

5. REPORT OF THE MANAGING BOARD FOR THE YEAR 2003



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5.1 THE GROUP IN 2003: MANAGEMENT'S DISCUSSION AND ANALYSIS

5.1.1 2003 KEY EVENTS

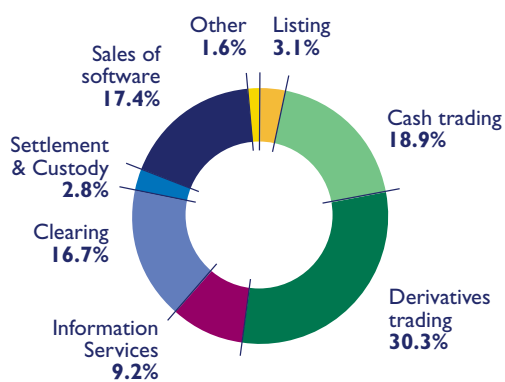
January	March	April	May
<p>■ CBOT announces licensing agreement to use LIFFE CONNECT®</p> <p>The CBOT, the world's oldest futures exchange, enters into a licensing agreement to use the LIFFE CONNECT® electronic trading platform to replace its existing trading platform, <i>a/c/e</i>, upon termination of the CBOT's licensing agreement with the Eurex Group at the end of 2003.</p>	<p>■ Cooperation agreed with Stuttgart Börse</p> <p>Euronext and Börse Stuttgart agree to cooperate in trackers: more than 20 Euronext trackers will now be tradable on Euwax, the dedicated quality market segment of Börse Stuttgart, during market trading hours in Paris.</p> <p>■ Migration of Belgian derivatives products completed</p> <p>24th March - Belgian derivatives products successfully migrate to LIFFE CONNECT® and Clearing 21® - the Euronext derivatives trading and clearing systems.</p>	<p>■ Migration of French derivatives products completed</p> <p>14th April – French derivative products successfully transfer onto LIFFE CONNECT®.</p> <p>■ FTSE and Euronext launch a new tradable suite of pan-European indices</p> <p>Together, FTSE Group, the leading global index provider; and Euronext create FTSEurofirst. The FTSEurofirst series comprises two new indices: FTSEurofirst 80, which covers the current Eurozone with a basket of 80 stocks, and FTSEurofirst 100, which offers a much easier way to trade across borders in Europe using a selection of 100 pan-European stocks using only two currencies.</p>	<p>■ EuroMTS and Euronext introduce the EuroMTS Index</p> <p>EuroMTS and Euronext launch the EuroMTS Index (EMTX), the first genuinely independent and transparent pan-European government bond indices based on real time tradable prices of the MTS Group, the reference market place for all European government securities. The move brings the transparency and efficiency of standardized and independent indices long enjoyed by the equity markets to the bond markets.</p> <p>■ NextEconomy and NextPrime segments launched on Euronext Lisbon</p> <p>26th May - the NextEconomy and NextPrime segments launched on Euronext Amsterdam, Brussels and Paris in January 2002 are extended to Euronext Lisbon.</p>



