



ANNUAL REPORT

2003

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HISTORY

1990-1992

Finacor Bourse recruits a new equities and equity derivatives team

Finacor Actions Dérivés (FAD) founded

FAD renamed Exane (1992)

Creation of Verner Investissements, a partnership comprising the managers and key people of Exane, which holds 34% of Exane's capital

1993-1996

Coherent and complementary business choice: equities brokerage, proprietary trading, equity derivatives

Independence established

Geneva office established (1995)

The partnership becomes the majority shareholder (1996)

Exane Inc. created in New York (1996)

1997-2001

Development as a true institution, by critical mass, identity and reputation

Strong performance and earnings growth in a buoyant market

First Exane issues by equities derivatives (1999)

Exane becomes No.1 ranked for French equities (2000)

Zurich office established (2001)

Exane Structured Asset Management founded (2001)

2002-2003

Competitive position consolidated in a difficult climate (stockmarket collapse)

Sharp drop in NBI but resilient underlying earnings thanks to strict cost management

2004...

Agreement with BNP Paribas

- Partnership in cash equities brokerage

- BNP Paribas takes a stake in Verner Investissements. This will rise to 50% in the near future. The partners retain the majority of voting rights

- Access to significant financial resources and an enhanced balance sheet with which to develop the equities derivatives and proprietary trading activities

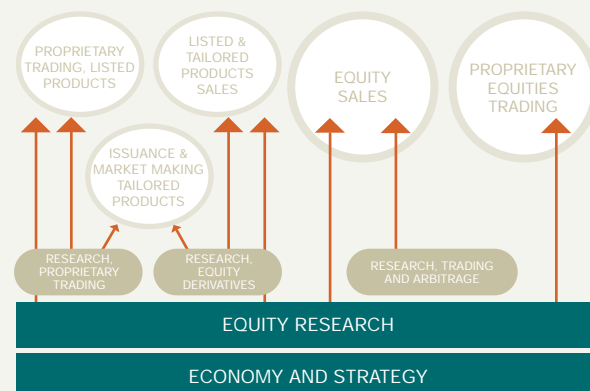
Exane is the foremost French brokerage and one of the biggest independent brokerage houses in Europe. We specialise in the secondary equities market under the Exane BNP Paribas name and in equity derivatives.

THE COMPANY

RESEARCH__EXPERTISE__INDEPENDENCE

Our client base is exclusively institutional. It comprises banking and insurance fund managers, pension funds, independent fund managers, and hedge funds worldwide.

We offer high value-added services drawing on our expertise in research, sales, sales trading and execution.





CHAIRMAN'S MESSAGE

NICOLAS CHANUT - CHAIRMAN AND CHIEF EXECUTIVE

2003 was a year of stabilisation.

The first quarter of 2003 was a particularly unsettled period for the financial markets. Yet the lingering effects of the traumas of 2002 and the uncertain international political climate gave way to a gradual return to "normal" during the course of the year. The markets have further stabilised since the beginning of 2004.

Our performance in this environment was commendable. We held our ground relative to 2002 as expected, with stable consolidated net banking income of EUR194m. These results reflect the buoyancy of the equity derivatives arm and, in particular, the continued progress in tailor-made products, which now account for 40% of our derivatives business.

In equities broking, we were able to manage the decline provoked by the unfavourable economic and market conditions, particularly during the first half of the year. Our proprietary trading business continued to consolidate its position. We closed the year with consolidated net profit of EUR43m (vs EUR23m in 2002), including proceeds from a write-back of the provision for liquidity risk. The resilience of our underlying earnings, also up on 2002, was bolstered by our tight cost control.

2003 will be remembered for the agreement with BNP Paribas.

The agreement comprises three elements.

- Equities broking partnership. BNP Paribas has given Exane exclusivity on equities broking in Europe. The merged equities activities now trade under the name Exane BNP Paribas. BNP Paribas's equities staff have been integrated by Exane since April 2004. Operating control of the new entity lies with Exane, which has a proven capacity to develop and manage the equities brokerage activity, especially under tough market conditions.
- Revised capital structure. In April 2004, BNP Paribas took a stake of almost 40% of the capital in Verner Investissements, the company that comprises Exane's managers and key staff and that today controls 96% of Exane. This stake will rise to 50% in the near future. However, the key people will retain 60% of the voting rights in Verner Investissements and thus control of the company.
- Additional resources and a stronger balance sheet. We are now in a position to accelerate the development of the other two business activities within the Exane group: equity derivatives—in particular derivatives issuance—and proprietary trading.

2004 will see us back on the offensive. Exane is picking up where it left off.

The agreement with BNP Paribas infuses new momentum into our group by allowing us to plan major new investments in all our businesses. The new Exane has the means to achieve our two core objectives:

- To build a recognised brand in European equities research, exploiting our clear leadership in the French market.
- To carve a solid franchise in tailored derivatives products while reinforcing our dominance in listed options and convertible bonds.

What is the new Exane group?

Our new group continues Exane's three historical activities: equity brokerage, equity derivatives, and proprietary trading. We are developing a fourth business, third-party asset management. These activities operate under the following commercial names:

- *Exane BNP Paribas for equities broking, since April 2004.*
- *Exane for derivatives broking. This activity is to become a distinct subsidiary operating under its own name within two years.*
- *Exane for the proprietary trading and asset management activities.*

Will the resources flowing from the agreement with BNP Paribas group come at the cost of Exane's independence?

Independent management and research have always been – and must remain – a cornerstone of Exane's identity. The company's continued independence is assured at three levels.

- *At the legal level, the principal managers and key staff together control 60% of the voting rights in Verner Investissements. There are no plans envisaged under which BNP Paribas would take full control.*
- *At the operating level, the agreement with BNP Paribas gives Exane complete freedom to manage the business.*
- *At the philosophical level, the managers of BNP Paribas are committed to preserving Exane's independence.*

Exane's continued strong performance in its core businesses will ultimately ensure its independence and protect its close business links with BNP Paribas.

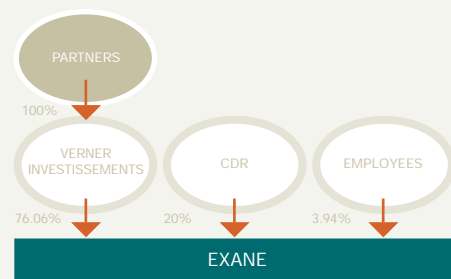
In April 2004, BNP Paribas acquired a 36.4% capital stake in Verner Investissements, the financial holding company that controls Exane.

KEY FIGURES

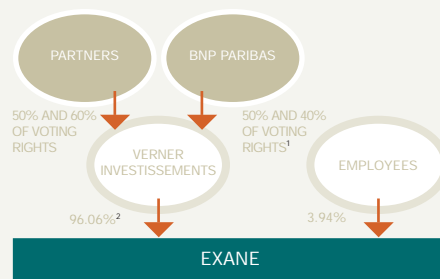
2003

Shareholding structure

Before



After

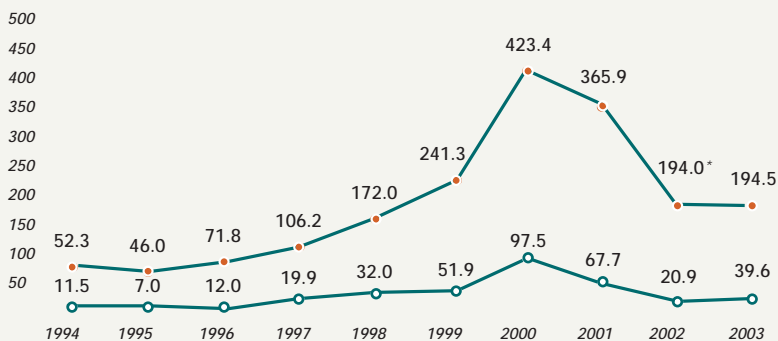


¹ 36.4% of capital at April 2004; planned rise to 50% in the near future. BNP Paribas's voting rights are capped at 40%.

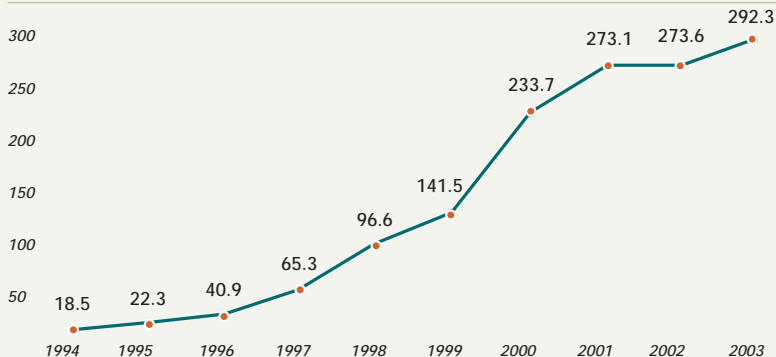
² Following the acquisition of CDR's stake in May 2004.

Net banking income and net profit 1994-2003 (€m)

Net banking income ● Net profit ○

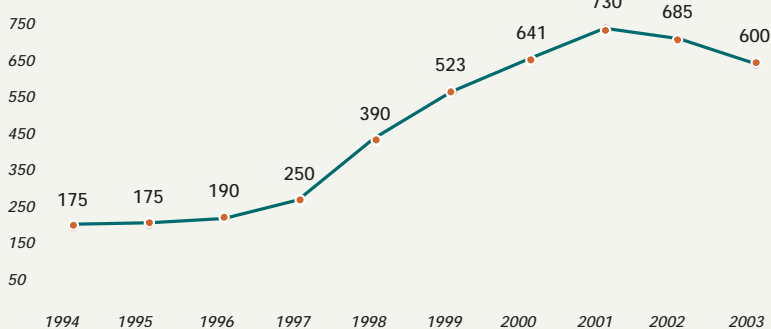


Shareholders' equity 1994-2003 (€m)



Workforce 1994-2003

Staff, including sub-contracting



* Changes in accounting standards and regulations have led Exane to provision against liquidity risks on positions taken in proprietary trading by reallocating provisions for charges built up during the past three years. This translates into a technical gap of EUR18.4m between reported net banking income (EUR175.5m) and economic net banking income (EUR194m).

