



Compagnie Financière Tradition

With a presence in eighteen countries, Compagnie Financière Tradition is one of the world's top three brokers of financial products (money markets, bond markets, interest rate, currency and credit derivatives, equities, equity derivatives, interest rate futures and index futures) and commodity-related products (precious metals, energy and environmental products, and pulp and paper). The Company is listed on the Swiss Exchange (CFT).



This document is an english translation of the french text and has been prepared for information purposes only. While we have made every effort to ensure a reliable translation, we make no representation that it is accurate or complete in any way. It is therefore not the intention of compagnie financiere tradition that it be relied upon in any material respect. The original french version is the only valid text

Chairman's message

In addition to the falling dollar, spiralling oil prices and the surge in commodity prices, driven by demand from fast-growing economies like China and India, 2004 was marked by the conflicts in the Middle East, terrorist threats and an American election. All the conditions were therefore in place to erode investor confidence. Increased volatility on the financial markets generally reflects heightened nervousness among professional investors, and we should therefore have seen a series of erratic and chaotic movements during the reporting period.

Instead of panicking, however, the markets remained sluggish. This unexpected lethargy became increasingly pronounced in the equity, bond and currency markets as the year progressed.

Despite this difficult environment, Compagnie Financière Tradition's business was 10.1% ahead of last year, at current exchange rates, with consolidated turnover amounting to CHF 849.7 million. This clearly demonstrates that the Group's business model, which focuses on a diversified product portfolio and broad geographic spread, is a major asset in unsettled economic conditions.

Prime importance was accorded to organic growth in 2004, and this was achieved through the recruitment of new teams around the world and the opening of new offices in Chile and Mexico.

Our dominance in the institutional markets and in online brokerage led to the development within the Group of services catering to private investors. Our spread betting website in London, Tradindex.com, enjoyed rapid growth last year; in Tokyo, Gaitame.com asserted its leadership position in this segment of the Japanese market, while a third company, FXDD.com, was successfully launched in the United States. This technological expertise is a core component of Compagnie Financière Tradition's development giving us a decisive competitive edge.

Profit before tax and exceptional items was CHF 52.6 million, and Group share of net profit was CHF 50.5 million bringing return on consolidated shareholders' equity to 25.0% in 2004.

The Group's finances are, moreover, extremely sound. Its cash position and marketable securities net of financial debts stood at CHF 146.1 million at 31 December 2004.

In line with our objective of positioning Compagnie Financière Tradition as one of the top two players in its sector, we will pursue our external growth strategy in 2005 while maintaining our long-term policy goal of enhancing margins and profitability.

I would like to take this opportunity to thank all our shareholders for their continued confidence and loyalty, as well as our teams for their dynamic and creative contribution to the success of our Company.

In light of the Company's results and outlook, the Board will be seeking shareholder approval at the Annual General Meeting in May 2005, for payment of a dividend of CHF 6.0 per share.



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

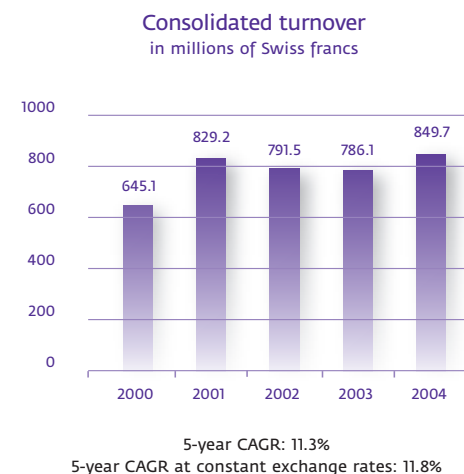
Patrick Combes

Contents

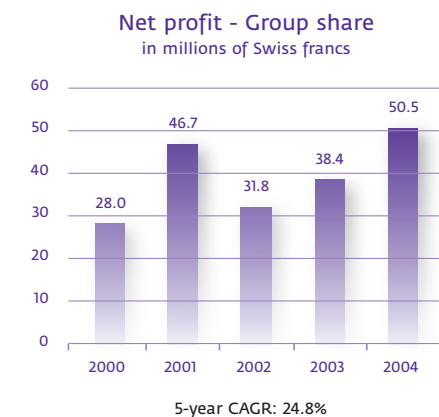
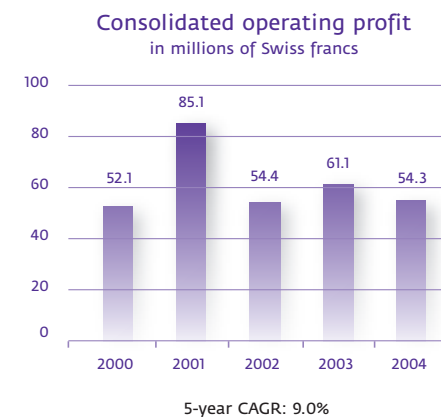
CHAIRMAN'S MESSAGE	1
KEY FIGURES	2 - 3
MANAGEMENT REPORT	4 - 28
Information for shareholders	
Simplified organisation chart at 31 December 2004	
Compagnie Financière Tradition's business	
Corporate Governance	
Board of Directors	
Executive Board	
2004 Economic review	
Activities 2004	
Results 2004	
Outlook	
CONSOLIDATED FINANCIAL STATEMENTS	29 - 50
Report of the Group auditors	
Consolidated profit and loss account 2004	
Consolidated balance sheet at 31 December 2004	
Changes in consolidated shareholders' equity	
Consolidated cash flow statement	
Notes to the consolidated financial statements	
COMPANY FINANCIAL STATEMENTS	51 - 59
Report of the statutory auditors	
Profit and loss account 2004	
Balance sheet at 31 December 2004	
Notes to the Company financial statements	

Key figures

Turnover up 8.1% to CHF 849.7 million.



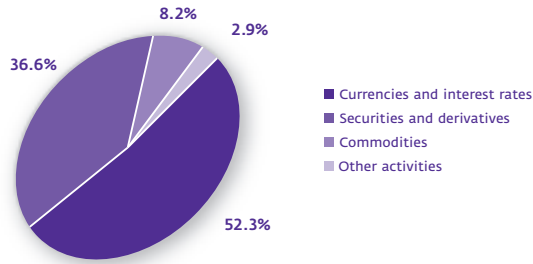
Operating profit was CHF 54.3 million in 2004, and net profit - group share was CHF 50.5 million.



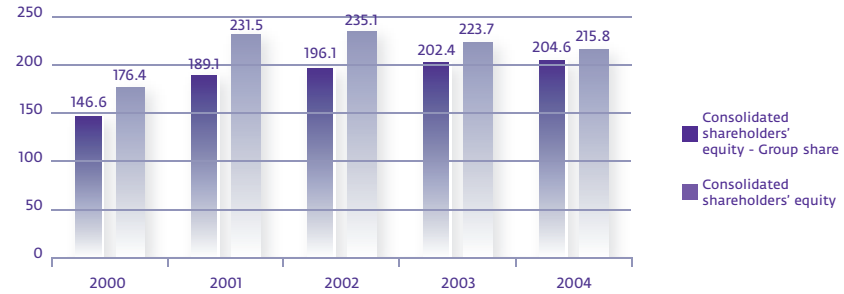


Consolidated shareholders' equity of CHF 215.8 million confirms Compagnie Financière Tradition's sound financial position.

2004 consolidated turnover by product



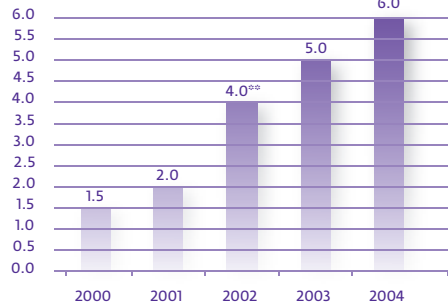
Consolidated shareholders' equity in millions of Swiss francs



Consolidated shareholders' equity / total assets: 35.0%
Return on consolidated shareholders' equity in 2004: 25.0%

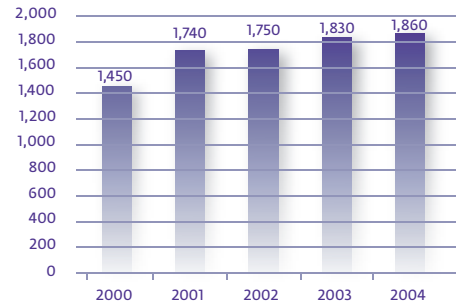
With a presence in eighteen countries, Compagnie Financière Tradition employed almost 1,860 worldwide at end-2004, almost 78% of who were brokers.

Dividend per share* in Swiss francs

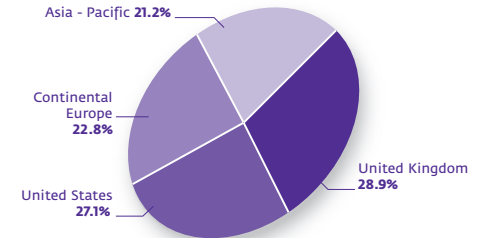


* based on a share with a nominal value of CHF 2.50
** CHF 4.0 cash dividend per share with a nominal value of CHF 2.50, plus one bonus share for every 25 shares held.

Headcount at 31 December



Headcount at 31 December 2004 by geographical area



Information for shareholders

The combination of weak trading volumes and a record drop in volatility on the equity and interest rate markets in 2004, made it a difficult year for all players in the interdealer brokerage sector. Compagnie Financière Tradition's shares fell by 5.5% over the period, ending the year at CHF 111.0, and valuing the Company at CHF 604,924,000 at 31 December 2004.

Share performance in 2004

The shares started the year at CHF 117.5, rapidly reaching their peak of CHF 126.0 on 9 January. Early in May, when new shareholders took a 5.4% stake in the Company, the shares lost 8.5% of their value in a single week (between 7 and 14 May). Much of this lost ground was recovered over the next two months, but the share price retreated again after 15 July, to reach a low for the year of CHF 96.0 on 13 August. It gradually regained traction from mid-August, buoyed by a more favourable climate on the equity markets. At year-end it

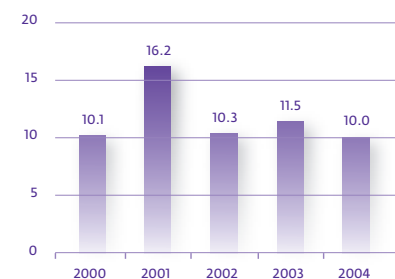
stood at CHF 111.0, down 5.5% on the period, with a market capitalisation of CHF 604,924,000. This compares with a rise of 3.7% for the Swiss Market Index (SMI) during the same period.

Stock market data

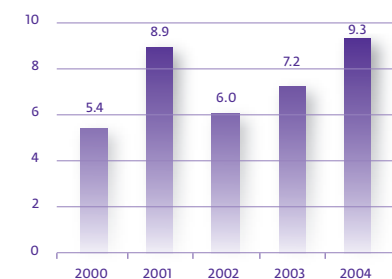
	2004	2003
Number of shares at 31 December	5,449,769	5,401,369
Market capitalisation at 31 December	CHF 604,924,000	CHF 634,661,000
Highest price	CHF 126.0	CHF 126.0
Lowest price	CHF 96.0	CHF 43.7
Closing price at year-end	CHF 111.0	CHF 117.5
Average daily volume	2,107	2,423
PER [*] at 31 December	12.0	16.6
PTB ^{**} at 31 December	3.0	3.1
Operating profit per share ^{***}	CHF 10.0	CHF 11.5
Net profit - Group share per share ^{***}	CHF 9.3	CHF 7.2
Dividend per share	CHF 6.0	CHF 5.0

^{*}Price earnings ratio
^{**}Price to book - Group share
^{***}Based on the weighted average number of shares outstanding during the period.

Consolidated operating profit per share^{*}
in Swiss francs



Net profit - Group share per share^{**}
in Swiss francs



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

Fact file

Financial year: 1 January to 31 December
ISIN Code: CH0014345117
Unit of trade: 1 share
Nominal value: CHF 2.50
Traded on the SWX Swiss Exchange and on the third compartment of the Frankfurt Stock Exchange

2005 calendar

2 February	Publication of consolidated turnover for 2004
10 March	Publication of consolidated results for 2004
4 May	Publication of consolidated turnover for the first quarter of 2005
18 May	Annual General Meeting
3 August	Publication of turnover for the first half of 2005
14 September	Publication of consolidated results for the first half of 2005
2 November	Publication of consolidated turnover for the third quarter of 2005

Our investor relations calendar is updated regularly and is available on www.traditiongroup.com.

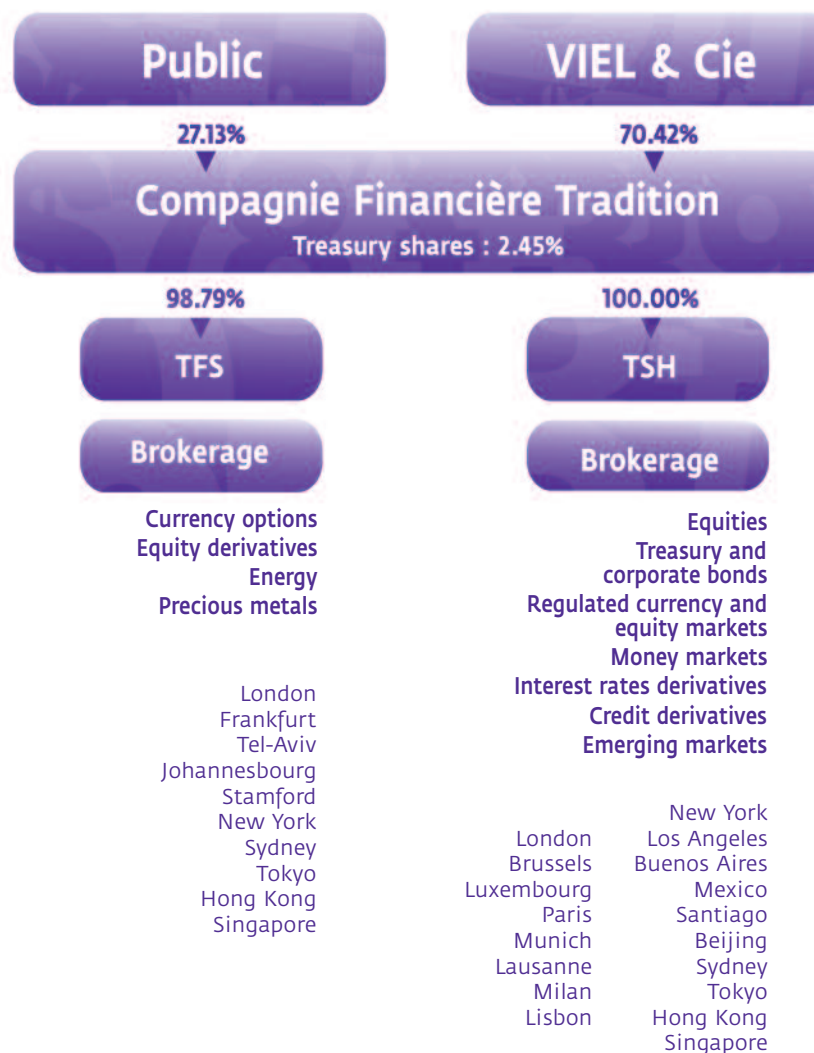
Contacts

General enquiries
Compagnie Financière Tradition
Investor relations
11, rue de Langallerie
CH - 1003 Lausanne
T.: 41 (0)21 343 52 66 F: 41 (0)21 343 55 00

Internet

www.traditiongroup.com
A dedicated communication platform for Compagnie Financière Tradition's shareholders:
Share price
Press releases
Calendar of events
Key figures
Presentations
E-mail: ir@tradition.ch

Simplified organisation chart at 31 December 2004



Technology **Global**

Leader

20,91¥97,%\$78 £(95¥8420,91¥97,

Innovation

Compagnie Financière Tradition, a leading global player

Compagnie Financière Tradition is the world's No. 3 interdealer broker, and a leader in a broad range of financial products (futures and options) and commodity-related products (precious metals, energy products and pulp and paper).

