SALOMON BROTHERS U.K. EQUITY LIMITED
(Registered Number: 2019774)

FINANCIAL STATEMENTS

for the year ended 31 December 1998

DIRECTORS' REPORT
for the year ended 31 December 1998

The directors present their annual report on the affairs of the Company together with the financial statements and auditors' report for the year ended 31 December 1998.

Principal Activities and Business Review

The Company's principal activities continue to be that of a dealer and market maker in UK equities and related contractual products. The Company's principal activities include proprietary trading positions and customer agency transactions. The Company does not anticipate any significant future change in business activities.

The Company enters into economic hedges with Salomon Brothers International Limited ("SBIL"), a fellow UK subsidiary undertaking, whereby SBIL provides economic hedges to the Company in return for a fee. The Company pays to or receives from SBIL amounts equal to the losses and profits, including financing costs, arising from the positions taken by SBIL in connection with the economic hedges provided to the Company.

The Company is authorised to conduct investment business by the Securities and Futures Authority in accordance with the Financial Services Act 1986. In addition the Company is a member of both the London Stock Exchange and the London International Financial Futures and Options Exchange. The Company is also registered as a stock borrowing and lending intermediary. This activity is undertaken purely in conjunction with the Company's market making activities.

On 8 October 1998, pursuant to an Agreement and Plan of Merger (the "Merger Agreement"), dated as of 5 April 1998, between Travelers Group Inc. (the ultimate parent of the Company) and Citicorp, a Delaware corporation ("Citicorp"), Citicorp merged with and into Citi Merger Sub Inc. (the "Subsidiary"), a wholly owned subsidiary of Travelers Group (the "Citicorp Merger"). In connection with the Citicorp Merger, the Subsidiary, which continued as the surviving corporation in the Citicorp Merger, changed its name to Citicorp, and Travelers Group changed its name to Citigroup Inc.

Year 2000 and Economic and Monetary Union in Europe

Costs in relation to year 2000 and EMU have been borne by another group undertaking, Salomon Brothers International Limited ("SBIL").

Results and Dividends

For the year ended 31 December 1998, the profit on ordinary activities after tax of the Company was £15,747,000 (1997: £7,390,000).

The results of the Company are stated after the receipt from SBIL of £8,924,289 (1997: payment to SBIL of £40,390,000) which represents the profit after financing costs in respect of the positions taken by SBIL in connection with the hedging agreement with SBIL.

During the year ended 31 December 1998 the Company did not pay an interim dividend on the ordinary shares (1997: £32,773,000). The directors do not recommend the payment of a final dividend on the ordinary shares (1997: NIL).

DIRECTORS' REPORT - continued
for the year ended 31 December 1998

Directors and their Interests

The directors of the Company are listed below. The directors of the Company are listed below and unless stated otherwise, served throughout the year ended 31 December 1998.

J.S. Boshart III	Co Chief Executive	(appointed 29 July 1998)
R. Freeman	Co Chief Executive	(appointed 29 July 1998)
G. Lawson		
P.J. Middleton	Chief Executive	(resigned 29 July 1998)

None of the directors or their immediate families had, at any time during the year, any interests in the shares or contracts of the Company or any other group undertaking which are required to be disclosed under the terms of the Companies Act 1985.

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

111 Buckingham Palace Road
LONDON SW1W 0SB

BY ORDER OF THE BOARD

Director

18 March 1999

PRICEWATERHOUSECOOPERS

Auditors' Report to the Shareholders of SALOMON BROTHERS U.K. EQUITY LIMITED:

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 7.

Respective responsibilities of directors and auditors

As described on page 2, the Company's directors are responsible for preparing the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the Company's state of affairs at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

18 March 1999

PROFIT & LOSS ACCOUNT
for the year ended 31 December 1998

	Notes	1998 £'000	1997 £'000
Net revenue	1(b)	54,055	(22,137)
Interest income	3	5,474	9,213
Interest expense	3	(26,594)	(14,312)
GROSS PROFIT/(LOSS)		32,935	(27,236)
Operating expenses	4	(9,139)	(8,968)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		23,796	(36,204)
Tax on (profit)/loss on ordinary activities	6	(8,049)	43,594
PROFIT ON ORDINARY ACTIVITIES AFTER TAX	12	15,747	7,390
DIVIDEND PAID	13	-	(32,773)
PROFIT/(LOSS) FOR THE YEAR		15,747	(25,383)
RETAINED PROFIT BROUGHT FORWARD		954	26,337
RETAINED PROFIT CARRIED FORWARD		16,701	954

There are no recognised gains or losses other than the profit for the year and all items are derived from continuing operations. The accompanying notes on pages 6 to 13 form an integral part of this profit and loss account.