Supervisory board

Nicolas Chanut
Chairman

Philippe Blavier
Board Member

Yann Gérardin
Board Member

Dominique Hoenn
Board Member

Cyril Mayer
Board Member

Philippe Sanlaville
Board Member

Verner Investissements
Board Member, represented by
Bertrand Léonard

Georges Chodron de Courcel
Advisor

Management board

Nicolas Chanut
Chairman & CEO

Philippe Sanlaville
Joint Chief Operating Officer

Bertrand Léonard
Joint Chief Operating Officer

Cyril Mayer
Deputy Chief Operating Officer

Olivier Stephanopoli
Deputy Chief Operating Officer



EQUITIES BROKING

A NEW FORCE IN EUROPEAN BROKERAGE

Cash equities brokerage is one of Exane's two core businesses. It has operated as Exane BNP Paribas since April 2004. Exane BNP Paribas is one of Europe's leading independent brokers on the secondary equities market. Our full-service offering covers economic and market strategy research, equity research, sales, sales trading and execution.

The partnership between Exane and BNP Paribas has given the cash equities brokerage activity critical mass in an increasingly competitive market. The group has gained a strong presence in London to complement the existing offices in New York, Geneva and Zurich and the new branches in Frankfurt and Milan, plus an office in Singapore (via an agreement with BNP Paribas Peregrine). Following the merger between Exane and BNP Paribas in equities brokerage, the headcount in this division has risen from 145 to 250.

<i>Employees, equities brokerage</i>	Before	After
Research	65	110
Sales	45	70
Execution	35	70
Total	145	250

Research Exane BNP Paribas has a team of roughly one hundred analysts in London and Paris. They provide research on nearly 400 European companies, almost 200 of which are French.

Our analysts, economists and strategists develop independent and original research founded on two principles: comprehensive coverage of listed companies and close co-operation with the sales and sales-trading desks. The quality of our research is consistently recognised by the financial community (see box below).

All Exane BNP Paribas research is available to clients on www.exanebnpparibas.com, Bloomberg (<EXAN>), Multex, First Call, and Reuters (RBR).

Equity sales Our sales team of nearly 70 people, located in Paris, London, New York, Frankfurt, Milan, Geneva, Zurich and Singapore, serves over 800 institutions worldwide. Specialist teams cover small-caps, and risk arbitrage.

Sales trading and execution This department comprises 45 sales traders and 25 dealers who together cover all European stocks. Exane BNP Paribas is a member of all the major European stockmarkets (Euronext Paris, Euronext Amsterdam, Euronext Brussels, Deutsche Börse XETRA, Borsa Italiana MIB, and the London Stock Exchange - SETS) and has execution capacity in all other markets in the euro zone. The electronic trading network, centralised in Paris, means that Exane can also offer clients a program trading capability covering the whole of Europe.

Sales trading teams, organised by region, work closely with the equity sales team.

We have developed a centralised cash management and block trading facility that gives clients rapid and confidential access to a major source of liquidity. In addition, we continually invest in information and trading technology in order to ensure that our client services are constantly improving.

The quality of our sales and sales trading teams has been recognised in industry rankings for many years.

Awards in 2003 / 2004

- **Institutional Investors-Reuters 2004**
Best research department in France
- **Agefi 2003**
Best research department in France for the third consecutive year
Best sector research:
Pharmaceuticals/Healthcare (second consecutive year)
and Telecoms Equipment
Best Market Economist
- **Global Investor 2003**
Best research department on France for the fourth consecutive year
- **Thomson Extel 2004**
Exane BNP Paribas number two research department on France



PROPRIETARY TRADING

SPECIALISATION AND RISK MANAGEMENT

Proprietary trading has been integral to Exane since the company's creation. This 15-person department has grown in step with the company's shareholders' funds.

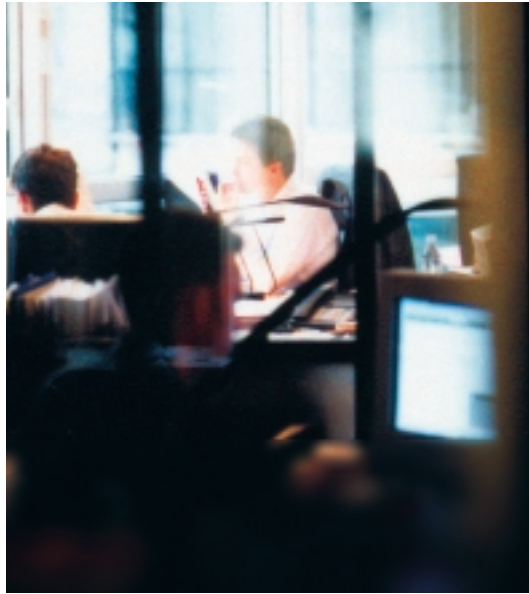
The department has diversified considerably since 1998 and now covers all major European stocks as well as a broad range of mainly French small-caps and mid-caps.

The portfolios are diversified in accordance with alternative management principles (e.g. risk arbitrage, long/short, market neutral). Specialisation within the department by investment style (quantitative, fundamental, event-driven) and by sector has helped accumulate a wealth of expertise.

This systematic approach to specialisation within the team and to management diversification, coupled with a balanced spread of the committed capital, has made the proprietary trading department a regular contributor to the group's net banking income, while respecting very formalised rules of market risk management.

The additional financial resources resulting from the agreement between Exane and BNP Paribas will support the department's further development in an increasingly competitive market.

Proprietary trading will continue to operate under the Exane name.



EQUITY DERIVATIVES

STRONG DEVELOPMENT OF TAILORED PRODUCTS

Equity derivatives constitute the second major pillar of Exane and employ 110 people.

Number of employees, equity derivatives

Research	30
Sales & sales trading	55
Market making and structuring	25
Total	110

Brokerage Exane is the French market leader in listed equity derivatives.

Our client base includes traditional mutual funds, private fund managers (including independent financial advisors) and institutional investors. The department also has a team dedicated exclusively to the corporate OTC options market.

The strength of our sales team is built on:

- a financial culture that draws on the derivatives research and other research departments within the group (equities, economics, strategy);
- a wealth of technical expertise in the derivatives markets;
- a comprehensive understanding of the differing objectives and constraints of each category of investor.

This unique positioning allows Exane to offer its clients, regardless of their risk and performance profile, alternative strategies to investing in equities and bonds alone.

Issuance The derivatives department capitalises on its expertise in options and convertible bonds by offering tailored products (certificates, equity index-linked notes, reverse convertibles, hybrid debt securities, etc.).

In 2003, Exane issued over 400 different products and had significant market share.

EQUITY DERIVATIVES...

Research Exane has invested considerable resources to developing a first-class research and advisory service in European equity derivatives and stock index derivatives. Our objective is to support clients in their investment process:

- through the systematic use of derivative products in all asset allocations with the backing of sound methodological studies.
- by issuing ratings and recommending investment strategies for derivative products.

The 30-person equity derivatives research department draws on a wealth of technical expertise, along with in-house databases and valuation models. Analysts incorporate advice from Exane's equity research, economics and strategy teams in their recommendations. The department specialises by client type and is thus able to offer products tailored to meet the specific requirements of different investors. The team has also created a number of risk indicators (e.g. for implied volatility, credit risk, risk premium) for the principal classes of derivative product assets.

Convertible bonds constitute a distinct asset class. Since 1992, Exane has developed and published a range of European indices that are today used as benchmark indicators for over 80% of specialised French funds. In 2003, Exane created the Top ECI 25 index linked to the Top 25 Convertibles, Europe's first convertible index fund. This index is managed by Exane Structured Asset Management.

All derivatives research is available to clients on www.exane-derives.com, Bloomberg (<EXAN>), Multex, First Call and Reuters (RBR).

Proprietary trading Exane has been a market-maker on options and convertible bonds since 1991. During this time, we have developed arbitrage activities on convertible shares, warrants, and options, along with French – and then European – underlyings.

The derivatives proprietary trading arm draws on this expertise to issue equity derivative products for the clients of the equity derivatives sales department, thus assuring the capacity to put together tailored products.

The department's collective know-how, the quality of the dedicated research, and specialised teams for lending/borrowing and corporate actions have made proprietary trading a key element within the group's derivatives sales and research activities and a regular contributor to the bottom line.

The same core criteria for the equities business apply to proprietary derivatives trading: recurrent earnings capacity, a balanced distribution of invested capital, and good control of market risks.

Fixed income Exane is a major player on the secondary French market and is extending its coverage to the other countries of continental Europe. We specialise in euro- and dollar-denominated international corporate issues.

In addition to sales and sales trading, the fixed income team constructs and issues structured rates and credit products that meet the specific requirements of the client base. The fixed income team has its own credit research capacity covering a broad range of sectors.