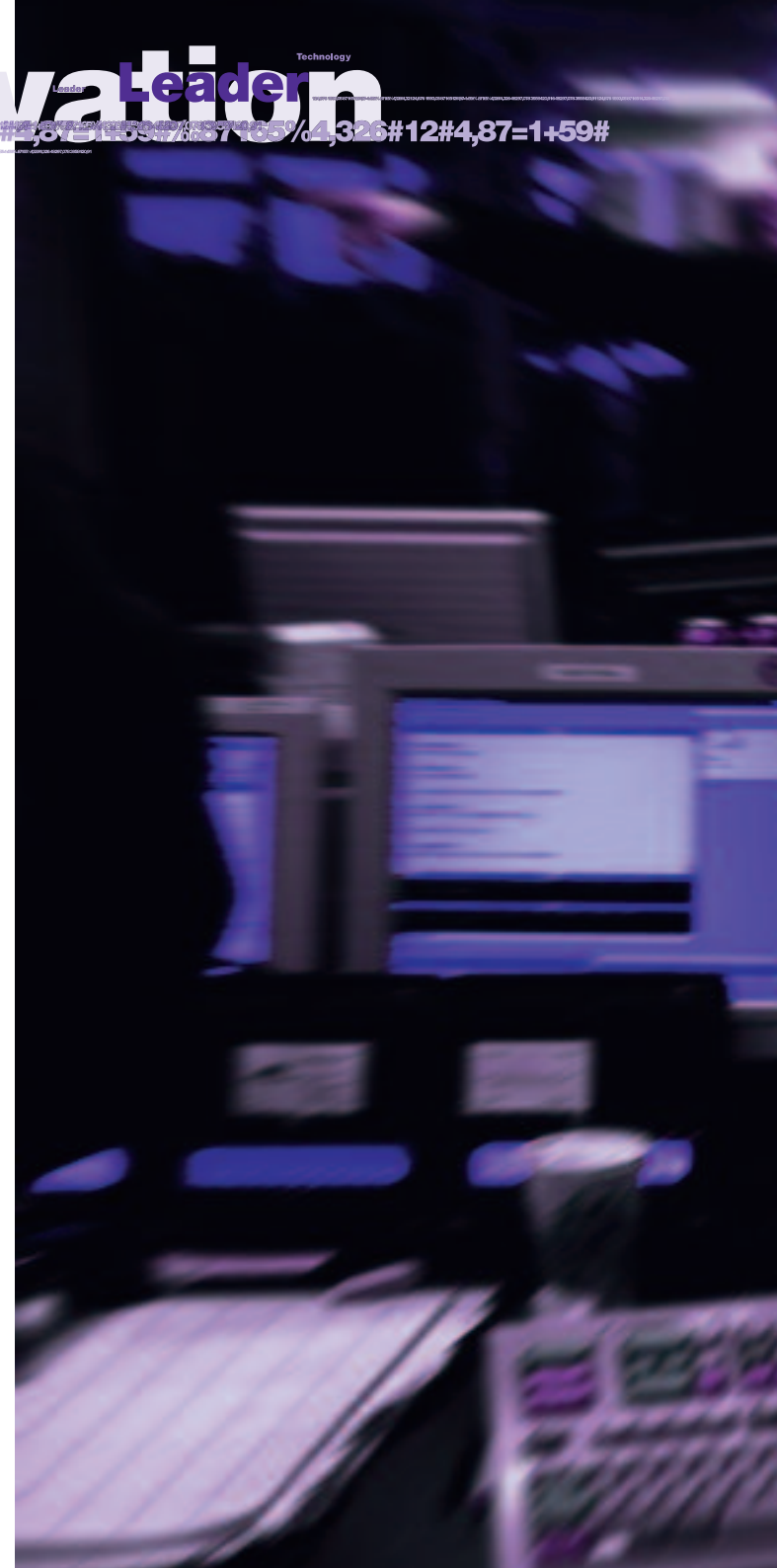
It is a major player in the over-the-counter (OTC) markets, as well as in certain regulated markets, thanks to its network of subsidiaries located in the world's major financial centres – London, New York, Tokyo, Hong Kong and Singapore.

With a presence in 18 countries, spanning three time zones, Compagnie Financière Tradition has a critical mass of buyers and sellers, bringing its clients improved liquidity for all their trades, from the simplest to the most complex. With its international spread and diversified product portfolio it is strategically positioned to take advantage of geographical development opportunities.

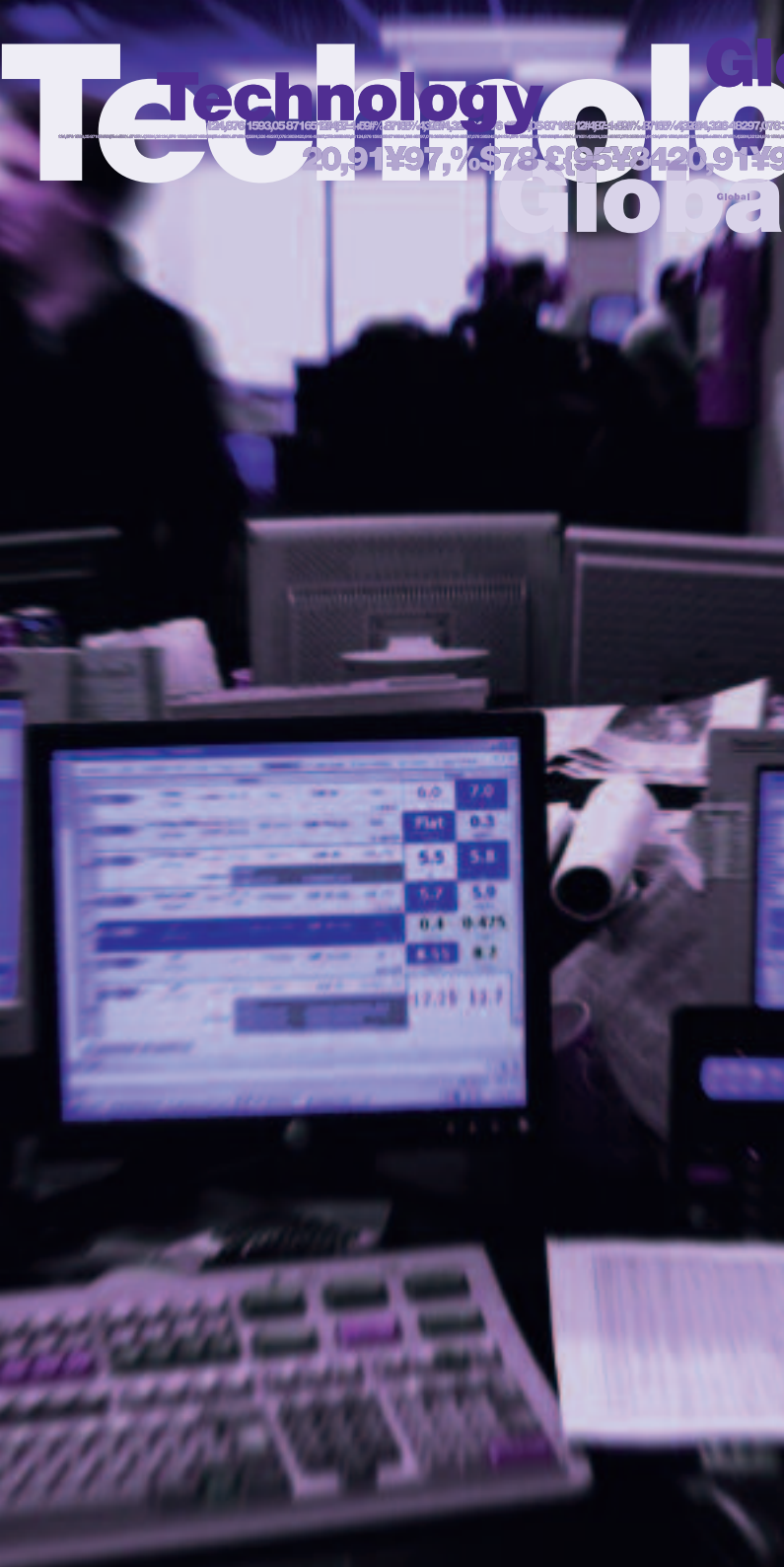
As a real marketplace, Compagnie Financière Tradition offers a neutral and independent service. The Group organises liquidity for its clients trading in OTC products, providing them with crucial information, executing their transactions, offering access to a broad portfolio of counterparties and ensuring the most efficient conditions for completing their trades.

It derives its income from brokerage fees and commissions, earned from negotiating trades and facilitating counterparty transactions on over-the-counter markets, or executing clients' transactions on the regulated markets.

Compagnie Financière Tradition's customer base consists primarily of investment and trading banks, financial institutions, and blue-chip corporations.



Technology Global Innovation Leader



The Group has grown into one of the largest broking networks in the OTC markets, by number of geographic locations.

Operating in all of the world's financial centres, it is the No. 3 player in its sector. Since the end of the nineties, this sector has been consolidating around a few dominant international groups, most of which are English or American.



Compagnie Financière Tradition,
a geographic spread


Technology Global Innovation

Strongly oriented towards development and innovation

The key to Compagnie Financière Tradition's success lies in its experience, its extensive network of clients, and an in-depth understanding of their objectives.

Its product range and market approach are oriented towards development and innovation. The Group has accorded prime importance to the development of a comprehensive range of products covering foreign exchange and interest rates, securities and security derivatives, commodities and other non-financial products. It is at the forefront in terms of launching new services and technological developments.

- 1959 : Company founded.
- 1973 : Compagnie Financière Tradition listed on the Swiss Stock Exchange.
- 1982 : Launch of the Forward Rate Agreement, an interest rate derivative product which was to become a benchmark in the financial markets.
- 1989 : Initiated the first OTC oil derivatives transactions in London.
- 1997 : First broker to open a representation office in China.
- 1998 : Invested in companies producing innovative technology, such as streaming with its subsidiary StreamingEdge.com Inc.
- 2002 : Set up the first hybrid voice/online broker in the currency market, when it merged its currency options operations with those of Volbroker, an electronic trading platform.
- 2004 : Prize for the best e-broker (currency options) at the FX week e-FX Awards, awarded to its New York subsidiary, TFS-ICAP LLC.



FX Voice
~ Powered by CSK MarketViewer ~

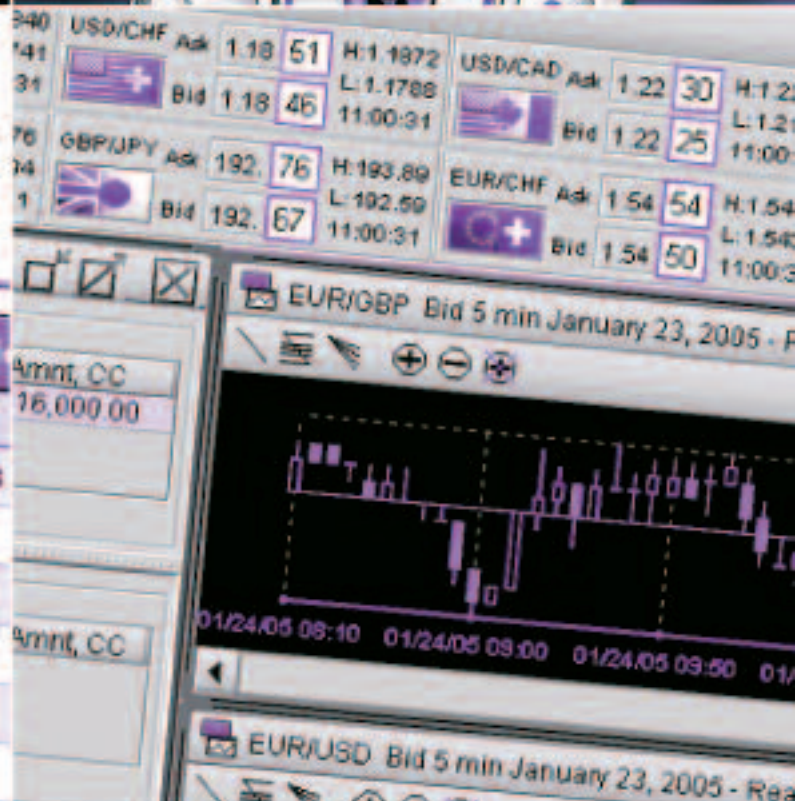
	Bid	Ask	Change	Open
ドル・円	124.21	124.26	0.00	124.25
ロ・円	122.14	122.19	-0.01	122.18
ロ・米ドル	0.9833	0.9839	-0.0001	0.9833
ル・円	68.21	68.26	-0.04	68.29
ド・円	194.71	194.78	0.14	194.69



TradIndex.com

Register | Tour | Mobile | Help

Stock Indices	Commodities
Contracts	
Coffee 'C' May Fut - 19 Apr, 05	
Copper May Fut - 26 Apr, 05	
Gold June Fut - 26 May, 05	
LIFFE Cocoa 06 May 05	
NY Cocoa May Fut - 14 Apr, 05	
Nymex Crude - Daily	
Nymex Crude	



Global

Innovation

Leader

This corporate culture, strongly oriented towards development and innovation, is combined with an unwavering drive for expertise in an extensive range of market segments.

Compagnie Financière Tradition is present in some of the most complex and advanced segments of the market: exotic currency options, inflation swaps, weather derivatives, structured products, credit derivatives on indexes, and more.

Its dominance in the institutional markets and online broking has led it to develop a new range of services, offering private investors access to online forex trading and spread betting.

Several new activities have been launched over the past few years.

In London, the Group successfully introduced a spread betting site, Tradindex.com, which enjoyed solid growth in 2003 and 2004.

In Tokyo, since 2002, Gaitame.com has been offering its private customers online forex trading in the spot markets, via the Internet or I-mode. Today, the company is the market leader in this segment in Japan.

A comparable service, FXDD.com, was launched in the U.S.A. in 2003, by one of its subsidiaries, FXDirectDealer.

The Group is also developing its activities as a financial information provider under the Tradition brand.



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 and developed a number of measures to enhance transparency in its shareholder relations, and it fully complies with the provisions of the "Directive on Information Relating to Corporate Governance" published by the SWX Swiss Exchange in August 2002.



Corporate governance

Share structure

The Company's capital consists entirely of bearer shares.

Share structure, 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 page 57 of the Annual Report. Compagnie Financière Tradition had no dividend-right certificates or participation certificates, and the Company had no convertible loans outstanding at 31 December 2004.

Group structure and major shareholdings

The Group's organisation chart is shown in simplified form on page 5 of the Annual Report and the scope of consolidation is set out on pages 38-39.

At 31 December 2004, Compagnie Financière Tradition held a 98.79% interest in TFS, a Swiss company listed on the Second Marché of Euronext Paris, ISIN code CH0000491206, capitalised at EUR 57.9 million, or CHF 89.4 million.

At TFS' request, it was removed from the listing on 15 February 2005. The Group's major shareholders are shown on page 5.

No shareholders' agreement existed at 31 December 2004, and there were no cross-shareholdings exceeding 5% of the voting rights or share capital.

General Meeting and shareholder rights

In accordance with Article 18 of the Articles of Association, each share carries the right to one vote. 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.

Pursuant to Sec. 699(3) of the Swiss Code of Obligations (CO), shareholders whose shares together represent a nominal value of CHF 1 million, may request in writing the inclusion of an item of business on the agenda. According to Article 14(2) of the Articles of Association, an Extraordinary General Meeting of shareholders must convene within forty days following the request for a meeting.

The General Meeting is convened at least twenty days prior to the appointed date, by notice published in the *"Feuille Officielle Suisse du Commerce"*. The notice convening the meeting must indicate the items of business on the agenda, as well as any

motions of the Board of Directors and shareholders who have requested the convening of the meeting or an item of business to be included on the agenda, and, in case of elections, the names of the candidates standing for election.

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 these Directors has previously belonged to any governing bodies of Compagnie Financière Tradition or of any of its subsidiaries, nor did they have business relations with Compagnie Financière Tradition or any of its subsidiaries at 31 December 2004, with the exception of Mr Robert Pennone, partner of Pennone & Partners S.A. 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 2004. A detailed career history and the offices of each of the Directors appear on pages 16-17 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. They 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.

Corporate governance

The Board of Directors is invested with powers and obligations under the law (Sec. 716(a) of the Swiss Code of Obligations), the Articles of Association and the Company organisational regulations. In particular, it takes all decisions in all areas that are not reserved to the General Meeting or any other governing body. It exercises the highest level of management and strict control over the Management and people empowered to represent the Company.

The Board of Directors meets approximately four to six times a year - when the half-year and annual accounts are closed, at each General Meeting, and whenever Company business so 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, has three independent, non-executive members.

It makes recommendations to the Board of Directors regarding remuneration schemes and policies and, more specifically, regarding the terms of remuneration of members of the Executive Board, share option schemes and other incentive schemes. This Committee meets once a year and its meetings last about three hours.

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.

Depending on the agenda set by the Chair of each of these Committees, one or more Executive Board members are invited to attend Committee meetings, to provide information required by the Committee and answer questions. In this context, financial executives are regularly consulted by the Audit Committee and invited to attend every Committee meeting preceding the Board of Directors' meeting at which the half-year or annual accounts are closed.

Executive Board

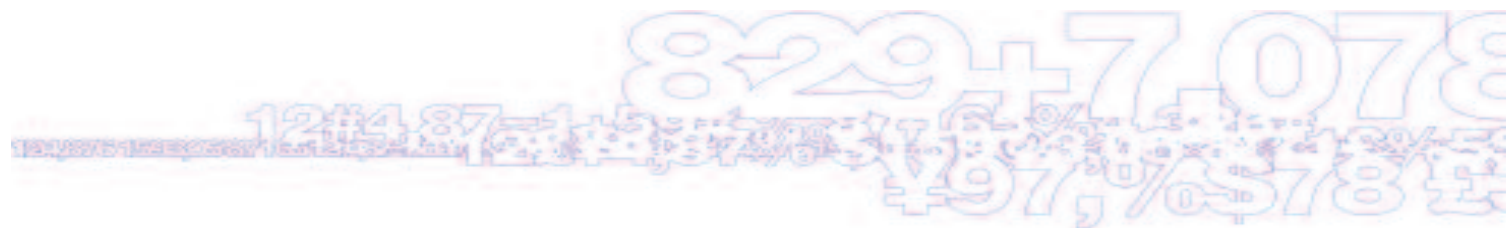
The Executive Board of Compagnie Financière Tradition is made up of six people, who meet regularly and exercise the powers conferred on them by the organisational regulations. In this regard, the Board of Directors delegates all ongoing management of the Company to the Executive Board.

Biographical details of each of the Executive Board members, including their education, career history, and positions held within Compagnie Financière Tradition are shown on page 17 of the Annual Report.

