

## Chairman's message



Compagnie Financière Tradition realised its fourth consecutive year of strong growth, achieving its ambition to establish itself as a leading global financial broker.

Our consolidated turnover has tripled since 1996, rising 30% over last year to exceed CHF 645 million. Underlying this performance is a coherent strategy of global market coverage and policies aimed at enhancing the value-added content of our services.

Backed by a strongly structured international network, Compagnie Financière Tradition is expanding its geographic spread and enhancing its presence in all the major financial and non-financial markets - money market instruments and derivatives, options, bonds, equities, precious metals and energy.

The dynamism of our teams contributed substantially to the growth and improvement of our competitive positions. This was underscored by innovative acquisitions and partnerships during the year and it is our intention to continue to seek and exploit strategic opportunities as they come along.

Emphasis on providing superior services to our clients, particularly through the increasing use of cutting-edge technologies, is also a keynote feature of our present and future development. In the field of market technologies, Compagnie Financière Tradition is committed to developing, organically and through the acquisition of specialised structures, an expertise that will allow it to anticipate progress in brokering techniques, which in the future will prove to be a determining competitive advantage.

The Company's excellent financial performance during the year allows it to look forward with confidence to continuing its strategic businesses approach: pre-tax profit from continuing operations reached almost CHF 67 million, a year-on-year rise of 52%. Consolidated net profit also showed a substantial rise of 44%, reaching CHF 33.5 million, while the Group's share of net profit improved by almost 68%, to over CHF 28 million or CHF 21.5 per share. This strong set of results provides the Company with the wherewithal to develop new business models, giving it an important competitive edge.

In addition to financing our growth, we are committed to continuing our high-yield policy implemented four years ago. As such, the Directors will be seeking shareholder approval at the Annual General Meeting to increase the dividend to CHF 6 per share. We would like to take this opportunity to thank all our shareholders for their continued loyalty and support.

Patrick COMBES

# Back to basics

*After a euphoric year in 1999, which saw world stock markets surge ahead on the back of the new economy, the last year of the millennium proved a rude awakening for many businesses and investors, albeit at a time when the world growth rate hit a thirty-year high. With the collapse of the Nasdaq, soaring oil prices and a gradual downturn in the world economy, 2000 will remain in the annals as a highly eventful and unpredictable year.*

## **A year of exceptional growth in the world economy, and a continued trend towards globalisation...**

2000 will long be remembered as a year of outperformance as the world growth rate reached its highest level in over a decade, at more than 4%.

This global performance was driven by the American economy, which registered its tenth consecutive year of growth. After a 4% rise in 1999, GDP showed a hefty 5% increase last year, with unemployment steady at 4%. With the economy showing signs of overheating and inflation a real possibility, the Fed reacted vigorously by increasing interest rates six times in eighteen months, no doubt contributing to the abrupt slowdown in the American economy at year-end, rather than the hoped soft landing.

Europe also enjoyed an excellent year. The growth rate in the European Union reached 3.4%, compared with 2.5% the previous year, buoyed by the increase in world demand and solid underlying economies. On the employment front, all members of the European Union registered a spectacular improvement, with unemployment dropping to 8.4% of the working population, compared with 9.2% in 1999. This movement should continue in 2001, with growth forecasted to reach 3%, provided the oil market remains

relatively stable. The increase in the price of crude during the year took its toll on inflation, which rose to 2.3% in 2000 compared with 1.1% the previous year, hitting consumer spending and household consumption.

Japan, which finally emerged from two years of recession, enjoyed modest growth.

Nonetheless, the Japanese economy remains fragile, with continuing deflation, a stubbornly high unemployment rate, a stock market that saw one third of its capitalisation evaporate in 2000 - dropping back to 1986 levels - and a worrying increase in the number of bankruptcies, which continue to weigh on the balance sheets of Japanese banks. Spurred on by the bullish conditions in Europe and in the United States, and the improvements in Japan, the recovery that began in 1999 in the rest of Asia continued in full swing in 2000, with sustained growth in all the countries affected by the 1997 crisis. Exports enjoyed a spectacular rise, helping stimulate domestic demand. However, the prospect of a downturn in the U.S.A., which would negatively impact exports, and the fragility of a banking system that was not completely back on the rails, could slow Asian recovery in 2001, with the exception of China. China, which enjoyed a growth rate of 8% in 2000, should benefit considerably from its impending admission to the World Trade Organisation in 2001.

There was also a turnaround in Latin America at last, with the economies experiencing stronger growth in all areas. Reforms under-

taken over the past ten years also began paying off, with a reorganisation of the banking and financial systems, inflation brought back to measurable levels, and strong growth in direct foreign investments and exports.

In this environment of exceptional growth, the trend towards globalisation continued at an accelerated pace, with an increase in international transactions aimed at constructing multinational giants in what has become the global market. However, the collapse of several high-profile merger attempts and stronger antitrust legislation on both sides of the Atlantic helped tip the scales somewhat in favour of marriages of convenience, exploiting industrial synergies that were keenly welcomed by the markets. In the financial sector, the USD 34 billion takeover of JP Morgan by Chase Manhattan signalled the high point in a year marked by accelerated consolidation and exceptional profitability in the banking sector.

2001 looks set to be more bearish, and fears of a recession in the U.S.A. could negatively impact both Latin America and Asia.

### ... but a year in which the technology bubble burst and world stock markets suffered a serious correction...

#### *World markets: Back to basics.*

After the euphoria of 1999, the major financial markets continued to outperform in the early stages of 2000, driven by the mirage of the new economy. This trend came to an abrupt halt in mid-March when the bubble burst in the technology sector, where valuations had disconnected from underlying profitability. The upsurge in commodities, the cooling of the U.S. economy, increased profit warnings and the shockwaves from the first dotcom bankruptcies in the last months of 2000 exacerbated this phenomenon.

The Nasdaq plummeted 39% in 2000 and almost 50% from its peak during the spring months, to end the year at its June 1999 level. The new markets for European growth stocks followed the Nasdaq for better or for worse, ending the year well down, after progressing 145% in the first quarter in the French Nouveau Marché and close to 90% in the German Neuer Markt.

Shaken by the vertiginous fall in the technology, media and telecommunications

(TMT) sectors, the order of the day in financial markets is “back to basics”, with emphasis placed once again on the fundamentals of growth and profitability in traditional companies.

The Swiss Stock Exchange was one of the rare world markets to have registered any improvement during 2000, with the SMI progressing by 7.5%. This was buoyed by renewed activity in blue chips in the defensive pharmaceutical and food sectors, while TMT stocks took a hammering on the Swiss market, as elsewhere.

Stock market activities were also characterised by unprecedented volatility worldwide, with volumes well above average.

#### *Financial markets ride out high volatility in interest rates, currencies and commodities.*

Turbulence in the stock markets in 2000, coupled with sustained weakness of the euro, surging energy prices, the shaky economic situation in Japan and worries about a hard landing in the U.S. economy, contributed to record activities across the board in both regulated financial and over-the-counter (OTC) markets, as investors flocked to futures and derivatives to hedge their exposure.

Volumes in the OTC markets for derivative products picked up considerably in the first half of the year, with interest rate derivatives accounting for the lion's share. Notional exposure in interest rate derivatives reached USD 64,125 billion at 30 June 2000, up 19% on the year (Source: BIS). Volumes in derivative products traded on the regulated markets followed suit: a total of 236 million contracts were traded on the Paris Stock Exchange, a rise of 29%, while volumes in Germany were up by 28%.

Finally, derivative instruments continued to expand in non-financial products. In this sector, further deregulation of the energy market in Europe and in the Pacific Rim region boosted markets for commodity derivatives, which registered a year-on-year rise of 32% at 30 June 2000 (Source: BIS). Gold remained at the top of the list of traded commodities, but electricity, natural gas and oil also enjoyed buoyant markets. Other products, such as weather derivatives and emission allowances, while remaining marginal, made interesting inroads worldwide, no doubt benefiting from the ongoing debates over the greenhouse effect.

**... while globalisation and new technologies continue to shape the financial sector.**

***New players moved in to occupy strategic positions on the financial scene...***

The advent of new networking technologies was accompanied by a new generation of players offering trading services in the financial markets. The earlier moves towards consolidation in the banking sector and an incremental introduction to electronic trading in the regulated markets have given way to a more deep-seated trend. There has been a redefinition of the role of brokers over the past two years, and the emergence of new forms of brokering has brought new players onto the scene.

The first players in this technological revolution, the Electronic Communication Networks (ECNs), which offer their customers reduced transaction costs, greater execution transparency and extended trading hours, continued to gain ground in American markets, where they now account for up to 40% of daily volumes on the Nasdaq.

Even more recently, the European market was confronted with the arrival of new actors, including the Jigsaw exchange, a 60:40 joint venture, launched in November 2000 by OM Gruppen AB and Morgan Stanley Dean Witter & Co. At the same time, Consors announced that it intended to launch an electronic exchange aimed at private investors, and to this end purchased a 10% interest in the Berlin Stock Exchange.

On a broader level, numerous trading systems have been developed over the past two years, covering, with greater or lesser degrees of success, most financial and non-financial products. In the bond market, for example, the number of platforms catering to the American market has increased sevenfold in four years, reaching 73 at the end of 2000. This rise in the number of electronic exchanges for products such as bonds, electricity, currency options, etc., has served to fragment these markets, making the role of broker even more essential to provide market participants with liquidity and therefore with the fair price.

***... engendering an immediate reaction from the world's major stock exchanges, caught up since the beginning of the year in the momentum towards globalisation, as they seek to unlock market value.***

Efforts by these new players to enter the newly unified European market met with a spate of consolidations among the European Exchanges during the year. Amsterdam, Brussels and Paris were the first to make a move by announcing their merger on 21 March. The new entity, Euronext, allows cross-listed securities to be traded on a single exchange, while maintaining the individual national markets. A central clearing system should also be operational some time after June 2001 for all products traded on the three markets.

On 3 May, the Frankfurt and London Stock Exchanges in turn announced a planned joint venture, the iX (International Exchange). The project provoked severe criticism on both sides of the Channel, and quickly became unhitched when OM Gruppen AB, the Swedish operator and owner of the Swedish Stock Exchange launched a hostile takeover bid on the London Stock Exchange. The raid, which had failed at 31 December 2000, led the LSE to break off the proposed tie-up with Frankfurt.

Finally, the Zurich Stock Exchange decided to forge its own path, by joining forces with Tradepoint, the London-based electronic market, to create a pan-European equities market.

This consolidation movement extends well beyond the frontiers of Europe. The Chicago Mercantile Exchange is studying a possible partnership with the Tokyo Stock Exchange, while the Nymex is courting the London-based International Petroleum Exchange, and the Nasdaq is pushing for closer ties with the London and Frankfurt Stock Exchanges.

2001 should prove to be a year of substantial change as the major market players pursue their comprehensive development in an effort to adapt to a world where technology transcends all borders. Huge technological investments are required if they are to offer unified trading tools to a global clientele. With this goal in mind, Euronext and the Deutsche Börse following the example of the Stockholm Stock Exchange are seeking to fund a new round of consolidation through an IPO.

## Year at a glance

### February 2000

Compagnie Financière Tradition becomes a member of the South African Futures Exchange (SAFEX) through its newly created subsidiary, TFS Futures & Options Pty. Ltd.



### June 2000



Compagnie Financière Tradition, through its American subsidiary, takes over the activities of ASIEL & Co. LLC, a founding member of the New York Stock Exchange, thereby becoming a member of the NYSE.

### July 2000

Compagnie Financière Tradition and Garban Intercapital join forces to create the world leader in currency options brokerage, TFS-ICAP, operating on seven financial markets.

### August 2000

TFS and the former New York energy group of Sakura Dellscher Inc. get together to create a leading broker of energy products and their derivatives in the United States: TFS Energy LLC.



### October 2000

Symbol	Price	Change	Volume	Open	High	Low	Close
AMZN	34.12	-0.12	1,234,567	34.24	34.50	33.80	34.12
GOOG	205.12	+1.50	987,654	203.62	206.00	202.00	205.12
MSFT	28.75	-0.25	2,345,678	29.00	29.25	28.50	28.75
IBM	125.50	+0.50	1,567,890	125.00	126.00	124.50	125.50
ORCL	35.20	-0.20	1,890,123	35.40	35.60	35.00	35.20
YHPP	10.10	+0.10	3,456,789	10.00	10.20	9.90	10.10
MSM	15.80	-0.10	2,123,456	15.90	16.00	15.70	15.80
ELI	22.30	+0.30	1,678,901	22.00	22.50	21.80	22.30
AME	18.90	-0.10	1,345,678	19.00	19.10	18.80	18.90

Creation of TFS Blackwood, a company specialised in day trading, which is due to open a trading room for professional traders, in London, in the second quarter of 2001.

### December 2000

Compagnie Financière Tradition rents, through one of its affiliates, VIEL Eurovaleurs' brokerage operations in European government debt.

**Milestones in the history of Compagnie Financière Tradition can be found at [www.traditiongroup.com](http://www.traditiongroup.com)**

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**March 2000** Compagnie Financière Tradition signs an additional contract on TFS  
Compagnie Financière Tradition purchases through its equity derivatives, TFS & Co. in 10 TFS contracts in TFS London. The same day, Compagnie Financière Tradition is looking in TFS in 62,215.

**June 2000** Tradition becomes a member of the NYSE  
Tradition Inc. New York, now Tradition Asset Services, a direct subsidiary of Compagnie Financière Tradition, takes over the operations of Asiel & Co. LLC, one of the founding members of the New York Stock Exchange. The agreement makes the TRADITION Group to become a member of the NYSE and NASDAQ, and to accept the steady expansion of its securities brokerage arm.