BALANCE SHEET
as at 31 December 1998

	Notes	1998 £'000	1997 £'000
CURRENT ASSETS			
Debtors	7	474,191	384,942
Investments	8	220,876	383,695
Cash at Bank and in hand		996	1,677
		696,063	770,314
CREDITORS: Amounts falling due within one year	9	(614,362)	(704,360)
NET ASSETS		81,701	65,954
CAPITAL AND RESERVES			
Called-up share capital	11	65,000	65,000
Profit and loss account		16,701	954
TOTAL EQUITY SHAREHOLDERS' FUNDS	12	81,701	65,954

The financial statements on pages 4 to 13 were approved by the directors on 18 March 1999 and were signed on its behalf by

J.S. Boshart III Co-Chief Executive

The accompanying notes on pages 6 to 13 form an integral part of this balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1998

1. Principal Accounting Policies

The principal accounting policies, all of which have been applied consistently throughout the current and the preceding year, are set out below:

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, except for current asset investments, contractual commitments and foreign exchange transactions which are stated at market or fair value at the balance sheet date. The financial statements have been prepared in accordance with applicable accounting standards.

(b) Net revenue

The Company's net revenue represents the trading profit, including dividends, earned from dealing and market making in UK equities and related contractual products, together with commission earned on agency transactions. Net revenue is derived from trading in these stocks and related products, the substantial majority of which are listed on recognised exchanges and have liquid markets.

In the opinion of the directors, to present a true and fair view, movements in the market or fair value of investments and contractual commitments are included within the profit and loss account, rather than in a revaluation reserve. This is a departure from UK generally accepted accounting principles. The directors consider that it is not practicable to quantify the effect of the departure from UK generally accepted accounting principles in a manner that would be useful to the users of the financial statements. The Company's net revenue is stated after the settlement of amounts equal to profits or losses as required under the hedge agreement entered into with SBIL, as outlined in Note 2.

Gains and losses, including commission revenues and expenses, are accounted for on the trade date of the related transaction.

(c) Trading inventory

Trading inventory is recorded in the balance sheet on a trade date basis. Long positions are described as current asset investments as outlined in Note 8. Short positions are included within creditors due within one year in Note 9 and comprise both securities sold, but not yet purchased and options and other contractual commitments. Contractual commitments include obligations with counterparties which may extend for more than one year.

Trading inventory is recorded at either market value or, when market prices are not readily available instruments are priced on a comparable basis for example by using model pricing ("fair value"). Market and fair value includes related accrued interest or dividends. The determination of market or fair value considers various factors, including: closing exchange or over-the-counter market price quotations; time and volatility factors underlying options, warrants and contractual commitments; counterparty credit quality; and the potential impact on market prices of liquidating the Company's positions in an orderly manner over a reasonable period of time under prevailing market conditions. Further, in determining the fair value of its contractual commitments, the Company considers future maintenance costs.

1. **Principal Accounting Policies** - Continued

(d) Repurchase and resale agreements

Repurchase and resale agreements are treated as collateralised financing transactions and are carried at the amounts at which the securities will be subsequently reacquired or resold, including accrued interest, as specified in the respective agreements.

(e) Taxation

Corporation tax is recognised on taxable profits/losses at the current rate. Deferred taxation, calculated on the liability method at the rate at which the liability is likely to be paid, is provided to take account of timing differences arising from the different treatment of certain items for taxation purposes and for financial statements purposes. No deferred taxation is provided on those differences where, in the opinion of the directors, it is probable that they will not reverse. The tax benefits arising from group relief are recognised in the financial statements.

(f) Foreign currency

Monetary assets and liabilities denominated in currencies other than sterling have been translated into sterling using the year end spot foreign exchange rates. Non-monetary items denominated in currencies other than sterling have been translated at the relevant historical exchange rate.