Members of the Executive Board do not hold any other positions in governing or supervisory bodies of major corporations, foundations or institutions, or any directorships, and perform no consultancy functions for significant interest groups, or any official duties or political mandates. At 31 December 2004, 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

According to our information, the non-executive Directors of Compagnie Financière Tradition and parties closely linked to them held a total of 62,129 Compagnie Financière Tradition shares at 31 December 2004. According to our information, at 31 December 2004, the Chairman of the Board of Directors, members of the Executive Board and parties closely linked to them held a total of 3,908,439 Compagnie Financière Tradition shares, of which 3,837,545 were held by Financière Vermeer BV, indirectly controlled by Mr Patrick Combes, and 462,094 share options, each exercisable in respect of one Compagnie Financière Tradition bearer share.



Details of all employee share options (date granted, expiry, and exercise price) are presented in the Notes to the Financial Statements, on page 57 of the Annual Report.

Remuneration for members of the Board of Directors and Executive Board

Non-executive Directors of the Company received total remuneration of CHF 149,988 in 2004, paid in the form of cash (CHF 142,500 in 2003).

This annual remuneration for each Director comprises a fixed amount of CHF 10,000, and a variable amount of up to CHF 10,000, determined on the basis of director's 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 compensation paid to a member of the Board of Directors in 2004 was CHF 30,000, paid in the form of cash. Finally, travelling expenses incurred by Directors, and other expenses related to the performance of their duties, were reimbursed.

No share options were granted to non-executive directors during the year.

Executive remuneration is set by the Board of Directors, on the recommendation of the Remuneration Committee. Members of the Executive Board receive a fixed salary as well as performance-related remuneration.

In 2004, remuneration for the executive member of the Board of Directors and members of the Executive Board amounted to CHF 14.6 million compared with CHF 16.0 million in 2003. CHF 4.7 million was paid in the form of salaries, CHF 9.6 million in the form of cash bonuses, and CHF 0.3 million in the form of perquisites. No new share options were granted to the executive member of the Board of Directors or to members of the Executive Board. Of the options granted previously, 48,400 were exercised in 2004. Details of options granted to Company employees are given in the Notes to the statutory accounts, on page 57 of the Annual Report.

No share allocations were granted to members of either the Board of Directors or the Executive Board during the year. Total remuneration of CHF 465 000 was paid to a former member of the Executive Board in 2004, in the form of fees for legal services rendered.

No termination bonus was paid in 2004 to Executive Board members who left the Group. No members of the Board of Directors or Executive Board received

additional fees amounting to or exceeding half of their ordinary remuneration, or any guarantee, loan, advance or credit granted by Compagnie Financière Tradition or any of its subsidiaries.

Takeovers and defensive measures

The Articles of Association contain no "opting out" or "opting up" clause.

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.

Information policy

Compagnie Financière Tradition publishes consolidated turnover figures on a quarterly basis, and consolidated results on a half-yearly and annual basis. It also issues information concerning all events that may affect its share price, in accordance with the requirements of Article 72 of the Listing Rules. Sources of Company information and contact addresses are shown on page 5.

Risk management and internal control

General risks involved in broking 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 operating subsidiaries to generate risks that are not directly related to its broking business.

The core of this broking activity is to facilitate contact between 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 the payment by these clients of commissions due.



Corporate governance

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 Group level. However, increasingly sophisticated customer requirements have brought about changes in broking 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 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 broking is known as "principal transactions", and requires specific organisation and follow-up.

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 Compagnie Financière Tradition's Credit Committees 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 indirect subsidiary, Tradition London Clearing Ltd, is a dedicated clearing company, and the pivot for the Group's principal transactions in Europe.

Tradition Asiel Securities Inc., one of the Group's American companies, performs all clearing operations in the U.S.A. This company is a member of the FICC (Fixed



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.

Income Clearing Corporation), formerly the GSCC (Government Securities Clearing Corporation), a central settlement counterparty for U.S. securities. Membership in the FICC considerably reduces the risk of a counterparty default, since it guarantees settlement of all trades entering its net.

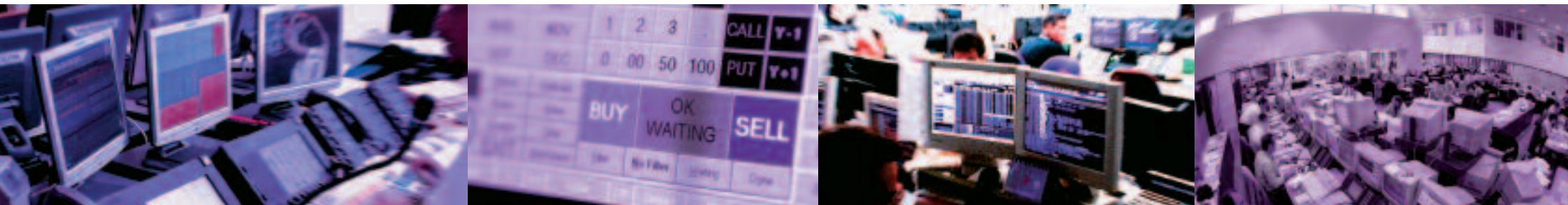
Internal Control and Risk Management

The first level of control is identified within each of the Group's operating entities. 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 monitored on the basis of Group company, counterparty, and product, as well as from the angle of consolidated operations. The 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 for the consolidated and statutory accounts are Ernst & Young of Lausanne. They were first appointed in 1996, and re-appointed by the Annual General Meeting of 11 May 2004, for a term of one year. The firm is represented by Mr Hans Isler, auditor in charge, who took up office for the audit of the 2003 accounts, and Mr Simon Durrance.

Ernst & Young earned fees of CHF 2,298,000 for fiscal 2004, CHF 190,000 of which were for services other than auditing the accounts of Compagnie Financière Tradition and its subsidiaries. This compares with fees of CHF 1,430,000 and CHF 34,000 respectively in 2003.



Board of Directors

	Appointment at Compagnie Financière Tradition	Offices in governing and supervisory bodies of major corporations, foundations or institutions at 31 December 2004	Education	Career history
<p>Patrick Combes <i>Chairman of the Board of Directors</i> French national, aged 52</p>	<p>First elected on 7 January 1997.</p> <p>Re-elected 11 May 2004 for 3 years.</p>	<p>Chairman of the Board of Directors of VIEL & Cie (France), VIEL et Compagnie Finance (France), and Financière Vermeer BV (Netherlands), Director of Verbalys (France) and Bourse Direct (France).</p>	<p>Ecole des Affaires Européennes (ESCP-EAP), Paris. MBA from Columbia University, New York.</p>	<p>On his return from New York 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.</p>
<p>Christian Baillet <i>Director</i> French national, aged 54 Member of the Audit Committee and Chairman of the Remuneration Committee.</p>	<p>First elected on 7 January 1997.</p> <p>Re-elected 11 May 2004 for 3 years.</p>	<p>President of Quilvest Holding France, and Chief Executive Officer of Quilvest Capital France. Director of VIEL & Cie (France), CA Holding (France), Orphan (France), Quilvest S.A. (Luxembourg), Garden Ridge (United States) and Botts & Cie (United Kingdom), and Chairman of the Board of Directors of Société Internationale de Finance (Switzerland).</p>	<p>Studied in France and the United States (MBA Wharton).</p>	<p>Christian Baillet 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 before becoming 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.</p>
<p>Hervé de Carmoy <i>Director</i> French national, aged 67</p>	<p>First elected on 29 September 1997.</p> <p>Re-elected on 11 May 2004 for 3 years.</p>	<p>Chairman of the Supervisory Boards of Almatiss GmbH - Frankfurt (Germany) and Sydney & London Properties (U.K.).</p>	<p>Graduate of the Institut d'Etudes Politiques, Paris, and Cornell University (MBA).</p>	<p>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 BIMP, and then in 1998, he became Managing Partner of Rhône Group LLC in New York. He was appointed Executive Chairman and then Chairman of the Supervisory Board of Almatiss GmbH Frankfurt, world leader in alumina chemical products.</p>
<p>Francois Carrard <i>Director</i> Swiss national, aged 66 Member of the Remuneration Committee.</p>	<p>First elected on 7 January 1997.</p> <p>Re-elected on 11 May 2004 for 3 years.</p>	<p>Chairman of the Boards of Directors of Beau-Rivage Palace S.A. in Lausanne (Switzerland), Swissmetal-UMS Usines Métallurgiques Switzerlands S.A. (Switzerland), Groupe Vaudoise Assurances (Switzerland), and GEM Global Estate Managers S.A. (Switzerland). Deputy Chairman of the Board of Directors of ING Bank (Suisse) S.A. (Switzerland) and member of the Supervisory Board of Kamps AG (Germany).</p>	<p>LL.D., University of Lausanne.</p>	<p>François Carrard has been a practising attorney since 1967. He is a partner in the law firm of Carrard, Paschoud, Heim & Associés in Lausanne, and a specialist in corporate law, particularly the banking and financial sector, as well as sports law – he is legal counsel to the International Olympic Committee and was its former Director General from 1989 to 2003 – and international arbitration and mediation.</p>
<p>Jean-Marie Descarpentries <i>Director</i> French national, aged 68 Member of the Audit Committee.</p>	<p>First elected on 7 January 1997.</p> <p>Re-elected on 11 May 2004 for 3 years.</p>	<p>President of the FNEGE and FONDACT (France), Director of Ingenico, Assurances et Conseils St-Honoré (France), Banque de Vizille (France), GINGER (France), Compagnie Financière Tradition (Switzerland), Completel (Netherlands), and Censeur de Parsys, Cabasse, Member of the Strategy Committee of Bolloré, Ernst & Young France, Secor France, Member of the Advisory Board of British Telecom Services (U.K.), Celerant Consulting (U.K.)</p>	<p>Graduate of the Ecole des Hautes Etudes Commerciales (HEC) of the University of Lausanne.</p>	<p>Jean-Marie Descarpentries has been a senior executive in some of Europe's major industrial groups. From 1982 to 1991, he was CEO of Carnaud Metalbox. From 1994 to 1997, he was CEO 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) et de FONDACT (Association pour la Gestion participative, l'Epargne salariale et l'Actionnariat de responsabilité).</p>
<p>Christian Goecking <i>Director</i> Swiss national, aged 61 Member of the Remuneration Committee.</p>	<p>First elected on 7 January 1997.</p> <p>Re-elected on 11 May 2004 for 3 years.</p>	<p>Deputy Director of Berney & Associés S.A. (Switzerland) and Director of CIM Banque (Switzerland).</p>	<p>Graduate of the Ecole des Hautes Etudes Commerciales (HEC) of the University of Lausanne.</p>	<p>Christian Goecking has spent 37 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, and was Manager of private asset management at the Julius Baer Group in Geneva and Lugano.</p>

<p>Pierre Languetin <i>Director</i> Swiss national, aged 81 Member of the Audit Committee.</p>	<p>First elected on 4 May 1995. Re-elected 11 May 2004 for 3 years.</p>	<p>Chairman of the Board of Directors of Rosbank S.A. (Switzerland) and member of the Boards of Directors of the Ludwig Institute for Cancer Research and Dryden Bank S.A. (Switzerland)</p>	<p>Degree in economics and business administration and Docteur Honoris Causa from the University of Lausanne.</p>	<p>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 from 1966, and a member, then President, of the Governing Board of the Swiss National Bank from 1976 to 1988. He was a member of the Board of Directors of the BIS from 1985 to 1988.</p>
<p>Robert Pennone <i>Director</i> Swiss national, aged 60 Member of the Audit Committee.</p>	<p>First elected on 7 January 1997. Re-elected 11 May 2004 for 3 years.</p>	<p>President of Pennone & Partners S.A. (Switzerland), Vice-President of Banque Bénédict Hentsch & Cie S.A. (Switzerland), President of RSI Securities (Switzerland), Vice-President of the Board of Directors of AGEFI Groupe SA (Switzerland) and Director of GEM Global Estate Managers S.A. (Switzerland).</p>	<p>Certified accountant</p>	<p>Robert Pennone joined Deloitte as a partner in 1975. In 1979, he became a partner of Lenz, a Geneva law firm, to develop Revex / Audiba until that company merged with Ernst & Whinney in 1987. He then became Deputy Director of the Swiss entity until 1989, when Ernst & Whinney merged with Arthur Young to become Ernst & Young. He was a member of the Board of Directors and the Executive Board of Ernst & Young from 1989 until end-1993. During that time he was also a member of the Worldwide Banking Committee, and Managing Director of Ernst & Young M+A Europe. In 1994, he created Pennone & Partners S.A. and participated in developing the MC Securities Group. More recently, he became co-founder of GEM Global Estate Managers S.A.</p>
<p>Urs Schneider <i>Director</i> Swiss national, aged 59</p>	<p>First elected on 7 January 1997. Re-elected 11 May 2004 for 3 years.</p>	<p>President of Finance Watch (Switzerland) and member of the Foundation Board of the International Social Service (ISS) - Swiss Section.</p>	<p>Graduate of the Hochschule für Wirtschafts-, Rechts- und Sozialwissenschaften (HSG) of the University of St. Gallen</p>	<p>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. He was Director of the IFCI Foundation - International Financial Risk Institute from 1985 to 2004, and has been a member of the academic staff at the Swiss Banking School since 1989.</p>

At 31 December 2004, none of the directors held any permanent management or consultancy positions for significant interest groups, or any public or political office.

Executive Board

Patrick Combes, Emil Assentato, Adrian Bell, Robin Houldsworth, Peter Kaelin, David Pinchin, Dominique Velter

<p>Emil Assentato <i>Managing Director TSH Americas</i> American national, aged 55</p> <p>An economics graduate from Hostra University in 1973, Emil Assentato began his career on Wall Street, before joining 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.).</p>	<p>Adrian Bell <i>Managing Director TSH Asia - Pacific</i> Australian national, aged 43</p> <p>Adrian Bell is a native of Sydney Australia. After leaving high school, he studied Japanese and Mandarin. He moved to Tokyo, Japan where, in 1986, he began his career in the money markets. He has experienced first hand many of the changes that have occurred over the past eighteen years in the money markets throughout Asia. He worked in Singapore in 1991, and has overseen the expansion of Tradition's presence in Asia and Australia, first in Tokyo since 1997, and more recently in Hong Kong, Singapore and Sydney, where he developed operations in interest rate derivatives.</p>	<p>Robin Houldsworth <i>President of TSH</i> British national, aged 41</p> <p>After graduating from Hull University in 1985, Robin Houldsworth became a barrister-at-law in 1986; he is a member of the Honourable Society of the Inner Temple. 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, and in January 2004 he became President and CEO. Robin Houldsworth is also Managing Director of Monacor (London) Ltd., a post he has held since 2000. His responsibilities have gradually extended to cover European operations and, since January 2004, all the operating divisions of TSH.</p>	<p>Peter Kaelin <i>Head of Internal Audit and Risk Management</i> Swiss national, aged 46</p> <p>Peter Kaelin, a certified accountant, began his career in 1980 as an external auditor and subsequently changed to internal auditing. In this capacity, he developed corporate governance strategies for international financial institutions and set up global internal audit functions. He was appointed Managing Director of Swiss Bank Corporation and became a member of the Executive Committee of the Corporate Audit Department. Before joining Compagnie Financière Tradition in November 2004, he was President and Managing Director of EFG Audit & Consulting Services SA, Geneva, where he developed a method of applying risk analysis to the auditing of financial activities.</p>	<p>David Pinchin <i>President of TFS</i> American national, aged 57</p> <p>David Pinchin, one of the founders of the OTC currency options market in the early eighties, was also one of the two co-founders of TFS in 1985. He had previously held the position of Managing Director of International Treasury Management Ltd., a subsidiary of HSBC and Marine Midland bank, where he traded interest rate swaps. He holds an honours degree in Business Studies from the City of London College.</p>	<p>Dominique Velter <i>Strategic Marketing Director</i> French national, aged 40</p> <p>Dominique Velter holds a Master's degree in economics from Paris-Dauphine University (France). She joined BATIF, the capital market banking arm of Thomson, when it was formed in 1986. In 1989, she was appointed Director of financing of the Bernard HAYOT Group, specialists in wholesale and retail distribution. She obtained an MBA from ISA-HEC in 1996, and joined VIEL & Cie to assist the Chairman on development projects. In 1999, she created the Group's online broker, Capitol.fr, and was its President until April 2001, when she was appointed Strategic Marketing Director of Compagnie Financière Tradition.</p>
--	---	---	--	---	--

2004 Economic review

The year started out well, with the first half generally confirming the long-awaited turnaround in most parts of the world, although in Europe and Japan the economic recovery remained muted.