## Information for shareholders

*At 31 December 2000, the share price stood at CHF 215, with a market capitalisation CHF 279.0 million.*

### Share performance

After surging ahead 200% in 1999, Compagnie Financière Tradition shares continued their rise in 2000, reaching CHF 215 on 31 December 2000, a year-on-year increase of 18.8%. This very strong performance compares well with all world benchmark indices, outperforming the SMI, which progressed 7.5% over the year and was one of the rare major stock markets to have generated an overall gain.

Volumes traded continued to rise and confirmed investor interest in the stock.

The share price peaked at CHF 290 in March, following the release of record results for 1999, then dropped back before firming again in August in response to the release of half-yearly turnover figures and again in September after half-yearly results announced a continuing improvement in Compagnie Financière Tradition's main operating ratios.

### Share capital

#### • Evolution during the year 2000

Share capital at 31 December 1999, stood at CHF 1,268,350, consisting of 12,683,500 shares of CHF 10.

It was increased by CHF 291,500 in April 2000 through the creation of 29,150 new bearer shares of CHF 10, following the exercise of share options. This increase, accompanied by a share premium of CHF 682,110, brought Compagnie Financière Tradition's share capital to CHF 12,975,000 at 31 December 2000.

#### • Proposed share split

The Board of Directors is seeking shareholder approval to split each bearer share of CHF 10 into two, thereby reducing the nominal value of the Company's shares from CHF 10 to CHF 5. Implementation of the decision to reduce the nominal value of bearer shares to CHF 5 will be subject to the amendment of Article 622 (4) of the Code of Obligations.

### Stock market data

	2000	1999
Share price at 31 December	<b>CHF 215.00</b>	CHF 181.00
Number of shares at 31 December	<b>1,297,500</b>	1,268,350
Market capitalisation at 31 December (CHF million)	<b>CHF 279.0</b>	CHF 229.6
Price Earnings Ratio	<b>9.95</b>	13.74
Net consolidated profit per share*	<b>CHF 21.89</b>	CHF 13.22
Net dividend per share	<b>CHF 6.00</b>	CHF 5.00

\* based on the weighted average number of shares outstanding in each year

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

**A website devoted to shareholder information:**

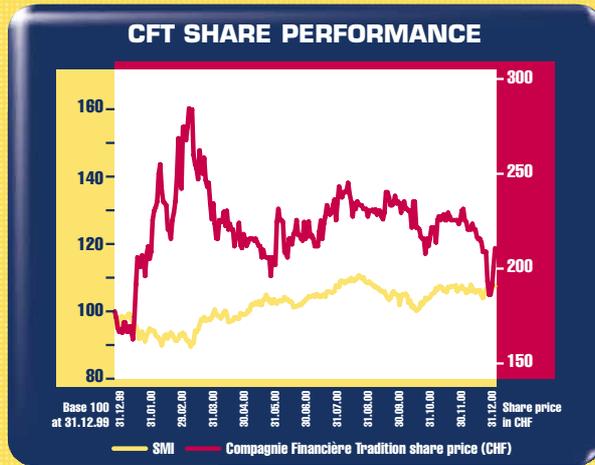
- > Share price
- > Press releases
- > Press review
- > Shareholders' forum
- > Financial analysis
- > Financial information

#### Contacts:

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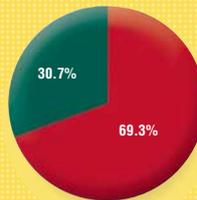
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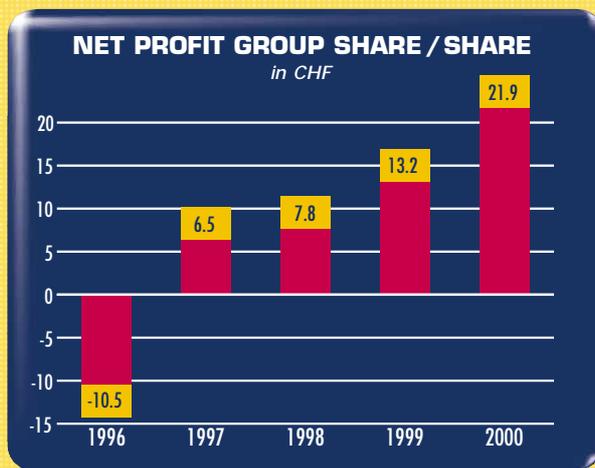
### SHARE CAPITAL at 31 December 2000

The 69.28% equity voting rights held by VIEL & Cie, Paris, are exercised indirectly through Financière Vermeer B.V.,



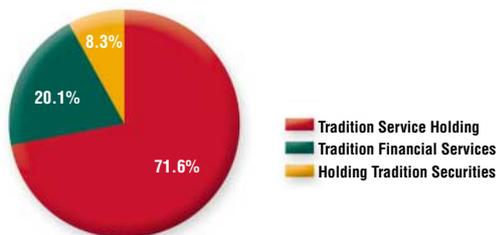
Amsterdam, wholly owned by VIEL & Cie, which itself was 57.28% held by VIEL & Cie Finance at 31 December 2000.

■ VIEL & Cie  
■ Public



*Compagnie Financière Tradition intensified its professional brokerage activities in 2000, with consolidated turnover up 30% on the year at CHF 645.1 million. The operating margin also rose strongly, with net profit-Group share reaching CHF 28.0 million, up by 68% over the previous period. Strategic partnership arrangements and external growth operations were also stepped up, with the Company strengthening its competitive position across a broader portfolio of products, while accelerating the integration of new technologies into all its business activities.*

### TURNOVER BY GEOGRAPHICAL AREA



## TSH Group

*Tradition Service Holding, the traditional core of Compagnie Financière Tradition's brokerage activities, ranks among the top three global players in pure brokerage in money markets, interest rate derivatives, developing country debt and credit derivatives.*

### Continental Europe

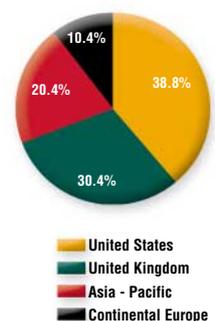
Tradition Service Holding acts as a broker in over-the-counter (OTC) markets, functioning as the transaction partner between two counterparties and earning a commission on such trades. It has a much larger footprint in continental Europe than any of its principal competitors, realising over 10% of its activities from its operations in Lausanne, Luxembourg, Milan and Paris. These desks primarily serve a local clientele, registering a

global turnover of CHF 48.1 million in 2000. This figure remained virtually unchanged from the previous period, despite the continuing consolidation in the banking sector. Underlying this performance was the favourable development of activities in Lausanne, Milan and Paris, while the Luxembourg desks registered a slight decline in business.

### United Kingdom

With an experienced team of 242 brokers, Tradition (UK) Ltd. continued to build on its success, generating a turnover of CHF 140.2 million in 2000, a year-on-year increase of 12%. These encouraging results were obtained despite the difficult market climate, marked by low interest rate volatility, which affected most of its competitors. Tradition (UK) Ltd. maintained its leadership in its core sector of interest rate derivatives,

### TSH TURNOVER BY GEOGRAPHICAL AREA





**773 BROKERS  
14 OFFICES  
IN 11 COUNTRIES**

**71,6%  
of consolidated  
turnover**

**PURE BROKERAGE IN:**

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



in both euro and sterling operations. The recruitment of teams in 1999, to develop traditional brokerage activities, also produced excellent results in 2000, with a substantial improvement in both market share and product profitability. Finally, the Company continued its successful development of new business activities, particularly in the emerging markets sector, where “exotic” products, such as the Turkish lira and African rand, generated strongly increased revenues and satisfactory profitability. Tradition (UK) Ltd. is now firmly ensconced as an important player in the City, and should benefit from more favourable market conditions in 2001.

**United States**

The Company further built on the success of its business activities in the U.S.A., which now represent close to 40% of its consolidated turnover, against 25% in 1999. Newly located in more spacious premises since the end of 1999, Tradition (North America) Inc. and its subsidiary, Tradition Asiel Securities Inc. took advantage of the consolidation movement among its competitors to attract new teams to its ranks, bringing the number of brokers to 212 at the end of 2000, compared to 160 the previous year. Against this favourable background, Tradition (North America) Inc. scored substantial gains in market share in each of its brokered products, with turnover up by 60% on a like-for-like basis.

On 30 June 2000, Tradition (Government) Securities Inc. took over the operations of Asiel & Co. LLC, one of the founding members of the New York Stock Exchange back in 1878, changing its name to Tradition Asiel Securities Inc. This merged entity has now become a member of the NYSE, offering clients a broad portfolio of products covering all fixed interest securities, as well as equities and equities arbitrage. Including these operations, Tradition Service Holding’s turnover in the U.S.A. more than doubled in 2000, with profitability increasing strongly. This trend is expected to continue in 2001, powered by the exploitation of synergies between these activities and Tradition Service Holding’s other desks around the world.

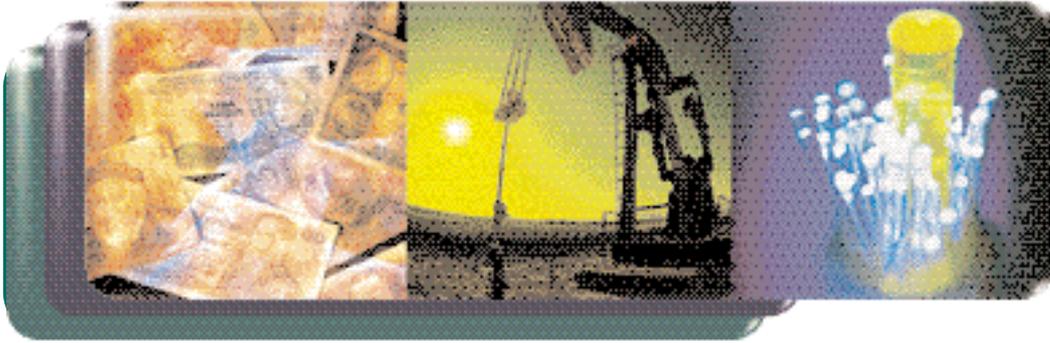
**Asia**

The Company realised over 17% of its consolidated turnover in Japan, through its subsidiary, Meitan Tradition Co. Ltd., in which it has a 55% controlling interest. Meitan Tradition Co. Ltd. continued to build

on its success in the region, with turnover up 16% in 2000. It maintained its leadership position in the medium-term yen swaps market, where it enjoys a market share approaching 40%. The new team, recruited at the end of 1999 for spot currencies in dollar/yen and euro/yen operations, quickly asserted itself as the leading broker in this market, offering quality service to its clients. Finally, Meitan Tradition Co. Ltd. consolidated its position in the important forwards markets, particularly in dollar/yen transactions. Meitan Tradition Co. Ltd. is expected to consolidate its leadership in 2001.

The persistent sluggishness of the Japanese economy continued to negatively impact the Asian financial markets, such as those in Hong Kong and Singapore, which were also confronted with a reduction in the number of banks in the region. Against this adverse trading background, Ong Tradition Singapore (Pte) Ltd., 49% owned by Tradition Service Holding, again suffered declining revenues, while maintaining its leadership position in the market for dollar deposits. However, having kept a tight rein on operating costs, Ong Tradition Singapore (Pte) Ltd. returned to profit after two years of minor losses. In Hong Kong, Tradition (Asia) Ltd. registered an increase in activities, despite the morose trading climate, buoyed by new activities launched in 1999 in two areas: credit derivatives and Switchfix. The latter is an online tool developed by Tradition (Asia) Ltd., designed to allow automatic clearing of residual risk positions in swaps. Finally, China’s impending admission to the World Trade Organisation in 2001, and the liberalisation of the Chinese financial markets expected to result from it, should favourably impact Tradition Service Holding, which should benefit from a privileged position in this market through its representation desk, opened in Beijing in 1997 by Compagnie Financière Tradition.

*With consolidated net profit reaching CHF 29.6 million, compared with CHF 15.1 million in 1999, Tradition Service Holding confirmed the excellent orientation of its business activities. In 2000, the Company consolidated its market shares and profitability in the world’s three principal financial markets, London, New York and Tokyo, while maintaining regional teams that allowed it to grow its client base.*



## TFS Group

TFS, 68.4% owned by Compagnie Financière Tradition, has been pursuing a two-pronged strategy over the past eighteen months. Its prime focus was to enhance its competitive position in traditional core operations, by securing strategic partnerships with a number of its competitors. In July 2000, the Company merged its activities in currency options with those of its closest competitor, Garban Intercapital, creating the world's leading brokerage company in the sector. The new division, TFS-ICAP, with offices in London, Copenhagen, Frankfurt, New York, Sydney, Tokyo and Singapore, boasts very substantial trading volumes and has cornered a large part of the market for currency options.

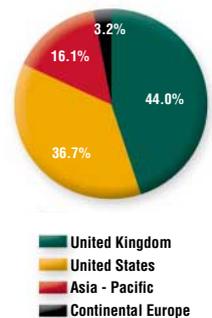
In August, TFS merged its U.S. energy operations with those of another competitor, Sakura Dellscher Inc., to form a new company, TFS Energy LLC and its subsidiary, TFS Energy Futures LLC, an introducing broker on the NYMEX. This move will give TFS critical mass in a broad range of energy-related products in the fields of electricity, natural gas, coal, emission allowances, weather derivatives and bandwidth capacity, in both over-the-counter (OTC) markets and on the NYMEX.

These two joint ventures give TFS a strategic presence in the key sectors of energy and currency options. The Company also expects to realise economies of scale from the broader portfolio of products and extended client base.

In an effort to further streamline profitability, the Company undertook an important restructuring of its traditional activities during the year. In Japan, equity derivatives operations at its loss-making Tokyo office were wound down.