Transactions in foreign currencies are translated into sterling at rates of exchange approximating those at the transaction date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the profit and loss account.

(g) Cash flow statements

In accordance with the revised Financial Reporting Standard No 1 the Company has not prepared a cash flow statement. The Company's results are consolidated in the financial statements of its ultimate parent company, Citigroup Inc., which are made available to the public annually.

(h) Related party disclosures

Under the subsidiary undertakings exemption of Financial Reporting Standard No 8, the Company is not required to disclose all transactions with other group companies and investees of the group qualifying as related parties.

2. Turnover and Results

In the opinion of the directors, financial disclosure of turnover is most appropriately represented for the Company by net revenue. As outlined in Note 1(b), net revenue comprises the amounts derived from the Company's ordinary activities. The directors also consider it necessary to include interest income less interest expense in determining gross profit and have thus departed from the profit and loss format as required by Schedule 4 of the Companies Act 1985.

In the opinion of the directors, the particulars of turnover as required by Schedule 4, Paragraph 55 of the Companies Act 1985, are not valid measures of activity in view of the nature of the business.

An analysis of profit before taxation and net assets by geographical region and business segment has not been provided because the directors are of the opinion that the Company's operations are one geographical region and the Company's principal activities constitute one business. Therefore no meaning analysis by geographical region and business segment can be determined.

The results of the Company are stated after the receipt from SBIL of £8,924,289 (1997: payment to SBIL of £40,390,000) after financing costs in respect of the hedging agreement with SBIL.

3. Interest Income and Expense

Interest income comprises:	1998 £'000	1997 £'000
Interest on current asset investments, interest bearing debtors and cash assets	5,147	4,457
Interest on loans to other group undertakings	327	4,756
	5,474	9,213

Interest expense comprises:	1998 £'000	1997 £'000
Interest on third party borrowings	2,732	967
Interest on borrowings from group undertakings	23,862	13,345
	26,594	14,312

4. Operating Expenses

Operating expenses comprise:	1998 £'000	1997 £'000
Directors' emoluments (see Note 5)	722	322
Other operating expenses	8,369	8,586
Auditors' remuneration:		
- Audit fees	48	60
	9,139	8,968

Operating expenses are primarily costs incurred by SBIL on behalf of the Company and recharged to the Company. The Company has no employees. Services are provided by employees of SBIL.

5. Directors' Emoluments

Directors' remuneration in respect of directors of the Company was as follows:

	1998 £'000	1997 £'000
Salaries and benefits in kind	413	206
Compensation for loss of office	135	-
Amounts receivable under long term incentive schemes	129	101
Contributions to money purchase pension schemes	45	15
	722	322

The contributions to the money purchase pension schemes are accruing to one of the directors.

	1998 £'000	1997 £'000
Highest paid director		
Salaries and benefits in kind	307	150
Amounts receivable under long term incentive schemes	101	72
Contributions to money purchase pension schemes	45	10
	453	232

In addition to the emoluments shown above, at 31 December 1998, the highest paid director had an accrued pension of £8,489.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 1998

6. Tax on Profit/(Loss) on Ordinary Activities

The (charge)/credit for taxation comprises:

	1998 £'000	1997 £'000
UK corporation tax at 31% (1997: 31.49%)	(7,202)	9,703
Adjustment in respect of corporation tax for earlier years	(33)	(9,703)
Tax attributable to franked investment income	(814)	805
Payment for group relief	-	42,789
	(8,049)	43,594

The 1997 credit to corporation tax represents the benefit of tax losses surrendered to other group undertakings by way of group relief.

7. Debtors

The following amounts are included in debtors:

	1998 £'000	1997 £'000
Amounts falling due within one year:		
Trade debtors	140,662	133,467
Amounts due under stock borrowing agreements	206,492	168,442
Due from other group undertakings	125,125	67,781
ACT recoverable	-	14,467
Other debtors	1,912	785
	474,191	384,942

Included within due from other group undertakings are collateralised financing transactions of £26,080,000 (1997: nil). The positions are entered into to cover short trading positions and to facilitate customer financing activity. The substantial majority of the collateral securing these positions comprises UK equities.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 1998

8. Current Asset Investments

The current asset investments comprise marketable securities and related contractual products taken into inventory as part of the Company's dealing and market making activities.