The range of instruments covered is growing steadily and Exane is gaining market share

Derivative products and market share

→ *Listed options*

Position

No.1 on STOXX options (EUREX)

No.1 on MONEP options

Strong position on German options

Market share

STOXX: 13%

MONEP: 25%

→ *Structured products*

Position

Biggest issuer of plain vanilla products and simple exotics intended for French mutual and private funds

→ *Convertibles*

Position

A leader on the European secondary market

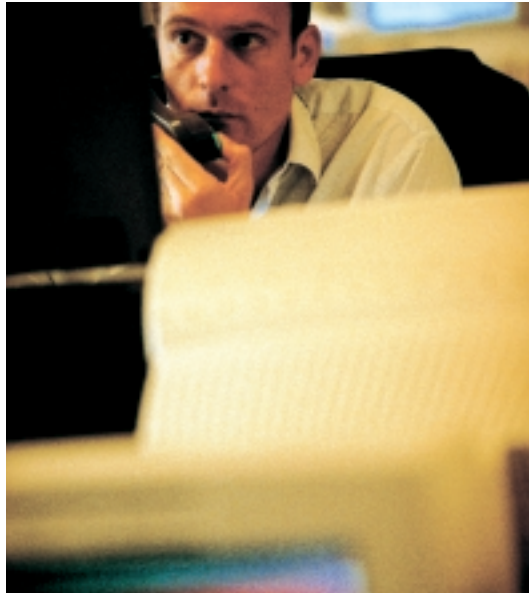
Market share

Estimated at 20% on French convertible bonds (no statistics for the rest of Europe)

→ *Other*

Position

Strong positions on redeemable shares, CGVs, etc.



EXANE SAM

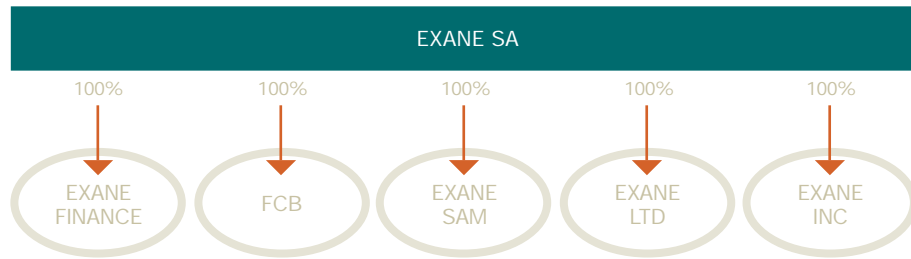
NATURAL EXTENSION OF THE GROUP'S EXPERTISE

Exane Structured Asset Management (Exane SAM) is a portfolio asset manager registered with the COB in April 2001 (general agreement no. GP 01-015). The company is a wholly-owned subsidiary of Exane SA.

Exane SAM uses alternative and structured / guaranteed / index-linked management styles. It develops and manages investment funds under French law for all types of investor seeking a fairly defensive risk profile.

The principal funds are ALPHA, a multi-strategy alternative fund, GULLIVER, a long / short fund on European equities, and Master Top ECI 25, the first index-linked fund on European convertible bonds registered with the AMF in France, and two feeder funds. Two new long / short sector equity funds were launched on 1 July 2004 (PROMETHEUS, VAUBAN).

The funds operated by Exane SAM rank among the best in their respective categories, thanks to good performance and low volatility. Third-party asset management is a logical development for Exane. The company is able to draw on a successful track record in alternative techniques, and exploit the expertise built up in arbitrage and relative valuation techniques and in risk control.



GROUP STRUCTURE

Exane SA is the parent company and the principal operating structure of the group.

The company has Entreprise d'Investissement status and is registered with the Comité des Etablissements de Crédit et des Entreprises d'Investissement. The company is subject to supervisory, accounting and prudential regulation by the Commission Bancaire.

The company has three wholly-owned subsidiaries in France:

- Exane Finance, a finance company authorised to underwrite issues.
- France Compensation Bourse (FCB), the group's former settlement structure, which is no longer operational.
- Exane Structured Asset Management (SAM), an asset portfolio management company.

The group controls seven international entities, three of which were inherited as a result of the agreement with BNP Paribas:

London Exane Ltd. Authorised intermediary and member of the Financial Services Authority (FSA), Exane Ltd. is a broker of French and European equities and convertible bonds.

New York Exane Inc. Authorised intermediary and member of the National Association of Securities Dealers (NASD), Exane Inc. is principally a broker of French and European equities but also has a US brokerage activity.

Geneva A representative office specialising in French and European equities and equity derivatives.

Zurich A representative office specialising in equities for German-speaking Swiss clients.

Frankfurt A representative office offering brokerage services on equities to clients in Germany and Austria.

Milan A representative office offers brokerage services to Italian clients.

Singapore Exane offers brokerage services in Asia via an agreement with BNP Paribas Peregrine, a local subsidiary of BNP Paribas.

CONTROL AND COMPLIANCE

The Exane group has for several years operated in accordance with comprehensive internal controls and regulations based on the CRBF 2001-01 regulations. Since the agreement with BNP Paribas, the supervision and control functions have been separated. The regulations impose three levels of control:

- **First-level:** controls conducted by the operating departments (orders/trades, data entry etc.).
- **Second level:** permanent surveillance by dedicated supervisory departments in accordance with the regulatory requirements:

Accounting and Finance Department: responsible for controlling and analysing all income and charges from operations and managing the prudential ratios.

Risk Control Department: monitoring market and counterparty risks throughout the group. The department answers to the Management Board. The department has specific responsibility for:

- formalising and monitoring market exposure limits and ensuring that the limits are respected, and for daily assessment of the consumption of shareholders' funds.
- verifying new clients and daily monitoring of commitments.

Compliance Department: answering directly to the Chairman-CEO, the department has supervisory oversight of all investment services and is responsible for all compliance-related issues. This includes establishing and managing internal regulations and codes of conduct, control procedures (in particular relating to financial research) and governing employees of the company.

- **Third level:** controls by the Internal Audit Department, in accordance with the banking regulations covering activities and procedures group-wide. The annual audit prepared for the Management Board includes recommendations for action as well as assessing measures implemented in response to previous recommendations. The Internal Audit Department answers directly to the Chairman/CEO.



EXANE IS A PEOPLE BUSINESS

As a result of the merger in equities brokerage with BNP Paribas, Exane now counts 765 people from 21 countries in addition to France, in particular from (in descending order) the UK, Switzerland, Germany, Italy, the USA, Belgium and Spain.

EU member states and Switzerland account for three quarters of the company's non-French employees.

The international profile reflects the cultural diversity of the company's clientele and the importance ascribed to proximity with the market.

The enterprise culture fostered by Exane since its creation in 1990 is as strong as ever. Employees are expected to act autonomously and encouraged to participate in decision-making. The spirit of independence, which lies at the heart of the company, is given material form in the shareholding structure.

Exane employees before and after the BNP Paribas agreement

	Before	After
Equities front office	145	250
Equities front office support	65	105
Derivatives front office	90	90
Derivatives front office support	20	20
Proprietary trading, equities	15	15
IT	110	110
Back office	70	90
Central services	85	85
Total	600	765

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CONSOLIDATED

CONSOLIDATED BALANCE SHEET

YEAR ENDED 31 DECEMBER 2003

Assets

(000's €)	31/12/2003	31/12/2002
Interbank transactions	380,688	473,670
Customer transactions	3,588	10,699
Bonds, equities, other securities, other fixed and variable revenue securities	927,001	440,082
Trading and settlement accounts	132,642	105,989
Participating interest, investments in affiliated undertakings, other long-term equity investments		
Tangible and intangible assets	6,770	10,604
Goodwill		
Sundry debtors	94,371	97,817
Prepayment and accrued income	32,969	41,094
Total Assets	1,578,029	1,179,955

Liabilities

(000's €)	31/12/2003	31/12/2002
Interbank transactions	118,364	44,214
Customer transactions	108	14
Debt securities	736,656	285,798
Trading and settlement accounts	185,306	183,993
Sundry creditors	86,805	180,534
Accruals and deferred income	34,756	35,545
Borrowings with agreed maturity dates	77,511	127,675
Provisions for liabilities and charges	5,244	4,658
Subordinated borrowings and securities	32,595	42,502
Fund for general banking risks	31,478	27,765
Additional paid-in capital	9,997	9,997
Legal reserve	3,069	3,069
Consolidated long-term capital gains	8,211	8,211
Consolidated reserves	169,241	172,965
Share capital	30,692	30,692
Excess of income over expenses	39,583	20,946
Minority interests – share of reserves	8,197	1,341
Minority interests – share of net profit	217	36
Total liabilities and shareholders' equity	1,578,029	1,179,955
Group share of shareholders' equity	292,270	273,644

CONSOLIDATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2003

(000's €)	31/12/2003	31/12/2002
Interest and similar income	8,712	15,348
Interest and similar expenses	(9,445)	(15,599)
Variable-revenue securities	1,223	562
Commissions (income)	92,427	115,272
Commissions (expense)	(21,519)	(14,336)
Capital gains / losses on transferable secs p/f	109,690	72,967
Capital gains / losses on held for sale secs p/f	13,560	1,386
Other operating income	3	25
Other operating expenses	(155)	(164)
Net banking income	194,497	175,462
General operating expenses	(129,772)	(135,562)
Deprec. & amort and prov on tang/intang assets	(3,848)	(6,252)
Gross operating profit	60,877	33,648
Provision for loan losses and country risks	(148)	2,294
Operating profit	60,729	35,942
net gains/(losses) on disposals of fixed assets	(21)	(978)
Profit before exceptional items and tax	60,708	34,964
Exceptional items	3	(214)
Corporate income tax	(17,199)	(11,706)
Changes to goodwill amortisation	-	-
FBGR charges / reversals	(3,713)	(2,061)
Minority interests	(217)	(36)
Net profit – Group share	39,583	20,946
Net profit – minority interests	217	36

CONSOLIDATED OFF-BALANCE SHEET COMMITMENTS

YEAR ENDED 31 DECEMBER 2003

(000's €)	31/12/2003	31/12/2002
Commitments given on behalf of credit or financial institutions		
Refin agreements, securities, endorsements, etc	2,700	-
Commitments received from credit or financial institutions		
Refin agreements, securities, endorsements, etc	171,852	149,633
Commitments given in favour of customers		
Currency-denominated transactions		
Forward foreign exchange transactions	-	-
Forward financial instruments		
Interest rate instruments (organised markets)	1,577,957	443,034
Interest rate instruments (OTC markets)	-	-
Foreign currency instruments (organised markets)	-	-
Foreign currency instruments (OTC markets)	-	-
Other transactions (organised markets)	910,272	1,392,087
Other transactions (OTC markets)	745,139	283,470
Custodian securities		
Securities recorded at official listed price	-	-
Securities given as guarantee		
Securities recorded at official listed price	359,770	191,045
Securities receivable		
Purchases on the centralised securities lending and borrowing market	33,564	32,085
Sundry commitments on securities	10,174	-
Securities to be delivered		
Sales on the centralised securities lending and borrowing market	1,014	19,731
Sundry commitments on securities	-	-
Securities received as guarantee		
Marketable sec (official listed price)	69,013	61,152
Other securities	-	-
Total off-balance sheet commitments	3,881,456	2,572,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

1 Consolidation policies and methods

The consolidated financial statements combine the financial statements of Exane SA and the French and foreign companies comprising the Exane Group.