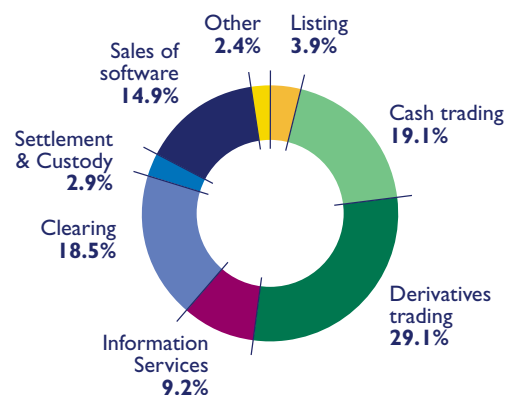
June	September	October	November	December
<p>■ New index derivatives on FTSEurofirst indices launched</p> <p>Euronext.liffe launches futures and options on the new FTSEurofirst 80 and FTSEurofirst 100 indices. The four new contracts are traded on LIFFE CONNECT®, and cleared through the London Clearing House.</p>	<p>■ American Stock Exchange Diamonds listed on Euronext Amsterdam</p> <p>Euronext launches Diamonds, one of the world's most popular trackers, on the NextTrack product segment of Euronext. The move follows Euronext's agreement to work together on the listing of ETFs with the American Stock Exchange, the global leader and pioneer in trackers.</p> <p>■ 1st FTSEurofirst 80 index tracker launched on Euronext Paris</p> <p>Lyxor Asset Management introduces the first fund indexed on the FTSEurofirst 80 index, the FTSEurofirst 80 Master Unit tracker on Euronext. The fund is designed to offer optimum cover of the euro zone for both individual and professional investors. By the year-end, over €90 million is invested in the fund.</p>	<p>■ FTSEurofirst warrants listed on Euronext Paris</p> <p>A new series of warrants are launched on Euronext by BNP Paribas Warrants: five warrants on the FTSEurofirst 80 index plus five warrants on the FTSEurofirst 100 index.</p>	<p>■ Migration of Dutch derivatives to new clearing system</p> <p>3rd November - Clearing 21® becomes the new clearing platform for all derivative products listed in Amsterdam. From now on Clearing 21® clears all cash and derivatives products in Amsterdam, Brussels and Paris.</p> <p>■ Migration of Portuguese cash products Euronext completed</p> <p>7th November - The double migration of Euronext Lisbon to new trading and clearing systems was successfully achieved. As a result all Euronext cash products listed in Amsterdam, Brussels, Paris and Lisbon are traded through NSC and cleared by Clearnet, Euronext's clearing house and central counterparty, via the Clearing 21® system.</p>	<p>■ LCH Clearnet merger completed</p> <p>The merger of LCH and Clearnet, which was announced on 25th June, is completed on 22nd December as scheduled to create Europe's leading provider of clearing and central counterparty services.</p>
			<p>■ First of three Wholesale Services for trading European equity derivatives goes live</p> <p>Euronext.liffe launches the Match Facility for Universal Stock Futures, which enables customers to pre-negotiate bilateral trades in standardized Universal Stock Futures contracts on almost 300 UK stocks.</p>	

5.1.2 2003 BREAKDOWN OF REVENUES PER ACTIVITY

Revenues/SBU (in thousands of euros)	Revenue sources	2003 revenues	2002 revenues	Change (%)
Cash markets and listing				
Listing and related activities	Listing fees Annual fees Fees for corporate events	30,652	38,396	(20)
Trading and related activities	Fees for orders placed Fees for trades executed Connection fees	187,463	190,488	(2)
Derivatives markets				
Trading and related activities	Fees for orders placed	299,984	290,111	3
Clearing				
Clearing of financial instruments through Clearnet	Clearing fees for cash products Clearing fees for derivatives	165,071	183,684	(10)
Information services				
Provision of information to professional and private users	Fees for supplying market data to distributors of financial information	91,154	92,073	(1)
Settlement and custody				
		28,236	29,051	(3)
Sale of software				
		172,511	148,484	16
Other income				
		15,969	24,266	(34)
Total		991,040	996,553	(0.6)



% of total 2003 revenues



% of total 2002 revenues





5.1.3 GROUP'S PERFORMANCE IN 2003

2003 was a very satisfactory year for Euronext. EBITA^(*) went 15% up compared with 2002 at €273.6 million, whilst EBITA margin reached 27.6%, 3.8 points above last year.

Besides, this good performance was achieved in a difficult environment, characterised by tough market conditions.

The beginning of the year was characterised by a still important volatility, consequence of the uncertainty induced by the Middle East crisis as well as the global economic situation, which affected not only securities markets but overall fixed income one. This generated high level of activity on the derivatives market, which reached its peak of daily volumes in London. Such uncertainty as well as the bad economic environment dragged indices further down.

This impacted cash business (both trading and clearing) which, on the one hand registered a rise of daily trades but on the other, faced a fall in the size of those trades.

This ongoing bear market particularly hit Listing activities, market conditions having been extremely unfavourable to new IPOs.