The Company's accounting policy for current asset investments is explained in Note 1(c). Included within current asset investments are:

	1998 £'000	1997 £'000
Corporate bonds - listed on a recognised UK exchange	39,237	76,888
- listed elsewhere	1,542	-
Equities - listed on a recognised UK exchange	158,732	247,456
- listed elsewhere	1,704	39,465
Options and other contractual commitments	19,661	19,886
	220,876	383,695

9. *Creditors*

The following amounts are included in creditors:

	1998 £'000	1997 £'000
Amounts falling due within one year:		
Bank overdrafts	571	-
Secured loans	198,903	164,127
Trade creditors	63,996	92,003
Securities sold, but not yet purchased (see Note 1(c))	265,318	167,306
Options and other contractual commitments (see Note 1(c))	12,327	13,527
Due to other group undertakings	67,138	259,631
Other creditors and accruals	6,109	7,766
	614,362	704,360

The secured loans are collateralised by the pledging of securities valued at £208.8 million (1997: £172.3 million). Included within due to other group undertakings are collateralised financing transactions of £30,000,000 (1997: £198,141,000) and an amount payable in respect of group relief of £23.8 million (1997: £20.4 million).

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 1998

10. Subordinated Loans

The subordinated loans, when required, from part of the Company's financial resource requirement to comply with the capital adequacy requirements of the Securities and Futures Authority ("SFA") and can only be repaid with their consent.

At 31 December 1998 the Company had in place the following subordinated loan facilities:

	Total Facility Available	Drawn-Down
Due to another group undertaking		
Short term (2 year facility)	£200 million	-
Long term (5 year facility)	£50 million	-

The subordinated loans, on which interest is payable at a market rate, are both facilities are with another group undertaking. The short term is due to expire on 31 December 1999 and the long term is due to expire on 31 December 2002.

11. Called-Up Share Capital

The Company's share capital comprises:

	1998	1997
Authorised:		
100,000,000 (1997: 100,000,000) ordinary shares of £1 each	£100,000,000	£100,000,000
100 ordinary shares of $1 each	$100	$100
Allotted, called-up and fully paid:		
65,000,000 (1997: 65,000,000) ordinary shares of £1 each	£65,000,000	£65,000,000

12. Reconciliation of Movements in Shareholders' Funds

	1998 £'000	1997 £'000
Shareholders' funds at beginning of year	65,954	61,337
Retained profit for the year	15,747	7,390
	81,701	68,727
Dividend paid	-	(32,773)
Share capital issued	-	30,000
Shareholders' funds at end of year	81,701	65,954

13. Dividends

	1998	1997
	£'000	£'000
Dividends on equity shares:		
Ordinary - NIL (1997: Interim paid of 50.42p per share)	NIL	32,773

14. Capital Commitments

There were no capital commitments at 31 December 1998 (1997: none).

15. Registered Charges

The Company has granted to its bankers a fixed and floating charge over its holdings of UK equities in its Crest Settlement System accounts. The Company also has granted a charge in favour of the London Stock Exchange over its securities designated by the London Stock Exchange as Talisman Securities

16. Parent Company Merger

On 8 October 1998, pursuant to an Agreement and Plan of Merger (the "Merger Agreement"), dated as of 5 April 1998, between Travelers Group Inc. (the ultimate parent of the Company) and Citicorp, a Delaware corporation ("Citicorp"), Citicorp merged with and into Citi Merger Sub Inc. (the "Subsidiary"), a wholly owned subsidiary of Travelers Group (the "Citicorp Merger"). In connection with the Citicorp Merger, the Subsidiary, which continued as the surviving corporation in the Citicorp Merger, changed its name to Citicorp, and Travelers Group changed its name to Citigroup Inc.

17. Group Structure

The Company's immediate parent undertaking is Salomon Brothers Europe Limited, registered in England and Wales. The Company's ultimate parent company is Citigroup Inc., incorporated in the State of Delaware, United States of America, which during part of 1998 was named Travelers Group Inc., as outlined in Note 16.

The audited consolidated financial statements of Citigroup Inc. are made available to the public annually in accordance with Securities and Exchange Commission regulations and may be obtained from Corporate Affairs, Citigroup Inc., 13th Floor, 850 Third Avenue, New York, NY 10043.