The consolidated financial statements have been prepared in accordance with regulation 99.07 of the Comité de la Réglementation Comptable (Accounting Regulation Committee) and presented in accordance with regulation 2002.05 of the Comité de la Réglementation Bancaire et Financière (CRBF) (Banking and Financial Regulation Committee) on the consolidation rules for companies falling within the scope of authority of the CRBF.

2 Consolidation principles

2.1 __ Definition of the scope of consolidation and methods applied. All companies for which Exane SA directly holds the majority of the voting rights are fully consolidated. The minority interests' share of net income and reserves is recorded separately in the balance sheet.

2.2 __ Method for the translation of financial statements denominated in foreign currencies. The financial statements of foreign companies denominated in foreign currencies are translated into euro based on the exchange rates prevailing in Paris at the period-end for all balance sheet headings and average exchange rates during the period for the profit and loss account.

Translation gains or losses include translation differences calculated on the net opening balance as well as the difference between the net incomes calculated using the average exchange rate for the period and period-end exchange rates.

2.3 __ Balance sheet date. All companies included in the scope of consolidation have been consolidated based on financial statements for the period ended 31 December 2003.

2.4 __ Restatement of items in the consolidated financial statements.

- Inter-company transactions for the preparation of the consolidated financial statements: inter-company balances and transactions have been eliminated.
- Deferred taxes were recognized in order to take into account timing differences between the accounting profit after consolidated restatements and the taxable profit. Deferred tax assets take into account the future tax rates applicable when due.

3 Scope of consolidation

Fully consolidated companies	% interest	% share capital
France Compensation Bourse	100.00	100.00
Exane Finance	100.00	100.00
Exane Limited	100.00	100.00
Exane Incorporated	100.00	100.00
Exane Structured Asset Management	100.00	100.00
Alpha fund	88.08	88.08
Gulliver fund	59.98	59.98
Acquisitions	None	
Disposals	None	
Modification	Reduction in the percentage of share capital in the Alpha and Gulliver funds following new subscriptions by external third parties. The Alpha and Gulliver funds were held 100% and 85.79%, respectively, as at 31/12/2002.	

4_Group accounting policies

4.1 __ Securities transactions. These accounts represent the euro equivalent value of securities traded by the Group for its own account. The securities are marked to market at the period-end. The net unrealised gain or loss on the portfolio is recorded in the profit and loss account.

Over-the-counter transactions including issues of certificates, warrants and other OTC products by the Group are initially recorded at the transaction price. At the period-end, they are marked to market based on the market value of the underlying products, as determined internally by the risk management department which is independent from the front office teams.

Over-the-counter instruments are non-standard products and, consequently, their market value cannot be determined based on external data. At the period-end, premiums are marked to market based on prices estimated by the front office using internal models, which are checked by the risk management department. The same option pricing method is used for both daily and monthly valuations. The four main valuation parameters are as follows:

- price of the underlying asset,
- interest rates,
- volatility,
- estimated dividend yield.

The risk management department checks the consistency of over-the-counter product valuation parameters with the prices of quoted products for which values are published by organised markets.

Mark to market gains and losses are recorded in the profit and loss account.

Unfavourable market conditions in 2002 prompted Exane to book a provision at 31 December 2002, which materialises the liquidity risk of positions in the portfolio. Two changes were made to the method of calculating this provision in 2003. First, the provision against the own account portfolio at 31 December 2002 was calculated based on historical share prices, whereas at 31 December 2003, it was calculated based on the marked-to-market value with the unrealised capital gain recorded in the P&L. Second, for all positions in the portfolio, the discount coefficients have been reduced by 25%, for the following reasons:

- the decline in the average three-month historical volatility of CAC 40 stocks, from 50% to 22.5%;
- an 8% rise in the number of transactions on the Euronext equity market;
- the sharp reduction in bond spreads.

New discount coefficients are now calculated against the average three-month historical volatility of CAC 40 stocks only when the variation in traded volumes is no more than 20%:

Volatility between 40% and 60%: no impact on the coefficient
Volatility below 20%: -50% off the coefficient
Volatility between 20% and 40%: -25% off the coefficient
Volatility between 60% and 80%: +25% on the coefficient
Volatility above 80%: +50% on the coefficient

4.2 __ Trading and settlement accounts. These accounts are used to record the euro equivalent historical cost of securities transactions carried out on behalf of stockbrokers, banks and other intermediaries, which are in the process of being delivered/settled at the period-end. Purchase and sale accounts used to record euro-denominated transactions with the same counterparty and current account balances are netted off. Purchase and sale accounts used to record foreign currency denominated transactions with the same counterparty are also netted off.

These accounts are also used to record unsettled securities transactions and coupon payments at the period-end with the same intermediaries, and securities sold under collateralised repurchase agreements.

4.3 __ Own account investments. At the period-end, held-for-sale securities are valued in accordance with the rules applicable to each class of security in the portfolio. Provisions are raised for any impairment in value but unrealised gains are not recognised.

4.4 __ Fixed assets. Intangible fixed assets are comprised of computer software and amortised using the straight-line method over one year.

Four IT projects begun in 2003 have been amortised over three years using the straight-line method. The gross value of these projects corresponds to the gross value of installed software plus the associated development costs (see also paragraph 5.5).

Tangible fixed assets are stated at cost and are depreciated as follows:

Fixed asset category	Depreciation method	Depreciation period
Computer hardware	Reducing-balance	3 years
Telephone equipment	Reducing-balance	5 years
Office furniture	Straight-line	8 years
Fixtures and fittings	Straight-line	8 years

4.5 __ Income and expenses. Income and expenses are recorded on an accruals basis. Brokerage fees and commissions are recognised at the transaction date. Income and expenses on securities transactions correspond to the sum of the mark-to-market adjustments recorded during the period or at the period-end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

4.6 __ Off-balance sheet commitments. Group commitments recorded off-balance sheet reflect rights and obligations that are liable to change the amount or substance of net assets. They are stated at the value of the underlying commitment or the potential realisable value.

- Commitments on financial futures markets:

The Group trades on various organised and over-the-counter futures and options markets.

– Transactions on organized markets. Futures and options traded on organised markets are valued in accordance with the rules issued by the CRBF.

They are marked to market at each period-end, and the resulting unrealised gains or losses are recorded in the profit and loss account.

– Over-the-counter markets. Instruments traded over-the-counter consist primarily of securities issued by Exane SA and Exane Finance, which are marked-to-market based on the value of the underlying products in accordance with market regulations. The resulting unrealised gains or losses are recorded in net banking income, except for financial instruments used to hedge credit risks, for which any underlying capital gains are not recorded in the profit and loss account.

5_Notes to the balance sheet and off-balance sheet items

5.1 __ Interbank transactions

These accounts correspond to balances on accounts with French and foreign correspondent institutions (credit and financial institutions, stockbrokers and custodian banks) resulting from cash movements related to securities transactions and overnight cash lending and borrowing transactions.

(000's €)	31/12/03	31/12/02
Assets		
Cash in hand, central banks and post office banks	49	56
Current accounts in debit	249,348	341,474
Accounts and loans with agreed maturity dates	2,300	3,933
Deposits made on behalf of customers	–	90,761
Deposits related to borrowed securities	128,991	37,446
Total	380,688	473,670
Liabilities		
Current accounts in credit	60,208	10,214
Short-term borrowings	58,157	34,000
Total	118,364	44,214

All accounts with credit and financial institutions are due within one year.

Term accounts and borrowings	77,511	127,675
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Borrowings are for periods of less than three years.

5.2 __ Customer transactions

This heading comprises balances on current accounts with Group companies offset by third parties according to the euro/currency criteria.

(000's €)	31/12/03	31/12/02
Assets		
Sundry debtors – gross	3,859	10,822
Provisions for doubtful accounts	(271)	(123)
Total	3,588	10,699
Liabilities		
Sundry creditors	108	14
Total	108	14

All customer assets and liabilities are for periods of less than one year.

5.3 __ Bonds, equities and other securities/debt securities

(000's €)	31/12/03	31/12/02
Assets		
Transactions on secondary markets	590,593	256,515
Borrowed securities portfolio	194,309	61,969
Options portfolio – organised and OTC markets	104,197	74,387
Held-for-sale securities	71	12,306
Portfolio securities ⁽¹⁾	4,460	23,738
OEIC and mutual investment fund ⁽²⁾	35,477	25,009
Securities provision	(177)	(130)
Liquidity risk provision ⁽³⁾	(1,929)	(13,712)
Total	927,000	440,082
Liabilities		
Transactions on secondary markets ⁽⁴⁾	482,784	135,253
Liabilities in respect of borrowed securities	194,309	95,725
Options portfolio – organised and OTC markets	59,563	54,820
Total	736,656	285,798

(1) This heading includes portfolio securities which show, at 31 December 2003, based on their period-end market value, an unrealised capital gain of €696,000 which has not been recognised.