U.S.A.: new round of interest rate hikes and record deficits

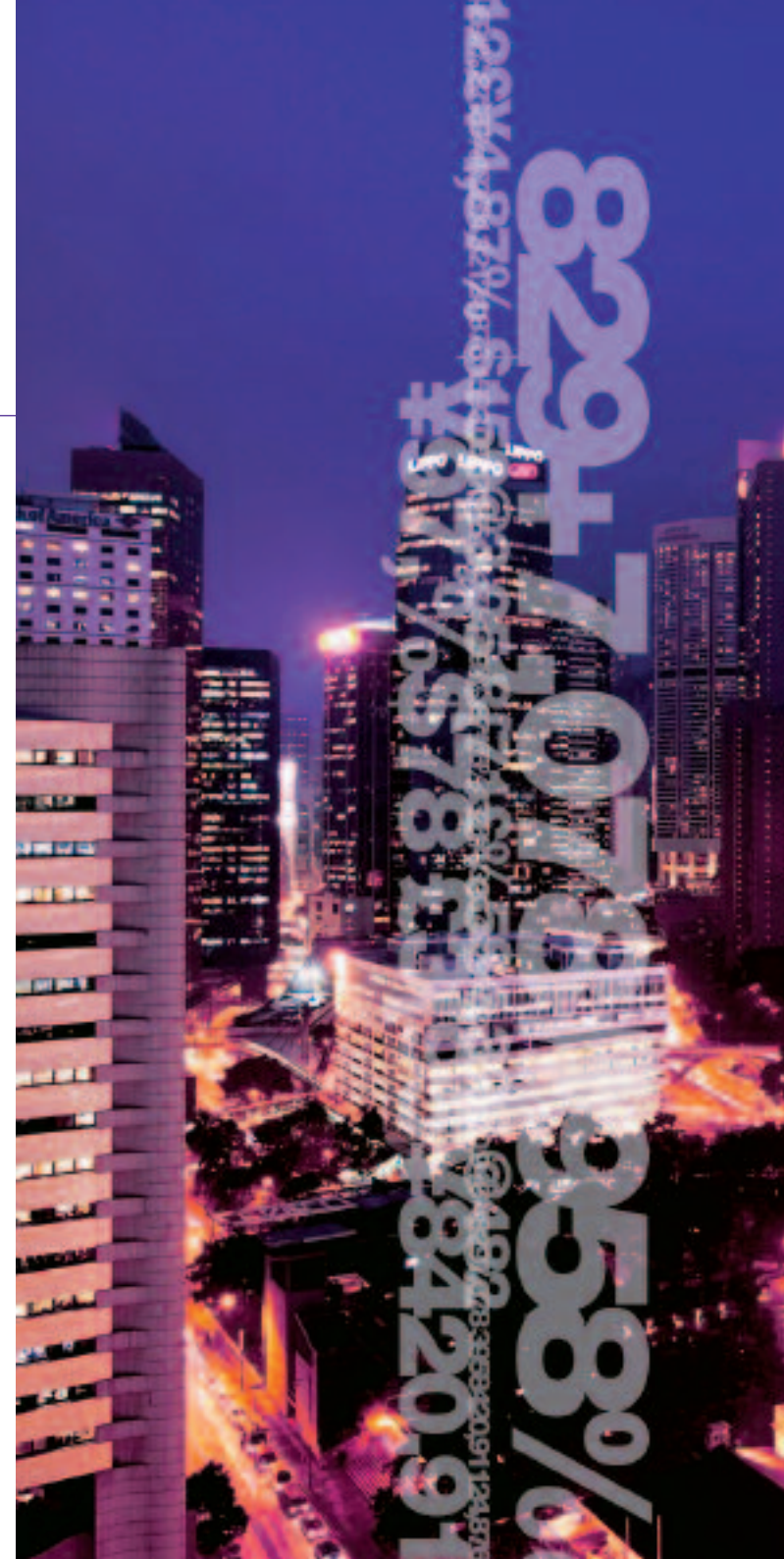
The U.S.A. is still the world's growth engine, with GDP rising by 4.4% in 2004.

By the summer, the improved economic situation had made itself felt in the labour market, with the jobless rate falling to 5.4%. The housing market remained strong, buoyed by historically low mortgage rates. But the main force driving the American economy was sustained consumer spending : household consumption was up by 3.8% in 2004, its highest level for three years.

This generally buoyant economic climate encouraged the Federal Reserve to end its easing cycle for interest rates. At the end of June 2004, for the first time since May 2000, it lifted the key rate - the Federal Funds rate – from 1% (the lowest level since 1958) to 1.25%. The Fed's five identical monetary tightening operations in 2004 (raising its key rate by 25 bp at each meeting of the FOMC*) generally came as no great surprise to the markets, which had been conditioned ahead of time as a result of comments by Fed Chairman Alan Greenspan.

However, the crucial issue of the year will remain the U.S. twin deficits in trade and the federal budget. These hit historical highs in 2004, with the deficit for the current account exceeding USD 600 billion while that of the federal budget reached over USD 500 billion. This had a serious impact on the dollar, which plunged in the second half of the year, losing 15.4% of its value against the euro between 13 May (1.1817) and 30 December 2004 (1.3637), and 7.9% over the full year (from 1.2564 to 1.3556). At the same time, household savings in the U.S.A. were a mere 0.5% of GDP.

*FOMC: the Federal Open Market Committee is the policy-making arm of the Federal Reserve Board. It meets 8 times a year to determine the direction of U.S. short-term monetary policy.





China: highest growth rate in 8 years, worries of overheating

On the other side of the world, the Chinese economy, the seventh largest in terms of GDP, had been growing strongly for several years, reaching a record high of 9.5% in 2004, leading to worries about overheating. The Chinese authorities responded with a series of direct monetary policies, such as limiting loans to industry and increasing the cost of credit by raising the Central Bank's benchmark rate.

Direct foreign investments in China grew at a solid pace, increasing by 14% in 2004 to reach a record USD 60.6 billion. As the world's largest consumer of raw materials (cement, coal, nickel and aluminium), and the second largest oil importer after the U.S.A., China contributed to the upward price spiral in the commodity markets in 2004. At the same time, it affected the job market and the market for finished goods, remaining an important exporter of deflation to the rest of the world with its cheap labour and low-cost products.

Japan and the Eurozone: recovery remains fragile

Two other major players on the international economic scene, the Eurozone and Japan, which together represent almost a quarter of world GDP, had disappointing growth figures in 2004.

After more than ten years of prolonged recession, Japan finally showed signs of a turnaround in the first quarter, with GDP rising 1.4%, but the rally soon ran out of steam. The next three quarters were marked by negative growth rates (-0.2%, -0.3% and -0.1%), plunging the country once again into recession. Although deflation eased slightly during the year, it remained the principal threat to the Japanese economy, justifying the Bank of Japan's zero interest rate policy.

The Eurozone also lacked traction, falling victim to structural weaknesses in its economy and a currency that was too strong against the dollar. Despite a strong upswing in the major economies of the region in the spring (German GDP up by 0.5% in Q1 and 0.4% in Q2, while French GDP rose 0.7% in Q1 and Q2), the European economic machine failed to really get going, growing just 2% last year. The fourth quarter in particular gave cause for concern, with the growth rate languishing at 0.2% and German and Italian GDP shrinking. This weak growth was accompanied by a rise in the jobless rate.

The past year was also marked by the non-respect of the Eurozone's Stability and Growth Pact.

2004 Economic review

At 3.7%, Germany's budget deficit, for the third year running, breached the Pact's limit of 3% of GDP. France was in the same situation: its budget deficit stood at 3.7% of GDP in 2004, after reaching 4.2% in 2003 and 3.2% in 2002. Compounding the problem, with national debt running at 65.6% of GDP, it also overshot the Pact's budgetary limit of 60% on public debt. This crisis led the main deficit countries, particularly Germany, to call for a more lax interpretation of the rules, with the Pact coming increasingly under attack.

Financial markets: equities bounce back, volatility subsides

2004 was also marked by other geopolitical and microeconomic factors. The crises and conflicts in the Middle East, the terrorist threats and bomb attacks, the specific uncertainties of an extremely important electoral year in the U.S.A., all had a significant influence on international investor behaviour in 2004. Added to these factors were the soaring oil prices, which have been described by some as a new oil crisis: from 29 dollars a barrel in early February, the price of Brent (North Sea crude) beat one record after another, breaking 52 dollars at the end of October, before falling back towards the 40 dollar mark at the end of the year. The year was also marked by the improvement in corporate balance sheets, which buoyed the equity markets from mid-August (the Nasdaq Composite Index rose 8.6% in 2004 while the S&P 500 increased 9%). Finally, commodity prices still showed no signs of significant easing, and gold hit 454.20 dollars an ounce in early December. As the Fed's monetary policy had been largely discounted by the world's financial markets, which did not expect inflation to take off again, long-term bond yields remained at very low levels. Against this backdrop, the major event of 2004 was the sharp fall in volatility, particularly in interest rates and equities.

By year-end, the volatility of U.S. equities, as measured by the Chicago Board Options Exchange Volatility Index (VIX), was at its lowest level for 9 years, dropping 27% in 2004, while in interest rates, the Lehman Swaption Volatility Index (LBOX) for USD lost close to 12% of its value over the year. Currencies, on the other hand, failed to follow suit, with volatility on the foreign exchange markets remaining high, sustained primarily by the sharp fall in the dollar in 2004, and by institutional players such as hedge funds seeking more attractive yields.

In the coming months, the divergence between the major regions of the world in terms of growth and interest rates could well widen. The U.S.A. is likely to see further rate rises to counter any inflationary upsurge, while the ECB and the Bank of Japan will probably leave their rates unchanged as they wait for a real economic turnaround to emerge.

Activities 2004

Compagnie Financière Tradition is a leading broker in the global financial and non-financial markets. Its role is to facilitate transactions between two or more counterparties. It does this by matching supply and demand for standardised products (traded on regulated markets) and non-standardised products (traded over-the-counter). In performing this role, Compagnie Financière Tradition contributes to efficient pricing and increased liquidity in the various financial centres and marketplaces. By bringing together buyers and sellers in this way it help ensure the most efficient pricing for trades and generates liquidity in the different financial centres and marketplaces around the world.

With a presence in 18 countries, Compagnie Financière Tradition organises its operations around two holding companies: Tradition Service Holding (TSH), whose business primarily covers money market products, interest rate and credit derivatives, bonds, interest rate futures and index futures; and TFS, which brings together brokering activities in currency options, equity derivatives, commodities and precious metals.



Activities 2004

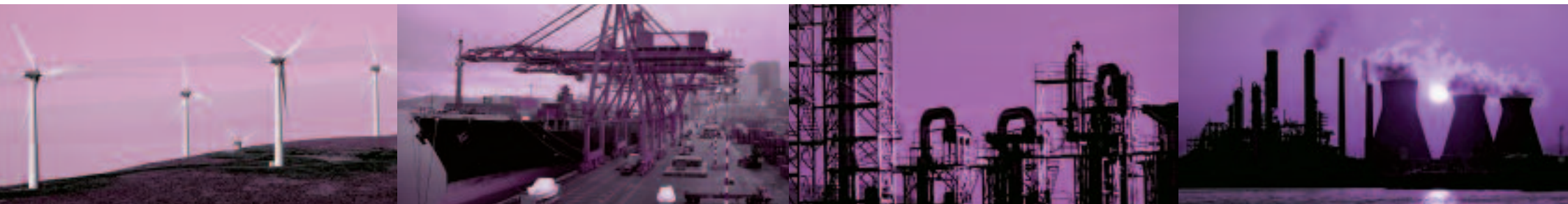
Compagnie Financière Tradition 2004 enjoyed a year of strong growth in money market products and interest rate and currency derivatives in the U.S.A., while extending and reinforcing its position in Asia. The joint venture between Compagnie Financière Tradition and ICAP continued its momentum, with TFS-ICAP-Volbroker achieving solid growth in the currency options market in 2004.

The uncertain economic climate that beleaguered the markets in 2004, with the Middle East conflicts, the U.S. presidential elections in November, and the vertiginous rise in oil prices, was accompanied by historically low volatility on the financial markets. Despite this difficult environment, business was up 8.1% on the year, at current exchange rates, with consolidated turnover amounting to CHF 849.7 million. In constant terms, consolidated turnover increased by 10.1% to CHF 865.5 million.

Activities in the money markets and in interest rate and currency derivatives accounted for 52.3% of consolidated turnover.

In New York, Compagnie Financière Tradition's activities in money market and interest rate derivative products delivered a strong performance, with a year-on-year increase of over 24%. Its main subsidiary, Tradition (North America) Inc., continued to develop its interest rate options business. In 2004, the U.S.A. was again a major force driving world economic growth, with GDP increasing by around 4.4%. Moreover, the Federal Reserve embarked on a series of interest rate hikes in the second half of the year, raising its key rate five times in six months, which favourably impacted the Group's business in these markets during the year.

In Asia, 2004 was an exceptional year for the Group's activities in money market products and interest rate and currency derivatives, which were ahead by over 13%. The Asia - Pacific region experienced solid economic growth in 2004, powered by the strength of the Chinese economy. With a growth rate nudging 10% early in 2004, China has been a major economic power in the region, overtaking Japan, and serving as a growth engine for most of the Asian countries.



In London, where Compagnie Financière Tradition is a leading player in money market products and interest rate and currency derivatives, it again delivered a good performance, realising over 30% of consolidated turnover for 2004 in the City. The Group enhanced its position in options and interest rate swaps in 2004, thanks to the recruitment of new teams for its subsidiaries, including Tradition (UK) Ltd, since 2003. New teams specialising in money market and interest rate products and securities were brought on stream during the year, in a move to broaden its product range.

Compagnie Financière Tradition has several subsidiaries in Asia specialised in the money markets and in interest rate and currency products: Meitan Tradition Co. Ltd in Tokyo, Tradition Singapore (Pte) Ltd in Singapore, Tradition (Asia) Ltd in Hong Kong and Tradition Australia Pty Ltd in Sydney. Tradition Australia Pty Ltd began operations in 2003 and more than doubled its turnover in one year.

In Tokyo, Meitan Tradition Co. Ltd confirmed its leadership position across the full range of interest rate products in 2004. Meitan Tradition Co. Ltd also brokers forex products, and has established itself as a major player in this sector in the Japanese market.

In Singapore, Tradition Singapore (Pte) Ltd posted a strong rise in turnover, which more than doubled compared with 2003. New teams were recruited to provide additional fire-power in developing the company's product range. In Hong Kong, Tradition (Asia) Ltd continued to grow its operations, with turnover in money market products and interest rate and currency derivatives up strongly over 2003. Switchfix, an online tool designed to allow automatic clearing of residual risk positions in swaps, developed by Tradition (Asia) Ltd in 1999, continued to build on its success in 2004.

Compagnie Financière Tradition is the only major non-Anglo-American broker in continental Europe, which accounts for close to 10% of its interest rate derivatives

in the currency options market, Compagnie Financière Tradition joined forces with ICAP, an interdealer broker, in June 2000, to create a joint venture, TFS-ICAP, with a presence in the seven major financial centres - London, New York, Sydney, Tokyo, Singapore, Frankfurt and Copenhagen.

The joint venture was completed in late 2001 by the merger with Volbroker, a trading platform owned by a banking consortium (Citigroup, Deutsche Bank, Goldman Sachs, JP Morgan Chase, Royal Bank of Scotland and UBS Warburg). This alliance between the No. 1 voice broker and the No. 1 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.

Compagnie Financière Tradition is now a global market leader in currency options brokerage, not only in classical products but also in complex currency options and exotic currencies. This development is due to the significant growth in liquidity generated by the Volbroker platform, which also offers TFS-ICAP



business and close to 18% of total consolidated turnover. It has offices in Brussels, Munich, Luxembourg, Paris, Lausanne and Milan, specialised in the money markets and short-term off-balance sheet products. These offices all have high calibre teams and occupy leading positions in their respective markets, but for the past few years have had to cope with a gradual drying up of local liquidity, brought about by continuing consolidations in the banking sector and the migration of business to London. This trend continued unabated in 2004.

clients a choice of voice brokering and electronic trading facilities, as well as unprecedented access to Straight Through Processing (STP). This success was recognised by the prestigious RISK Magazine, a leading journal in financial circles, which rated TFS-ICAP the No. 1 broker of currency options in 17 out of the 23 categories in its 2004 rankings.

Activities 2004

Compagnie Financière Tradition also confirmed its position in the securities and futures markets in 2004, with strong growth in bond operations in London and continental Europe, and a solid performance in equity derivatives.

Activities in securities and derivatives, particularly equity and credit derivatives, accounted for close to 37% of consolidated turnover.

Bond operations are mainly conducted from Paris, under the Finacor brand, through Compagnie Financière Tradition's subsidiary, Tradition Securities And Futures S.A. (TSAF), which is particularly active in government bonds, and from Frankfurt through Tradition Wertpapierhandel GmbH, which remains one of the major players in the Jumbos-Pfandbriefe sector. London strengthened its position in the government bond sector through the London branch of Tradition Securities And Futures S.A. (TSAF), as well as in the corporate bond sector, through its subsidiary Tradition (UK) Ltd.

In New York, the Group has been expanding its activities in corporate bonds and government debt through its subsidiary, Tradition (North America) Inc., and these efforts were reflected in a substantial increase in turnover in these products in 2004. In 2005, its position in this segment will be significantly enhanced when it completes the takeover of Chapdelaine & Co.

Despite the low interest rates in 2004, global activities in the bond sector enjoyed moderate growth compared with 2003.

Compagnie Financière Tradition is a major player on the European financial futures markets through its subsidiary Tradition Securities And Futures S.A. (TSAF) in Paris, which is a member directly, or through its London branch, of MATIF, MONEP, Eurex and Liffe. TSAF again focused on developing its activities in Euro STOXX derivatives, which grew strongly in 2004. During the year, Compagnie Financière Tradition developed this business sector in the futures markets through its Italian subsidiary in Milan, Tradition Italia Sim S.p.A. The Group also exploited synergies between its Paris subsidiaries and its German subsidiary, Tradition Wertpapierhandel GmbH, to develop the latter's operations in the futures markets. The acquisition of a 35.0% stake in Ong First Pte Ltd

in 2005, will give the Group an important foothold in the financial futures markets in Asia.

Activities in equities and equity derivatives grew at a solid pace in 2004, increasing by 27% at current exchange rates. This growth came mainly on the back of strong performance in equity products, delivered by Tradition Securities And Futures S.A. in Paris. Turnover in this segment quadrupled during fiscal year 2004.

Compagnie Financière Tradition continued to diversify its product portfolio, and now brokers more indexes and more single stocks than ever before, in a more sophisticated market, marked by a growing number of hedge funds, and the development of complex trading.

Equity derivatives are mainly brokered through the Group's subsidiary, TFS, in both Europe and the U.S.A. The Group has moved into structured products at its London and Paris offices.