The second part of the year was marked firstly by the end of the uncertainty regarding a possible intervention in Iraq, followed a couple of months later by the first signs of a strong recovery in the US economy. This dragged indices up and boosted cash activities, even though investors did not fully regain confidence in capital markets.

This created as well far better market conditions, and IPO or Public offer re started in the US. However, such a rebound has not occurred in Europe yet and is expected for 2004.

Last, 2003 was marked by the rise of the euro, which lowered London's contribution to Euronext 2003 performance.

In this agitated environment, Euronext did not lose sight of its obligation to anticipate the future, and dragged its average fees down on both cash and derivatives market in order to consolidate its competitive position on its markets.

It also reinforced its presence in the US, with the sale of LIFFE CONNECT[®] to CBOT concluded at the end of 2002 and effective from 2003, and the acquisition of the remaining 50% interest of NQLX LLC.

If the former confirms LIFFE CONNECT[®] as the leader in derivatives trading platform, the latter gives the means to further US development, even though the full consolidation of such an entity since July negatively impacted EBITA.

IT wise, 2003 was a new year of integration, and, after cash in 2001 and 2002, derivatives started its migration program. Indeed, French and Belgian products have been successfully migrated onto LIFFE CONNECT[®] whilst Clearing 21[®] derivatives migration was completed with the launch in Amsterdam in Q4 2003.

2003 was the year of a new organisation for Euronext, based on four SBUs P&L driven and customer oriented which required a great deal of commitment from the entire staff, which showed its ability to adapt to a moving and increasingly competitive environment.

Finally, the year saw the completion of the LCH.Clearnet merger deal, signed on 22nd December 2003, which means Clearnet will no longer be consolidated anymore in Euronext financial statements in 2004.

For all these reasons, Euronext revenues finally ended the year at €991.0 million, 0.6% below last year in a contrasted situation. As expected, Listing and Clearing particularly suffered from market conditions being respectively 20% and 10% under last year (including a €3.0 million retreatment of clearing income for the last week of the year following its deconsolidation).

(*) EBITA stands for Earnings before Interest, Tax and Amortisation of goodwill and is the same as Profit from operations before goodwill amortisation as stated in the Consolidated income statement. Management considers EBITA an appropriate yardstick for the operational result of the period concerned.

Cash trading, Information Services and Settlement and Custody showed good resilience, although going slightly down, whilst Derivatives trading and sale of LIFFE CONNECT® clearly went up.

It is to be pointed out that Forex impact hit 2002 vs 2003 comparison by €23.3 million. Restated revenues at average exchange rates of the 2002 would have been €1,014.3 million, an increase of 1.8% compared to 2002.

In spite of extra new items (CBOT and NQLX LLC), Euronext has been able to maintain expenses under strict control at €717.4 million, 5% under last year.

Of course it took advantage of a positive forex effect (€17.7 million vs 2002) but also of the drop of staff costs (headcount continued to slightly decline), whilst IT costs slightly rose as a result of CBOT and networks costs.

5.1.4 RECENT DEVELOPMENTS AND OUTLOOK FOR THE FUTURE

2004 will see the launch of new products, starting with three-month Eurodollar futures and options contracts that have been traded on LIFFE CONNECT® from March. The related costs of developments will be financed by further cost reductions.

As a result, Euronext N.V. anticipates for the full year 2004 revenues of roughly €880 million, representing a 1.9% increase compared to the €864 million like-for-like basis for 2003 (excluding Clearnet revenues). The anticipated EBITA margin for 2004 will be 27% including non recurring costs for new products and restructuring. The cost of the debt will be significantly reduced thanks to the bond issued in sterling on 20th January 2004 which has enabled the Group to refinance at a significantly lower cost the syndicated facility set up for the acquisition of LIFFE in November 2001.

It is to be stressed that Euronext's cost base will continue to go down in 2005, taking advantage of the completion of all the IT migrations as well as the headcount decreases following integration.

This means that in the next two years, Euronext will be in an ideal position to take fully advantage of its integrated model and optimize its profitability (EBITA margin).