Since 1999, while underscoring its traditional operations, TFS has pursued a policy of selective expansion into new activities related to its original core businesses: Capstone Global Energy LLC, created in June 1999 and 50% owned by TFS, provides energy-related consulting services. Its broad client base comprises participants in the world's deregulating and restructuring energy markets. The Recruitment Company, created in September 1999, specialises in job placement in the financial and new technologies sectors. Equitek Capital, created in July 2000, is a venture capital company. TFS Blackwood LLC, created in October 2000, is

**TFS TURNOVER BY GEOGRAPHICAL AREA**





**232 BROKERS**  
**12 OFFICES**  
**IN 9 COUNTRIES**

**20.1%**  
of consolidated turnover

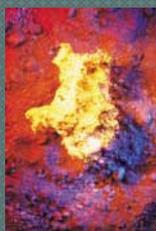
**PURE BROKERAGE IN:**

- Currency options
- Equity derivatives
- Precious metals
- Energy
- Pulp and paper

**RECRUITMENT**

**VENTURE CAPITAL**

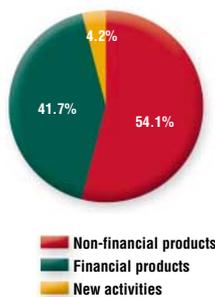
**DAY TRADING**



a company specialised in day trading, which is scheduled to open the first trading room, in London, in the second quarter of 2001. The Company will be offering individual professional traders direct access to American Stock Exchanges.

Consolidated turnover remained virtually unchanged from the previous year, at CHF 130.1 million. An analysis of the situation is shown below:

**TFS TURNOVER BY SEGMENT**



**Financial products**

Brokerage activities in financial products now represent 41.7% of aggregate turnover, compared with 49.7% in 1999.

Underlying this relative slide was the more hostile environment for currency options over the past two years. This sector has been negatively impacted by the implementation of the single currency and consolidation in the banking sector, while the disappearance of several formerly significant participants has drained liquidity in this market.

TFS continued to grow its operations in equity derivatives, with the creation of a South African subsidiary, TFS Futures & Options Pty. Ltd., a member of the South African Futures Exchange (SAFEX). The business conducted on this “virtual exchange” is handled by TFS’s London office, allowing TFS to grow its activities in the British capital. The Company is now strongly positioned in Europe, the leading world market for equity derivatives. In Asia, the Company decided to close its Japanese operations, following a sharp fall-off in business activities, while retaining a slimmed down team in Hong Kong.

**Non-financial products**

Consolidated turnover for brokering activities in non-financial products reached CHF 70.4 million, up 11% on the previous year.

After a strong rise in the fourth quarter of 1999, gold prices dropped back to settle at between USD 262 and 310 an ounce throughout 2000. This weakness led producers and investment fund managers to limit hedging operations, while the major banks trimmed back activity in this market. This environment negatively impacted TFS which, while maintaining its leadership position in the gold market, suffered a sharp slowdown in its brokerage activities in precious metals.

Activities in a wide range of energy derivatives developed very satisfactorily in 2000, and now represent 38% of TFS’s consolidated turnover. This strong showing includes a substantial contribution from TFS Energy LLC, which developed its activities in natural gas in the U.S.A. and Canada, and strengthened its presence in the market for weather derivatives and emission allowances. In the electricity sector, TFS again benefited from the deregulating markets - with its London, Frankfurt and newly created Australian offices all turning in good performances - while strengthening its market share in the United States. Stronger oil prices throughout 2000 boosted brokerage earnings in the United Kingdom in this sector, although the Asian market was rather more sluggish. Finally, moves to develop the pulp and paper market were amply rewarded in 2000 when TFS negotiated the largest ever fixed-price transaction in the market, establishing it as the leading broker in this fledgling sector.

*These new activities and the loss-making operations in Japan, which were wound down at the end of the year, weighed heavily on profitability, with consolidated net profit declining steeply to CHF 0.8 million.*

# HTS Group

*Holding Tradition Securities, a wholly owned subsidiary of Compagnie Financière Tradition, handles all brokerage activities in the financial futures markets, as well as the equity and bond products of Tradition Securities And Futures S.A. and its subsidiary, MIA. The Company's consolidated turnover reached CHF 53.3 in 2000, an increase of 35% over the previous period, with net results at breakeven point.*

Tradition Securities And Futures S.A. (formerly STAFF S.A.), in which Holding Tradition Securities took a 78% controlling interest in September 1998, is a major broker in the European financial futures markets, and a leader in options. Tradition Securities And Futures S.A. is a member, directly or through its London subsidiary, of the MATIF, Eurex and LIFFE.

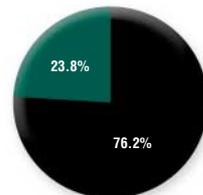
The European financial futures markets were strongly dominated by the Eurex in 2000, which represented 62% of volumes traded, primarily as a result of its landmark contract on the bund. The MONEP, LIFFE and MATIF followed, trading roughly equivalent volumes. Tradition Securities And Futures S.A. continued to grow its Paris- and London-based operations during the year, registering a global increase in turnover of 18.8%, at CHF 31.3 million.

The Company also enhanced its geographic footprint with the opening of a Lausanne branch in August 2000. This operation offers its predominantly Swiss clientele a complete portfolio of exchange-traded interest rate and currency products in both Europe and in the United States.

During the year, Tradition Securities And Futures S.A. also developed the activities of its subsidiary, Prominnofi, a specialist screen-based broker dealing in French government securities for primary dealers in France and elsewhere. Prominnofi, which was taken over by Tradition Securities And Futures S.A. at the end of 1999, registered a turnover of CHF 5.3 million. The two companies merged at the end of 2000.

Finally, on 27 December 2000, Tradition Securities And Futures S.A. rented the

## HTS TURNOVER BY GEOGRAPHICAL AREA



Continental Europe United Kingdom

business of VIEL Eurovaleurs, a subsidiary of VIEL & Cie, majority shareholder of Compagnie Financière Tradition, specialised in pure brokerage in French and European government debt. This management rental will enable Tradition Securities And Futures S.A. to complete its portfolio, offering pure brokerage services in addition to matched principal activities in French government securities, and situate it among the leading French brokers of government securities.

MIA, 55% owned by Tradition Securities And Futures S.A., a brokerage company specialised in the French equities market, continued to grow its business, with turnover up by more than 50%. In parallel with its traditional core brokerage activities, MIA focused on the primary market, devoting important resources to developing this business. Its efforts were highly successful, and the Company participated in 18 IPOs during the year, primarily on the non-regulated market.

*Compagnie Financière Tradition continued to strengthen its securities brokerage arm. In addition to operations conducted by Holding Tradition Securities, the successful development of activities at Tradition Asiel Securities Inc., in American securities, Tradition (UK) Ltd. in warrants and convertible bonds, and TFS in the sector of equity derivatives, enabled Compagnie Financière Tradition to realise close to 26% of its consolidated turnover in the securities markets - 10% of which was on equities and equity derivatives - and will gradually establish it as a world leader in this sector.*



**72 BROKERS**  
**4 OFFICES**  
**IN 3 COUNTRIES**

**8.3%**  
of consolidated turnover

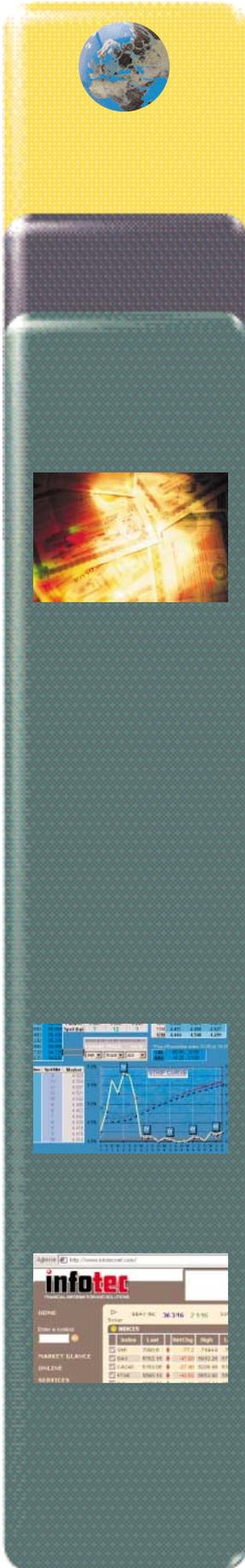
### BROKERAGE IN:

- Equities
- Government and private bonds
- Financial future markets

### IPOs:

- Initial public offerings





## Clearing Activities

Compagnie Financière Tradition created a dedicated clearing company, Holding Tradition Clearing, which controls Tradition (Global Clearing) Inc. in the United States and Tradition London Clearing Ltd. in London, a company created in 1999. These two companies act as principals for the benefit of all affiliates of the Group, with the exception of Tradition Securities And Futures S.A., able to handle such transactions directly.

By using Tradition (Global Clearing) Inc. and Tradition London Clearing Ltd., clients of the different affiliates of Compagnie Financière Tradition may, if they so wish, carry out transactions without revealing their market position. Tradition (Global Clearing) Inc. and Tradition London Clearing Ltd. intervene in this instance as a screen between

the counterparties, by taking two simultaneous positions that are cleared instantly. Tradition (Global Clearing) Inc. has been a member of the GSCC (Government Securities Clearing Corporation) since the American repos market switched to a principal brokerage mode.

All matched principal activities are controlled by a credit committee that sets the limits allocated to each counterparty and ensures they are respected. These operations, which respond to a growing demand among Tradition's clients, represent around 5% of consolidated revenues. The risk taken by Compagnie Financière Tradition on such operations is limited, since the majority of these transactions were carried out with the GSCC.

## Technology Affiliates

Several years ago, Compagnie Financière Tradition identified the two major phenomena that would change the face of the financial markets - a convergence of regulated and OTC markets and the growing importance of new-wave technologies in the financial sector. Over the past two years, the financial markets have undergone a profound technological revolution, characterised by the emergence of new players and the implementation of strategic alliances that have gradually redrawn the world financial landscape.

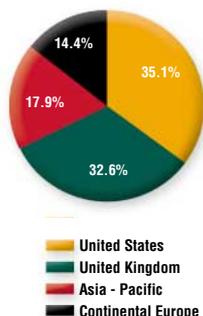
Against this backdrop, in March 1999, Compagnie Financière Tradition took a significant equity stake in Infotec S.A., a Swiss company specialised in providing online financial information and in the development of online financial management application programmes. This stake is underscored by a strategic and commercial partnership, which has enabled Compagnie Financière Tradition to equip its trading rooms with cutting-edge technology. In the medium-term, this should allow it to leverage better value from its available market information capital.

During the year, Compagnie Financière Tradition also acquired a 60% holding in StreamingEdge.com Inc., an American company which develops software that allows the delivery of live streaming data directly to the user via the Internet. This streaming technology has been used by Compagnie Financière Tradition in the development of a transactional platform for its subsidiary, Tradition Securities And Futures S.A., which should be offering its clients a dedicated online trading platform for government securities some time in the second half of 2001. The Internet standards used by this platform will make it quicker and cheaper than all other products available to date.

These early-stage projects weighed on profitability during the year, but are expected to establish Compagnie Financière Tradition as a cutting-edge technology oriented broker, offering clients an important value added service and innovative transactional platforms.

# Group Profits

**TURNOVER  
BY GEOGRAPHICAL AREA**



Consolidated turnover reached CHF 645.1 in 2000, compared with CHF 496.6 million in the previous period, generating an operating profit of CHF 51.4 million, up 46% on the year, for an operational performance of 8.0% of turnover, against 7.1% in 1999 and 5.5% in 1998.

These very encouraging figures reflect the Company's firm grip on operating expenses, particularly in the area of costs of telecommunications and purchasing financial information, which declined further to 9.0% of consolidated turnover against 9.6% in 1999. Compagnie Financière Tradition benefited from the overall structural drop in prices in this market, further accentuated by continual renegotiation of its principal contracts. The Company should also be able to leverage better value from its available market information capital in 2001, in order to reduce its cost of purchasing financial information and, in the medium-term, to become a net seller of information.

The Company actively recruited new teams during the year, which had a slightly negative impact on personnel costs, which reached 66.7% of consolidated turnover against 66.0% in 1999. The movement towards consolidation, begun two years ago among financial brokers and more generally throughout the banking sector, should gradually lighten the pressure on brokers' salaries and allow the Company to further improve its operating margin.

Net financial income rose to CHF 15.5 million, against CHF 9.1 million in 1999. Compagnie Financière Tradition, through its subsidiary, MIA, held a 1.7% interest in ParisBourse<sup>SBF</sup> S.A., on which it received a dividend of CHF 1.2 million in 2000, in addition to a gain of CHF 3.7 million recognized at the time of the merger of the French, Belgium and Dutch Stock Exchanges within Euronext N.V., in which it now holds an indirect 0.93% equity stake. The Company also recognised net interest income and exchange gains of CHF 9.5 million during the period.

Pre-tax profit reached CHF 66.9 million compared with CHF 44.2 million in 1999. The Company took a consolidated tax charge of CHF 31.5 million, or 47% of pre-tax profit, compared with 45% in 1999. This slight increase came on the back of deficits registered by a number of TFS subsidiaries, and the using up of all of the tax loss carry-overs of Meitan Tradition Co. Ltd. at the end of 1999. Compagnie Financière Tradition launched an in-depth study in 2000 to rationalise its organisation and so improve its consolidated tax rate. The first measures are expected to bear fruit some time in the second half of 2001.

The contribution of subsidiary undertakings, consolidated under the equity method, showed a deficit of CHF 1.9 million in 2000 and included the Company's share of net losses from Infotec S.A., of CHF 2.2 million, and net income of CHF 0.3 million from Govdesk LLC.