2004 saw an expansion in the Group's commodities business, particularly in the energy sector in the U.S.A., firmly entrenching Compagnie Financière Tradition as the leader in this market.

In commodities and precious metals, consolidated turnover increased over 10% on the year at constant exchange rates.

Compagnie Financière Tradition remains one of the leading brokers in the world's energy markets, through its subsidiary, TFS. Business in this sector picked up again in 2004, with turnover ahead by over 14% at constant exchange rates. This good performance was mainly due to the development of activities in natural gas in the U.S.A., as well as in pulp and paper and coal. The electricity market improved somewhat in 2004, with Group turnover in this sector increasing over the previous year.

Compagnie Financière Tradition is still the market leader in precious metals options in the U.S.A., the United Kingdom and Australia, despite a slight drop in turnover compared with 2003.





Compagnie Financière Tradition now offers a wide range of services for online forex trading and spread betting, geared to a new clientele of private investors, using Internet tools developed within the Group in London, New York and Tokyo.

In 2004, turnover on these new activities was up by 115% in constant terms.

In 2002, Compagnie Financière Tradition began developing a new range of services, which offered private investors access to online forex trading and spread betting.

It launched three new activities: Tradindex.com, in London, is a spread betting website, which pursued a solid growth path in 2003 and 2004. Gaitame.com, in Tokyo, offers private investors access to forex trading in the spot markets, via the Internet or I-mode. The Company is the market leader in this segment in Japan. Lastly, FXDD.com, was launched in the U.S.A. in 2003; this company offers a similar service to Gaitame.com, through Compagnie Financière Tradition's subsidiary, FXDirectDealer.

Results 2004

Turnover in 2004 totalled CHF 849.7 million, an increase of 8.1% at current exchange rates.

Compagnie Financière Tradition's consolidated turnover rose 8.1% to CHF 849.7 million during the period, compared with CHF 786.1 million in 2003. At constant exchange rates, this figure would have been CHF 865.5 million for a year on year rise of 10.1%.

This global increase was underpinned by sustained growth in business activities during the first half of the year, with consolidated turnover ahead by 14.1% at current exchange rates, compared with 2003. Second-half results were more uneven, with activities showing a marked slowdown in the third quarter before picking up again in the final quarter of the year, and growing 11.5% at current exchange rates. This trend was influenced by a generally difficult economic climate.

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

in thousands of Swiss francs	Currencies and and interest rates		Securities and security derivatives		Commodities and other activities		TOTAL	
	2004	2003	2004	2003	2004	2003	2004	2003
Europe	196,755	191,107	190,296	173,154	32,168	28,642	419,219	392,903
U.S.A.	108,876	88,653	118,080	127,688	35,039	28,725	261,995	245,066
Asia - Pacific	138,873	123,270	2,517	4,321	27,081	20,572	168,471	148,163
TOTAL	444,504	403,030	310,893	305,163	94,288	77,939	849,685	786,132

A net expense of CHF 0.5 million was recognised under other net operating income. This amount consisted of a net expense of CHF 0.6 million representing the share of the profit generated by the TFS-ICAP-Volbroker joint venture paid to Compagnie Financière Tradition's partners, and other net operating income of CHF 0.1 million.

Operating profit was CHF 54.3 million in 2004.

The Group posted a consolidated operating profit CHF 54.3 million, compared with CHF 61.1 million in 2003, a decline of 6.3% at constant exchange rates.

The consolidated operating margin retreated slightly to 6.4% of consolidated turnover, against 7.8% in 2003.

Consolidated personnel costs stood at CHF 584.0 million, or 68.7% of consolidated turnover, against CHF 538.8 million or 68.5% in 2003. Variable remuneration was 40.2% of total operating personnel remuneration, against 39.8% in 2003. During the year, the Group pursued an aggressive recruitment drive targeted at bringing in new teams to implement its development strategy.

Cost of telecommunications and the purchase of financial information, the second biggest expense category after salaries, edged down to 7.6% of consolidated turnover against 7.7% in 2003.

Group share of consolidated net profit was CHF 50.5 million, a year on year rise of 31.7%.

Net financial income showed a loss of CHF 1.7 million in 2004, against a profit of CHF 9.6 million in the previous year. This deterioration can be explained, on the one hand, by a profit of CHF 5.8 million booked in 2003 on the disposal of treasury shares and, on the other, by foreign exchange losses of CHF 2.1 million booked in 2004, compared with a net gain of CHF 1.0 million in the previous year.

Profit before tax and exceptional item of consolidated subsidiaries was CHF 52.6 million, against CHF 70.7 million in 2003, for a profitability before tax of 6.2% in 2004. A consolidated tax charge of CHF 23.1 million was recognised in 2004, or 44.0% of profit before tax and exceptional item, compared with CHF 26.1 million or 36.9% in 2003.

An exceptional net profit of CHF 25.6 million was recognised in 2004, which was comprised exclusively of the profit booked on the disposal of Compagnie Financière Tradition's two buildings in Lausanne at the end of June to its direct majority shareholder of CHF 27.5 million, less a tax expense of CHF 1.9 million.

The loss from associated undertakings accounted for using the equity method was CHF 0.8 million in 2004 compared to a loss of CHF 0.6 million in 2003. The net amortisation of goodwill consists of a recovery of CHF 1.0 million mainly as a result of booking a recovery of negative goodwill of CHF 3.4 million, recognised on the acquisition of the additional equity interest in a French subsidiary (MIA).

Consolidated net profit rose 27.2% to CHF 55.2 million in 2004, compared to CHF 43.4 million in the previous year, bringing the net margin to 6.5% of consolidated turnover, against 5.5% in 2003. Minority interests stood at CHF 4.7 million at 31 December 2004, against CHF 5.0 million last year.

Net profit - Group share increased sharply by 31.7% in 2004, to CHF 50.5 million, compared with CHF 38.4 million in the previous year, and a return on consolidated shareholders' equity of 12.3% (without exceptional item), against 19.6% in 2003. Consolidated shareholders' equity stood at CHF 215.8 million at 31 December 2004, CHF 204.6 million of which was the Group share, after deducting the gross value of treasury shares held by Compagnie Financière Tradition, amounting to CHF 15.4 million. This reflects the Group's extremely solid financial situation, with a cash position and marketable securities net of financial debts, of CHF 146.1 million at 31 December 2004.

Compagnie Financière Tradition reported a Company profit of CHF 32.1 million.

Compagnie Financière Tradition, a pure holding company, recorded a net profit of CHF 32.1 million in 2004, against CHF 17.7 million in 2003. This takes account of dividends of CHF 6.8 million received during the year, other operating income of CHF 14.8 million, mainly comprising royalties invoiced to Group companies, and net financial income of CHF 0.1 million. Net operating expenses amounted to CHF 13.5 million, against CHF 5.0 million in 2003. Compagnie Financière Tradition reported an exceptional profit net of tax of CHF 25.6 million, corresponding to the profit booked on the disposal of its two buildings in Lausanne at the end of June 2004 to its direct majority shareholder of CHF 27.5 million, less a tax expense for CHF 1.9 million.

This result brought Compagnie Financière Tradition's statutory shareholders' equity to CHF 127.2 million at 31 December 2004, compared with CHF 121.2 million the year before.



Outlook

Continuing consolidation of the sector in 2004 led Compagnie Financière Tradition to focus on organic growth and reinforcing its market position.

Despite widespread political uncertainty and low volatility on the financial markets, the Group's trading activities continued to grow in 2004.

This encouraging situation is a clear indication of the Group's ability to develop and expand its business in a difficult market climate, and of the growth potential of the interdealer brokerage sector.

Financial innovation on the product and marketing fronts is constantly opening up new development resources for the Group, and the industry as a whole.

In 2004, the focus was on organic growth, in keeping with Compagnie Financière Tradition's policy to broaden its product range and geographic spread. This involved the recruitment of several teams across the world's financial centres, and the launch of new products in the U.S.A., Asia and London. Two new offices were opened in Chile and Mexico during the year.

On the technological front, the Group pursued its involvement in cutting-edge technologies with the development of new activities using Internet tools to market financial products designed for private investors.

In a rapidly expanding industry in terms of trading volumes, where consolidation is the name of the game, critical mass remains a major strategic force for the Group.

The Group is committed to maintaining critical mass and a balanced geographic and product spread, in keeping with its long-term policy of improving margins and profitability. Exploiting synergies between its different business sectors will go a long way towards attaining this objective.

As one of the world's top three interdealer brokers, Compagnie Financière Tradition will continue to build the foundations for stable and profitable growth by focusing on external growth, the development of a global organisation using new technologies, and exploiting its market information capital to the full.



Consolidated financial statements

19,02=5%00859#870.7+928

19,0248593 870,79284 623,4#623#%56.78%#55.1.78#2156 178 50,305 1 678,42 1 19,02485 3 257,1 182,23 10,2 15,34 5,5 7,2 1,9 2,7 10,8 2,0 3,0 3,5 1,5 % 4 8,43

19,0248¥59{3£ 87\$%,79# 3 4 %

... 2 . 1 . 4 . @ . . 6 . 2 . 3 . . 4 . 6 . 5 . . % . . £ . . 4 . 7 . { . 8 7 . 5 . . 0 . 1 . 1 3 . .

4 8 ¥ 5 9 { 3 , £ 8 7 \$ % 3 4 %

Contents

REPORT OF THE GROUP AUDITORS	30
CONSOLIDATED PROFIT AND LOSS ACCOUNT 2004	31
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2004	32 - 33
CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY	34
CONSOLIDATED CASH FLOW STATEMENT	35
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	36 - 50

Report of the group auditors

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

As auditors of the Group, we have audited the accounting records and the consolidated financial statements (profit and loss account, balance sheet, statement of changes in equity, cash flow statement and Notes; pages 31 to 50) of Compagnie Financière Tradition for the year ended 31 December 2004.

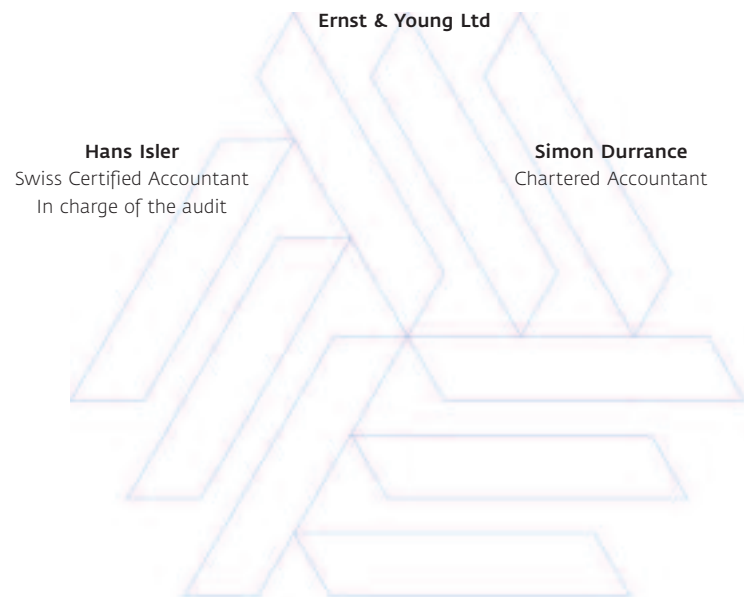
These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

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 FER and comply with Swiss Law.

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

Lausanne, 9 March 2005



Consolidated profit and loss account 2004

<i>in thousands of Swiss francs</i>	Notes	2004	2003
Net turnover	IV.1	849,685	786,132
Other net operating income	IV.2	-483	27
OPERATING INCOME		849,202	786,159
Employee compensation and benefits		-584,037	-538,755
Other operating expenses		-199,543	-175,576
Depreciation and amortisation		-11,359	-10,739
OPERATING EXPENSES		-794,939	-725,070
OPERATING PROFIT		54,263	61,089
Net financial income	IV.3	-1,654	9,630
PROFIT BEFORE TAX		52,609	70,719
Tax	IV.4	-23,137	-26,107
NET PROFIT OF CONSOLIDATED COMPANIES		29,472	44,612
Associated undertakings	III.3	-842	-590
Goodwill amortisation	IV.5	987	-641
Net exceptional item	IV.6	25,561	-
CONSOLIDATED NET PROFIT		55,178	43,381
• Group share		50,521	38,354
• Minority interests		4,657	5,027
Net profit - Group share in Swiss francs, per share of CHF 2.50 nominal value based on weighted average number of shares outstanding		9.32	7.21

Consolidated balance sheet at 31 december 2004

12:487

ASSETS <i>in thousands of Swiss francs</i>	Notes	2004	2003
CURRENT ASSETS			
Cash	III.1	222	231
Call deposits	III.1	124,397	127,192
Short-term deposits	III.1	31,229	62,052
Trade debtors	III.2	105,304	93,329
Receivables linked to account holder activities	III.7	173,594	53,830
Other short-term receivables	III.2	42,884	30,685
Receivables from affiliated companies		1,281	1,269
Receivables from shareholder and associated companies	III.8	3,668	4,760
Marketable securities	III.1	39,475	42,639
Prepaid expenses and accrued income	III.2	19,844	18,016
TOTAL CURRENT ASSETS		541,898	434,003
FIXED ASSETS			
Other long-term receivables	III.2	6,988	8,219
Associated undertakings and other investments	III.3	7,596	3,361
Treasury shares	III.3	-	7,367
Tangible fixed assets			
- Installations and equipment	III.4	30,790	25,641
- Buildings	III.4	-	7,516
Intangible fixed assets	III.4	28,557	25,944
TOTAL FIXED ASSETS		73,931	78,048
TOTAL ASSETS		615,829	512,051



LIABILITIES <i>in thousands of Swiss francs</i>	Notes	2004	2003
CREDITORS			
Short-term bank borrowings	III.1	49,265	66,965
Short-term debts to affiliated companies		995	1,082
Short-term debts to shareholder and associated companies	III.8	8,362	6,633
Other short-term debts	III.5	41,449	37,552
Debts linked to account holder activities	III.7	173,222	59,846
Taxes payable	III.5	17,817	18,431
Accrued expenses and deferred income	III.5	91,451	83,500
Long-term financial debts	III.5	1,657	1,730
Contingency and loss provisions	III.6	15,820	12,620
TOTAL CREDITORS		400,038	288,359
SHAREHOLDERS' EQUITY			
Share capital	III.9	13,624	13,503
Share premium		20,337	19,879
General reserve	III.10	17,570	17,570
Reserve for treasury shares		-	7,367
Treasury shares	III.3	-15,418	-
Special reserve		3,100	3,100
Other reserves		15,300	15,300
Consolidated reserves	III.11	99,564	87,376
Net profit - Group share		50,521	38,354
SHAREHOLDERS' EQUITY - GROUP SHARE		204,598	202,449
MINORITY INTERESTS		11,193	21,243
TOTAL SHAREHOLDERS' EQUITY		215,791	223,692
TOTAL LIABILITIES		615,829	512,051

Changes in consolidated shareholders' equity

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

<i>in thousands of Swiss francs</i>	Share capital	Share premium	General reserve	Treasury shares	Reserve of treasury shares	Special reserve	Other reserves	Consolidated reserves	Total - Group share	Minority interests	TOTAL
SHAREHOLDERS' EQUITY AT 01.01.04	13,503	19,879	17,570	-	7,367	3,100	15,300	125,730	202,449	21,243	223,692
Application of FER 24	-	-	-	-7,367	-7,367	-	-	7,367	-7,367	-	-7,367
Purchase of treasury shares	-	-	-	-10,904	-	-	-	-	-10,904	-	-10,904
Disposal of treasury shares	-	144	-	2,853	-	-	-	-	2,997	-	2,997
Dividends paid net of dividend on treasury shares	-	-	-	-	-	-	-	-26,560	-26,560	-4,645	-31,205
Increase in capital	121	314	-	-	-	-	-	-	435	-	435
Effect of changes in the basis of consolidation	-	-	-	-	-	-	-	-	-	-9,427	-9,427
Currency translation adjustments	-	-	-	-	-	-	-	-6,973	-6,973	-635	-7,608
Net profit	-	-	-	-	-	-	-	50,521	50,521	4,657	55,178
SHAREHOLDERS' EQUITY AT 31.12.04	13,624	20,337	17,570	-15,418	-	3,100	15,300	150,085	204,598	11,193	215,791

The SWISS GAAP FER 24 accounting standard, concerning presentation of treasury shares and transactions with shareholders, was applied for the first time in the 2004 financial year.

