities and equity derivatives. These moves are expected to gradually establish the Company as a world leader in this sector.

## Clearing activities (HTC)

Compagnie Financière Tradition created a dedicated clearing company, Holding Tradition Clearing, which controls Tradition Global Clearing Inc. in the United States and Tradition London Clearing Ltd. in London. These two companies act as principals for the benefit of all affiliates of the Group, with the exception of Tradition Securities And Futures S.A. and Finacor Rabe AG, able to handle such transactions directly. By using Tradition Global Clearing Inc. and Tradition London Clearing Ltd., clients of the different affiliates of Compagnie Financière Tradition may, if they so wish, carry out transactions without revealing their market position. Tradition Global Clearing Inc. and Tradition London Clearing Ltd. intervene in this instance as a screen between the counterparties, by taking two simultaneous positions that are cleared instantly. Tradition Global Clearing Inc. has been a member of the GSCC (Government Securities Clearing Corporation) since the American repos market switched to a principal brokerage mode.



# New technologies

Several years ago, Compagnie Financière Tradition identified the major phenomena that would change the face of the financial markets - a convergence of regulated and OTC markets, and the appearance of competitive advantages based on new technologies, and the therefore increasing importance of the concept of critical liquidity. Against this backdrop, Compagnie Financière Tradition moved to secure the technological means necessary to master the two fundamental processes inherent in its role as a marketplace – information and dealing.

In March 1999, the Company took a significant equity stake in Infotec S.A., a Swiss company specialised in providing online financial information and developing online financial management application programmes. The company offers a clientele of finance professionals a cost-effective and efficient alternative to traditional dealing rooms solutions. Developments in the financial information sector over the past year will enable Infotec S.A. to develop its operations for clients beside the Group, looking for cost savings for their trading-room operations or developing the use of information support by departments within financial institutions.

These early-stage projects again weighed on profitability during the year, with an aggregate negative impact on Compagnie Financière Tradition's net profit of CHF 3.7 million. However, staying ahead of the wave in this critical area gives Compagnie Financière Tradition an important potential advantage over the competition.

The image shows a screenshot of a financial trading system interface. It features several data tables and a control panel. The top section is titled 'Trading System' and contains a large table with columns for 'DISTRICT TRADES', 'INSTRUMENTS', and 'TRADE'S HISTORY'. Below this, there are sections for 'ORDER BOOKS', 'LIMIT ORDERS', and 'POSITIONS'. The interface includes various numerical values, status indicators, and a control panel with buttons for 'New', 'Cancel', 'Buy', and 'Sell'. The overall layout is dense and typical of a professional trading environment from the late 1990s.

# Results 2001

**Operational performance:**  
10.3%

**Net margin:**  
7.4%

**Return on equity:**  
31.9%

Compagnie Financière Tradition enjoyed its fifth consecutive year of strong growth in 2001, establishing it as the world's No. 3 broker in financial and non-financial products. Company revenues were up 28.5% to CHF 829.2 million on the back of buoyant markets, with profitability again increasing substantially. Consolidated net profit - Group share, rose to CHF 46.7 million against CHF 28.0 million in 2000.

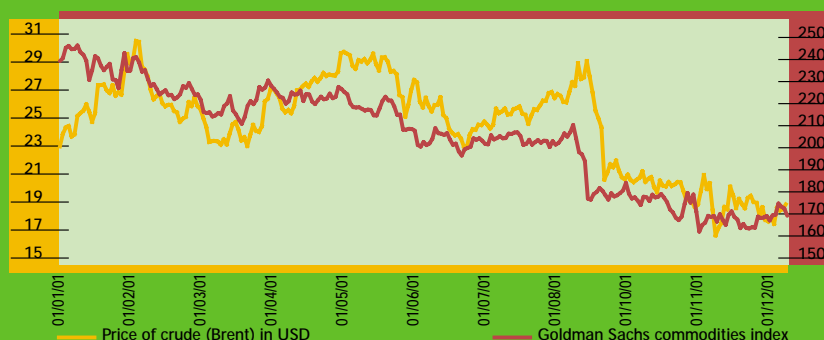
## Economic review

### Winners and losers in 2001

The dollar turned out to be one of the prime winners of the year. Despite the difficult macroeconomic climate on the other side of the Atlantic, the greenback held up as investors continued to favour the currency of the world's most powerful economy. Another winner was the bond market. With Central Banks easing monetary policy, a worsening of economic conditions and inflationary tendencies having all but disappeared, there was a strong rebound in several bond instruments.

On the other side of the coin, the price of most commodities, beginning with the oil sector, were particularly hard hit by the economic slowdown.

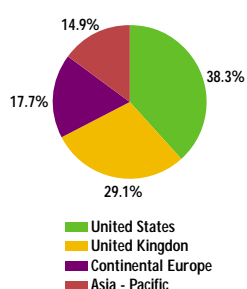
Finally, in the developing markets, while South Korea and Russia showed encouraging signs of recovery, Turkey, and particularly Argentina, slipped further into recession.



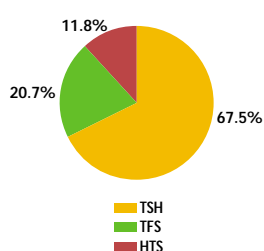
# Results 2001

## Consolidated results

Turnover 2001  
by geographical area



Turnover 2001  
by division



Consolidated turnover reached CHF 829.2 million against CHF 645.1 million in 2000. Operating profit of CHF 85.1 million was up 63.3% on the year, for an operational performance of 10.3% of turnover, compared with 8.1% in 2000, 7.1% in 1999 and 5.5% in 1998.