Consolidated net profit rose by 77% to reach CHF 33.5 million in 2000, including CHF 28.0 million Group share, up 67.8% compared with 1999. This performance represented a return of 21.0% on consolidated equity at 31 December 1999. At 31 December 2000, shareholders' equity stood at CHF 176.4 million - of which 146.6 million for the Group share - with a consolidated net cash position of CHF 89.9 million, reflecting the Company's robust financial situation.

**OPERATING  
MARGIN**

**8.0%**

**NET MARGIN**

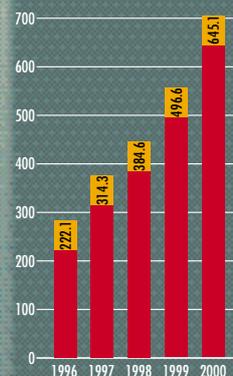
**5.2%**

**RETURN ON  
EQUITY**

**21.0%**

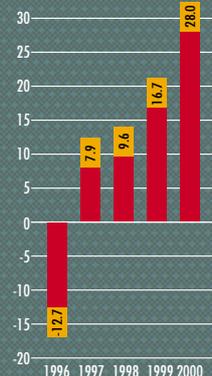
**CONSOLIDATED  
TURNOVER**

*in millions of Swiss francs*



**NET PROFIT  
GROUP SHARE**

*in millions of Swiss francs*



# Company Results

On 1 July 1998, Compagnie Financière Tradition transferred its commercial brokerage activities in the capital markets to Tradition S.A., Lausanne. Since then, Compagnie Financière Tradition has become a pure holding company, and no longer exercises any form of operational activity.

Company results for 1999 and 2000 cover only these pure holding activities. Dividends from subsidiary undertakings amounted to CHF 1.6 million during the period, while other operating income amounted to CHF 1.3 million. Financial income stood at CHF 3.6 million.

Operating expenses were significantly lower at CHF 3.0 million compared with CHF 5.3 million in 1999.

In 2000, as in 1999, the Company recorded a net write-back of provisions for depreciation of its equity investments, which reached CHF 12.6 million in 2000 against CHF 15.6 in 1999. This situation reflected the marked improvement in profitability of its subsidiary Tradition Service Holding, whose consolidated equity reached CHF 29.6 million, compared with CHF 6.8 million the previous year.

After taking a tax charge of CHF 0.2 million, net profit for the year amounted to CHF 15.2 million against CHF 20.3 million in 1999, bringing shareholders' equity to CHF 128.9 million.



## Outlook

The profound changes affecting the brokerage industry, where Compagnie Financière Tradition is now a major player, are likely to continue and even accelerate during the coming year. The technological developments that have been taking shape over the past few months, with the increasing role of electronic platforms and the gradual emergence of new forms of information distribution, could lead to a reconfiguration of the competitive landscape.

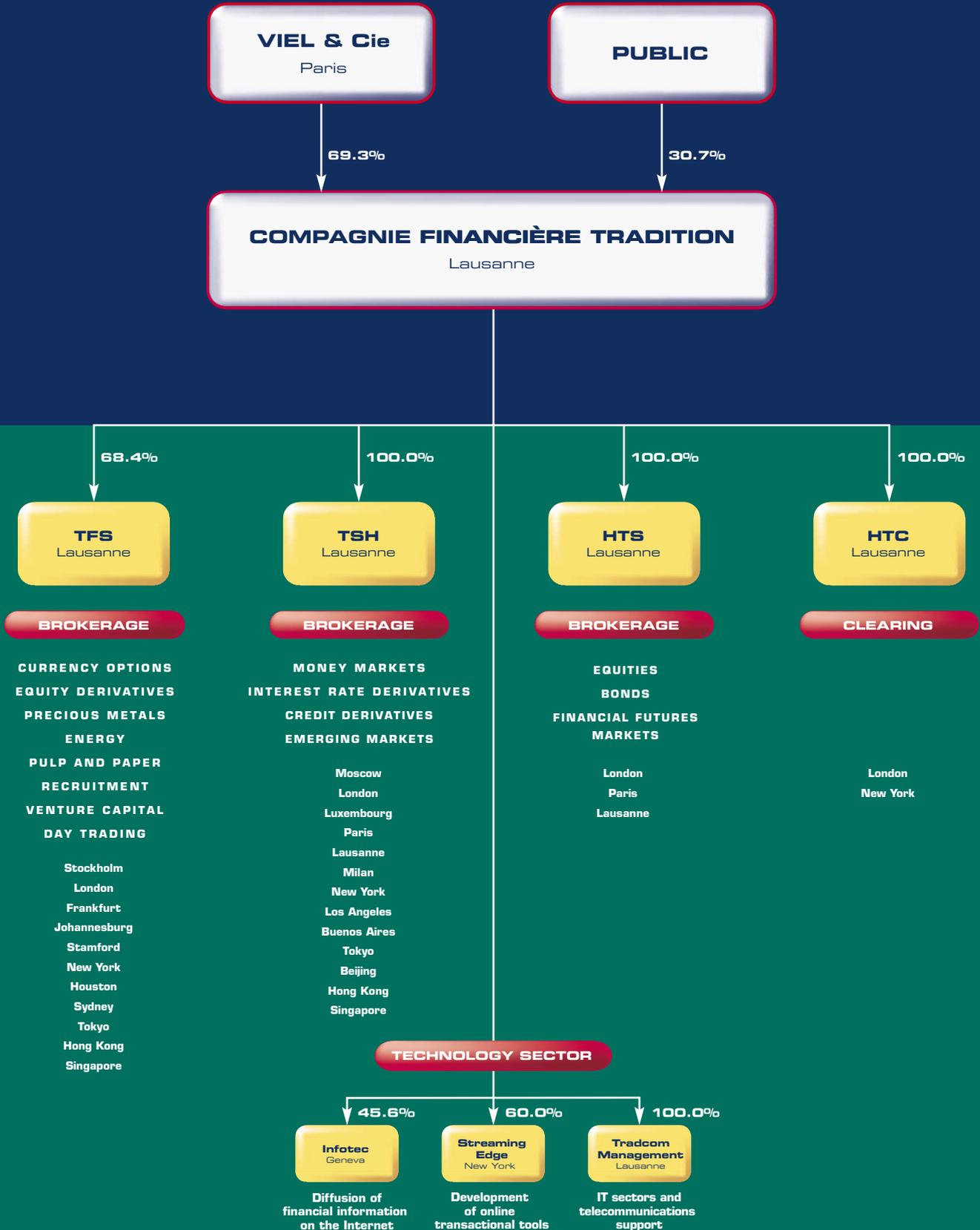
Against this backdrop of a profoundly changing environment, Compagnie Financière Tradition increased its strategic partnerships and mergers during the year. It will continue selectively to analyse opportunities as they arise, in a drive to strengthen its effective presence in a number of markets and products through the acquisition of teams or companies, in line with its

commitment to maintain profitability. The Company is also committed to building on its leadership position in a number of markets in order to leverage better value from its market information.

The technological partnerships initiated over the past two years will enable the Company to consolidate its role as a forerunner in the new finance-oriented technologies over the next few months. This is part of its policy to provide innovative responses to clients' needs by integrating high value-added teams and transactional systems based on cutting-edge technology.

Finally, the Company is committed to promoting its image, as a listed company, with both Swiss and foreign investors.

**Organisation chart at 31.12.2000**



Note : Names of companies and their percentage shareholdings are detailed in the Notes to the consolidated financial statements on pages 24 and 25.

## CONSOLIDATED FINANCIAL STATEMENTS

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**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2000**
**ASSETS**

in thousands of Swiss francs	Notes	2000	1999
<b>CURRENT ASSETS</b>			
Cash	III.1	45	528
Call deposits	III.1	72,682	59,485
Short-term deposits	III.1	47,537	63,639
Trade debtors	III.2	93,345	72,029
Receivables linked to account holder activities	III.6	52,552	43,072
Other short-term receivables	III.2	16,594	11,599
Receivables from affiliated companies	III.2	4,821	5,132
Receivables from shareholders and associated companies	III.7	7,648	1,346
Marketable securities	III.1	49,881	33,720
Prepaid expenses and accrued income	III.2	8,922	8,438
<b>TOTAL CURRENT ASSETS</b>		<b>354,027</b>	298,988
<b>FIXED ASSETS</b>			
Other long-term receivables	III.2	10,218	12,147
Subsidiary shares and non-consolidated investments	III.3	8,181	2,868
Treasury shares	III.3	937	514
Tangible fixed assets			
• Installations and equipment	III.4	19,140	19,538
• Buildings	III.4	7,516	7,516
Intangible fixed assets	III.4	8,430	4,712
<b>TOTAL FIXED ASSETS</b>		<b>54,422</b>	47,295
<b>TOTAL ASSETS</b>		<b>408,449</b>	346,283

## LIABILITIES

in thousands of Swiss francs	Notes	2000	1999
<b>CREDITORS</b>			
Short-term bank borrowings	III.1	<b>30,408</b>	6,512
Debts to shareholders and associated companies	III.7	<b>8,390</b>	10,945
Other short-term debts	III.5	<b>35,488</b>	38,434
Debts linked to account holder activities	III.6	<b>50,882</b>	41,133
Taxes payable	III.5	<b>23,105</b>	21,393
Accrued expenses and deferred income	III.5	<b>76,030</b>	55,924
Long-term debts	III.5	<b>4,416</b>	6,718
Contingency and loss provisions	IV.3	<b>3,376</b>	3,376
<b>TOTAL CREDITORS</b>		<b>232,095</b>	184,435
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	III.8	<b>12,975</b>	12,684
Share premium		<b>2,117</b>	1,435
General reserve	III.9	<b>17,570</b>	17,570
Reserve for treasury shares		<b>514</b>	-
Special reserve		<b>3,100</b>	3,100
Other reserves		<b>15,300</b>	15,300
Consolidated reserves	III.10		
• Group share		<b>94,984</b>	83,190
• Minority interests		<b>29,794</b>	28,569
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>176,354</b>	161,848
<b>TOTAL LIABILITIES</b>		<b>408,449</b>	346,283

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

<b>in thousands of Swiss francs</b>	<b>Notes</b>	<b>2000</b>	1999
Net turnover	IV.1	<b>645,128</b>	496,598
Other operating income		<b>670</b>	1,440
<b>OPERATING INCOME</b>		<b>645,798</b>	498,038
Employee compensation and benefits		<b>- 430,549</b>	- 327,607
Other operating expenses		<b>- 153,078</b>	- 127,876
Depreciation and amortisation		<b>- 10,760</b>	- 7,459
<b>OPERATING EXPENSES</b>		<b>- 594,387</b>	- 462,942
<b>OPERATING PROFIT</b>		<b>51,411</b>	35,096
Net financial income	IV.2	<b>15,537</b>	9,060
<b>PROFIT BEFORE TAX, ASSOCIATED UNDERTAKINGS, MINORITY INTERESTS AND EXTRAORDINARY ITEMS</b>		<b>66,948</b>	44,156
Taxes		<b>- 31,501</b>	- 19,711
<b>NET PROFIT BEFORE ASSOCIATED UNDERTAKINGS, MINORITY INTERESTS AND EXTRAORDINARY ITEMS</b>		<b>35,447</b>	24,445
Associated undertakings		<b>- 1,933</b>	- 1,181
Extraordinary items	IV.3	<b>-</b>	-
<b>NET PROFIT</b>		<b>33,514</b>	23,264
• Group share		<b>28,030</b>	16,707
• Minority interests		<b>5,484</b>	6,557

## CHANGE IN CONSOLIDATED RESERVES

<b>in thousands of Swiss francs</b>	<b>2000</b>	1999
<b>CONSOLIDATED RESERVES</b>		
Consolidated reserves at 1 January	<b>76,370</b>	56,133
Net profit for the year - Group share	<b>28,030</b>	16,707
Foreign currency translation adjustment	<b>- 9,416</b>	10,350
<b>CONSOLIDATED RESERVES BEFORE DISTRIBUTION</b>	<b>94,984</b>	83,190
<b>CHANGE IN CONSOLIDATED RESERVES</b>		
Consolidated reserves before distribution	<b>94,984</b>	83,190
Allocation to reserve for treasury shares	<b>- 423</b>	- 514
Dividend of CHF 6 / CHF 5 per bearer share	<b>- 7,785</b>	- 6,342
Dividend on treasury shares	<b>-</b>	36
<b>CONSOLIDATED RESERVES AFTER DISTRIBUTION</b>	<b>86,776</b>	76,370

## CONSOLIDATED CASH FLOW STATEMENT

in thousands of Swiss francs	Notes	2000	1999
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Pre tax income, Group share		59,531	36,418
ADJUSTMENTS:			
Net financial income		- 9,506	- 6,002
Depreciation and amortisation		10,760	7,459
Exchange rate (gain)/loss		- 6,031	- 3,058
Extraordinary items		-	-
<b>NET CHANGE RELATING TO OPERATING ACTIVITIES BEFORE CHANGE IN OPERATING ASSETS AND LIABILITIES</b>			
		<b>54,754</b>	34,817
(Increase)/decrease in receivables, other assets, prepaid expenses and accrued income		- 24,866	- 365
Increase in other short-term debts, accrued expenses and deferred income		17,160	33,545
Change in receivables and payables related to affiliated companies		312	- 5,096
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>			
		<b>47,360</b>	62,901
Taxes paid		- 29,789	- 10,263
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>			
		<b>17,571</b>	52,638
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
Proceeds from disposal of fixed assets		744	-
Purchase of securities		- 16,161	- 9,589
Purchase of treasury shares		- 462	- 514
Net financial income		9,546	6,002
Acquisition of fixed assets		- 10,258	- 8,865
Acquisition of intangible assets		- 6,509	- 1,381
<b>NET CASH OUTFLOW FROM INVESTMENT ACTIVITIES</b>			
		<b>- 23,100</b>	- 14,347

<b>in thousands of Swiss francs</b>	<b>Notes</b>	<b>2000</b>	1999
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>			
Change in receivables and debts related to the parent company and affiliated companies		<b>- 8,857</b>	- 7,958
Decrease in external debt		<b>- 1,712</b>	- 1,875
(Increase)/decrease in non-consolidated holdings		<b>- 5,313</b>	2,427
Increase of minority interests		<b>1,225</b>	6,800
Increase in share capital and share premium		<b>973</b>	1,003
Dividend		<b>- 6,306</b>	- 4,957
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>		<b>- 19,990</b>	- 4,560
<b>CHANGE IN ACCOUNTS LINKED TO ACCOUNT HOLDER ACTIVITIES</b>	III.6	<b>269</b>	- 10,656
<b>EXTRAORDINARY INCOME AFFECTING CASH FLOW</b>		<b>-</b>	- 842
<b>EXCHANGE RATE GAIN (LOSS)</b>		<b>- 2,034</b>	13,134
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	III.1	<b>- 27,284</b>	35,367

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### I PRINCIPLES AND BASIS OF CONSOLIDATION

#### 1.1 Principles of consolidation

The consolidated financial statements of Compagnie Financière Tradition Lausanne have been prepared in compliance with the provisions of the Accounting and Reporting Recommendations (ARR) in accordance with the rules of listing of the Swiss Stock Exchange, and include those of Compagnie Financière Tradition and its affiliates.