It will reinforce its international position, in the US as mentioned previously, but also in Asia and Eastern Europe, promoting Euronext as the first international and integrated stock exchange, in order to attract new foreign companies willing to get listed in Europe.

5.1.5 BUSINESS ANALYSIS

5.1.5.1 Primary Revenues

Listing fees

Primary market activity was poor in 2003 both in terms of activity and in terms of revenues. No significant IPO was registered, and despite some secondary offerings during the second half of the year, annual revenues are reduced to €30.6 million, 20% below last year.

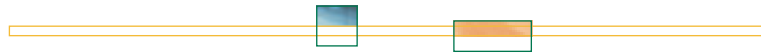
Cash trading

In 2003 Euronext saw good volumes with nearly 150 million trades executed on its trading platform, a 8.3% increase compared to the year 2002. The average price per trade decreased from €1.38 to €1.25, showing the competitiveness of Euronext's offer to customers. Thus revenues decreased slightly, from €190.5 million to €187.5 million.

Derivatives trading

Despite a weak fourth quarter, derivatives markets have consolidated their activity at a high level in 2003.

Fixed-income franchise has shown strong growth this year: +39%; equity products evolved in line with the lack of volatility observed in the market.



The favourable change in the products mix impacted positively the revenues. Annual derivatives trading revenues amount to €300 million, an increase of 3.4% compared to the €290.1 million realised in 2002; negative exchange rate fluctuations accounted for €18.4 million. Apart from of these fluctuations, revenue growth would have been closer to 10%.

Clearing

Clearing revenues amount to €165.1 million, a 10.1% decrease compared to 2002. This business has been affected by the evolution of the various business drivers, both on the cash and on the derivatives sides.

In addition, this business unit suffered the last quarter of the year from the deconsolidation of Clearnet revenues from 22nd December, impacting negatively clearing quarterly and yearly revenues by €3 million.

Settlement and custody

These revenues are in line with last year and with our expectation, reaching €28.2 million.

Information services

Annual revenues are almost stable: €91.2 million in 2003 compared to €92.1 million in 2002. This is a satisfactory performance given that the business environment has been difficult during the whole year. In addition these revenues were negatively impacted by exchange rates fluctuations (€2.4 million).

Sales of software

The strong performance of Euronext.liffe Market Solutions revenues led the sales of software revenues up to €172.5 million in spite of GL Trade stable revenues. Euronext.liffe Market Solutions revenues were indeed strongly boosted by the contract with CBOT (annual impact on revenues of €34.1 million). On the other hand GL Trade was affected by negative currency effects and posted stable revenues of €128.1 million, from €128.9 million in 2002.

Other revenues

Other revenues decreased from €24.3 million in 2002 to €16 million this year mainly due to one-off revenues booked in 2002 as well as to lower permit and entrance fees.

5.1.5.2 Consolidated costs and expenses

Consolidated costs and expenses decreased from €758.8 million to €717.4 million in the reporting period, a decrease of 5.5% or €41.4 million. An analysis per cost category is presented below.

Salaries and employee benefits

Salaries and employee benefits fell from €296.6 million to €267.8 million. This represents a decrease of €28.8 million or 9.7%. The Group's workforce excluding Group's companies GL Trade and NQLX fell by 118 Full Time Equivalents (FTE) to 1,778 FTE, a decrease of 6.2%. Salaries and employee benefits (excluding GL Trade) fell by €27.6 million or 12.1% to €206.7 million. Due to the expansion, GL Trade's workforce increased by 10.9%, or 92 FTE to a total of 937 FTE.

Besides the drop in FTE and contractors in 2003, the creation of an early retirement plan in the comparative period is partly responsible for this cost decrease. The decreasing exchange rate of pound sterling affected the staff expenditure positively.

A general rise in salaries together with extra staff cost related to the CBOT transaction also were responsible for increase in these expenses.