(2) This heading includes the OEIC and mutual investment fund investments of Exane Investors Alpha Funds and Exane Investors Gulliver Funds valued at their period-end net asset value totalling €33,332,000.

(3) Unfavourable market conditions in 2002 prompted Exane to book a provision at 31 December 2002, which materialises the liquidity risk of positions in the portfolio. The amount of the provision totalled €13,712,000 on 31 December 2002.

On 31 December 2003, this provision totalled €1,929,000. This decrease is mostly linked to the heavy unwinding of positions which carried the liquidity risk on 31 December 2002. The method of calculating this provision changed in 2003 (see paragraph 4.1)

(4) The change is directly linked to the development of the issuance activity and includes €304,274,000 of products issued by Exane Finance to Exane SA customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

5.4 __ Trading and settlement accounts

(000's €)	31/12/03	31/12/02
Assets		
Stockbrokers	17,499	26,170
Other financial institutions	95,218	72,076
Clearing houses	19,925	7,641
Customers	–	102
Total	132,642	105,989
Liabilities		
Stockbrokers	38,400	46,057
Other financial institutions	81,765	52,532
Customers	–	102
Securities delivered under repurchase agreements	–	72,089
Clearing houses	65,141	13,213
Total	185,306	183,993

5.5 __ Fixed assets

Movements for the period, including amortisation and depreciation, were as follows:

(000's €)	Balance 31/12/02	Acquisitions	Dep. & amort.	Disposals and Scrappings	Recl.	Other	Balance 31/12/03
Intangible fixed assets							
Gross	10,417	297		(146)	515	(8)	11,075
Amortisation	10,167		316	(146)		(15)	10,322
Net book value ⁽¹⁾	250						753
Tangible fixed assets							
Gross	34,299						32,116
– Computer hardware	17,379	187		(749)		(108)	16,709
– Office furniture/ Fixtures and fittings	12,785	145		(1,135)		(89)	11,706
– Telephony	3,617	182		(60)		(41)	3,698
– Tangible fixed assets in course of construction	515				(515)		–
– Other	4						4
Depreciation	23,945		3,551	(1,235)		(162)	26,099
Net book value ⁽²⁾	10,354						6,017
Total (1) + (2)	10,604						6,770

The figures in the Disposals column correspond to scrapped fixed assets.

Intangible fixed assets include IT projects begun in 2003 and amortized on a straight-line basis over three years (see paragraph 4.4). Their net value is €585,000 and the breakdown is as follows:

(000's €)	Gross value 31/12/03	Amortisation	NBV 31/12/03
UBITRADE project (options and futures processing software)	431	108	323
BAFI project (production of BC regulatory statements)	65	16	49
ISIN project (migration of SICOVAM code to ISIN code)	193	32	161
VMS project (server operation tool)	58	5	53
Total	747	162	585

5.6 __ Sundry debtors and creditors

(000's €)	31/12/03	31/12/02
Assets		
Deposits paid	72,443	72,589
Deposits and guarantees	1,217	1,420
Taxes and duties other than income tax	12,432	21,478
Other debtors	8,279	2,330
Total	94,371	97,817
Liabilities		
Customer deposits received	12,094	94,958
Accrued taxes	18,036	3,756
Employee-related liabilities	51,457	72,258
Trade creditors	2,301	5,787
Other creditors	2,918	3,775
Total	86,805	180,534

5.7 __ Prepayments, accruals and deferred income

(000's €)	31/12/03	31/12/02
Assets		
Unrealised gains	28,345	28,275
Prepaid expenses	1,062	3,005
Accrued income	1,060	7,016
Deferred tax assets	2,502	2,798
Total	32,969	41,094
Liabilities		
Unrealised losses	29,251	24,476
Accrued expenses	5,505	11,021
Deferred tax liabilities	-	48
Total	34,756	35,545

Unrealised gains and losses arise from the marking to market of positions on the organized and OTC markets based on period-end prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

5.8__ Provisions for liabilities and charges

(000's €)	31/12/02	Charges	Reversals	31/12/03
Provision for liquidity risk ⁽¹⁾	4,658	-	(1,276)	3,382
Other liability provision ⁽²⁾	-	1,862	-	1,862
Total	4,658	1,862	(1,276)	5,244

(1) The part of the liquidity provision under liabilities in the balance sheet corresponds to positions on forward financial instruments (see also paragraphs 4.1 and 5.3).

(2) This heading includes a provision for retirement costs of €705,000, recognised for the first time at 31 December 2003.

The Group's commitment for the payment of retirement bonuses and long-service awards to employees on the payroll at 31 December 2003 has been estimated using the following assumptions:

- Retirement age: 65 years.
- Discount rate: 3.5 %.
- Average rate of salary increases:
 1. Front office staff: 6% maximum, declining over time to 0%.
 2. Administrative staff: 6% maximum, declining over time to 0%.
- Staff turnover rate: 9% for front office staff, declining over time, 10% for administrative staff, declining over time.
- Company Social Taxes: 58 %

5.9__ Fund for general banking risks (FGBR)

(000's €)	31/12/02	Additions	Reversals	31/12/03
Fund for general banking risks	27,765	3,713	-	31,478
Total	27,765	3,713	-	31,478

5.10__ Shareholders' equity

(000's €)	31/12/02	Appropriation of 2002 profit	Translation differences	Share capital increase	Other	2003 profit	31/12/03
Share capital	30 692	-	-	-	-	-	30,692
Consolidated reserves	194,241	(1,054)	(2,529)	-	(141)	-	190,517
Net profit	20,946	(20,946)	-	-	-	39,583	39,583
Total	245,879	(22,000)	(2,529)	-	(141)	39,583	260,792

The Annual General Meeting approved the payment of a total dividend of €22,000,000 for 2002 payable by the parent company. Residual net income was taken to reserves.

Shareholders	31/12/03	
	Total number of shares	% of capital
Verner Investissements ⁽¹⁾	136,847	75.80%
CDR Entreprises	36,110	20.00%
Company mutual fund	7,577	4.20%
Other	6	NS
Total	180,540	100.00%

(1) Including 56,780 preferential dividend shares

Changes: 1,441 shares held by the company mutual fund at 31 December 2002 were acquired by Verner Investissements during 2003.

5.11__ Off-balance sheet commitments

Breakdown of commitments on financial futures markets

– Futures and options

(000's €)	31/12/03	31/12/02
Futures	2,343,258	725,830
Options	890,110	1,392,761
Total	3,233,368	2,118,591

– Organised markets / over-the-counter markets

(000's €)	31/12/03 Commitments	31/12/03 Premiums	31/12/02 Commitments	31/12/02 Premiums
Organised markets	2,488,229	161,651	1,835,121	128,450
Over-the-counter markets	745,139	2,109	283,470	757
Total	3,233,368	163,760	2,118,591	129,207

– Purchases/Sales by type of instrument

(000's €)	Instrument	31/12/03	31/12/02
Purchases	Interest rate	1,380,545	275,000
	Index	293,007	87,801
	Equity	314,635	818,191
	Index swap	265,377	97,323
	Credit	89,763	64,000
Total purchases		2,343,327	1,342,315
Sales	Interest rate	197,412	168,034
	Index	384,028	68,266
	Equity	43,224	442,653
	Index swap	265,377	97,323
Total sales		890,041	776,276
Total commitments		3,233,368	2,118,591

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

The development of the issuance activity has significantly increased positions taken on OTC options on equities and interest rate futures. Interest rate futures contracts are mainly used to hedge the rates risk on long-maturity issues.

5.12__ Risk management systems

The forward financial instruments used by Exane consist primarily of equity and index options traded on organised markets in connection with the Group's market-making and arbitrage transactions on the markets of continental Europe. A limited number of equity options are also sold and purchased on over-the-counter markets. Index and interest rate futures traded on organised markets are also used to hedge options and securities portfolios.

Market risks associated with these instruments are calculated by two methods, in the same way as for marketable securities. One method is based directly on the French Banking Commission rules (articles 95-2 and 97-4). The other uses an internal stress scenario model and includes the calculation of internally allocated capital.

The stress scenario simulates the effect of sudden, adverse changes in conditions on the interest rate and equity markets, as well as changes in volatility. The effect of an absence of correlation between each underlying asset and its benchmark reference is also estimated, based on the risk rating attributed to each security according to its volatility and liquidity. Exposure limits are allocated to dealers for each of these types of risk, and compliance with these limits is checked on a daily basis by the risk management department.

The risk management department also validates each counterparty and sets its exposure limits for certain over-the-counter transactions, based on credit standing criteria. Actual exposures are calculated daily and checked against these limits. The calculation is performed using the regulatory credit-equivalent method, which is based on statistical estimates of the likelihood of worst-case scenarios arising over the life of the product. The rules governing risk aggregation and netting for each counterparty are in accordance with the applicable banking and financial services regulations.

6_Notes to the profit and loss account

6.1 __ Net banking income

The contribution of each company to the consolidated NBI is as follows:

(000's €)	31/12/03	31/12/02
Exane SA	162	147
Exane Limited	8	9
Exane Inc.	18	21
Exane Finance	-	-
Exane SAM	-	-
France Compensation Bourse	4	(1)
Gulliver Fund	2	-
Alpha Fund	1	-
Total	194	176

(000,000's €)	Total	France	Outside France
Own account trading	49	N/A	N/A
Brokerage	120	48	72
Other (holding company)	25	N/A	N/A
Total	194	N/A	N/A

The breakdown between own account trading and brokerage is based on data extracted from the Company's management accounting system. The breakdown of brokerage income by geographic area is based on client location.

6.2 __ Personnel costs

This heading breaks down as follows:

(000's €)	31/12/03	31/12/02
Wages and salaries	61	64
Social security taxes	22	20
Employee shareholder fund	6	-
Total	88	84

Personnel costs increased by 5%, which is mainly due to the impact of the provision for employee participation raised in respect of 2003 totalling M€5.7. No such provision was raised in respect of 2002.