This highly satisfactory performance positions the Company as one of the most profitable brokers in the world. It reflects the success of its cost-management strategy over the past three years, which has resulted in an operational performance increasing from 5.5% to 10.3%.

The most encouraging improvement lies in the area of telecommunications and purchasing of financial information - the main expense categories after salaries - which retreated to 7.6% of consolidated revenues from 9.0% in 2000. Compagnie Financière Tradition benefited from the overall structural drop in prices in this market, further accentuated by continual renegotiation of its principal contracts. The Company should also be able to use its leadership position in the world financial markets to leverage better value from its available market information capital, and so balance out the cost of purchased financial information with revenues derived from the sale of its own information.

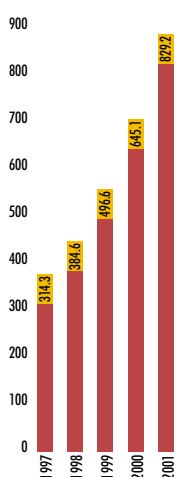
The Company actively recruited new teams during the year, impacting slightly personnel costs, which reached 67.8% of consolidated turnover against 66.7% in 2000. The variable part of salaries increased during the year, to 30.6% of the total against 27.3% in 2000, reflecting a greater degree of flexibility. The movement towards consolidation, begun two years ago among financial brokers and more generally throughout the banking sector, should gradually lighten the pressure on brokers' salaries and allow the Company to further improve its operating margin.

Net financial income rose to CHF 19.7 million, compared with CHF 15.5 million the previous year. This figure includes net gains on disposals of investments of CHF 13.1 million, dividends on investments of CHF 1.2 million, and net interest income and exchange gains of CHF 5.4 million.

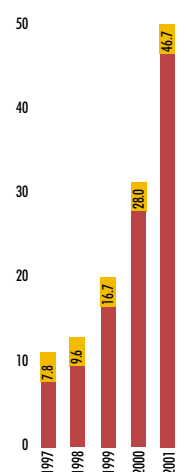
Profit before tax of consolidated companies reached CHF 104.8 million, compared with CHF 67.6 million in 2000 for a margin before tax of 12.6% of consolidation turnover against 10.5% in the previous year. The Company took a consolidated tax charge of CHF 39.3 million, or 37.5% of profit before tax,

# Results 2001

**Consolidated turnover**  
in millions of Swiss francs



**Net profit - Group share**  
in millions of Swiss francs



against 46.6% a year earlier. This marked improvement came on the back of the return to profitability of a number of previously loss-making companies, and the effects of the initial measures implemented by Compagnie Financière Tradition to rationalise its legal and tax position.

The contribution of subsidiary undertakings, consolidated under the equity method, showed a deficit of CHF 3.8 million against CHF 1.9 million in 2000, and included mainly the Company's share of net losses of Infotec S.A.

Consolidated net profit stood at CHF 61.0 million, with net profit - Group share of CHF 46.7 million, up 66.7% on the year and 179.4% on the previous two years.

This performance brought return on consolidated equity to 31.9% in 2001, based on consolidated equity at 31 December 2000. Consolidated equity reached CHF 231.5 million at year-end, including CHF 189.1 million Group share, reflecting the Company's robust financial situation, particularly when compared to its low financial debt situation of CHF 34.6 million at year-end.

## Company results

In July 1998, Compagnie Financière Tradition transferred its commercial brokerage activities in the capital markets to Tradition S.A. Lausanne. Since then, Compagnie Financière Tradition has become a pure holding company, and no longer exercises any form of operational activity.

Operating income reached CHF 6.8 million with operating expenses of CHF 3.0 million in 2001, compared with CHF 6.4 million and CHF 3.0 million respectively in 2000, for an operating profit of CHF 3.8 million in 2001, compared with CHF 3.4 million the previous year.

The Company registered an exceptional loss of CHF 2.1 million in 2001, after provisions for equity investments and receivables from affiliated companies of CHF 4.5 million net, at the same time as recognising recovery of contingency and loss provisions of CHF 2.4 million.

After taking a tax charge of CHF 0.8 million, net profit for the year stood at CHF 0.9 million, bringing shareholders' equity to CHF 128.9 million at 31 December 2001.

The exceptional events impacting financial markets in 2001 highlighted the importance of the Company's key factors of success, which it has consistently adhered to in pursuing its development.

# Outlook

In the coming year, Compagnie Financière Tradition is committed to consolidating its No. 3 position on the world scene, through organic and external growth operations. It expects to achieve this objective either by enhancing its local presence in one or two major financial markets, or by developing a market sector as yet not fully tapped by the Group. On the global level, consolidation in the financial brokerage industry should reach a new stage, in light of the tragic events last September and the need for the market leader to meet investor expectations.

The Company will continue to keep a tight rein on operating costs in an effort to maintain its profitability record in what could be a less buoyant year than 2001, and to remain selective in its choice of new business activities. It is equally committed to maintaining its strong balance sheet, which has proven a key element in an industry where equity is a measure of a prudent and responsible corporate ethos.

In new technologies, Compagnie Financière Tradition will continue to seek modularity and economically viable technological progress. Here too, the Company is poised for opportunities to develop a hybrid model along the lines of TFS-ICAP-Volbroker, to both take advantage of difficult market and competitive conditions for a number of electronic platforms, and seek the interconnection of additional pools of liquidity.

Having entered the rarefied atmosphere of the world's top three leaders in 2001, Compagnie Financière Tradition is actively committed to leveraging better value from its market information capital, particularly in areas where it is one of the top two entities in a sector. This source of additional revenue is expected to produce significant marginal profitability over the medium-term and ensconce the Company as a primary marketplace for players on the global financial scene. Its new position as the world's No. 3 leader should also allow Compagnie Financière Tradition to promote its image with a broad spectrum of international investors.