Depreciation

Depreciation costs have declined from €74.1 million in the comparative period to €67.6 million in 2003, a decrease of 8.8%. Depreciation costs on tangible assets increased by €5.0 million as a result of substantial investments in IT hardware. This increase is more than compensated for by the decrease in depreciation on intangible assets of €11.6 million resulting from major parts of development costs having been fully depreciated.

IT expenses

With the migration to LIFFE CONNECT® in Belgium and France and to Clearing 21® in the Netherlands, a significant step in the Group's migration-program was made during 2003. With the migration-program well under way, synergies in the IT field are becoming more and more substantial.

Total costs of IT rose from €176.5 million to €187.8 million in the reporting period, an increase of €11.3 million or 6.4%. This increase includes a provision used for €3.5 million and reversal of provisions for migration of €5.3 million. In addition to €6.0 million expenses related to the CBOT transaction that did not occur in the comparative period, the increase is largely due to increased network and development charges.

Total IT costs invoiced by AtosEuronext in 2003 amounted to €167.0 million, of which €15.2 million have been capitalised. €151.8 million have been charged to the income statement.

Office, telecom and consultants

Expenses for office, telecom and consultancy decreased from €100.5 million to €86.2 million in the reporting period, a decrease of €14.3 million or 14.2%. Although projects such as CBOT generated additional cost of consultancy, advisory fees as a whole decreased. This reduction is partly related to LCH.Clearnet project, affecting 2002 expenses by €5.0 million, while 2003 expenses have been capitalised.

Advisory costs in relation to the internal reorganisation and integration, and settlement of some litigation cases in 2002 also account for the decrease.

Accommodation

Cost of accommodation increased slightly by €0.5 million from €52.4 million to €52.9 million in the reporting period.

Marketing costs

Costs for marketing increased by €3.2 million to €19.3 million compared to €16.1 million in 2002, mainly as a result of new

events and products (launch of Eurofirst notably, or Midcap event).

Other

Other expenses in the reporting period declined by €6.6 million to €35.9 million. This movement is for a large part explained by the creation of provisions for bad debt and litigation in 2002.

The Other expenses in 2003 comprises mostly of €5.9 million of irrecoverable VAT, €8.3 million of administration taxes and €11.9 million of contributions to regulators. When compared to 2002, these expenses remain stable.

5.1.5.3 Balance sheet

Following the sale of Euronext's clearing activities, the assets and liabilities of Clearnet S.A. have been de-consolidated. The effect of clearing member positions on the balance sheet used to be substantial. To illustrate this: the total of clearing deposits and payables contributed €4.6 billion to the Group's balance sheet at year end 2002. The related receivables from clearing activities reported in the assets at the end of the comparative period amounted to €1.1 billion and €3.5 billion respectively.

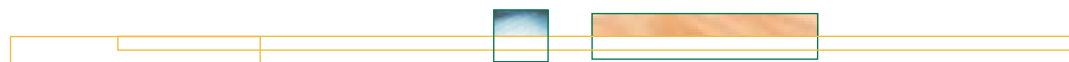
The decline in the value of the pound sterling continued to have a downsizing influence on both assets and liabilities of the Group. As a consequence of this trend, the Group's net assets declined by €40.9 million in 2003. This currency exchange difference was charged to the reserve for currency exchange differences.

5.1.5.4 Cash flow

Apart from the disposal of €3.4 billion of Clearnet cash and cash equivalents, noticeable items in the cash flow statement in 2003 are the following:

- increase of cash generated from operations of €76.0 million compared to 2002;





- €79.7 million increase of income tax payments, including substantial prepayments;
- a net cash inflow from acquisitions, mainly due to cash acquired with Nasdaq Liffe Markets Inc. exceeding the cost of acquisition;
- dividend payout for an amount of €53.8 million.

The cash in and outflows related to acquisitions of activities in the comparative period consist of:

- cash payments to LIFFE and BVLP shareholders and for the acquisition of GL Trade Japan KK (all net of acquired cash positions) totalling €657.4 million;
- increase of cash from bank loans received and loan notes issued to fund acquisitions (€436.1 million);

As at 31st December 2003, further to LCH.Clearnet merger the Group's own cash and cash equivalents position amounted to €496.8 million before debt (€222 million).