Consolidated cash flow statement

<i>in thousands of Swiss francs</i>	2004	2003
CASH FLOW FROM OPERATING ACTIVITIES		
Consolidated net profit before tax and associated undertakings	81,080	70,078
ELIMINATION OF INCOME AND EXPENSES OF NO MATERIAL EFFECT ON CASH FLOW AND/OR NOT RELATED TO ACTIVITIES		
Net financial income	1,654	-9,630
Depreciation and amortisation	10,372	11,380
Exceptional item	-27,484	-
NET CHANGES RELATING TO OPERATING ACTIVITIES BEFORE CHANGE IN OPERATING ASSETS AND LIABILITIES	65,622	71,828
Changes in working capital	-6,093	-1,923
CASH INFLOW FROM OPERATING ACTIVITIES	59,529	69,905
Tax paid	-25,674	-22,573
NET CASH INFLOW FROM OPERATING ACTIVITIES	33,855	47,332
CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase/sale of marketable securities	3,164	12,705
Purchase/sale of treasury shares	-7,907	-1,199
Purchase/sale of investments	-21,023	3,883
Net financial income	459	2,792
Net acquisition of fixed assets	-14,979	-12,424
Cash from disposal of tangible fixed assets	35,000	-
Net acquisition of intangible assets	-4,370	-15,312
NET CASH OUTFLOW FROM INVESTMENT ACTIVITIES	-9,656	-9,555
CASH FLOW FROM FINANCING ACTIVITIES		
Changes in receivables and debts related to shareholders and associated companies	-735	-12,228
Increase in capital	435	11,408
Effect of changes in the basis of consolidation	50	67
Dividends and other payments outside Group	-4,645	-1,928
Dividends paid by the Company	-26,560	-37,783
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	-31,455	-40,464
Currency translation adjustments	-8,671	-2,738
NET DECREASE IN CASH AND CASH EQUIVALENTS (CF NOTE III.1)	-15,927	-5,425

Notes to the consolidated financial statements

Introduction

On 20 December 2004, Compagnie Financière Tradition signed a letter of intent covering the acquisition of Chapdelaine & Co. and its affiliates. The Chapdelaine Group, comprising Chapdelaine & Co., Chapdelaine Corporate Securities & Co., and Chapdelaine Brokerage LLC, specialises in brokering fixed income products, municipal bonds, derivatives, and government and equity securities. A final agreement is expected to be reached in the first half of 2005, after which these companies will be fully consolidated.

I. Accounting policies

I.1 Principles of consolidation

The consolidated financial statements have been prepared in compliance with SWISS GAAP FER, 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 20.00% 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 using the current rate method:

- 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 "Consolidated reserves".

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 conservative 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 economically necessary provisions, valued on the basis of their stock market price, for listed securities, or probable realisable value, for unlisted securities.

Treasury shares

The treasury shares are recorded in the balance sheet at their acquisition cost and deducted from consolidated equity. Upon disposal, the gain or loss is not recognised in the profit or loss account but taken directly to equity as an increase or decrease in share premium.

Long-term investments

Long-term investments are recorded in the balance sheet at their acquisition cost, after deduction of economically 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 amortised 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 funds.

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

Other pension liabilities, such as termination benefits, 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.

I.5 New accounting standard

Compagnie Financière Tradition applies the SWISS GAAP FER 24 accounting standard concerning the presentation of treasury shares and transactions with shareholders; the standard entered into effect on 1 January 2004.



Notes to the consolidated financial statements

II. Basis of consolidation

II.1 Basis of consolidation at 31 December 2004

The table below shows the consolidated companies held, directly or indirectly, by Compagnie Financière Tradition and the method of consolidation used for each company:

	New companies	Country	Controlling interest	Equity interest	Capital in thousands	Method FCM/PCM/EM
COMPAGNIE FINANCIERE TRADITION		Switzerland			CHF 13,624	Consolidating company
1. FINANCIAL COMPANIES						
TRADITION SERVICE HOLDING S.A., LAUSANNE		Switzerland	100.00%	100.00%	CHF 21,350	FCM
Tradition (UK) Ltd, London		United Kingdom	100.00%	100.00%	GBP 15,050	FCM
Tradition Bond Brokers Ltd, London		United Kingdom	100.00%	100.00%	GBP 9,160	FCM
Tradition Beaufort House Ltd, London		United Kingdom	100.00%	100.00%	GBP n/s	FCM
Monecor (London) Ltd, London		United Kingdom	100.00%	100.00%	EUR 10,621	FCM
SP Angel & Co. Ltd, London	✓	United Kingdom	100.00%	100.00%	GBP 2,138	FCM
ABC Clearing Ltd, London	✓	United Kingdom	100.00%	100.00%	GBP 250	FCM
Tradition London Clearing Ltd, London		United Kingdom	100.00%	100.00%	GBP 1,000	FCM
Finacor Belgique S.A., Brussels		Belgium	99.95%	99.95%	EUR 149	FCM
Tradition Luxembourg S.A., Luxembourg		Luxembourg	99.93%	99.93%	EUR 372	FCM
Tradition Eurobond S.A., Luxembourg		Luxembourg	100.00%	100.00%	EUR 500	FCM
Finance 2000 S.A., Paris		France	100.00%	100.00%	EUR 4,575	FCM
Tradition Securities And Futures S.A., Paris, and branches in London and Lausanne		France	99.87%	99.87%	EUR 13,325	FCM
VIEL Tradition S.A., Paris		France	99.94%	99.81%	EUR 100	FCM
Finacor & Associés S.A., Brussels		Belgium	100.00%	99.87%	EUR 497	FCM
Tradition Wertpapierhandel GmbH, Frankfurt		Germany	100.00%	100.00%	EUR 2,531	FCM
Finacor Deutschland GmbH, Munich		Germany	100.00%	100.00%	EUR 547	FCM
Tradition S.A., Lausanne		Switzerland	100.00%	100.00%	CHF 100	FCM
Tradition Italia Sim S.p.A., Milan		Italy	100.00%	100.00%	EUR 1,550	FCM
Fincor SGPS, Lisbon		Portugal	20.00%	20.00%	EUR 4,092	EM
Tradition (North America) Inc., New York		U.S.A.	100.00%	100.00%	USD 14,500	FCM
Tradition Securities And Futures Inc., New York		U.S.A.	100.00%	100.00%	USD n/s	FCM
FXDirectDealer LLC, New York		U.S.A.	75.00%	75.00%	USD 1,397	FCM
Elite Broker S.A. de C.V., Mexico	✓	Mexico	100.00%	100.00%	MXN 50	FCM
Tradition Chile Agentes de Valores Limitada, Santiago	✓	Chile	100.00%	100.00%	CLP 362,000	FCM
Tradition Asiel Securities Inc., New York		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
Tradition Services (Delaware) Corp., Delaware		U.S.A.	100.00%	100.00%	USD n/s	FCM
Govdesk LLC, Redondo Beach, California		U.S.A.	35.00%	35.00%	USD 75	EM
VIEL Debeausse and Co. Inc., New York		U.S.A.	91.00%	91.00%	USD 50	FCM
Tradition Services S.A. de C.V., Mexico	✓	Mexico	100.00%	100.00%	MXN 50	FCM
Tradition Argentina S.A., Buenos Aires		Argentina	100.00%	100.00%	ARS 485	FCM
Meitan Tradition Co. Ltd, Tokyo		Japan	55.34%	55.34%	JPY 300,000	FCM
Gaitame.com Co. Ltd, Tokyo		Japan	37.40%	20.70%	JPY 267,500	PCM
Tradition (Asia) Ltd, Hong Kong		Hong Kong	100.00%	100.00%	HKD 25,001	FCM
Tradition Singapore (Pte) Ltd, Singapore		Singapore	100.00%	100.00%	SGD 1,200	FCM
Tradition Australia Pty Ltd, Sydney		Australia	100.00%	100.00%	AUD n/s	FCM



	New companies	Country	Controlling interest	Equity interest	Capital in thousands	Method FCM/PCM/EM
TFS, LAUSANNE		Switzerland	98.79%	99.32%	CHF 3,916	FCM
Tradition Financial Services Ltd, London and branch in Tel Aviv		United Kingdom	100.00%	99.32%	GBP 250	FCM
TFS-ICAP Holdings Ltd, London		United Kingdom	50.00%	54.63%	GBP 2,470	PCM
TFS-ICAP Ltd, London		United Kingdom	51.00%	27.31%	GBP 20	FCM
TFS-ICAP Currency Options Ltd, London		United Kingdom	100.00%	27.31%	GBP 550	FCM
TFS Currency Options Ltd, London		United Kingdom	100.00%	27.31%	GBP 5	FCM
Intercapital Currency Options Ltd, London		United Kingdom	100.00%	27.31%	GBP 5	FCM
TFS Derivatives Ltd, London		United Kingdom	100.00%	99.32%	GBP 1,200	FCM
Equitek Capital Ltd, London		United Kingdom	100.00%	99.32%	GBP 1,300	FCM
TFS Futures & Options (Pty) Ltd, Johannesburg		South Africa	100.00%	99.32%	ZAR 250	FCM
TFS Securities (Pty) Ltd, Johannesburg		South Africa	100.00%	99.32%	ZAR 1,000	FCM
Tradition Financial Services GmbH, Frankfurt		Germany	100.00%	99.32%	EUR 153	FCM
Tradition Financial Services Inc., New York		U.S.A.	100.00%	99.32%	USD 50	FCM
TFS Derivatives Corp., New York		U.S.A.	100.00%	99.32%	USD 95	FCM
TFS-ICAP Holdings LLC, New York		U.S.A.	50.00%	54.63%	USD n/s	PCM
TFS-ICAP LLC, New York		U.S.A.	51.00%	27.31%	USD n/s	FCM
TFS Energy LLC, Stamford		U.S.A.	53.00%	52.64%	USD n/s	FCM
TFS Energy Futures LLC, Stamford		U.S.A.	100.00%	52.64%	USD 35	FCM
Energy Curves LLC, Houston	✓	U.S.A.	25.00%	13.16%	USD n/s	EM
TFS Blackwood LLC, New York		U.S.A.	93.75%	93.11%	USD 1,388	FCM
TFS Blackwood Ltd, London		United Kingdom	93.75%	93.11%	GBP n/s	FCM
Equitek Capital Inc., Delaware		U.S.A.	100.00%	99.32%	USD n/s	FCM
Equitek Capital LLC, Delaware		U.S.A.	50.00%	49.66%	USD n/s	FCM
TFS Australia Pty Ltd, Sydney		Australia	100.00%	99.32%	AUD 5	FCM
Tradition Financial Services Japan Ltd, Tokyo		British Virgin Islands	100.00%	99.32%	USD 50	FCM
Tradition Financial Services (Hong Kong) Ltd, Hong Kong		Hong Kong	100.00%	99.32%	HKD 200	FCM
TFS Energy (S) Pte Ltd, Singapore		Singapore	100.00%	99.32%	SGD 100	FCM
TFS Currencies Pte Ltd, Singapore		Singapore	100.00%	99.32%	SGD 1,000	FCM
TRC Lausanne, Lausanne		Switzerland	100.00%	99.32%	CHF 100	FCM
The Recruitment Company Holdings Inc., Delaware		U.S.A.	79.00%	78.46%	USD n/s	FCM
TRC Recruitment Ltd, London		United Kingdom	100.00%	78.46%	GBP 1	FCM
The Recruitment Company Inc., New York		U.S.A.	100.00%	78.46%	USD 1	FCM
The Recruitment Company Pty Ltd, Sydney		Australia	100.00%	78.46%	AUD n/s	FCM
The Recruitment Company Ltd, Tokyo		Japan	100.00%	78.46%	JPY 5,000	FCM
The Recruitment Company Ltd, Hong Kong		Hong Kong	100.00%	78.46%	HKD 10	FCM
Equitek Capital Limited, Georgetown		Cayman Islands	50.00%	49.69%	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
StreamingEdge UK Ltd, London	✓	United Kingdom	100.00%	60.00%	GBP n/s	EM
VIEL Gestion		France	78.05%	77.95%	EUR -	FCM
VCF Gestion		France	90.00%	89.89%	EUR -	FCM

Notes to the consolidated financial statements

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 and British subsidiaries, 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 2004 were as follows:

TFS

TFS: The company's share capital increased by CHF 215,500 when the last 86,200 share options granted to Group employees were exercised in March 2004. The operation raised TFS' capital from CHF 3,700,085 at end-2003 to CHF 3,915,585 at 31 December 2004. In line with its policy to reduce the weight of minority interests on the balance sheet, Compagnie Financière Tradition then repurchased these securities and initiated a public repurchase offer, which took place between 8 and 29 December, bringing its share in the company's capital to 98.79% at 31 December 2004, against 96.93% at year-end 2003, and its interest in the company to 99.32% at that date. Additional goodwill of CHF 2.1 million was booked on these operations.

TFS-ICAP-Volbroker: Currency options activities in Sydney, conducted through the TFS-ICAP-Volbroker joint venture, were formalised during the year by a specific joint venture agreement, whereby TFS Australia Pty Ltd books 25.0% of the income and expenses on currency options transactions conducted in this country. In Frankfurt and Copenhagen, joint ventures between TFS, ICAP and Volbroker had not yet been finalised at the end of 2004. Accordingly, the consolidated accounts were restated, to recognise TFS' share in the results of the Copenhagen operations, amounting to 27.5%, and its partners' share of the currency options results of its German subsidiary, Tradition Financial Services GmbH, of 72.5%. This restatement resulted in a net expense of CHF 603,000 in 2004 (CHF 695,000 in 2003), carried under "Other net operating income".

Energy Curve LLC: A company created in 2004 in partnership with Amerex Energy, ICAP Energy, and Prebon Energy, in which TFS Energy LLC holds a 25.00% stake. This company was accounted for at 31 December 2004 using the equity method.

Finally, TFS wound up three companies during the year: Current Capital LLC and Current Capital LP, which were dormant at 31 December 2003, and Capstone Global Energy LLC.

TSH

Gaitame.com Co. Ltd: On 27 September 2003, this company increased its share capital by JPY 167.5 million, from JPY 100.0 million to JPY 267.5 million. Meitan Tradition Co. Ltd contributed JPY 50.0 million to the increase, bringing its holding in the company to 37.40% from 50.00%. Gaitame.com Co. Ltd, which had been accounted for using the proportionate consolidation method until 27 September 2003, was accounted for using the equity method for the remainder of the financial year 2003.

However, because Meitan Tradition Co. Ltd retained joint control over the activities of Gaitame.com Co. Ltd, that company was accounted for by the proportionate consolidation method, to the extent of 37.40%, for the full-year 2004.

Holding Tradition Securities S.A. (HTS) and Holding Tradition Clearing (HTC): HTS and HTC were merged with Tradition Service Holding S.A. (TSH) under a merger by acquisition, with effect at 1 July 2004. Following this operation, the share capital of TSH was increased by CHF 350,000, the combined amount of the share capital of the acquired companies, bringing it to CHF 21,350,000.

Tradition Wertpapierhandel GmbH: Formerly Finacor Rabe AG in which Holding Tradition Securities S.A. (HTS) had a 91.07% interest at 31 December 2003, undertook a division of the nominal value of its shares by four, through capitalisation of losses. This operation reduced its capital from EUR 6,125,000 to EUR 1,531,250. It was followed by an capital increase of EUR 1,000,000, fully subscribed by HTS, bringing its holding in the company to 98.53%, including purchases of additional shares from minority shareholders. Finally, HTS took over the shares of the remaining minority shareholders (squeeze out) enabling it to acquire the balance of this company's shares and increase its holding to 100.00% at 31 December 2004. Additional goodwill of CHF 0.1 million arising on these operations was fully amortised during the year.

SP Angel & Co. Ltd: In March of this year, Tradition (UK) Ltd acquired the entire capital of SP Angel & Co. Ltd, a member of the London Stock Exchange since 1935, for a cash consideration of GBP 1.2 million, plus an earn-out clause set at 20% of the adjusted earnings of the company for the financial years 2005 to 2007, up to a maximum of GBP 1.4 million. Goodwill booked on this operation amounted to GBP 0.3 million or CHF 749,000, amortised over ten years from mid-March 2004. SP Angel & Co. Ltd holds a 100.00% stake in ABC Clearing Ltd, a company capitalised at GBP 250,000, which was inactive at 31 December 2004.

MIA Finance S.A.: In September 2004, Tradition Securities And Futures S.A. (TSAF) acquired 100.00% of the capital of MIA Finance S.A. for a consideration of EUR 3,650,000. Negative goodwill of EUR 2.2 million, or CHF 3.4 million, was booked on this operation and fully amortised during the financial year. MIA Finance S.A. holds a 45.00% stake in MIA, which gives TSAF indirect control of 100.00% of the share capital of that company. Finally, on 30 November 2004, TSAF went ahead with the dissolution by merger of MIA Finance S.A. (cf. Note IV.5).

MIA: Tradition Securities And Futures S.A., which held almost the entire capital of MIA, merged with this company by acquisition on 31 December 2004, with effect at 1 January 2004.

Finacor & Associés S.A.: Under the terms of a contract signed on 1 July 2004, Finacor Belgique S.A. sold its holding in Finacor & Associés S.A. to Tradition Securities And Futures S.A. This operation had no material effect on the consolidated accounts.

Tradition Services S.A. de C.V.: This company, with a share capital of MXN 50,000, not yet fully paid-up, was incorporated in May 2004. The company, a broker of foreign exchange and interest rate products, is a wholly owned subsidiary of Tradition Service Holding S.A.

Elite Broker S.A. de C.V.: This service company, with a share capital of MXN 50,000, was incorporated in July 2004. The company, a wholly owned subsidiary of Tradition (North America) Inc., provides administrative support to Tradition Services S.A. de C.V.

Tradition Chile Agentes de Valores Limitada: This company with a share capital of CLP 362,000,000 was incorporated in December 2004. The company is wholly owned by Tradition (North America) Inc., and was inactive at 31 December 2004.

Tradition Securities And Futures Inc.: Formerly STAFF U.S.A. Inc., this company was renamed during the financial year.

Finally, Tradition Service Holding S.A. wound up Tradition International S.A. during the reporting period.

II.3 Non-consolidated majority shareholdings

Two companies were excluded from the basis of consolidation at 31 December 2004 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 2004,

Tradcom International, a company capitalised at CHF 250,000, 34.00% 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 2004. Compagnie Financière Tradition's investment in this company and the financing provided were fully provisioned at 31 December 2004.