The Group calculated its commitment for the payment of retirement bonuses and long-service awards to employees on the payroll at 31 December 2003 (see calculation assumptions in paragraph 5.8). The commitment amounts to ≈705,000 and was provisioned in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

6.3 __Other general operating expenses

(000's €)	31/12/03	31/12/02
Rent	17	17
IT services	4	8
Fees	3	4
Travel and entertainment	4	5
Other taxes	5	8
Telecommunications	2	2
Other	7	8
Total	41	52

6.4 __Corporate Income Tax

a) The tax charge for the period breaks down as follows:

(000's €)	31/12/03	31/12/02
Tax	17	7
Change in deferred tax	0.2	4.7
Total	17.2	11.7

b) The difference in deferred tax is as follows:

(000's €)	31/12/03	31/12/02	Impact on 2003 tax
Deferred tax assets			
Employee shareholder fund	2.0	2.4	0.4
UCITS	0.2	0.2	-
Pension charges	0.2	-	(0.2)
Other	0.1	0.2	0.1
Total	2.5	2.7	0.2

c) Break down of the tax charge

The Group's tax charge for the period breaks down as follows:

Net profit before special profit-sharing reserve, FGBR and CIT	57.6
Deductions	(21.9)
2002 Employee shareholder fund	(6.8)
Other	(15.1)
Add-backs	15.9
2003 Employee shareholder fund	5.7
Other	10.2
Net profit taxable at tax rate payable under general law	51.6
Net profit taxable at French CIT rate	44.5
Taxable net profit of foreign subsidiaries	7.1
CIT and contributions	(20.9)
CIT 33.33%	(15.8)
Contribution 3%	(0.5)
Contribution 3.3%	(0.5)
CIT foreign subsidiaries	(4.1)
Other	-
Tax credit	4.0
Deferred tax	(0.2)
Total CIT charge	(17.2)
Nominal CIT rate	29.8%

AUDITORS' REPORT

ON THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

In accordance with our appointment as auditors at your Annual General Meeting, we have audited the accompanying consolidated financial statements of Exane for the year ended 31 December 2003.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

1_Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall 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 and the assets and liabilities of the Group as at 31 December 2003 and the results of its operations for the year then ended, in accordance with French accounting regulations.

2_Justification of our assessments

Pursuant to Article L. 225-235 of the French Financial Security Act of 1 August 2003, which applies for the first time this year, we hereby inform you that the assessments we performed as part of our audit approach to the consolidated financial statements taken as a whole and which included the accounting principles used, the significant estimates made by management, as well as the overall financial statement presentation, do not call for any particular comment.

3_Specific procedures and disclosures

We have also verified, in accordance with professional standards applicable in France, the information given in the Group's management report.

We have no comment to make as to the fair presentation of this information nor its consistency with the consolidated financial statements.

La Défense and Neuilly, 3 March 2004

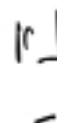
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This is a free translation into English of the statutory auditors' reports issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes for the information of the reader, as required under French law in any auditor's report, whether qualified or not, an explanatory paragraph separate from and presented below the audit opinion discussing the auditors' assessment of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. Such report, together with the statutory auditors' report addressing financial reporting in management's report on internal control, should be read in conjunction and construed in accordance with French law and French auditing professional standards.

COMPANY
FINANCIAL STATEMENTS

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COMPANY

BALANCE SHEET

YEAR ENDED 31 DECEMBER 2003

Assets

(000's €)	Net 31/12/2003	Net 31/12/2002
Cash in hand, issuing houses, French Treasury	7	11
Credit and financial institutions	339,350	435,673
Term loans	–	–
Amounts due from customers	9,383	10,694
Sundry debtors	84,808	92,474
Prepayments and accrued income	65,716	37,725
Amounts receivable on trading transactions	2,857,183	1,009,868
Trading and settlement accounts	143,856	144,077
Investment transactions on own account	6,013	33,376
Participating interests and investment in affiliates	52,269	51,055
Provisions for liquidity risks	(1,929)	(13,712)
Fixed assets	6,422	9,949
Carry over		
Total Assets	3,563,078	1,811,190

Liabilities and shareholders' equity

(000's €)	Total 31/12/2003	Total 31/12/2002
Cash in hand, issuing houses, French Treasury		
Credit and financial institutions	112,335	36,480
Term borrowings	77,511	132,443
Amounts due to customers	32,503	22,770
Sundry creditors	80,165	176,962
Accruals and deferred income	111,670	34,393
Amounts payable on securities trading transactions	2,662,208	902,393
Trading and settlement accounts	198,657	222,800
Subordinated borrowings and debt securities issued	32,595	42,502
Provisions for liabilities and charges	5,244	4,658
Fund for general banking risk	31,478	27,765
Reserves	155,332	154,711
Share Capital	30,692	30,692
Net profit for the year	32,687	22,621
Total liabilities and shareholders' equity	3,563,078	1,811,190

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2003

(000's €)	31/12/2003	31/12/2002
Interest and similar income	8,014	13,060
Interest and similar expenses	(10,669)	(15,641)
Vairiable-revenue securities	2,543	10,230
Commissions (income)	67,470	92,753
Commissions (expenses)	(23,040)	(17,400)
Capital gains/losses on transferable secs p/f	105,351	70,146
Capital gains/losses on held for sale secs p/f	10,863	1,189
Other operating income	11,135	12,676
Other operating expenses	–	(524)
Net banking income	171,666	166,491
General operating expenses	(119,079)	(126,679)
Deprec. & amort and prov on tang/intang assets	(3,583)	(5,727)
Gross operating profit	49,004	34,085
Provision for loan losses and country risks	(148)	2,294
Operating profit	48,856	36,379
Net gains/(losses) on disposals of fixed assets	4	(978)
Profit before exceptional items and tax	48,860	35,401
Exceptional items	–	–
Corporate income tax	(12,460)	(3,249)
FGBR charges/reversals	(3,713)	(9,532)
Net profit	32,687	22,621

OFF-BALANCE SHEET COMMITMENTS

YEAR ENDED 31 DECEMBER 2003

(000's €)	31/12/2003	31/12/2002
Financial commitments given		
Guarantees given to third parties	–	–
Guarantees commitments given		
Guarantees given to third parties	4,260,363	552,673
Financial commitments received		
Guarantees received from third parties	–	–
Lines of credit received	171,852	149,633
Commitments given to customers		
Options contracts		
Purchased options	–	–
Sold options	–	–
Foreign exchange contracts		
Currency to be received	–	–
Euros to be received	–	–
Currency to be delivered	–	–
Euros to be delivered	–	–
Commitments on financial futures markets		
Interest rate contracts		
Purchases	1,380,545	275,000
Sales	197,412	168,034
Futures contracts		
Purchases	29,592	16,183
Sales	135,192	7,967
Options contracts		
Purchases	3,100,381	924,928
Sales	524,493	1,244,381
OTC transactions		
Purchases	467,795	1,031,117
Sales	4,559,154	649,996
Commitments on securities		
Securities receivable		
Purchased on the centralised lending and borrowing market	43,738	32,085
Purchased on the monthly settlement market	–	–
Purchased on the primary market	–	–
Securities to be delivered		
Sold on the centralised lending and borrowing market	1,014	19,731
Sales on the monthly settlement market	–	–
Sales on the primary market	–	–
Securities issues	–	–
Securities used as collateral	359,770	191,045
Securities received as collateral	69,013	61,152
Total off-balance sheet commitments	15,300,314	5,323,927

NOTES TO THE COMPANY FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

1__Business and status of the Company

Exane SA is a French corporation (*société anonyme*) licensed by the *Comité des Etablissements de Crédit et des Entreprises d'Investissement* (Credit Institutions and Investment Enterprise Committee) to provide investment services. It falls under the supervisory authority of the French Banking Commission.

Exane SA's investment services business is governed by section II of the general regulatory code of the *Conseil des Marchés Financiers* (Financial Markets Council).

In the year ended 31 December 2003, Exane SA mainly traded in quoted securities and derivative instruments on behalf of institutional clients as well as on its own account.

2__Accounting policies

The financial statements have been prepared in accordance with regulation 97-03 of the *Comité de la Réglementation Bancaire et Financière* (CRBF) (Banking and Financial Regulation Committee) on the preparation and publication of the financial statements of investment services companies other than portfolio management companies. They are also based on the main provisions of CRBF regulation 99-04 dealing with the financial statements of individual companies.

- 2.1 __ Credit and financial institutions. These accounts correspond to balances on accounts with French and foreign correspondent institutions (credit and financial institutions, stockbrokers and custodian banks) resulting from cash movements related to securities transactions and overnight cash lending and borrowing transactions. They also include employee profit-sharing escrow accounts, and receivables corresponding to the value of securities borrowed against cash.
- 2.2 __ Customer accounts. This heading comprises balances on current accounts with Group companies and amounts due in respect of employee profit-sharing for prior years.
- 2.3 __ Securities transactions. These accounts represent the euro equivalent value of securities traded by the Company on its own account. The securities are marked to market at the year-end.

The net unrealised gain or loss on the portfolio is recorded in the profit and loss account.

Over-the-counter transactions including issues of warrants and other OTC products by the Company are initially recorded at the transaction price. At the period-end, they are marked to market based on the market value of the underlying products, as determined internally by the risk management department which is independent from the front office teams.

Over-the-counter instruments are non-standard products and, consequently, their market value cannot be determined based on external data. At the year-end, premiums are marked to market based on prices estimated by the front office using internal models, which are checked by the risk management department. The same option pricing method is used for both daily and monthly valuations. The four main valuation parameters are as follows:

- price of the underlying asset
- interest rates
- volatility
- estimated dividend yield.