5.1.5.5 Dividend

Despite variable global economic environment in 2003, Euronext keeps on increasing its dividend. In the 2003 consolidated financial statements, adopted by the Supervisory Board on 18th March 2004 and submitted to the Annual General Meeting a dividend of €0.50 per share has been proposed, up to 11.1% on 2003.

5.1.5.6 Investments in 2003

The Group's current investments are of three types: technological, functional and financial. The table below shows the investments made over the last two years, broken down by types:

<i>(in thousands of euros)</i>	2003	2002
Investments in tangible assets		
- Land and buildings	1,045	10,094
- Equipment	30,064	32,345
Subtotal	31,109	42,439
Investments in intangible assets		
- Goodwill	7,143	767,653
- Patents and trademarks	566	661
- Development	28,477	22,336
- Internally developed	21,440	17,780
Subtotal	57,626	808,430
Financial investments in associates		
Consolidated interests (non-Group) excluding goodwill		
- Equity investments	6,312 ⁽³⁾	16,263
- Euroclear	-	174,000
- LCH.Clearnet Group (ordinary shares)	245,462 ⁽¹⁾	-
- LCH.Clearnet Group (RCPS)	199,218 ⁽²⁾	-
Subtotal	450,992	190,263
Financial investments related to Group enterprises		
- LIFFE (Holdings) plc	-	279,217
- reclass: cash paid on LIFFE (Holdings) plc	-	(68,932)
- BVLP	-	23,848
- GL Trade Japan KK		537
- NQLX LLC	6,941 ⁽⁴⁾	-
- GL Systems/Settle	(1,896)	-
- 4-D Trading	39	-
Subtotal	5,084	234,670
Total investments	544,811	1,275,802

Further information related to SBUs report and performance can be found in section 5.2, from page 42 to 53.

Financial investments made in 2003 include:

- (1) and (2). On 22nd December 2003, the Group sold its 80.48% stake in the share capital of Clearnet and 17.7% in that of LCH to LCH.Clearnet Group Ltd in exchange of 49.1% in the newly formed company. Subsequently, the Group instantaneously sold 7.6% of these shares. The remaining interest in LCH.Clearnet Group Limited is divided into 24.9% (€245.5 million) in the form of ordinary shares and 16.6% Redeemable Convertible Preference Shares (€199.2 million), voting rights of which are exercised by an independent trustee.
- (3) and (4). NQLX LLC (formerly Nasdaq LIFFE markets, LLC) was a joint venture between Nasdaq and Euronext.liffe. On 24th July 2003 50% of the shares in the joint venture held by Nasdaq were redeemed, the Group thus becoming the sole shareholder.

By contractual agreement, the Group contributes to the capital of the joint venture in the period prior to the full ownership of NQLX LLC, which led to payments of €6.3 million.

From 24th July, 2003 onwards, the assets, liabilities, revenues and expenses of NQLX LLC are fully consolidated. NQLX LLC contributed by €46.9 m to the Group's consolidated balance sheet at transaction date.

5.1.6 GROUP'S STRATEGY

5.1.6.1 Further steps in leading the European exchange industry

In 2003, Euronext confirmed its leading position in European financial markets by strengthening and giving international expansion to its core businesses: the Group operates both regulated and non-regulated markets and offers a complete,

diversified range of services, including the listing of securities, trading in securities and derivatives, the clearing and settlement of transactions, and the custody of securities.

During the year 2003, the Euronext Group achieved major successes in developing its organic and international growth strategy:

- Achievement of the Group's business model: the cross-border integration of its trading systems and clearing platform.
- Development of new products with important financial and strategic implications.
- Major international agreements giving the Group new partners and allies.

As a result, Euronext is the leading exchange in Europe in terms of the total value of equities traded via the central order book and in terms of market capitalisation. In 2003, equity trading exceeded €1,360 billion (source: FESE) and market capitalisation of €1,646 billion. At the same time, Euronext.liffe, the international derivatives business of Euronext, is the largest market in Europe for contracts on euro short-term interest rates and options on equities. It is one of the world's leading derivatives markets, with a total trading volume of over 695 million contracts (options and futures on equities, interest rates and commodities).