III. Notes to the consolidated balance sheet

III.1 Cash and cash equivalents

Net liquid assets

<i>in thousands of Swiss francs</i>	2004	2003
Cash and call deposits	124,619	127,423
Short-term deposits	31,229	62,052
Short-term bank borrowings	-49,265	-66,965
Net cash at 31 December	106,583	122,510
Net cash at 1 January	122,510	127,935
Net cash outflow during the year	-15,927	-5,425

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:

<i>in thousands of Swiss francs</i>	2004	2003
Short-term cash products	36,088	35,836
Bonds	229	1,239
Shares	2,583	4,370
Investment funds	2,156	2,476
GROSS TOTAL	41,056	43,921
Provisions for depreciation	-1,581	-1,282
NET TOTAL	39,475	42,639

Notes to the consolidated financial statements

III.2 Receivables and other assets

Trade debtors

These are short-term receivables representing a net amount of CHF 105,304,000 at 31 December 2004, compared to CHF 93,329,000 the previous year. They are booked at face value after deduction of economically necessary provisions.

Other short-term receivables

<i>in thousands of Swiss francs</i>	2004	2003
Employee current accounts	23,719	10,011
Public authorities	3,809	5,259
Security deposits	4,832	4,169
Other short-term receivables	10,524	11,246
TOTAL	42,884	30,685

These receivables are booked at their face value, after deduction of economically necessary provisions.

Prepaid expenses and accrued income

<i>in thousands of Swiss francs</i>	2004	2003
Prepaid expenses	9,667	9,830
Deferred tax asset	9,895	7,311
Other accrued income	282	875
TOTAL	19,844	18,016

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 6,988,000 at 31 December 2004 (CHF 8,219,000 at 31 December 2003) are guaranteed by VIEL et Compagnie Finance, ultimate majority shareholder of Compagnie Financière Tradition. Since the beginning of the liquidation of Comipar and Banque Pallas Stern, Compagnie Financière Tradition and its subsidiaries have received liquidation dividends totalling CHF 18,130,000, equivalent to 71.5% of all stated receivables.

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:

<i>in thousands of Swiss francs</i>	2004	2003
ASSOCIATED UNDERTAKINGS		
Govdesk LLC	214	835
Fincor SGPS	489	744
StreamingEdge.com Inc.	-	49
Energy Curves LLC	11	-
Gaitame.com Co. Ltd	-	1,476
TOTAL	714	3,104
OTHER INVESTMENTS		
IFX Group plc	7,529	-
Tradition CIS LLC	230	230
Tradcom International	85	85
Other investments	1,369	1,379
TOTAL	9,213	1,694
GROSS TOTAL	9,927	4,798
Provisions for depreciation	-2,331	-1,437
NET TOTAL	7,596	3,361



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

<i>in thousands of Swiss francs</i>	2004	2003
Govdesk LLC	-294	663
Fincor SGPS	-258	-279
StreamingEdge.com Inc.	-290	-517
Current Capital LP	-	-319
Gaitame.com Co. Ltd	-	-138
TOTAL	-842	-590

The stake in Gaitame.com Co. Ltd, which was accounted for using the equity method at 31 December 2003, is now accounted for using the proportionate consolidation method (cf. Note II.2). In February 2004, Compagnie Financière Tradition acquired a 10.00% interest in IFX Group plc for a consideration of CHF 7,529,000. This British group, listed on the London Stock Exchange, offers online trading solutions in a wide range of leveraged financial products, principally spread betting, contracts for difference, foreign exchange, and base and precious metals. A provision of CHF 900,000 was booked on this interest at 31 December 2004, based on the mid-market price at that date (cf. Note IV.3). The negative value of StreamingEdge.com Inc. of CHF 209,000, accounted for using the equity method at 31 December 2004, was booked under "Other provisions" (cf. Note III.6).

Treasury shares

At 31 December 2004, the Company held 136,263 treasury shares with a nominal value of CHF 2.50. These shares were acquired at a purchase value of CHF 15,418,000.

Movements on treasury shares during the period were as follows:

	Book value <i>in thousands of Swiss francs</i>	Acquisition cost or realisation price <i>in thousands of Swiss francs</i>	No. of shares of CHF 2.50 nominal
Situation at 1 January 2004	7,367	7,367	63,748
Acquisitions	10,904	10,904	99,761
Sales	-2,853	-2,997	-27,246
Capital gains for the year	-	144	-
Situation at 31 December 2004	15,418	15,418	136,263

The average transaction prices for acquisitions and disposals of treasury shares in 2004 were CHF 109.0 and CHF 110.0 respectively.

III.4 Tangible and intangible fixed assets

Tangible fixed assets

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

<i>in thousands of Swiss francs</i>	Land and buildings	Fixtures and installations	Computer and telecom. equipment	Other tangible fixed assets	Total 2004	Total 2003
Gross value at 1 January	7,516	37,148	41,253	3,095	89,012	86,568
Changes in the basis of consolidation	-	415	139	1	555	3,001
Acquisitions during the year	-	7,003	7,804	449	15,256	13,002
Disposals and write-offs	-7,516	-928	-5,483	-1,663	-15,590	-13,361
Reclassifications	-	-8,470	9,140	10	680	717
Translation adjustments	-	-1,190	-1,156	-36	-2,382	-915
Gross value at 31 December	-	33,978	51,697	1,856	87,531	89,012
Cumulative depreciation at 1 January	-	26,454	26,946	2,455	55,855	57,689
Changes in the basis of consolidation	-	3	4	1	8	2,249
Depreciation for the year	-	3,300	6,325	186	9,811	9,052
Disposals and write-offs	-	-827	-5,389	-1,582	-7,798	-12,783
Reclassifications	-	-8,099	8,382	100	383	610
Translation adjustments	-	-770	-728	-20	-1,518	-962
Cumulative depreciation at 31 December	-	20,061	35,540	1,140	56,741	55,855
Net value at 31 December	-	13,917	16,157	716	30,790	33,157

At the end of June 2004, Compagnie Financière Tradition sold its two Lausanne buildings to its direct majority shareholder, realising a gross profit of CHF 27,484,000, booked under exceptional item (cf. Note IV.6).

Notes to the consolidated financial statements

The fire insurance value at 31 December 2004 stood at CHF 107,486,000 for installations and equipment and nil for buildings, following their disposal during the financial year (CHF 100,457,000 and CHF 18,383,000 respectively at 31 December 2003).

Intangible fixed assets

Intangible fixed assets comprised the following:

in thousands of Swiss francs	Gross	2004		Gross	2003	
		Amort.	Net		Amort.	Net
Exchange seat	1,288	-	1,288	-	-	-
Telephone rights	1,797	1,771	26	1,871	1,848	23
Intangible business assets	1,721	1,124	597	1,671	934	737
Goodwill	27,937	6,203	21,734	25,425	3,865	21,560
Other intangible fixed assets	16,817	11,905	4,912	14,703	11,079	3,624
TOTAL	49,560	21,003	28,557	43,670	17,726	25,944

In December 2004, Compagnie Financière Tradition acquired a membership "exchange seat" on the New York Stock Exchange (NYSE) for USD 1,075,000, or CHF 1,288,000, allowing its subsidiary, Tradition (North America) Inc. to be physically present at the NYSE for transacting business.

Goodwill

Goodwill arising on acquisitions was as follows:

in thousands of Swiss francs	Gross	Cumulative amort.	2004		2003
			Net	Amort. for the period	
TFS	19,269	3,406	15,863	1,819	15,564
SP Angel & Co. Ltd	749	58	691	59	-
StreamingEdge.com Inc.	691	323	368	69	438
Govdesk LLC	448	207	241	50	308
Tradition					
Wertpapierhandel GmbH	3,582	1,177	2,405	358	2,761
Finacor Deutschland GmbH	3,198	1,032	2,166	323	2,489
TOTAL	27,937	6,203	21,734	2,678	21,560

III.5 Accrued expenses and deferred income

Other short-term debts

This item may be summarised as follows:

in thousands of Swiss francs	2004	2003
Public authorities	23,162	17,807
Trade creditors	-	64
Other short-term debts	18,287	19,681
TOTAL	41,449	37,552

On 31 December 2003, Compagnie Financière Tradition had an outstanding debt of CHF 5,159,000 to staff or former staff of the TFS Group, one of its subsidiaries. This debt, booked under "Other short-term debts" at 31 December 2003, was repaid in June 2004.

Accrued expenses and deferred income

This item is broken down as follows:

in thousands of Swiss francs	2004	2003
Employee compensation and benefits	78,127	72,743
Other miscellaneous accrued expenses	13,324	10,757
TOTAL	91,451	83,500

Taxes payable

Consolidated taxes payable at 31 December 2004 totalled CHF 17,817,000 compared with CHF 18,431,000 at 31 December 2003.

Long-term financial debts

Long-term financial debts of CHF 1,657,000 at 31 December 2004 consisted of JPY 150 million owed by Meitan Tradition Co. Ltd (JPY 150 million or CHF 1,730,000 at 31 December 2003) repayable in November 2010.

III.6 Contingency and loss provisions

Contingency and loss provisions were as follows:

<i>in thousands of Swiss francs</i>	Provisions for pension benefits	Provisions for litigation	Provisions for taxes	Negative goodwill	Other provisions	TOTAL
Amount at 1 January 2003	5,238	-	-	928	4,116	10,282
Change in the basis of consolidation	16	-	-	-	-	16
Reclassification	-582	3,532	-	-	-	2,950
Increase	2,339	2,615	-	-	-	4,954
Amount used	-432	-235	-	-618	-4,116	-5,401
Unused amount reversed	-	-170	-	-	-	-170
Translation adjustments	152	-163	-	-	-	-11
Amount at 31 December 2003	6,731	5,579	-	310	-	12,620
Amount at 1 January 2004	6,731	5,579	-	310	-	12,620
Change in the basis of consolidation	3	-	-	-	-	3
Reclassification	-	-67	67	-	-	-
Increase	2,305	2,260	2,122	-	229	6,916
Amount used	-6	-474	-	-310	-	-790
Unused amount reversed	-9	-2,425	-	-	-	-2,434
Translation adjustments	-287	-185	-3	-	-20	-495
Amount at 31 December 2004	8,737	4,688	2,186	-	209	15,820

Provisions for pension benefits are recognised on the balance sheet to cover the liabilities of foreign subsidiaries in connection with defined contribution schemes. The defined benefit schemes have no material impact.

A number of Compagnie Financière Tradition's subsidiaries recognised liabilities relating to litigation, mainly to do with salaries. These liabilities totalled CHF 4,688,000 at 31 December 2004 (CHF 5,579,000 at 31 December 2003).

A provision for taxes of CHF 2,186,000 (nil at 31 December 2003), was recognised in connection with a tax adjustment for 2000 and 2001 in respect of Tradition Securities And Futures S.A.

III.7 Account holder activities

Tradition Securities And Futures S.A. and SP Angel & Co. Ltd 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.

FXDirectDealer LLC, Gaitame.com 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 on the balance sheet under "Receivables linked to account holder activities" and "Debts linked to account holder activities" were as follows at 31 December 2004 and 2003:

<i>in thousands of Swiss francs</i>	2004	2003
Receivables linked to account holder activities		
Deposits paid	99,074	39
Current accounts with clearing institutions	44,891	10,841
Dealing accounts	29,629	42,950
TOTAL	173,594	53,830
Debts linked to account holder activities		
Deposits received	-99,314	-3,068
Current accounts with clearing institutions	-44,279	-9,689
Dealing accounts	-29,629	-47,089
TOTAL	173,222	-59,846
NET TOTAL	372	-6,016

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

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 et Compagnie Finance, Paris, and its subsidiaries.

Compagnie Financière Tradition's total outstanding consolidated net debt to the shareholder and associated companies at 31 December 2004 stood at CHF 4,694,000 (net debt of CHF 1,873,000 at 31 December 2003).

Notes to the consolidated financial statements

III.9 Shareholders' equity

Composition of share capital

Capital at 31 December 2003 consisted of 5,401,369 bearer shares with a nominal value of CHF 2.50, for a total capital of CHF 13,503,422.

In August 2004, Compagnie Financière Tradition issued 48,400 new shares at a price of CHF 9.0, increasing the Company's capital by CHF 121,000, with a share premium of CHF 314,000.

At 31 December 2004, share capital consisted of 5,449,769 bearer shares with a nominal value of CHF 2.50, for a total share capital of CHF 13,624,422.

Major shareholders

At 31 December 2004, the only shareholder holding over 5.00% of equity voting rights in Compagnie Financière Tradition was VIEL et Compagnie Finance, Paris, with 70.42%, compared to 75.41% the previous year. The 70.42% equity voting rights held by VIEL et Compagnie Finance, Paris, are exercised indirectly through Financière Vermeer BV, Amsterdam, 100.00% owned by VIEL & Cie, Paris, which itself was 54.91% held by VIEL et Compagnie Finance at 31 December 2004.

Increase in share capital

Share capital may be increased by up to CHF 5,758,327 through the issue of up to 2,303,331 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 is valid until 19 May 2005.

The Board of Directors is empowered to cancel or limit existing shareholders' pre-emptive rights to allow acquisitions or equity interest acquisitions to take place. Share subscription rights for which a pre-emptive 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 1,204,000 through the issue of up to 481,600 bearer shares of CHF 2.50. Such an increase is effected through the exercise of pre-emptive rights by Company employees. The pre-emptive rights of existing shareholders are cancelled. Conditions for employee participation are to be determined by the Board of Directors.

An analysis of employee share options at 31 December 2004 is shown below:

	No. of shares of CHF 2.50 nominal value	Potential increase in capital in Swiss francs	Start of exercise date	Expiry date	Exercise price in Swiss francs
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	60.00
Plan of 17.05.02	40,000	100,000	40,000 shares on 17.05.04	16.05.16	97.50
Plan of 18.09.02	106,094	265,235	106,094 shares on 18.09.07	17.09.14	81.50
Plan of 08.09.03	50,000	125,000	50,000 shares on 08.09.05	07.09.13	92.25
Plan of 30.12.04	19,506	48,765	19,506 shares on 30.12.04	22.02.13	12.00
TOTAL	481,600	1,204,000			

In February 2005, 18,588 new shares were issued at an unit price of CHF 12.00, for an increase in share capital of CHF 46,470, with a share premium of CHF 176,586.



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 pre-emptive 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 pre-emptive 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 Reserves not available for distribution

The general reserve and the reserve for treasury shares, amounting to CHF 17,570,000 and CHF 15,418,000 respectively at 31 December 2004 (CHF 17,570,000 and CHF 7,367,000 at 31 December 2003) are not available for distribution.

III.11 Consolidated reserves

This item includes cumulative consolidated currency translation adjustments, which decreased by CHF 6,973,000 in 2004 (decrease of CHF 5,358,000 in 2003).

IV. Notes to the consolidated profit and loss account

IV.1 Net turnover

Consolidated turnover rose 8.1%, from CHF 786.1 million in 2003 to CHF 849.7 million in 2004. Turnover would have been up 10.1% in constant terms, without the effects of exchange rates and changes in the basis of consolidation.

This turnover consists of commissions on brokerage operations conducted by Compagnie Financière Tradition's operating subsidiaries for a broad clientele of banks, financial institutions and corporations.

A segmental and geographical analysis of turnover is as follows:

<i>in thousands of Swiss francs</i>	Currencies and interest rates		Equities and derivatives		Commodities and other activities		TOTAL	
	2004	2003	2004	2003	2004	2003	2004	2003
Europe	196,755	191,107	190,296	173,154	32,168	28,642	419,219	392,903
United States	108,876	88,653	118,080	127,688	35,039	28,725	261,995	245,066
Asia - Pacific	138,873	123,270	2,517	4,321	27,081	20,572	168,471	148,163
TOTAL	444,504	403,030	310,893	305,163	94,288	77,939	849,685	786,132

IV.2 Other operating income

This item may be summarised as follows:

<i>in thousands of Swiss francs</i>	2004	2003
Net income on real estate assets	120	242
Net expense from the TFS-ICAP joint venture	-603	-695
Compensation payments received from New York City	-	480
TOTAL	-483	27



Notes to the consolidated financial statements

IV.3 Net financial income

This item may be summarised as follows:

<i>in thousands of Swiss francs</i>	2004	2003
Income from non consolidated investments	33	-
Net capital gains on investments and marketable securities	275	1,646
Net profit/loss on sale of treasury shares	-	5,829
Interest and exchange gains and losses	-1,062	2,122
Net provisions on investments	-900	33
TOTAL	-1,654	9,630

Negative net financial income of CHF 1,654,000 in 2004 (net income of CHF 9,630,000 in 2003) 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 included a provision expense for an investment of CHF 900,000 booked on the acquisition of an interest in IFX Group plc (IFX) in February 2004, based on the mid-market price of IFX shares at 31 December 2004.

IV.4 Tax

A consolidated tax expense of CHF 23,137,000 was recognised in 2004 (CHF 26,107,000 at 31 December 2003). This tax expense takes account of deferred tax income of CHF 1,230,000 in relation to accumulated depreciation recognised by Tradition (North America) Inc. on its tangible fixed assets. Realisation of this deferred tax asset is considered likely in view of past results and the company's future prospects. This gives an average consolidated tax rate of 44.0% of the profit before tax and exceptional item of fully consolidated companies, against 36.9% in 2003. An additional tax expense of CHF 1,923,000 was booked directly under exceptional item (cf. Note IV.6). Compagnie Financière Tradition is present in eighteen countries through its 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 34.7% for fiscal 2004 against 31.6% in the previous year.