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

#### Consolidation methods

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

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

Affiliated companies in which Compagnie Financière Tradition has a significant but not controlling influence are consolidated using the equity method. "Significant influence" is presumed when Compagnie Financière Tradition directly or indirectly holds over 20% of the equity voting rights in these companies.

#### 1.2 Basis of consolidation at 31 December 2000

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 (000 currency)	Method of consolidation
<b>1 - FINANCIAL COMPANIES</b>						
<b>TRADITION SERVICE HOLDING S.A., LAUSANNE</b>		Switzerland	100.00%	100.00%	CHF 21,000	FCM
<i>Tradition S.A., Lausanne</i>		Switzerland	100.00%	100.00%	CHF 100	FCM
• Tradition S.A., Luxembourg (branch)		Luxembourg	100.00%	100.00%	LUF 15,000	FCM
<i>Tradition (UK) Ltd., London</i>		United Kingdom	100.00%	100.00%	GBP 15,050	FCM
• Tradition Bond Brokers Ltd., London		United Kingdom	100.00%	100.00%	GBP 8,410	FCM
• Tradition Italia Sim S.p.A., Milan		Italy	100.00%	100.00%	EUR 1,150	FCM
• Tradition Argentina S.A., Buenos Aires		Argentina	100.00%	100.00%	USD 12	FCM
• Tradition (Asia) Ltd., Hong Kong		Hong Kong	100.00%	100.00%	HKD 25,000	FCM
• Meitan Tradition Co. Ltd., Tokyo		Japan	55.34%	55.34%	JPY 300,000	FCM
• Ong Tradition Singapore (Pte) Ltd., Singapore		Singapore	49.00%	49.00%	SGD 300	FCM
• Arbitrage Change S.A., Luxembourg		Luxembourg	99.93%	99.93%	LUF 15,000	FCM
• VIEL Debeausse and Co. Inc., New York		U.S.A.	91.00%	91.00%	USD 50	FCM
• Tradition International S.A., Panama		Panama	100.00%	100.00%	USD 1,790	FCM
<i>Finance 2000 S.A., Paris</i>		France	100.00%	100.00%	EUR 4,575	FCM
• VIEL Tradition S.A., Paris		France	100.00%	100.00%	EUR 5,099	FCM
• Banque Pallas Monaco, Monaco		Monaco	20.00%	20.00%	FRF 35,000	EM
<i>Tradition (North America) Inc., New York</i>		U.S.A.	100.00%	100.00%	USD 500	FCM
• Tradition Asiel Securities 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 500	EM

	New companies	Country	Controlling interest	Equity interest	Capital (000 currency)	Method of consolidation
<b>1 - FINANCIAL COMPANIES (continued)</b>						
<b>HOLDING TRADITION CLEARING, LAUSANNE</b>		Switzerland	100.00%	100.00%	CHF 100	FCM
<i>Tradition Holding (U.S.A.) Inc., New York</i>		U.S.A.	100.00%	100.00%	USD 400	FCM
• Tradition (Global Clearing) Inc., New York		U.S.A.	100.00%	100.00%	USD n/s	FCM
• Tradition London Clearing Ltd., London		United Kingdom	100.00%	100.00%	GBP 1,000	FCM
<b>HOLDING TRADITION SECURITIES S.A., LAUSANNE</b>		Switzerland	100.00%	100.00%	CHF 250	FCM
• Tradition Eurobond S.A., Luxembourg		Luxembourg	100.00%	100.00%	LUF 20,000	FCM
<i>Tradition Securities And Futures S.A., Paris and branches in London and Lausanne</i>		France	77.10%	77.10%	EUR 12,121	FCM
• MIA, Paris		France	55.00%	42.40%	EUR 1,976	FCM
<b>TFS, LAUSANNE</b>		Switzerland	68.40%	68.40%	CHF 3,419	FCM
• Tradition Financial Services (Hong Kong) Ltd., Hong Kong		Hong Kong	100.00%	68.40%	HKD 200	FCM
• Tradition Financial Services Japan Ltd., Tokyo		British Virgin Islands	100.00%	68.40%	USD 50	FCM
• TFS Energy (S) Pte Ltd., Singapore		Singapore	100.00%	68.40%	SGD 100	FCM
• TFS Currencies Pte Ltd., Singapore		Singapore	100.00%	68.40%	SGD 1,000	FCM
• TFS Nordisk Energi AS, Sandefjord		Norway	100.00%	68.40%	NOK 500	FCM
• TFS Australia Pty. Ltd., Sydney		Australia	100.00%	68.40%	AUD 5	FCM
• Tradition Financial Services GmbH, Frankfurt		Germany	100.00%	79.46%	DEM 300	FCM
<i>Tradition Financial Services Ltd., London and its Swedish branch</i>		United Kingdom	100.00%	68.40%	GBP 250	FCM
• TFS Futures & Options Pty. Ltd., Johannesburg	✓	South Africa	100.00%	68.40%	ZAR 250	FCM
• Equitek Capital Ltd., London	✓	United Kingdom	100.00%	68.40%	GBP 625	FCM
• TFS-ICAP Ltd., London	✓	United Kingdom	50.00%	37.62%	GBP 2,240	PCM
• TFS Currency Options Ltd., London	✓	United Kingdom	100.00%	37.62%	GBP 621	PCM
• ICAP Currency Options Ltd., London	✓	United Kingdom	100.00%	37.62%	GBP 504	PCM
<i>Tradition Financial Services Inc., New York</i>		U.S.A.	100.00%	68.40%	USD 50	FCM
• TFS Derivatives Corp., New York		U.S.A.	100.00%	68.40%	USD n/s	FCM
• Capstone Global Energy LLC, Houston		U.S.A.	50.00%	34.20%	- -	FCM
• TFS Energy LLC, Stamford	✓	U.S.A.	53.00%	36.25%	USD n/s	FCM
• TFS Energy Futures LLC, Stamford	✓	U.S.A.	100.00%	36.25%	USD 35	FCM
• TFS Blackwood LLC, New York and its London branch, TFSB Ltd.	✓	U.S.A.	93.75%	64.12%	USD 1,000	FCM
• Equitek Capital Inc., Delaware	✓	U.S.A.	100.00%	68.40%	USD n/s	FCM
<b>TRC Lausanne, Lausanne</b>		Switzerland	100.00%	68.40%	CHF 100	FCM
• The Recruitment Company Ltd., British Virgin Islands		British Virgin Islands	90.00%	61.56%	GBP n/s	FCM
• The Recruitment Company Pty. Ltd., Sydney	✓	Australia	100.00%	68.40%	AUD n/s	FCM
• The Recruitment Company Inc., New York	✓	U.S.A.	100.00%	68.40%	USD n/s	FCM
• The Recruitment Company Ltd., London	✓	United Kingdom	100.00%	68.40%	GBP n/s	FCM
• Cofitra Investments Inc., British Virgin Islands		British Virgin Islands	100.00%	100.00%	USD 6,000	FCM
<b>2 - NON-FINANCIAL COMPANIES</b>						
• Tradcom Management, Lausanne		Switzerland	100.00%	100.00%	CHF 100	FCM
• Infotec S.A., Geneva		Switzerland	45.64%	45.64%	CHF 5,000	EM
• StreamingEdge.com Inc., New Jersey	✓	U.S.A.	60.00%	60.00%	USD 1,000	FCM

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, a service provider in the telecommunications and IT sectors, Infotec S.A., a provider of financial information on the Internet, and StreamingEdge.com Inc., a developer of online transactional tools.

### **1.3 Changes in the basis of consolidation**

Changes in the basis of consolidation in 2000 were as follows:

#### ***Tradition Service Holding S.A. (TSH)***

- Govdesk LLC: on 12 April 2000, TSH, through its wholly owned subsidiary Tradition Services (Delaware) Corp., acquired a 35% interest in Govdesk LLC, a brokerage company in Los Angeles, for a total cost of USD 600,000, of which USD 200,000 was paid up front and USD 400,000 was to be paid out of Tradition Services (Delaware) Corp.'s share of Govdesk's profits. Goodwill of USD 395,000 (CHF 647,000) arose on this acquisition and will be amortised over ten years,
- In June 2000, Tradition (Government Securities) Inc. took over the operating activities of Asiel & Co. LLC, one of the founding members of the New York Stock Exchange, and changed its name to Tradition Asiel Securities Inc. The takeover was completed on the basis of an up-front payment of USD 450,000 (CHF 737,000), and a further consideration equal to 35% of earnings on the company's entire securities activities in the first year, 25% in the second year and 15% in the third year.

#### **TFS**

Early in April 2000, Compagnie Financière Tradition increased its interest in TFS with the acquisition from its ultimate majority shareholder, VIEL & Cie, of 34,459 shares in TFS, or 10.42% of its capital on the transaction date. The acquisition price of CHF 4,991,000 was based on the stock market value of TFS, and resulted in goodwill of CHF 1,307,000. Compagnie Financière Tradition also opted to receive payment of TFS's 1999 dividend in shares, bringing its holding in the company to 68.40% at 31 December 2000, compared with 57.79% in the previous year,

- TRC: TFS's recruitment arm, established in 1999 with the creation of TRC Lausanne and The Recruitment Company Ltd., British Virgin Islands, established in Hong Kong, continued to expand in 2000, with the creation of three new companies, The Recruitment Company Pty. Ltd. in Sydney, The Recruitment Company Inc. in New York and The Recruitment Company Ltd. in London. These three new entities are wholly owned by TRC Lausanne,
- The creation of TFS Energy LLC, Stamford, capitalized at USD 100, which wholly owns TFS Energy Futures LLC, a broker on the New York Mercantile Exchange, capitalized at USD 35,000. TFS Energy LLC, in which Tradition Financial Services Inc. has a 53% stake, was created from a merger of TFS Inc.'s activities in the United States in the field of energy, and those of Sakura Dellscher Inc., and offers brokerage services for all energy related products in both OTC and regulated markets,
- The creation of TFS Blackwood LLC, New York, and its branch TFSB Ltd., London. TFS Blackwood LLC, held 93.75% by Tradition Financial Services Inc., New York, offers a trading platform in American markets, for which it has a license worldwide. The first trading room, for a clientele of day traders, is scheduled to open in London in the first quarter of 2001,

- The creation of TFS Futures & Options Pty. Ltd.: this South African company, capitalized at ZAR 250,000, wholly owned by Tradition Financial Services Ltd., is a member of the SAFEX - the South African Futures Exchange,

- The creation of Equitek Capital Inc., Delaware, and Equitek Capital Ltd., London. These companies, controlled 100% by TFS Lausanne, provide consulting and investment services, particularly to Equitek Capital Ltd., Cayman, a company 45% controlled by TFS Lausanne, specialised in the creation and management of investment funds. Equitek Capital Ltd., Cayman, was in the launch stage at 31 December 2000 and was not included in the basis of consolidation.

TFS and Garban Intercapital signed an agreement on 29 June 2000 to merge their OTC brokerage activities in currency options. This new division, trading under the name of TFS-ICAP, is present in London, New York, Tokyo and Singapore - where new joint ventures are scheduled to be created by the two Groups in each of the respective countries - and in Frankfurt, Copenhagen and Sydney, where the two Groups will conclude profit sharing agreements.

In this context, a new company was created in London during the year, TFS-ICAP Ltd., a 55% held subsidiary of Tradition Financial Services Ltd., which controls 50% of the equity voting rights. TFS-ICAP Ltd. wholly owns TFS Currency Options Ltd. and ICAP Currency Options Ltd.; these two companies took over the London-based currency options activities of TFS and ICAP on 1 December 2000. TFS-ICAP Ltd., jointly controlled by TFS and Garban Intercapital, was consolidated under the proportionate consolidation method at 31 December 2000.

In New York, Tokyo and Singapore, where no new entities had been created by 31 December 2000, TFS and Garban Intercapital agreed on an intermediate arrangement, which provides for TFS to be allocated 55% of earnings and profits generated by the combined activities of the two Groups on currency options in New York, and 50% of such earnings and profits in Tokyo and Singapore.

In accordance with the arrangement, revenues and profits from these activities were recognised in the consolidated profit and loss account for 2000 based on Compagnie Financière Tradition's share in the operations.

In Frankfurt, Tradition Financial Services GmbH will pay Garban Intercapital 45% of its operating profits on currency options operations. In turn, TFS Lausanne will receive respectively 55% and 50% of the operating profits from ICAP's currency options activities in Copenhagen and Sydney. These fees represent an aggregate net amount of CHF 126,000 for the period, reported under "Other operating income".