5.1.6.2 Achieving an integrated business model

From 2000 to 2003, Euronext invested significantly in its IT systems in order to make possible the market integration that currently enables the Group to lower its trading costs considerably. With the new decrease in IT expenses Euronext expects in the coming two years, continental IT

costs will have halved by 2005, from 2001 (like with like comparison), while London IT costs will have remained stable.

Migration to/in	Cash trading system NSC	Cash clearing system Clearing 21®	Derivatives trading system LIFFE CONNECT®	Derivatives clearing system Clearing 21®
Amsterdam	Achieved October 2001	Achieved October 2002	Q3 2004	Achieved November 2003
Brussels	Achieved May 2001	Achieved March 2002	Achieved March 2003	Achieved March 2003
London			Operational	
Paris	Operational	Achieved January 2001	Achieved April 2003	Achieved September 2000
Lisbon	Achieved November 2003	Achieved November 2003	Achieved March 2004	Achieved March 2004

Euronext has thus led its cross-border integration strategy to completion, using single trading and clearing platforms and standardised rules. In parallel, Euronext has achieved the integration of its systems and is now working with a single trading rulebook and a single central counterparty with real-time risk and position management.

5.1.6.3 A cross-border business focused organisation

In March 2003, Euronext moved away from domestic organisation by creating cross-border Strategic Business Units (SBUs), based on the core business functions of Cash trading and Listing, Derivatives Markets, Information Services and Clearing (until the end of 2003, when clearing business was brought to the merger between LCH and Clearnet). Each SBU is responsible for achieving business goals. The Euronext group now operates focused on its business units rather than the geographic locations of its subsidiaries.

Each SBU is P&L driven and targets an increase of its financial performance in terms of EBIT margin, controlling its costs at the level of each of its departments. Its internal organisation aims at maximising the quality of the market services it provides to its customers.

Group unity and coherence are ensured by Group support departments responsible for co-ordination and consistency: Finance, Human Resources, Legal Information, Information Systems and Business Strategy.

As at 31st December, 2003, Euronext employed 1,778 people (measured by Full Time Equivalent) (see § 6.3.1.2).

Principal locations

Group buildings and offices ^(*)	Surface area	Rent (€ thousands)	Revenues from rent (€ thousands)
Amsterdam			
Property of Euronext	14,080 m ²		-
Rent	13,639 m ²	3,275	1,701
Brussels			
Property of Euronext	670 m ²		
Rent	14,672 m ²	115	100
Property of CIK	8,730 m ²	-	619
Lisbon			
Rent	2,059 m ²	42	-
London			
Rent	24,717 m ²	13,090	4,261
Paris			
Rent	33,007 m ²	8,672	2,179

(*) Excluding GL Trade S.A., NQLX LLC; excluding also rent charges and taxes.

5.1.6.4 Promoting a customer-focused organic strategy

The organisation into SBU's completed in 2003 has enabled the Group to further enhance its customer services. A Key Account Department was created to liaise with the Group's members and with institutional investors of all countries. Euronext also developed a pro-active communication policy, organising regular investors meetings as well as using various advertising and marketing tools.

Understanding customers' needs and the determination to meet their expectations have also played an important role in product development. During 2003, an updated, innovative offer range was launched in response to customer demand including two pan-European equity indices, the FTSEurofirst 80 and 100. Futures and options on these indices were also launched on Euronext.liffe. Migration to a single trading platform in cash and derivatives markets will further enhance the product range available to customers.

In addition, Euronext broadened the international scope of some of its most technologically advanced products by signing a licensing agreement with the Chicago Board of Trade to use LIFFE CONNECT®.

5.1.6.5 Adding international agreements to its external growth strategy

Euronext manages a policy of cross-membership and cross-access agreements with other exchanges that enables Euronext members to trade securities listed on other markets, and vice-versa. These agreements do not involve capital transactions.