The risk management department checks the consistency of over-the-counter product valuation parameters with the prices of quoted products for which values are published by organised markets.

Mark to market gains and losses are recorded in the profit and loss account.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

Unfavourable market conditions in 2002 prompted Exane to book a provision at 31 December 2002, which materialises the liquidity risk of positions in the portfolio. The provision integrates the financial consequences of unwinding positions in deteriorated market conditions.

Two changes were made to the method of calculating this provision in 2003. First, the provision against the own account portfolio at 31 December 2002 was calculated based on historical share prices. The provision at 31 December 2003 is calculated based on the marked-to-market value position with the unrealised capital gain or loss recognised in the P&L. Second, for all positions in the portfolio, the discount coefficient has been reduced by 25%, for the following reasons:

- the decline in the average three-month historical volatility of CAC 40 stocks, from 50% to 22.5%;
- an 8% rise in the number of transactions on the Euronext equity market;
- the sharp reduction in bond spreads.

Discount coefficients are now calculated against the average three month historical volatility of CAC 40 stocks only when the variation in traded volumes is no more than 20%:

Volatility between 40% and 60%:	no impact on the coefficient
Volatility below 20%:	-50% off the coefficient
Volatility between 20% and 40%:	-25% off the coefficient
Volatility between 60% and 80%:	+25% on the coefficient
Volatility above 80%:	+50% on the coefficient

2.4 __ Trading and settlement accounts. These accounts are used to record the historical cost of securities transactions carried out on behalf of stockbrokers, banks and other intermediaries, which are in the process of being delivered/settled at the period-end. Purchase and sale accounts used to record euro-denominated transactions with the same counterparty and current account balances are netted off. Purchase and sale accounts used to record foreign currency denominated transactions with the same counterparty and current account balances are also netted off.

These accounts are also used to record unsettled securities transactions and coupon payments at the period-end with the same intermediaries, and securities sold under collateralised repurchase agreements.

2.5 __ Own account investments. This item consists of securities acquired without the intention of being held on a lasting basis and which do not form part of the Company's trading activities.

At the period-end, held-for-sale securities are valued in accordance with the rules applicable to each class of security in the portfolio. Provisions are raised for any impairment in value but unrealised gains are not recognised.

2.6 __ Participating interests and investments in affiliates. Participating interests and investments in affiliates represent investments which are intended to be held on a long-term basis to further the Company's interests.

They are stated at cost and reduced by any provision recognised on a case-by-case basis in reference to the change in the share of the net book assets or the value in use.

Investments in foreign currencies are converted into euros at the historical exchange rate.

2.7 __ Fixed assets. Intangible fixed assets are amortised using the straight-line method. Computer software is amortised over one year, and application software is amortised over three years.

Four IT projects begun in 2003 have been amortised over three years using the straight-line method. The gross value of these projects corresponds to the gross value of installed software plus the associated development costs (see also paragraph 3.10).

Tangible fixed assets are stated at cost and are depreciated as follows:

Fixed asset category	Depreciation method	Depreciation period
Computer hardware	Reducing-balance	3 years
Telephone equipment	Reducing-balance	5 years
Office furniture	Straight-line	8 years
Fixtures and fittings	Straight-line	8 years

2.8 __ Income and expenses. Income and expenses are recorded on an accruals basis. Brokerage fees and commissions are recognised at the transaction date. Income and expenses on securities transactions correspond to the sum of the mark-to-market adjustments recorded during the period or at the period-end.

2.9 __ Off-balance sheet commitments. Commitments recorded off-balance sheet reflect rights and obligations that are liable to change the amount or substance of net assets. They are stated at the value of the underlying commitment or the potential realisable value.

- **Commitments on financial futures markets**

Exane trades on various organised and over-the-counter futures and options markets.

- **Transactions on organised markets.** Futures and options traded on organised markets are valued in accordance with the rules issued by the CRBF.

They are marked to market at each year-end, and the resulting unrealised gains or losses are recorded in the profit and loss account.

- **Over-the-counter markets.** Instruments traded over-the-counter consist primarily of securities issued by Exane SA which are marked to market based on the value of the underlying products. The resulting unrealised gains or losses are included in net banking income.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

3_Notes to the Balance Sheet

3.1 __ Credit and financial institutions.

- Cash transactions

(000's €)	31/12/02	31/12/01
Assets		
Transactions with banks	210,365	307,466
Deposits made on behalf of customers (1)	–	90,761
Deposits related to borrowed securities	128,985	37,446
Total	339,350	435,673
Liabilities		
Transactions with banks	54,178	2,480
Overnight borrowings	58,157	34,000
Total	112,335	36,480

All accounts with credit and financial institutions are due within one year.

(1) Deposits made on behalf of clients at 31 December 2002 primarily comprised a €90,500,000 "variation margin" against operations not yet cleared by Clearstream.

- Term borrowings and loans

Term accounts and loans	–	1
Term accounts and borrowings	77,511	132,443

Term loans and borrowings are for periods of less than three years.

3.2 __ Customer accounts.

(000's €)	31/12/03	31/12/02
Assets		
Amounts receivable from customers	3,751	3,751
Sundry debtors	5,904	7,066
Provisions for doubtful accounts	(271)	(123)
Total	9,383	10,694
Liabilities		
Accounts with Group companies	32,503	22,756
Sundry creditors	–	14
Total	32,503	22,770

3.3 __ Sundry debtors and creditors.

(000's €)	31/12/03	31/12/02
Assets		
Deposits paid	73,731	73,462
Prepaid and recoverable taxes	10,633	18,785
Payments of account	46	54
Other debtors	398	173
Total	84,808	92,474
Liabilities		
Accrued personnel costs	47,842	71,378
Deposits received	15,094	97,958
Accrued taxes	14,253	3,012
Trade creditors	2,276	4,074
Other creditors	700	540
Total	80,165	176,962

3.4 __ Prepayments, accruals and deferred income.

(000's €)	31/12/03	31/12/02
Assets		
Unrealised gains	64,155	28,275
Accrued income	826	6,641
Prepaid expenses	735	2,809
Others	-	-
Total	65,716	37,725
Liabilities		
Unrealised losses	106,523	24,477
Accrued expenses	5,147	9,916
Total	111,670	34,393

Unrealised gains and losses arise from the marking to market of positions on the centralised securities lending and borrowing market, the listed and OTC options markets and positions on index swaps based on year-end prices.

The change under these headings is related to the development of the issuance activity during 2003.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

3.5 __ Securities transactions.

(000's €)	31/12/03	31/12/02
Assets		
Transactions on secondary markets ⁽¹⁾	2,153,132	583,995
Borrowed securities portfolio	194,309	61,968
Total – secondary market transactions	2,347,441	645,963
Options portfolio – organised and OTC markets	509,742	363,905
Total – option market transactions	509,742	363,905
Total	2,857,183	1,009,868
Liabilities		
Transactions on secondary markets	457,679	335,173
Liabilities in respect of borrowed securities	194,309	95,725
Total – secondary market transactions	651,989	430,898
Options portfolio – organised and OTC markets ⁽²⁾	2,010,219	471,495
Total – options market transactions	2,010,219	471,495
Total	2,662,208	902,393

(1) At 31 December 2003, this heading comprised €1,948,000 in shares issued by Exane Finance. The change is directly linked to the development of the issuance activity during 2003 (362 issues active at 31 December 2003, versus 59 at 31 December 2002).

(2) Includes €1,907,000 in premiums paid on OTC options used to hedge issues by Exane Finance.

3.6 __ Trading and settlement accounts.

(000's €)	31/12/03	31/12/02
Assets		
Customers and stockbrokers	123,931	141,483
Clearing	19,925	2,594
Total	143,856	144,077
Liabilities		
Customers and stockbrokers	133,517	137,498
Securities sold under collateralised repurchase agreements	–	72,089
Clearing	65,141	13,213
Total	198,657	222,800

3.7 __ Own account investments.

(000's €)	31/12/03	31/12/02
Variable yield quoted equities ⁽¹⁾	61	7,375
Unit trusts and mutual funds shares	1,668	2,439
Long-term portfolio securities ⁽²⁾	4,460	23,738
Provisions for impairment in value	(177)	(176)
Total	6,013	33,376

(1) All Euronext shares held at 31 December 2002 were sold in 2003 for a before tax profit of €7,399,000.

(2) This heading includes portfolio securities which show, as at 31 December 2003, based on the difference between the cost of these securities and their market value, an unrealised gain of €696,000 which has not been recognised.

3.8 __ Participating interests and investments in affiliates.

Participating interests and investments in affiliates at 31 December 2003 were as follows:

(000's €)	31/12/02 Number of shares	31/12/02 Book value	Movement for the period Number of shares	Book value	31/12/03 Number of shares	31/12/03 Book value
French subsidiaries:						
- Exane Finance	150,000	2,512			150,000	2,512
- FCB	884,605	15,245			884,605	15,245
- Exane SAM	114,286	2,825			114,286	2,825
- FCP Alpha	1,485,545	14,990			1,485,545	14,990
- FCP Gulliver	805	8,075	-	1,214	805	9,289
Foreign subsidiaries:						
- Exane Inc. (in €)	5,000,000	4,224			5,000,000	4,224
- Exane Ltd (in €)	2,500,000	3,184			2,500,000	3,184
Total		51,055				52,269

3.9 __ Provisions for liquidity risks.

Unfavourable market conditions in 2002 prompted Exane to book a provision at 31 December 2002, which materialises the liquidity risk of positions in the portfolio. The amount of the provision was €13,712,000 on 31 December 2002.

On 31 December 2003, this provision totalled €1,929,000. This decrease is mostly linked to the heavy unwinding of positions which carried the liquidity risk on 31 December 2002.

Note also that the method used to calculate the provision changed in 2003 (see paragraph 2.3).