### ***Holding Tradition Securities S.A. (HTS)***

This company groups all the companies specialised in securities and exchange-traded products.

- Tradition Securities And Futures S.A. sold 45% of its interest in MIA for a consideration of FRF 11.0 million (CHF 2,554,000). Tradition Securities And Futures S.A. took a capital loss of FRF 1.3 million (CHF 295,000) on the transaction,

- The merger of Tradition Securities And Futures S.A. and Prominnofi, by way of a takeover of Tradition Securities And Futures S.A. by Prominnofi, brought Prominnofi's capital to €12.1 million (CHF 18.4 million). Prominnofi, which took over the Tradition Securities And Futures S.A. name, is 77.10% held by Holding Tradition Securities S.A.,

- As of 27 December 2000, Tradition Securities And Futures S.A. began renting the business of VIEL Eurovaleurs, Paris, a subsidiary of VIEL & Cie, indirect majority shareholder of Compagnie Financière Tradition. Tradition Securities And Futures S.A. will pay an annual rental fee of 4.0% of generated turnover. VIEL Eurovaleurs was active in OTC markets for French and European government debt.

## Technology

Tradition (UK) Ltd. acquired a 1.56% equity stake in Infotec S.A. for CHF 1.0 million, when the company increased its capital. This operation brought Infotec S.A.'s capital from CHF 1.0 million at 31 December 1999 to CHF 5.0 million at 31 December 2000. Following the operation, Compagnie Financière Tradition's direct holding was reduced from 47.0% at 31 December 1999 to 44.08% at 31 December 2000, with its aggregate holding standing at 45.64% at the balance sheet date. As a result, Compagnie Financière Tradition recognised a dilution profit of CHF 914,000, recorded under financial income.

Compagnie Financière Tradition further developed its technology sector with the acquisition of a 60% interest in StreamingEdge.com Inc., an American company specialised in the development of online transactional tools. This stake was acquired for a consideration of USD 1.0 million, resulting in goodwill of CHF 692,000.

## Non-consolidated majority shareholdings

Four companies were excluded from the basis of consolidation at 31 December 2000:

- Tradition CIS LLC, Moscow, which ceased operations at the end of 1998. Tradition Service Holding S.A.'s stake in this company and the financing provided, were fully provisioned at 31 December 2000,
- Tradcom International, a company capitalized at CHF 250,000, 34% held by Tradcom Management. This company, created at the end of 1998, was in liquidation at 31 December 2000. Tradcom Management's stake in Tradcom International has been fully provisioned, as has all financing granted to this Company, and an additional provision for risks was made to cover all costs involved in any future liquidation,

- Tradition Securities (Kenya) Ltd., created early in 1999, capitalized at KShs 7,500,000, is 70% owned by Tradition (UK) Ltd. This company was not of material importance at 31 December 2000,

- HKI Systems Ltd., London, a company specialising in software development for electronic platforms. This company, in which Tradition Financial Services Ltd. holds a 50.03% stake, was not of material significance at 31 December 2000.

## II ACCOUNTING PRINCIPLES AND VALUATION METHODS

### II.1 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 companies.

## **11.2 Foreign currencies, foreign exchange and interest rate transactions**

### **Foreign currency translation**

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

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

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

### **Foreign exchange transactions**

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

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

These hedging transactions are booked in the same manner as basic operations and are re-valued at market rates in effect on the date of closing the accounts.

### **Interest rate transactions**

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

## **11.3 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 profits and expenses of fully consolidated companies are entirely eliminated, as are the results of sales of assets between companies included within the consolidation and the reserve for depreciation established on consolidated investments, or loans and advances granted to consolidated affiliates.

## **11.4 Valuation methods**

As indicated in the notes to the Company's financial statements, the main methods used are as follows:

### **Recognition of income**

Brokerage revenues are recognised at the time of the operation 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.

### **Marketable securities**

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

### **Accrued and deferred items**

Assets and liabilities are calculated on the basis of separate financial years, with pro-rata allocation of expenses and income in respective years.

### Tangible fixed assets

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

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

### Intangible fixed assets

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

### 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 if their recovery is not dependent on future results, in which case they are entered under deferred tax liabilities, or if they are likely to be recovered as a result of a taxable profit.

### Minority interests in debit

Where, following losses, the share attributable to minority interests of a company consolidated by global integration becomes negative, the excess as well as subsequent losses attributable to minority interests are to be deduced from majority interests, other than where it is mandatory for partners or minority shareholders to meet the losses. If subsequently the consolidated company realises profits, the majority interests are then to be credited with all of the profits until the portion they had assumed of losses attributable to minority interests has been eliminated in full.

### Other balance sheet items

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

### Derivative financial instruments

Derivative financial instruments outstanding at the balance sheet date are set out in the notes to the consolidated financial statements. Hedging operations are valued on the same basis as covered operations. 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. A provision is made to cover unrealised losses determined by homogenous portfolio of operations for OTC traded instruments.

## III NOTES TO THE CONSOLIDATED BALANCE SHEET

### III.1 Cash and cash equivalents

#### Net liquid assets

in thousands of Swiss francs	2000	1999
Cash and call deposits	72,727	60,013
Short-term deposits	47,537	63,639
Short-term bank borrowings	- 30,408	- 6,512
Net cash at 31 December	89,856	117,140
Net cash at 1 January	117,140	- 81,773
<b>NET CASH INFLOW/OUTFLOW</b>		
<b>DURING THE YEAR</b>	<b>- 27,284</b>	35,367

This change in cash position during the year is detailed in the consolidated cash flow statement.

## Marketable securities

The marketable securities portfolio comprised the following:

in thousands of Swiss francs	2000	1999
Short-term cash products	19,828	21,490
Bonds	4,741	3,046
Convertible bonds	3,053	3,217
Shares	15,374	1,330
Investment funds	7,348	4,891
	50,344	33,974
Provisions for depreciation	- 463	- 254
<b>TOTAL</b>	<b>49,881</b>	33,720

## III.2 Receivables and other assets

### Trade debtors

These are short-term receivables representing a net amount of CHF 93,345,000 at 31 December 2000, compared to CHF 72,029,000 the previous year. They are booked at face value after deduction of economically necessary provisions.

### Other short-term receivables

in thousands of Swiss francs	2000	1999
Employee current accounts	4,342	2,541
Public authorities	2,508	4,491
Security deposits	943	885
Other short-term receivables	8,801	3,682
<b>TOTAL</b>	<b>16,594</b>	11,599

These receivables are booked at their face value.

## Prepaid expenses and accrued income

in thousands of Swiss francs	2000	1999
Prepaid expenses	6,539	5,758
Deferred tax asset	927	-
Other accrued income	1,456	2,680
<b>TOTAL</b>	<b>8,922</b>	8,438

## Receivables from affiliated companies

This item regroups all financing granted by Compagnie Financière Tradition to its affiliate Infotec S.A. at 31 December 2000, totalling CHF 4,821,000 compared with CHF 5,132,000 at 31 December 1999. This financing includes a short-term loan of CHF 3,358,000 coupled with a capitalisation clause, of which CHF 2,505,000 are subordinated, and an advance of CHF 1,463,000 on future services from Infotec S.A. (CHF 2,794,000 at 31 December 1999).

## 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 10,218,000 at 31 December 2000, (CHF 12,147,000 at 31 December 1999) are guaranteed by VIEL & Cie Finance, ultimate indirect shareholder of Compagnie Financière Tradition. Compagnie Financière Tradition and its affiliates received liquidation dividends totalling CHF 1,929,000 in 2000, equivalent to 7.2% of all stated receivables. This brings the total liquidation dividends received since the beginning to CHF 15,106,000, or 58.0% of stated receivables.

### III.3 Financial investments

#### Subsidiary shares and non-consolidated 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 I.3). It also includes minority interests acquired with a view to a long-term holding.

This item may be summarised as follows:

in thousands of Swiss francs	2000	1999
<b>ASSOCIATED UNDERTAKINGS</b>		
Pallas Monaco	1,281	1,325
Infotec S.A.	- 4,366	- 2,547
Govdesk LLC	308	-
<b>OTHER UNDERTAKINGS</b>		
Tradition CIS LLC	230	230
Tradcom International	85	85
Tradition Securities (Kenya) Ltd.	111	118
HKI Systems Ltd.	57	-
ParisBourse <sup>SBF</sup> S.A.	-	1,858
Euronext N.V.	7,475	-
VIEL & Cie	3,236	2,103
Other investments	79	11
<b>TOTAL</b>	<b>8,496</b>	3,183
Provisions for depreciation	- 315	- 315
<b>TOTAL</b>	<b>8,181</b>	2,868

#### Treasury shares

The Company held 8,127 of its own shares at 31 December 2000. These shares were acquired in 1999 and 2000 at a purchase value of CHF 937,000. Changes in the situation of treasury shares during the period may be summarised as follows:

	Book value (in thousands of Swiss francs)	Acquisition cost or realization price (in thousands of Swiss francs)	No. of shares
<b>SITUATION AT 1 JANUARY 2000</b>	<b>514</b>	<b>514</b>	<b>7,280</b>
Acquisitions in 2000	546	546	2,597
Sales in 2000	- 123	- 84	- 1,750
Capital losses for the year	-	- 39	-
<b>SITUATION AT 31 DECEMBER 2000</b>	<b>937</b>	<b>937</b>	<b>8,127</b>

Based on the market price at 31 December 2000, the potential capital gain on these shares amounted to CHF 810,000 (CHF 804,000 at 31 December 1999).

### III.4 Tangible and intangible fixed assets

#### Tangible fixed assets

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

in thousands of Swiss francs	2000			1999		
	Gross	Amort.	Net	Gross	Amort.	Net
Land and buildings	8,501	985	7,516	8,501	985	7,516
Fixtures and installations	34,103	26,167	7,936	33,968	25,914	8,054
Computer and telecom. equipment	49,676	39,095	10,581	48,606	37,850	10,756
Other tangible fixed assets	1,378	755	623	1,451	723	728
<b>TOTAL</b>	<b>93,658</b>	<b>67,002</b>	<b>26,656</b>	92,526	65,472	27,054

Changes in tangible fixed assets in 2000 and 1999 were as follows:

in thousands of Swiss francs	2000	1999
Gross value at 1 January	92,526	78,292
Change in the basis of consolidation	-	1,178
Translation adjustment	- 3,393	6,666
Acquisitions during the year	10,258	7,687
Disposals and write-off	- 5,733	-1,297
<b>GROSS VALUE AT 31 DECEMBER</b>	<b>93,658</b>	92,526
Cumulative depreciation at 1 January	65,472	55,088
Change in the basis of consolidation	-	-
Translation adjustment	- 2,184	4,739
Amortisation and depreciation for the year	8,729	6,895
Disposals and write-off	- 5,015	- 1,250
<b>CUMULATIVE DEPRECIATION AT 31 DECEMBER</b>	<b>67,002</b>	65,472
<b>NET VALUE AT 31 DECEMBER</b>	<b>26,656</b>	27,054

Fire insurance value at 31 December 2000, stood at CHF 100,284,000 for installations and equipment and CHF 17,775,000 for buildings (CHF 69,723,000 and CHF 17,775,000 respectively at 31 December 1999).

### Intangible fixed assets

Intangible fixed assets comprised the following:

in thousands of Swiss francs	2000			1999		
	Gross	Amort.	Net	Gross	Amort.	Net
Telephone rights	2,195	1,620	575	1,919	892	1,027
Intangible business assets	737	52	685	138	138	-
Goodwill	7,115	941	6,174	3,147	249	2,898
Other intangible fixed assets	2,998	2,002	996	2,037	1,250	787
<b>TOTAL</b>	<b>13,045</b>	<b>4,615</b>	<b>8,430</b>	7,241	2,529	4,712

### Intangible business assets

At the end of June 2000, Tradition Asiel Securities Inc. acquired intangible business assets from Asiel & Co. LLC, in the amount of USD 450,000

(CHF 737,000, cf. Note I.3). These are being amortised over ten years from the date of acquisition, end of June 2000.

### Goodwill

Goodwill arising on acquisitions was as follows:

in thousands of Swiss francs	Gross	2000		1999 Net	
		Accrued Amort.	Net Amort. for the period		
TFS	3,146	455	2,691	271	1,657
Infotec S.A.	2,630	396	2,234	331	1,241
StreamingEdge.com Inc.	692	47	645	47	-
Govdesk LLC	647	43	604	43	-
<b>TOTAL</b>	<b>7,115</b>	<b>941</b>	<b>6,174</b>	<b>692</b>	2,898

## III.5 Accrued expenses and deferred income

### Other short-term debts

This item may be summarised as follows:

in thousands of Swiss francs	2000	1999
Employee current accounts	548	954
Public authorities	9,842	16,202
Trade debtors	2,221	2,082
Other short-term debts	22,877	19,196
<b>TOTAL</b>	<b>35,488</b>	38,434

### Accrued expenses

This item is broken down as follows:

in thousands of Swiss francs	2000	1999
Employee compensation and benefits	52,391	41,017
Other miscellaneous accrued expenses	23,639	14,907
<b>TOTAL</b>	<b>76,030</b>	55,924

## Taxes payable

Consolidated taxes payable at 31 December 2000 totalled CHF 23,105,000, and primarily comprised current taxes on income earned by Compagnie Financière Tradition and its subsidiary holdings in 2000, and a deferred tax liability of CHF 667,000 arising from the gain realised by MIA on its stake in ParisBourse<sup>SBF</sup> S.A. (cf. Note IV.2), which benefits from three year's deferred taxation. Compagnie Financière Tradition recognised a deferred tax asset of CHF 927,000 (cf. Note III.2) arising from taxes and bonuses posted by Meitan Tradition Co. Ltd. in 2000, deductible at the time of their actual payment, which is mostly scheduled for the first quarter of 2001.