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

	2004		2003	
	Effect on tax rate (%)	Effect on tax charge in thousand of Swiss francs	Effect on tax rate (%)	Effect on tax charge in thousand of Swiss francs
Group's standard tax rate	34.7	18,261	31.6	22,348
Tax effect of the following elements:				
Unadjusted tax loss carry forwards	-2.8	-1,463	-3.0	-2,106
Unadjusted tax loss for the period	5.1	2,697	6.0	4,142
Unadjusted tax loss from previous years	-0.7	-387	-2.6	-1,852
Tax expense for fully-consolidated fiscally transparent entities charged to minorities	-2.2	-1,134	-0.1	-52
Deferred tax income/expenses	-5.3	-2,831	-1.7	-1,201
Non-taxable income	-0.7	-372	-0.5	-351
Non-deductible expenses	19.5	10,264	9.9	7,005
Miscellaneous items	-3.6	-1,898	-2.7	-1,826
Group's effective tax rate	44.0	23,137	36.9	26,107

At 31 December 2004, deferred tax assets not reported on the consolidated balance sheet, in the interests of conservatism, represent an amount of CHF 12,907,000, which could be used to reduce Compagnie Financière Tradition's future consolidated income tax expense.



IV.5 Goodwill amortisation

Amortisation of goodwill recovery of CHF 987,000 at 31 December 2004 (expense of CHF 641,000 at 31 December 2003) was mainly due to the recognition of a recovery of negative goodwill of CHF 3,355,000 arising on the acquisition of a further interest in a French subsidiary (MIA) held by MIA Finance S.A., a company 100.00% controlled by MIA's management at the time of the transaction (cf. Note II.2).

IV.6 Exceptional items

<i>in thousands of Swiss francs</i>	2004	2003
Exceptional income		
Partial use of the contingency provision	-	4,116
Sale of buildings	25,561	-
TOTAL	25,561	4,116
Exceptional expenses		
Other exceptional items	-	-4,116
TOTAL	-	-4,116
NET TOTAL	25,561	-

Gross profit of CHF 27.5 million was recognised on the disposal of the Group's two buildings in Lausanne. These were sold to its direct majority shareholder at the end of June 2004 for a consideration of CHF 35.0 million, compared with a net book value of CHF 7.5 million. After taking account of a tax expense of CHF 1.9 million, the sale realised a net profit of CHF 25.6 million. The sale price was based on an independent valuation.

V. Additional information

V.1 Commitments and contingent liabilities

Guarantees and commitments given

<i>in thousands of Swiss francs</i>	2004	2003
Guarantees and commitments to third parties	16	16

Guarantees and commitments received

When VIEL et Compagnie 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 et Compagnie Finance will honour this undertaking when these two entities pay the final liquidation dividend in connection with these receivables.

In 1999, 2000, 2001, 2003 and 2004, Compagnie Financière Tradition and its affiliates received repayments from Banque Pallas Stern and Comipar, equivalent to 50.8%, 7.2%, 4.0%, 4.0% and 5.5% of their receivables, bringing total unsecured dividends received since the liquidation of Banque Pallas Stern and Comipar to 71.5% of declared receivables. Residual receivables stood at CHF 6,988,000 at 31 December 2004 (CHF 8,199,000 at 31 December 2003).

Leasing commitments

<i>in thousands of Swiss francs</i>	2004	2003
Remaining term of contract less than 1 year	12,559	10,672
Remaining term of contract between 1 and 5 years	34,185	38,952
Remaining term of contract more than 5 years	11,671	12,860
TOTAL	58,415	62,484

Notes to the consolidated financial statements

Leasing commitments not carried on the balance sheet mainly concern offices rented by Group companies. The amounts shown relate solely to the non-cancellable term of the contract.

V.2 Off-balance sheet operations

<i>in thousands of Swiss francs</i>	2004	2003
Future commitments to deliver securities	95,101	98,592
Future commitments to purchase securities	80,094	86,702

Securities for delivery and to be purchased reflect purchase and sale transactions initiated prior to 31 December 2004 and liquidated after that date, in connection with matched principal activities realised by Tradition London Clearing Ltd, Tradition (Global Clearing) Inc., TFS Derivatives Ltd and Tradition Wertpapierhandel GmbH.

Compagnie Financière Tradition and its subsidiaries were not engaged in any operations involving off-balance sheet financial instruments at 31 December 2004 and 2003.

V.3 Assets pledged or given as guarantees

<i>in thousands of Swiss francs</i>	2004	2003
Cash and security deposits frozen as a guarantee for brokerage activity	11,838	14,975

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.

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 9.32 in 2004 and CHF 7.21 in 2003, based on the weighted average number of shares outstanding in each of these two years.



Contents

REPORT OF THE STATUTORY AUDITORS	52
PROFIT AND LOSS ACCOUNT 2004	53
BALANCE SHEET AT 31 DECEMBER 2004	54 - 55
NOTES TO THE COMPANY FINANCIAL STATEMENTS	56 - 58
PROPOSED APPROPRIATION OF AVAILABLE RETAINED EARNINGS	59

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 (profit and loss, balance sheet and Notes) of Compagnie Financière Tradition for the year ended 31 December 2004.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, financial statements and the proposed appropriation of available retained earnings comply with Swiss law and the company's articles of incorporation.

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

Lausanne, 9 March 2005

Ernst & Young Ltd

Hans Isler
Swiss Certified Accountant
(In charge of the audit)

Simon Durrance
Chartered Accountant



Profit and loss account 2004

<i>in thousands of Swiss francs</i>	Notes	2004	2003
Dividends received	III.1	6,842	10,505
Other operating income		14,789	6,880
Net financial results		-67	6,709
OPERATING INCOME		21,564	24,094
Employee compensation and benefits		-6,247	-1,631
Other operating expenses		-7,062	-3,184
Depreciation and amortisation		-153	-139
OPERATING EXPENSES		-13,462	-4,954
OPERATING PROFIT		8,102	19,140
Exceptional income	III.2	25,561	-
Exceptional expenses	III.3	-1,082	-254
Tax		-444	-1,179
NET PROFIT		32,137	17,707

Balance sheet at 31 december 2004

ASSETS <i>in thousands of Swiss francs</i>	Notes	2004	2003
CURRENT ASSETS			
Cash and call deposits		9,737	9,183
Short-term receivables from affiliated companies		9,032	11,144
Other short-term receivables		3,928	3,232
Marketable securities		1,337	1,681
Prepaid expenses and accrued income		112	156
TOTAL CURRENT ASSETS		24,146	25,396
FIXED ASSETS			
Long-term receivables from affiliated companies	11.2	41,183	50,924
Receivables from direct and ultimate shareholders		1,971	3,370
Other long-term receivables		6,050	6,928
Other net financial assets		6,629	-
Investments	11.1	79,620	73,144
Treasury shares	11.6	15,125	7,367
Tangible fixed assets		461	7,904
Intangible fixed assets		1,288	-
TOTAL FIXED ASSETS		152,327	149,637
TOTAL ASSETS		176,473	175,033



LIABILITIES <i>in thousands of Swiss francs</i>	Notes	2004	2003
CREDITORS			
Short-term bank borrowings		-	18,676
Short-term debts to affiliated companies		17,700	14,779
Short-term debts to shareholders		2,634	249
Other short-term debts		2,737	6,371
Accruals and deferred income		8,061	4,877
Long-term debts to affiliated companies		18,172	8,924
TOTAL CREDITORS		49,304	53,876
SHAREHOLDERS' EQUITY			
Share capital	11.5	13,624	13,503
Share premium		20,193	19,879
General reserve		13,284	13,284
Reserve for treasury shares		15,418	7,367
Other reserves		15,300	15,300
Retained earnings		49,350	51,824
TOTAL SHAREHOLDERS' EQUITY		127,169	121,157
TOTAL LIABILITIES		176,473	175,033

Notes to the company financial statements

I. Accounting principles

Compagnie Financière Tradition's financial statements are prepared in accordance with the accounting principles required by Swiss Law. The December 31, 2003 comparatives relate to statutory financial statements as at this date which were prepared in accordance with SWISS GAAP FER. The same accounting policies have been applied in the preparation of these financial statements as those applied for year ended 31 December 2003.

II. Notes to the balance sheet

II.1 Investments

Compagnie Financière Tradition holds significant interests in the following companies:

	Share capital in thousands of local currency		Percentage in shareholding in %		Acquisition cost in thousands of Swiss francs	
			2004	2003	2004	2003
Tradition Service Holding S.A., Lausanne	CHF	21,350	100.00	100.00	21,242	20,892
Holding Tradition Securities S.A., Lausanne	CHF	250	-	100.00	-	250
Holding Tradition Clearing, Lausanne	CHF	100	-	100.00	-	100
TFS, Lausanne	CHF	3,916	98.79	96.93	49,131	42,463
Tradcom Management, Lausanne	CHF	100	100.00	100.00	100	100
Tradifcom International, Lausanne	CHF	100	100.00	100.00	100	100
Cofitra Investments Inc., British Virgin Islands	USD	5,000	100.00	100.00	8,880	8,880
StreamingEdge.com Inc., New Jersey	USD	1,000	60.00	60.00	1,698	1,698
Other investments					920	930
GROSS TOTAL					82,071	75,413
Provision for depreciation					-2,451	-2,269
NET TOTAL					79,620	73,144

Tradition Service Holding S.A., which absorbed Holding Tradition Securities S.A. and Holding Tradition Clearing with effect at 1 July 2004, and TFS are subholdings, which in turn hold significant interests in companies broking financial and non-financial products for a broad client base consisting mainly of financial institutions and major companies. Tradcom Management and Tradifcom International provide the Group with information technology and telecommunication services. Cofitra Investments Inc. is a financial company that has been dormant since 1988. 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. These provisions stood at CHF 2,451,000 at 31 December 2004 compared with CHF 2,269,000 at 31 December 2003, resulting in a provision expense of CHF 182,000 in 2004, recognised under exceptional expenses.

II.2 Long-term receivables from affiliated companies

This item was composed of the following:

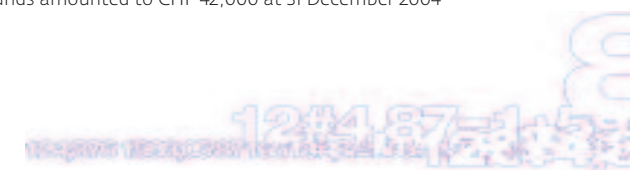
	Receivables in thousands of local currency		Receivables in thousands of Swiss francs		
	Currency	2004	2003	2004	2003
Tradition Service Holding S.A., Lausanne	CHF	41,183	30,273	41,183	30,273
Tradition Service Holding S.A., Lausanne	EUR	-	466	-	726
Holding Tradition Securities S.A., Lausanne	CHF	-	19,925	-	19,925
TOTAL				41,183	50,924

II.3 Fire insurance value of tangible fixed assets

The fire insurance value at 31 December 2004 stood at CHF 12,728,000 for installations and equipment (CHF 7,382,000 at 31 December 2003), and nil for buildings following their disposal during the financial year (CHF 18,383,000 at 31 December 2003).

II.4 Liabilities towards employee pension funds

Current account liabilities towards employee pension funds amounted to CHF 42,000 at 31 December 2004 (nil at 31 December 2003).



II.5 Shareholders' equity

Composition of share capital

At 1 January 2002, share capital stood at CHF 13,261,750 consisting of CHF 2,652,350 shares with a nominal value of CHF 5.00.

A 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.

In November 2003, Compagnie Financière Tradition issued 96,669 new shares at a price of CHF 118.00, increasing the Company's capital by CHF 241,000, with a share premium of CHF 11,166,000.

At 31 December 2003, share capital consisted of 5,401,369 bearer shares with a nominal value of CHF 2.50, for a total share capital of CHF 13,503,422.

In September 2004, 48,400 new shares were issued at a unit price of CHF 9.00, for an increase in share capital of CHF 121,000, with a share premium of CHF 314,600.

At 31 December 2004, share capital was comprised of 5,449,769 bearer shares with a nominal value of CHF 2.50, for a total share capital of CHF 13,624,422.

Major shareholders

At 31 December 2004, the only shareholder holding over 5.00% of equity voting rights in Compagnie Financière Tradition was VIEL et Compagnie Finance, Paris, with 70.42%, compared to 75.41% at 31 December 2003.

The 70.42% interest held by VIEL et Compagnie Finance, Paris, is exercised indirectly through Financière Vermeer BV, Amsterdam, wholly-owned by VIEL et Compagnie, Paris, which itself was 54.91% held by VIEL et Compagnie Finance at 31 December 2004.

Increase in share capital

Share capital may be increased by up to CHF 5,578,327 through the issue of up to 2,303,331 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 is valid until 19 May 2005.

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 1,204,000, through the issue of up to 481,600 bearer shares of CHF 2.50. Such an increase is effected through the exercise of pre-emptive rights by Company employees. The pre-emptive rights of existing shareholders are cancelled. Conditions for employee participation are to be determined by the Board of Directors.

There were 481,600 employee share options outstanding at 31 December 2004, representing a potential increase in capital of CHF 1,204,000. An analysis of these options, which each give the right to subscribe to one CHF 2.50 share, is shown below.

	No. of shares of CHF 2.50 nominal value	Potential increase in capital in Swiss francs		Start of exercise date	Expiry date	Exercise price in Swiss francs
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	on 10.03.01	09.03.12	60.00
Plan of 17.05.02	40,000	100,000	40,000 shares	on 17.05.04	16.05.16	97.50
Plan of 18.09.02	106,094	265,235	106,094 shares	on 18.09.07	17.09.14	81.50
Plan of 08.09.03	50,000	125,000	50,000 shares	on 08.09.05	07.09.13	92.25
Plan of 30.12.04	19,506	48,765	19,506 shares	on 30.12.04	22.02.13	12.00
TOTAL	481,600	1,204,000				

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 pre-emptive 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 pre-emptive 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.

Notes to the company financial statements

II.6 Treasury shares

At 31 December 2004, the Company held 136,263 treasury shares with a nominal value of CHF 2.50, booked at an acquisition value of CHF 15,418,000 less a provision for depreciation of CHF 293,000.

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 2004	7,367	7,367	63,748
Acquisitions	10,904	10,904	99,671
Sales	-2,853	-2,997	-27,426
Capital gain for the year	-	144	-
Depreciation	-293	-293	-
Situation at 31 December 2004	15,125	15,125	136,263

The average transaction prices for acquisitions and disposals of treasury shares in 2004 were CHF 109.00 and CHF 110.00 respectively.

III. Notes to the profit and loss account

III.1 Operating income

Dividends received from subsidiaries in 2004 amounted to CHF 6,842,000 (CHF 10,505,000 in 2003).

III.2 Exceptional income

Gross profit of CHF 27,484,000 was recognised on the disposal of Compagnie Financière Tradition's two buildings in Lausanne. These were sold to its direct majority shareholder at the end of June 2004 for a consideration of CHF 35,000,000, compared with a net book value of CHF 7,516,000. After taking account of a tax expense of CHF 1,923,000, net profit on the sale amounted to CHF 25,561,000. The sale price was based on an independent valuation.

III.3 Exceptional expenses

Exceptional expenses at 31 December 2004 comprise a provision on investments of CHF 182,000 (CHF 254,000 at 31 December 2003), and a provision on other net financial assets of CHF 900,000 (nil at 31 December 2003).

IV. Additional information

IV.1 Commitments and contingent liabilities

in thousands of Swiss francs	2004	2003
Guarantees and commitments to third parties	16	16

At 31 December 2004, Compagnie Financière Tradition guaranteed the credit limits granted to its subsidiary, Tradition Service Holding S.A., by a deed of suretyship for an amount of USD 18,000,000.

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

Leasing commitments

in thousands of Swiss francs	2004	2003
Remaining term of contract less than 1 year	912	-
Remaining term of contract between 1 and 5 years	4,560	-
Remaining term of contract more than 5 years	-	-
TOTAL	5,472	-

These liabilities, not carried on the balance sheet, concern offices rented by the Company. The amounts shown relate solely to the non-cancellable term of the contract.



Proposed appropriation of available retained earnings

<i>in thousands of Swiss francs</i>	2004	2003
RETAINED EARNINGS		
Retained earnings brought forward	25,264	41,145
Transfer to reserve for treasury shares	-8,051	-7,028
Net profit for the year	32,137	17,707
RETAINED EARNINGS AT 31 DECEMBER	49,350	51,824
CHANGES IN RETAINED EARNINGS		
Retained earnings	49,350	51,824
Dividend	-32,810*	-27,007
Dividend on treasury shares	-	447
RETAINED EARNINGS CARRIED FORWARD	16,540	25,264

* Dividend taking account of the increase in Compagnie Financière Tradition's capital by 18,588 shares on 9 February 2005.

A dividend of CHF 5.00 per CHF 2.50 share was paid in the 2003 financial year, for a total payment of CHF 27,007,000.

The Board will be recommending to the Annual General Meeting of 18 May 2005 the payment of a dividend of CHF 6.00 per share.



95.8% = 20,91

54,8420,91

Compagnie Financière Tradition

11, rue de Langallerie, CH 1003 Lausanne
T.: +41 21 343 52 52 • F.: +41 21 343 55 00
www.traditiongroup.com

19,02=%00859#870.7+928
19,0248¥59{3£ 87\$%,79¥
19,0248593870,79234623,4#234%5678%#5.178#215617850,3951678,42119,0248593870,79234623,4#234%5678%#5.178#215617850,3951678,421

859#870.7+928

0248¥59{3£ 87\$ %,79¥



Compagnie Financière Tradition

11, rue de Langallerie - CH 1003 Lausanne
Tél. : +41 21 343 52 52 • Fax : +41 21 343 55 00
www.traditiongroup.com

19,02

19,0248593 870,79284 623,4#8234#66178%#95+1-784#21