NOTES TO THE COMPANY FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

3.10__ Fixed assets.

Movements for the period, including amortisation and depreciation, were as follows:

(000's €)	Balance 31/12/02	Acquisitions	Dep. & Amort.	Disposals & Scrappings	Recl.	Other	Balance 31/12/03
Intangible fixed assets							
Gross	10,094	298		(146)	515	(9)	10,751
Amortisation	9,773		315	(146)		(11)	9,932
Net book value ⁽¹⁾	321						820
Tangible fixed assets							
Gross	32,270						30,298
- Computer hardware	20,012	357		(777)		(37)	19,556
- Fixtures and fittings	9,245	129		(1,051)		(8)	8,315
- Office furniture	2,498	15		(84)		(1)	2,428
- Tangible fixed assets in course of construction	515				(515)		-
Depreciation	22,642		3,297	(1,226)		(18)	24,695
Net book value ⁽²⁾	9,628						5,603
Total (1) + (2)	9,949						6,422

Intangible fixed assets include IT projects begun in 2003 and amortized on a straight-line basis over three years (see 2.7). Their net value is €585,000 and the breakdown is as follows:

	Cost 31/12/03	Depreciation	Net book 31/12/03
UBITRADE project (options and futures processing software)	431	108	323
BAFI project (production of BC regulatory statements)	65	16	49
ISIN project (migration of SICOVAM code to ISIN code)	193	32	161
VMS project (server operation tool)	58	5	53
Total	747	162	585

3.11__ Provisions.

(000's €)	31/12/02	Additions	Reversals	31/12/03
Provisions for liquidity risks ⁽¹⁾	4,658	-	(1,276)	3,382
Other provisions for risks ⁽²⁾	-	1,862	-	1,862
Total	4,658	1,862	(1,276)	5,244

(1) The part of the liquidity provision under liabilities in the balance sheet corresponds to positions on financial instruments recorded off-balance sheet (see also paragraphs 2.2 and 3.9).

(2) This heading includes a provision for retirement costs of €705,000, recognised for the first time as of 31 December 2003.

The Company's commitment for the payment of retirement bonuses and long-service awards to employees on the payroll at 31 December 2003 has been estimated using the following assumptions:

- Retirement age: 65
- Discount rate: 3.5%
- Average rate of salary increases:
 1. Front office staff: 6% maximum, declining over time to 0%
 2. Administrative staff: 6% maximum, declining over time to 0%.
- Staff turnover rate: 9% for front office staff, declining over time, 10% for administrative staff, declining over time.
- Company Social Taxes: 58%

3.12__ Fund for general banking risks.

(000's €)	31/12/02	Additions	Reversals	31/12/03
Fund for general banking risks	27,765	3,713		31,478
Total	27,765	3,713		31,478

3.13__ Shareholders' equity (excluding fund for general banking risks).

(000's €)	31/12/02	Appropriation of profit	Other movements	31/12/03
Share capital	30,692			30,692
Share premiums	9,996			9,996
Reserves	144,715	621		145,336
2002 net profit	22,621	(22,621)		-
2003 net profit			(32,687)	32,687
Total	208,024	(22,000)	32,687	218,711

The Annual General Meeting approved the payment of a total dividend of €22,000,00 for 2002. Residual net income was taken to reserves.

Shareholders	Total number of shares	% of capital
Verner Investissements (1)	136,847	75.80%
CDR Entreprises	36,110	20.00%
Company mutual fund	7,577	4.20%
Others	6	NS
Total	180,540	100.00%

(1) Including 56,780 preferential dividend shares.

Changes: 1,441 shares held by the company mutual fund at 31 December 2002 were acquired by Verner Investissements during 2003.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

4_Notes to the profit and loss account

4.1 __ Net banking income.

The following table shows the breakdown of net banking income by business segment and geographic area (in millions of €):

(000,000's €)	Total	France	Outside France
Own account trading	49	N/A	N/A
Brokerage	95	40	55
Income from securities portfolio	28	N/A	N/A
Net Banking Income	172	N/A	N/A

The breakdown between own account trading and brokerage is based on data extracted from the Company's management accounting system. The breakdown of intermediation income by geographic area is based on client location.

4.2 __ Personnel costs.

This item breaks down as follows:

(000's €)	31/12/03	31/12/02
Wages and salaries ⁽¹⁾	53,452	55,703
Social security taxes	21,224	19,095
Employee shareholder fund	5,669	–
Total	80,345	74,798

(1) This heading includes the Company's commitment for the payment of retirement bonuses and long-service awards to employees on the payroll at 31 December 2003 (see calculation assumptions in paragraph 3.11). The commitment amounts to €705,000.

4.3 __ Operating expenses.

(000's €)	31/12/03	31/12/02
Rent	15,117	15,431
IT services	4,011	7,775
Fees	2,833	3,232
Travel and entertainment	3,409	4,330
Telecommunications	1,562	1,853
Taxes	5,183	6,876
Others	6,619	12,385
Total	38,734	51,881

5_Notes on off-balance sheet items

5.1 __ Breakdown of off-balance sheet guarantees.

(000's €)	31/12/03	31/12/02
Garantie/Exane Finance	4,260,363	552,673
Total	4,260,363	552,673

Exane Finance received performance guarantees from Exane SA to cover commitments made to bearers as part of the issuance activity. The change in the commitment level is directly linked to the development of the issuance activity.

5.2 __ Breakdown of commitments on financial futures markets.

Futures and options

(000's €)	31/12/03	31/12/02
Futures	2,343,258	725,830
Options	8,051,306	3,591,777
Total	10,394,564	4,317,607

Organised markets / over-the-counter markets

(000's €)	31/12/03 Commitments	31/12/03 Premiums	31/12/02 Commitments	31/12/02 Premiums
Organised markets	5,367,615	591,093	2,636,494	190,682
Over-the-counter markets	5,026,948	1,928,868	1,681,113	644,538
Total	10,394,564	2,519,961	4,317,607	835,220

Purchases/Sales by type of instrument

(000's €)	Instrument	31/12/03	31/12/02
Purchases	Interest rate	1,380,545	275,000
	Index	293,007	284,015
	Swap	265,377	97,323
	Equity	2,949,620	1,526,891
	Credit	89,763	64,000
Total purchases		4,978,313	2,247,229
Sales	Interest rate	197,412	168,034
	Index	384,028	809,695
	Swap	265,377	97,323
	Equity	4,569,435	995,326
Total sales		5,416,251	2,070,378
Total commitments		10,394,564	4,317,607

The development of the issuance activity has significantly increased positions taken on OTC options on equities and interest rate futures. Interest rate futures contracts are mainly used to hedge the rates risk on long-maturity issues.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

5.3 __ Breakdown of securities used as guarantees.

(000's €)	31/12/03	31/12/02
Securities used as guarantees	359,770	191,045
Total	359,770	191,045

This heading includes €240,094,000 for securities used as guarantees on lending securities, and, since 2003, €119,676,000 in securities used as collateral on issues made by the group.

5.4 __ Risk management systems.

The forward financial instruments used by Exane consist primarily of equity and index options traded on organised markets in connection with the Group's market-making and arbitrage transactions on the markets of continental Europe. A limited number of equity options are also sold and purchased on over-the-counter markets as are credit default swaps. Index and interest rate futures traded on organised markets are also used to hedge options and securities portfolios.

Market risks associated with these instruments are calculated by two methods, in the same way as for marketable securities. One method is based directly on the French Banking Commission rules (articles 95-2 and 97-4). The other uses an internal stress scenario model and includes the calculation of internally allocated capital.

The stress scenario simulates the effect of sudden, adverse changes in conditions on the fixed income and equity markets, as well as changes in volatility. The effect of an absence of correlation between each underlying asset and its benchmark reference is also estimated, based on the risk rating attributed to each security according to its volatility and liquidity. Exposure limits are allocated to dealers for each of these types of risk, and compliance with these limits is checked on a daily basis by the risk management department.

The risk management department also validates each counterparty and sets its exposure limits for certain over-the-counter transactions, based on credit standing criteria. Actual exposures are calculated daily and checked against these limits. The calculation is performed using the regulatory credit-equivalent method, which is based on statistical estimates of the likelihood of worst-case scenarios arising over the life of the product. The rules governing risk aggregation and netting for each counterparty are in accordance with the applicable banking and financial services regulations.

AUDITORS' REPORT

ON THE COMPANY FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

In accordance with our appointment as auditors at your Annual General Meeting, we hereby report to you for the year ended 31 December 2003 on:

- the audit of the accompanying financial statements of Exane,
- the justification of our assessments,
- specific procedures and disclosures required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

1_Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement 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 the assets and liabilities of the Company as at 31 December 2003 and the results of its operations for the year then ended, in accordance with French accounting regulations.

2_Justification of our assessments

Pursuant to Article L. 225-235 of the French Financial Security Act of 1 August 2003, which applies for the first time this year, we hereby inform you that the assessments we performed as part of our audit approach to the financial statements taken as a whole and which included the accounting principles used, the significant estimates made by management, as well as the overall financial statement presentation, do not call for any particular comment.

3_Specific procedures and disclosures

We have also performed the other procedures required by law, in accordance with professional standards applicable in France.

We have no comment to make as to the fair presentation and consistency with the financial statements of the information given in the report of the Board of Directors and the documents addressed to the shareholders in respect of the financial position and the financial statements.

La Défense and Neuilly, 3 March 2004

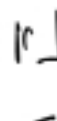
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This is a free translation into English of the statutory auditors' reports issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes for the information of the reader, as required under French law in any auditor's report, whether qualified or not, an explanatory paragraph separate from and presented below the audit opinion discussing the auditors' assessment of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. Such report, together with the statutory auditors' report addressing financial reporting in management's report on internal control, should be read in conjunction and construed in accordance with French law and French auditing professional standards.

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