## Long-term debts

Long-term debts of CHF 4,416,000 at 31 December 2000, consisted of JPY 310 million of debts owed by Meitan Tradition Co. Ltd. (JPY 430 million or CHF 6,718,000 at 31 December 1999) granted or guaranteed in 1997 by its former majority shareholder.

These debts have no scheduled maturity date and are being repaid in line with Meitan Tradition Co. Ltd.'s cash flows. They may eventually be converted into share capital after eight years, or renewed for an unspecified period.

### III.6 Account holder activities

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

Assets and liabilities associated with this activity, booked in the balance sheet under "Receivables linked to account holder activities" and "Debts linked to account holder activities" were as follows at 31 December 2000 and 1999:

in thousands of Swiss francs	2000	1999
<b>RECEIVABLES LINKED TO ACCOUNT HOLDER ACTIVITIES</b>		
Deposits paid	256	2,607
Current accounts with clearing institutions	13,692	16,610
Dealing accounts	38,604	23,855
	52,552	43,072
<b>DEBTS LINKED TO ACCOUNT HOLDER ACTIVITIES</b>		
Deposits received	- 1,118	- 3,987
Current accounts with clearing institutions	- 20,268	- 13,074
Dealing accounts	- 29,496	- 24,072
	- 50,882	- 41,133
<b>TOTAL</b>	<b>1,670</b>	<b>1,939</b>

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.7 Receivables from and debts to shareholders and associated companies

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

Compagnie Financière Tradition's total outstanding consolidated net debt to shareholders and associated companies at 31 December 2000 stood at CHF 742,000 (net debt of CHF 9,599,000 in 1999).

### III.8 Share capital

#### Composition of share capital

Share capital at 31 December 1999, stood at CHF 1,268,350, consisting of 12,683,500 shares of CHF 10.

Share capital was increased by CHF 291,500 in April 2000 through the creation of 29,150 new bearer shares of CHF 10, following the exercise of share options. This increase, accompanied by a share premium of CHF 682,110, brought Compagnie Financière Tradition's share capital to CHF 12,975,000 at 31 December 2000.

#### Major shareholders

At 31 December 2000, the only shareholder holding over 5% of equity voting rights in Compagnie Financière Tradition was VIEL & Cie Finance, Paris, with 69.28%, compared to 72.47% the previous year.

The 69.28% equity voting rights held by VIEL & Cie Finance, Paris, are exercised indirectly through Financière Vermeer B.V., Amsterdam, wholly owned by VIEL & Cie, which itself was 57.28% held by VIEL & Cie Finance at 31 December 2000.

#### Increase in share capital

Share capital may be increased by up to CHF 6,000,000, through the issue of up to 600,000 new bearer shares of CHF 10. The issue price of such new shares and the date from which they are to pay dividends shall be determined by the Board of Directors. This authorisation, renewed by the Annual General Meeting of 10 May 1999, is valid until 11 May 2001.

The Board of Directors is empowered to cancel or limit existing shareholders' preferential subscription rights to allow acquisitions or equity interest acquisitions to take place. Share subscription rights for

which a preferential subscription right is granted but not exercised are available to the Board for use in the Company's interests.

#### Conditional capital

Share capital may be increased by up to CHF 1,325,000 through the issue of up to 132,500 bearer shares of CHF 10. Such an increase is effected through the exercise of preferential subscription rights by Company employees. The preferential subscription rights of existing shareholders are cancelled. Conditions for employee participation are to be determined by the Board of Directors.

### III.9 General reserve

The general reserve is not available for distribution.

### III.10 Consolidated reserves

This item includes cumulative foreign currency translation adjustments, which decreased by CHF 9,416,000 in 2000 (increase of CHF 10,350,000 in 1999).

## IV NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

### IV.1 Net turnover

Consolidated net turnover increased from CHF 496.6 million in 1999 to CHF 645.1 million in 2000, a rise of 29.9%. On a like for like consolidation basis, excluding Company acquisitions and creations during the year, sales increased by 28.8% in 2000 or 19.2% at constant exchange rates.

These revenues result from commissions on pure brokerage operations conducted by Compagnie Financière Tradition's affiliates for a broad client portfolio of banks, financial institutions and large

corporations. It also marginally includes revenues - less than 1% in 2000 - from arbitrage activities on exchange-traded products realised by Tradition Securities And Futures S.A. and its affiliates.

The segmental and geographical analysis of revenues is as follows:

in thousands of Swiss francs	TSH		TFS		HTS		Total	
	2000	1999	2000	1999	2000	1999	2000	1999
Europe	<b>188,290</b>	172,582	<b>61,384</b>	65,431	<b>53,281</b>	39,500	<b>302,955</b>	277,513
United States	<b>179,147</b>	81,932	<b>47,733</b>	41,103	-	-	<b>226,880</b>	123,035
Asia - Pacific	<b>94,306</b>	73,842	<b>20,987</b>	22,208	-	-	<b>115,293</b>	96,050
<b>TOTAL</b>	<b>461,743</b>	328,356	<b>130,104</b>	128,742	<b>53,281</b>	39,500	<b>645,128</b>	496,598

## IV.2 Net financial income

This item may be summarised as follows:

in thousands of Swiss francs	2000	1999
Income from investments	<b>1,500</b>	2,539
Capital gains on investments	<b>3,576</b>	766
Dilution profit	<b>914</b>	-
Interest and exchange gains and losses	<b>9,547</b>	5,755
<b>TOTAL</b>	<b>15,537</b>	9,060

In 2000, income from investments included dividends received from two undertakings held by Tradition Securities And Futures S.A. and its subsidiary MIA, totalling CHF 1,500,000 (CHF 2,539,000 in 1999).

Capital gains on investments include gains of CHF 3,576,000 arising from the exchange of MIA's stake in ParisBourse<sup>SBF</sup> S.A. against 936,587

Euronext N.V. shares, representing 0.94% of its capital. Euronext N.V. shares were recognized on MIA's balance sheet on the basis of consolidated net worth at 30 June 2000.

## IV.3 Extraordinary items

in thousands of Swiss francs	2000	1999
<b>EXTRAORDINARY INCOME</b>		
Partial use of the contingency provision	-	842
	-	842
<b>EXTRAORDINARY EXPENSES</b>		
Other extraordinary items after tax	-	- 842
	-	- 842
<b>NET EXTRAORDINARY ITEMS</b>	-	-

A contingency provision of CHF 9,865,000 was set aside in 1996 and 1997 to cover the risks involving Compagnie Financière Tradition and its affiliates. This provision was partially written back in 1998 and 1999 at the same time as taking an exceptional charge for costs and penalties sustained in those years, amounting to CHF 5,647,000 in 1998 and CHF 842,000 in 1999 respectively.

In light of the information available at 31 December 2000, Compagnie Financière Tradition's Directors consider the residual contingency provision of CHF 3,376,000 (CHF 3,376,000 at 31 December 1999) to be sufficient to cover risks carried by the Compagnie Financière Tradition and its affiliates at that date.

## V ADDITIONAL INFORMATION

### V.1 Commitments and contingent liabilities

#### Guarantees and commitments given

in thousands of Swiss francs	2000	1999
Guarantees and commitments to third parties	27	37
Guarantees to clients	-	-

#### Guarantees and commitments received

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

This undertaking relates to receivables of FRF 107,867,000 declared by Compagnie Financière Tradition and its subsidiaries at the time Comipar and Banque Pallas Stern went into receivership. VIEL & Cie Finance will honour this undertaking when these two entities pay the final liquidation dividend in connection with these receivables.

In 1999, Compagnie Financière Tradition and its subsidiaries received part repayment from Banque Pallas Stern and Comipar, equivalent to 50.8% of their outstanding claims, bringing residual receivables held by Compagnie Financière Tradition at 31 December 1999 to CHF 12,147,000.

In 2000, a further repayment was received of CHF 1,929,000, or 7.2% of the original receivables, bringing the total unsecured dividends received since the liquidation of Banque Pallas Stern and Comipar to 58.0% of stated receivables. Residual receivables held by Compagnie Financière Tradition and its affiliates amounted to CHF 10,218,000 at 31 December 2000.

In light of the undertaking received from VIEL & Cie Finance, the Company's Directors considered that no provision was required to cover these receivables at the close of the accounts.

### V.2 Operations on derivative products

in thousands of Swiss francs	2000	1999
Future commitments to deliver securities	222,477	17,142
Future commitments to purchase securities	221,688	4,257
Index futures purchased	78,716	250,808
Index futures sold	78,560	250,785
Securities received as guarantee	24,121	16,874
Securities given as guarantee	24,121	15,484

Purchases and sales of index futures relate to proprietary arbitrage transactions conducted on the regulated markets by Tradition Securities And Futures S.A. Securities for delivery and to be purchased reflect purchase and sale transactions initiated prior to 31 December 2000 and liquidated after that date, in connection with matched principal activities realised by Tradition London Clearing Ltd. and Tradition (Global Clearing) Inc.

### V.3 Assets pledged or sold as guarantees

in thousands of Swiss francs	2000	1999
Cash deposits frozen as a guarantee for brokerage activity	<b>18,953</b>	17,641

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

Compagnie Financière Tradition pledged a mortgage note of CHF 12,000,000 encumbering its two buildings in Lausanne, whose net book value was CHF 7,516,000 at 31 December 2000.

### V.4 Other information

#### Retirement benefits

Given the average age of the personnel and their seniority within Compagnie Financière Tradition and its affiliates, no provision has been set aside for pension benefit schemes.

#### 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 stood at CHF 21.89 in 2000 and CHF 13.22 in 1999, based on the weighted average number of shares outstanding in each of these two years.

**REPORT OF THE GROUP AUDITORS****To the Annual General Meeting of Shareholders of Compagnie Financière Tradition, Lausanne**

As auditors of the Group, we have audited the consolidated financial statements (balance sheet, profit and loss account, cash flow statement and notes) of Compagnie Financière Tradition, Lausanne, for the year ended 31 December 2000.

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 profession in Switzerland, which require that our 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, cash flows and results of operations in accordance with the Accounting and Reporting Recommendations (ARR) and comply with Swiss law.

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

Lausanne, 13 March 2001

**Ernst & Young S.A.**

**P. Gisiger**  
Certified accountant

**J.-M. Favre**  
Certified accountant  
(Auditor in charge)

## **FINANCIAL STATEMENTS**

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## BALANCE SHEET AT 31 DECEMBER 2000

**ASSETS**

in thousands of Swiss francs	Notes	2000	1999
<b>CURRENT ASSETS</b>			
Call deposits		<b>4,689</b>	1,525
Net short-term receivables from affiliated companies	II.3	<b>9,437</b>	16,959
Other short-term receivables		<b>1,221</b>	493
Marketable Securities		<b>950</b>	-
Prepaid expenses and accrued income		<b>248</b>	15
<b>TOTAL CURRENT ASSETS</b>		<b>16,545</b>	18,992
<b>FIXED ASSETS</b>			
Long-term receivables from affiliated companies	II.2	<b>98,078</b>	99,629
Receivables from direct and ultimate shareholders		<b>82</b>	181
Other long-term receivables	II.3	<b>8,675</b>	10,242
Investments	II.1	<b>41,994</b>	21,712
Treasury shares	II.7	<b>937</b>	514
Installations and equipment	II.4	<b>530</b>	838
Buildings	II.4	<b>7,516</b>	7,516
<b>TOTAL FIXED ASSETS</b>		<b>157,812</b>	140,632
<b>TOTAL ASSETS</b>		<b>174,357</b>	159,624

## LIABILITIES

in thousands of Swiss francs	Notes	2000	1999
<b>CREDITORS</b>			
Short-term bank borrowings		<b>12,325</b>	6,502
Net short-term debts to affiliated companies		<b>6,582</b>	6,404
Short-term debts to shareholders		<b>1,654</b>	3,135
Other short-term debts	II.5	<b>360</b>	840
Taxes payable		<b>270</b>	28
Accrued expenses and deferred income	II.5	<b>1,142</b>	870
Long-term debts to affiliated companies	II.5	<b>19,765</b>	19,483
Contingency and loss provisions		<b>3,376</b>	3,376
<b>TOTAL CREDITORS</b>		<b>45,474</b>	40,638
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	II.6	<b>12,975</b>	12,684
Share premium		<b>2,117</b>	1,435
General reserve		<b>13,284</b>	13,284
Reserve for treasury shares		<b>514</b>	-
Other reserves		<b>15,300</b>	15,300
Retained earnings		<b>84,693</b>	76,283
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>128,883</b>	118,986
<b>TOTAL LIABILITIES</b>		<b>174,357</b>	159,624

## PROFIT AND LOSS ACCOUNT 2000

<b>in thousands of Swiss francs</b>	<b>Notes</b>	<b>2000</b>	1999
Dividend received		<b>1,585</b>	2,270
Other operating income	III.1	<b>1,285</b>	733
Net financial income		<b>3,570</b>	6,320
<b>OPERATING INCOME</b>		<b>6,440</b>	9,323
Employee compensation and benefits		<b>- 1,165</b>	- 1,201
Other operating expenses		<b>- 1,479</b>	- 3,487
Depreciation and amortisation		<b>- 396</b>	- 593
<b>OPERATING EXPENSES</b>		<b>- 3,040</b>	- 5,281
<b>OPERATING PROFIT</b>		<b>3,400</b>	4,042
Extraordinary income	III.2	<b>12,570</b>	17,077
Extraordinary expenses	III.2	<b>- 506</b>	- 582
Taxes		<b>- 234</b>	- 264
<b>NET PROFIT</b>		<b>15,230</b>	20,273

## CHANGE IN RETAINED EARNINGS

<b>in thousands of Swiss francs</b>	<b>2000</b>	1999
<b>RETAINED EARNINGS</b>		
Retained earnings brought forward	<b>69,463</b>	56,010
Net profit for the year	<b>15,230</b>	20,273
<b>RETAINED EARNINGS AT 31 DECEMBER</b>	<b>84,693</b>	76,283
<b>CHANGE IN RETAINED EARNINGS</b>		
Retained earnings	<b>84,693</b>	76,283
Allocation to reserve for treasury shares	<b>- 423</b>	- 514
Dividend of CHF 6 / CHF 5 per bearer share	<b>- 7,785</b>	- 6,342
Dividend on treasury shares	<b>-</b>	36
<b>RETAINED EARNINGS CARRIED FORWARD</b>	<b>76,485</b>	69,463

## NOTES TO THE FINANCIAL STATEMENTS

**I ACCOUNTING PRINCIPLES**

The accounting principles applied by Compagnie Financière Tradition comply with the provisions of the Swiss Code of Obligations and the Accounting and Reporting Recommendations (ARR), as contained in the Listing of the Swiss Stock Exchange, particularly the principle of prudence.

