

The Becker and Warburg-Paribas Group

INCORPORATED

Two First National Plaza / Chicago, Illinois 60603
Telephone: 312/630-5080

January 15, 1975

Fellow Stockholders,

This letter supplements the information provided in the enclosed 1974 Annual Report for The Becker and Warburg-Paribas Group Incorporated.

Personnel Developments

Despite the generally unfavorable market conditions which prevailed for much of the 1974 fiscal year, overall employment in the Company increased by 17% to 1,578 employees. About one-sixth of this increase represents 39 former employees of Warburg-Paribas, Inc. whom we were pleased to welcome in September. Other areas of notable personnel growth during the year were the Operations and Funds Evaluation sectors of the firm. Expanded client service programs, particularly, required additional support personnel in both of these organizational units.

<u>Personnel At</u>	<u>10/25/74</u>	<u>*10/26/73</u>	<u>Change</u>	<u>% Increase</u>
Warburg Paribas Becker Inc.	92	76	16	21
Credit Securities	150	124	26	21
Funds Evaluation	258	207	51	25
Portfolio Services	221	215	6	3
Dealer and Trading Activities	63	59	4	7
Execution Services	111	101	10	10
Operations	530	446	84	19
Administration	133	108	25	23
Private Investment Services	20	18	2	11
Total	1,578	1,354	224	17

<u>Personnel At</u>	<u>10/25/74</u>	<u>*10/26/73</u>	<u>Change</u>	<u>% Increase</u>
Management Group	30	28	2	7
Marketing, Trading, Other Revenue Development and Direct Support Personnel	674	606	68	11
Operations, Administrative, Production, Systems, Clerical and other In- direct Support Personnel	855	703	152	22
Investment Activities Personnel	19	17	2	12
Total	1,578	1,354	224	17

* Restated to reflect 1974 organization.

Brokerage and Credit Securities Operational Support

During fiscal 1974, commission and floor brokerage income increased by 17% over fiscal 1973 levels. In terms of commission tickets processed, the table below reflects a somewhat smaller increase, and shows the significance of our investment dealer operations:

	<u>(000 Omitted)</u>			
	<u>1974</u>	<u>1973</u>	<u>Change</u>	<u>% Change</u>
General Portfolio Services	92	109	(17)	(16)
Funds Evaluation Services	56	49	7	14
Investment Dealer Services	256	191	65	34
Other	<u>60</u>	<u>65</u>	<u>(5)</u>	<u>(8)</u>
Total	<u>464</u>	<u>414</u>	<u>50</u>	<u>12</u>

On the other hand, the number of tickets processed in support of our Credit Securities activities increased some 36%, from approximately 157,400 to 213,000.

Development of Capital and Net Asset Value Per Share During the Year

We completed the fiscal year with Stockholders' Equity of \$27,535,000, down \$4,701,000 from a year earlier. This year-to-year change is summarized in the table below:

	<u>(000 Omitted)</u>
Stockholders' Equity, October 26, 1973	<u>\$32,236</u>
Add:	
Net Income	\$1,827
Sale of Common and Class A Common treasury and newly issued Class A Common shares (Net of change in notes due from stockholders)	\$2,131
Less:	
Repurchase of Common and Class A Common shares	<u>8,659</u>
Net decrease in equity capital	<u>(6,528)</u>
Net Decrease	<u>\$(4,701)</u>
Stockholders' Equity, October 25, 1974	<u>\$27,535</u>

Giving effect to the Warburg-Paribas affiliation and other changes during the period, capital funds increased from \$33,858,000 as of the end of fiscal 1973 to approximately \$56,580,000 as of January 10, 1975, as follows:

	<u>(000 Omitted)</u>	
	<u>10/24/73</u>	<u>1/10/75</u>
Subordinated Capital:		
Senior Subordinated Term Loans due Banks	--	\$ 8,000
Junior Subordinated Debentures due Former Stockholders	--	394
Cash Subordination Agreements	\$ 1,622	1,514
Capital Notes due Warburg-Paribas, Inc.	<u> </u>	<u>18,000</u>
	\$ 1,622	\$27,908
Common Equity	<u>32,236</u>	<u>28,672</u> (E)
	<u>\$33,858</u>	<u>\$56,580</u> (A)

(E) Estimated; (A) Approximately

At October 25, 1974, the firm's net asset value per share was \$42.43 on 722,888 shares outstanding, up \$3.74 per share from the level of fiscal 1973 year end. Adjusted for the 2 for 1 stock split which occurred subsequent to our fiscal year end, net asset value per share is \$21.22 on 1,445,776 shares outstanding. Over the past ten years, our record of change in net asset value per share and in shares outstanding has been as follows:

<u>Fiscal Year End</u>	<u>Net Asset Value Per Share at Fiscal Year End</u>	<u>% Change Over Prior Year</u>	<u>Average Shares Outstanding</u>
1974	\$21.22	9.7	1,580,542
1973	19.34	3.8	1,875,502
1972	18.64	24.3	1,882,088
1971	15.00	19.8	1,835,896
1970	12.52	(8.7)	1,940,866
1969	13.71	14.4	2,223,076
1968	11.98	18.8	2,166,032
1967	10.09	129.1	2,270,680
1966	4.40	45.1	2,514,700
1965	3.03	26.5	2,767,896

Stockholder Group

During fiscal 1974, before giving effect to the Amalgamation Agreement, our employee stockholder group decreased from 264 to 227. Giving effect to the completion of the Amalgamation Agreement and related tender in early January and the sale of Class C shares to employees as of fiscal year end, there are currently some 221 employee-stockholders who own approximately 1,224,174 Class A and C shares, with 282,819 Class B shares being owned by Warburg-Paribas, Inc.

Employee Benefit Fund Developments

The firm's 1974 contributions to the Profit Sharing Plans which were made early in January 1975, totalled \$1,574,703. The number of employees participating in the Profit Sharing Plans increased by 42 to 806, and included 161 employees who participated in the Plans for the first time during fiscal 1974.

The investment performance of the combined profit sharing funds showed a decrease of 6.5% for the twelve months ended October 25, 1974. While the decline reflected the overall trend of the equity markets, it was not as severe as the 27% decline registered by the S & P 500 market average or the 36% decline experienced by the DJIA. At fiscal year-end, and after giving effect to the fiscal 1974 contributions, the total market value of these funds was approximately \$8,281,000.

The company's contribution for fiscal 1974 to the employee Pension Plan was \$1,040,000, all of which was contributed by the Group and subsidiaries. This amount brings the firm's total contributions to the plan, which began in 1957, to \$5,928,000. At fiscal year end, after giving effect to the fiscal 1974 contribution, the market value of pension fund assets totalled \$5,799,000. There were 50 pensioners at fiscal year end who were receiving monthly benefits totalling just over \$15,500 from the Pension Plan.

Closing Thoughts

Our recently completed affiliation with S.G. Warburg & Co. Ltd. and Compagnie Financiere de Paris et des Pays-Bas, combined with the restructuring of our organization into a holding company, were major events which will significantly shape the future development and growth of the Group. The continued success of our endeavors will, however, particularly depend upon the dedication and talent of all employee stockholders. Thanks to all of you for the extra effort made in 1974 and pledged for 1975!



Paul R. Judy