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

**Current assets and short-term debts**

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

**Fixed assets*****Long-term receivables***

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

***Investments***

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

These provisions are estimated individually for each company.

***Tangible and intangible fixed assets***

Buildings are valued at cost or net worth after deduction of economically necessary provisions.

Other fixed assets are shown in the accounts at cost and amortised over their estimated useful life.

## II NOTES TO THE BALANCE SHEET

### II.1 Investments

Compagnie Financière Tradition holds significant interests in the following companies:

	Share capital (in thousands)		Percentage shareholding		Acquisition cost (in thousands of Swiss francs)	
			2000	1999	2000	1999
Tradition Service Holding S.A., Lausanne	CHF	21,000	<b>100.00</b>	100.00	<b>20,892</b>	20,892
TFS, Lausanne	CHF	3,419	<b>68.40</b>	57.79	<b>10,822</b>	4,820
Holding Tradition Securities S.A., Lausanne	CHF	250	<b>100.00</b>	100.00	<b>250</b>	250
Holding Tradition Clearing, Lausanne	CHF	100	<b>100.00</b>	100.00	<b>50</b>	50
Cofitra Investments Inc., British Virgin Islands	USD	6,000	<b>100.00</b>	100.00	<b>8,880</b>	8,880
Tradcom Management, Lausanne	CHF	100	<b>100.00</b>	100.00	<b>100</b>	100
Infotec S.A., Geneva	CHF	5,000	<b>44.08</b>	47.00	-	-
StreamingEdge.com Inc., New Jersey	USD	1,000	<b>60.00</b>	-	<b>1,698</b>	-
Other investments					<b>932</b>	920
					<b>43,624</b>	35,912
Economically necessary provisions					<b>- 1,630</b>	- 14,200
<b>TOTAL</b>					<b>41,994</b>	21,712

The first four companies above are sub-holdings, which in turn hold significant interests in companies active in the brokerage of financial products and their derivatives. Tradcom Management provides the Group with information technology and telecommunication services. Cofitra Investments Inc. is a financial company. Infotec S.A. is a technology company specialised in providing online financial information. StreamingEdge.com Inc., created in 2000, develops online transactional platforms.

The net asset value, on which economically necessary provisions were estimated, was determined on the basis of the financial statements (or, when required, on the

basis of the consolidated financial statements of these companies) translated at year-end exchange rates. Such provisions stood at CHF 1,630,000 at 31 December 2000 against CHF 14,200,000 at 31 December 1999, resulting in a net write-back of provisions of CHF 12,570,000 in 2000, recognised under extraordinary items. This net write-back of provisions consists of a recovery of provisions, in the amount of CHF 14,088,000, on the stake in Tradition Service Holding, whose consolidated equity rose from CHF 6,805,000 at 31 December 1999 to CHF 29,907,000 at 31 December 2000, and a charge to provisions of CHF 1,518,000 on three other equity holdings.

## 11.2 Long-term receivables from affiliated companies

This item was composed of the following:

	Receivables in thousands of local currency			Receivables in thousands of CHF	
	currency	2000	1999	2000	1999
Tradition Service Holding S.A., Lausanne	CHF	<b>75,201</b>	69,636	<b>75,201</b>	69,636
Tradition Service Holding S.A., Lausanne	DEM	<b>911</b>	911	<b>743</b>	743
Holding Tradition Securities S.A., Lausanne	CHF	<b>11,706</b>	11,706	<b>11,706</b>	11,706
Holding Tradition Clearing, Lausanne	CHF	<b>7,076</b>	15,206	<b>7,076</b>	15,206
Infotec S.A., Geneva	CHF	<b>3,858</b>	2,338	<b>3,858</b>	2,338
				<b>98,584</b>	99,629
Economically necessary provisions				<b>- 506</b>	-
<b>TOTAL</b>				<b>98,078</b>	99,629

Gross receivables in Swiss francs from Tradition Service Holding S.A. were subordinated to the extent of CHF 27,500,000 at 31 December 2000 (CHF 30,620,000 at 31 December 1999). Gross receivables from Holding Tradition Securities S.A. and Holding Tradition Clearing were subordinated to the extent, respectively, of CHF 143,000 and CHF 500,000 at 31 December 2000. Receivables from Infotec S.A. to Compagnie Tradition were subordinated to the extent of CHF 2,505,000 at 31 December 2000.

## 11.3 Other receivables

### Net short-term receivables from affiliated companies

These receivables stood at CHF 9,437,000 at 31 December 2000 (CHF 16,959,000 at 31 December 1999). They are payable in the short-term and result

from day-to-day transactions between Compagnie Financière Tradition and affiliated companies.

### Other long-term receivables

This item includes receivables held by Compagnie Financière Tradition on its former ultimate shareholders, Comipar, Paris, and Banque Pallas Stern, Paris. These debts, totalling CHF 8,675,000 at 31 December 2000 (CHF 10,242,000 at 31 December 1999) are secured by a commitment from the new ultimate majority shareholder, VIEL & Cie Finance, Paris (cf. Note IV.2).

Compagnie Financière Tradition received liquidation dividends totalling CHF 11,195,000 in 1999, equivalent to 50.8% of all stated receivables. A further dividend of CHF 1,567,000, or 7.2% of stated receivables was paid during the period, bringing the total percentage repaid at 31 December 2000 to 58.0%.

## 11.4 Fixed assets

in thousands of Swiss francs	2000			1999		
	Gross	Amort.	Net	Gross	Amort.	Net
Land and buildings	<b>8,501</b>	<b>985</b>	<b>7,516</b>	8,501	985	7,516
Fixtures and installations	<b>3,527</b>	<b>3,320</b>	<b>207</b>	3,515	3,177	338
Computer and telecom. equipment	<b>4,438</b>	<b>4,188</b>	<b>250</b>	3,868	3,416	452
Other fixed assets	<b>250</b>	<b>177</b>	<b>73</b>	180	132	48
<b>TOTAL</b>	<b>16,716</b>	<b>8,670</b>	<b>8,046</b>	16,064	7,710	8,354

At 31 December 2000, fire insurance value stood at CHF 12,728,000 for fixtures and installations, and CHF 17,775,000 for buildings (CHF 12,728,000 and CHF 17,775,000 respectively at 31 December 1999).

## 11.5 Accrued expenses and other debts

### Other short-term debts

This item was comprised as follows:

in thousands of Swiss francs	2000	1999
Employee current accounts	-	50
Public authorities	-	304
Other short-term debts	360	486
<b>TOTAL</b>	<b>360</b>	<b>840</b>

### Accrued expenses and deferred income

This item was comprised as follows:

in thousands of Swiss francs	2000	1999
Employee compensation and benefits	140	147
Other miscellaneous accrued expenses	1,002	723
<b>TOTAL</b>	<b>1,142</b>	<b>870</b>

### Long-term debts to affiliated companies

This item, which amounted to CHF 19,765,000 and CHF 19,483,000 at 31 December 2000, and 1999 respectively, consists of debts to two subsidiaries in which Compagnie Financière Tradition holds a 100% direct and indirect interest: Cofitra Investment Inc., British Virgin Islands, and TISA, Panama.

## 11.6 Share capital

### Composition of share capital

Share capital at 31 December 1999, stood at CHF 1,268,350, consisting of 12,683,500 shares of CHF 10.

Share capital was increased by CHF 291,500 in April 2000 through the creation of 29,150 new bearer shares of CHF 10, following the exercise of share options. This increase, accompanied by a share premium of CHF 682,110, brought Compagnie Financière Tradition's share capital to CHF 12,975,000 at 31 December 2000.

### Major shareholders

At 31 December 2000, the only shareholder holding over 5% of the equity voting rights in Compagnie Financière Tradition was VIEL & Cie Finance, Paris, with 69.28%, compared to 72.47% the previous year.

The 69.28% equity voting rights held by VIEL & Cie Finance, Paris, are exercised indirectly through Financière Vermeer B.V., Amsterdam, wholly owned by VIEL & Cie, which itself was 57.28% held by VIEL & Cie Finance at 31 December 2000.

### Increase in share capital

Share capital may be increased by up to CHF 6,000,000, through the issue of up to 600,000 new bearer shares of CHF 10. The issue price of such new shares and the date from which they are to pay dividends shall be determined by the Board of Directors. This authorisation, renewed by the Annual General Meeting of 10 May 1999, is valid until 11 May 2001.

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

### Conditional capital

Share capital may be increased by up to CHF 1,325,000, through the issue of up to 132,500 registered shares of CHF 10. Such an increase is effected through the exercise of preferential subscription rights by Company employees. The preferential subscription rights of existing shareholders are cancelled. Conditions for employee participation are to be determined by the Board of Directors.

## II.7 Treasury shares

The Company held 8,127 of its own shares at 31 December 2000, with an acquisition value of CHF 937,000. Changes in the situation of these treasury shares during the period were as follows:

	Book value (in thousands of Swiss francs)	Acquisition cost or realization price (in thousands of Swiss francs)	No. of shares
<b>SITUATION AT 1 JANUARY 2000</b>	<b>514</b>	<b>514</b>	<b>7,280</b>
Acquisitions in 2000	<b>546</b>	<b>546</b>	<b>2,597</b>
Sales in 2000	<b>- 123</b>	<b>- 84</b>	<b>- 1,750</b>
Capital losses for the year	<b>-</b>	<b>- 39</b>	<b>-</b>
<b>SITUATION AT 31 DECEMBER 2000</b>	<b>937</b>	<b>937</b>	<b>8,127</b>

These shares showed an unrealised gain of CHF 810,000 over the market price of CHF 215 at 31 December 2000 (CHF 804,000 at 31 December 1999).

## III NOTES TO THE PROFIT AND LOSS ACCOUNT

### III.1 Operating income

Compagnie Financière Tradition, which became a pure holding company on 1 July 1998, did not exercise any operational activities during the period. Nevertheless, as a holding company it receives rental income on its realty, consisting of two buildings in Lausanne. This income of CHF 544,000 net (CHF 733,000 in 1999) is stated under "Other operating income". The Company also recorded income of CHF 741,000 during the period, arising from depreciation of operating assets invoiced to its subsidiary, Tradition S.A.

### III.2 Extraordinary income and expenses

This item was comprised as follows:

in thousands of Swiss francs	2000	1999
<b>EXTRAORDINARY INCOME</b>		
Liquidation of provisions on investments	<b>12,570</b>	7,576
Liquidation of provisions for the depreciation of long-term receivables from affiliated companies	-	8,659
Partial use of the contingency provision	-	842
<b>TOTAL</b>	<b>12,570</b>	17,077
<b>EXTRAORDINARY EXPENSES</b>		
Charge to provisions on long-term receivables from Group companies	<b>- 506</b>	-
Capital loss on sale of investment	-	- 582
<b>TOTAL</b>	<b>- 506</b>	- 582

## IV ADDITIONAL INFORMATION

### IV.1 Commitments and contingent liabilities

in thousands of Swiss francs	2000	1999
Guarantees and commitments to third parties	27	37

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

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

### IV.2 Guarantees and commitments received

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

This undertaking relates to receivables of FRF 92,046,000 declared by Compagnie Financière Tradition when Comipar and Banque Pallas Stern went into receivership. VIEL & Cie Finance will honour this undertaking when these two entities pay the final liquidation dividend in respect of such receivables.

In 1999, Compagnie Financière Tradition received part repayment from Banque Pallas Stern and Comipar, equivalent to 50.8% of its outstanding claims. A further dividend of CHF 1,567,000, or 7.2% of declared receivables was paid in 2000, bringing the residual amount of these receivables to CHF 8,675,000 at 31 December 2000 (CHF 10,242,000 at 31 December 1999).

In view of this undertaking, the Company's Board of Directors considered that no provision was required to cover these receivables at the close of the accounts.

### IV.3 Pledged assets

Compagnie Financière Tradition pledged a mortgage note of CHF 12,000,000 encumbering its two buildings in Lausanne, whose net book value was CHF 7,516,000 at 31 December 2000.

**REPORT OF THE STATUTORY AUDITORS****To the Annual General Meeting of Shareholders of Compagnie Financière Tradition, Lausanne**

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, profit and loss account and notes) of Compagnie Financière Tradition, Lausanne, for the year ended 31 December 2000.

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 profession in Switzerland, 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 presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and results of operations in accordance with the Accounting and Reporting Recommendations (ARR). Furthermore, the accounting records, financial statements and proposed appropriation of available earnings comply with Swiss law and the Company's Articles of Association.

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

Lausanne, 13 March 2001

**Ernst & Young S.A.**

**P. Gisiger**  
Certified accountant

**J.-M. Favre**  
Certified accountant  
(Auditor in charge)