In 2003, steps were taken to cooperate with Stuttgart Börse on trackers, which complements existing agreements with the Swiss exchange, the Luxembourg exchange, and the Warsaw exchange.

- Swiss exchange (SWX): under this agreement, five Swiss members are active on the Paris marketplace after a cross-membership and cross-trading agreement was signed with the predecessor of Euronext Paris in March 1999.

- Bourse de Luxembourg (BdL): a cross-membership and cross-trading agreement giving BdL members access to Euronext's markets in Amsterdam, Lisbon, Brussels and Paris was signed in November 2000.

- Warsaw Stock Exchange (WSE): a cross-membership and cross-trading agreement was signed in February 2002. Further to the finalisation of the legal execution of the agreement, the technical access is now available for members.

Outlook

In March 2004, a Memorandum of Understanding (MOU) was signed between the Dubai International Financial Exchange (DIFX), Euronext, AtosEuronext, LCH.Clearnet and Euroclear to enter into exclusive negotiations for the building of an all-electronic exchange in Dubai from 2005. This MOU paved the way to a cooperation in providing with an integrated solution for trading, clearing and settlement the DIFX, which aims at becoming a major financial hub for the Middle East region.

5.1.7 EURONEXT'S COMPETITIVE ENVIRONMENT

Euronext operates in a sector that has changed drastically in recent years, both at the European and the global level. Some of the key changes are the competition resulting from the globalisation of financial markets and market operations, the introduction of new information and communication technologies (ICT) and the diversification of participants (banks, investment service providers, etc.).

In order to face competition, market operators adapted their structure and organisation by a number of processes such as demutualisation, shifting to a profit-oriented profile and consolidation. Euronext opened the road in 2000 by creating the first cross-border exchange with the merger of the Amsterdam, Brussels and Paris markets. Further steps in consolidation were reached in 2002 with the acquisition of LIFFE and the merger with BVLP.



In 2003, continued efforts to increase both the scope and the scale of competition led exchanges to come up with innovative products, enter new markets and create new partnerships. Other developments were EDX London, the derivatives platform resulting from a partnership between the London Stock Exchange and OM Gruppen and Eurex US, the trading platform launched in the US by the German derivatives market company.

There were further steps in consolidation with the merger of OM Gruppen and HEX as well as cooperation between CME and CBOT with the creation of a common clearing link. The merger of LCH and Clearnet brought together two major central counter parties (CCPs) creating Europe's leading cross-border CCP. Based on commercial lines and run for profit, LCH.Clearnet should serve as a catalyst for further CCP consolidation and be the partner of choice for CCPs in international markets. 2003 also saw the closure of Nasdaq Europe and Nasdaq Deutschland.

Future changes include the European directive on financial instruments markets (formerly called Investments Service, Directive 2) allowing execution of client orders outside regulated markets by way of multilateral trading facilities (MTF), and the internalisation of order execution by investment firms which is expected to take effect in 2004. The directive sets out a new landscape, and the changes this will entail for the European financial markets should stimulate innovation, and provide new opportunities, for regulated and non-regulated markets. Moreover, this directive establishes a harmonised framework for European regulated markets which may contribute to ease recognition in non-EU countries, including the U.S.A.

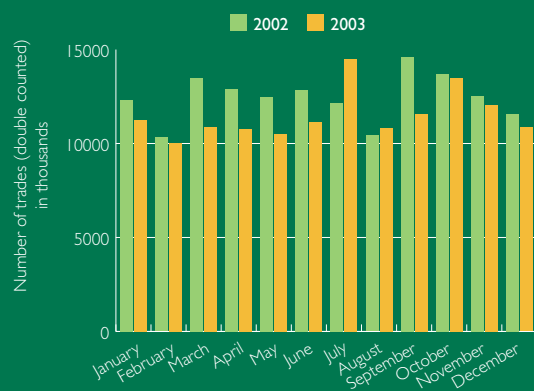
Euronext is committed to consolidation, harmonisation and organic growth, which will generate substantial savings for end users and customers.

5.2 EURONEXT ACTIVITIES

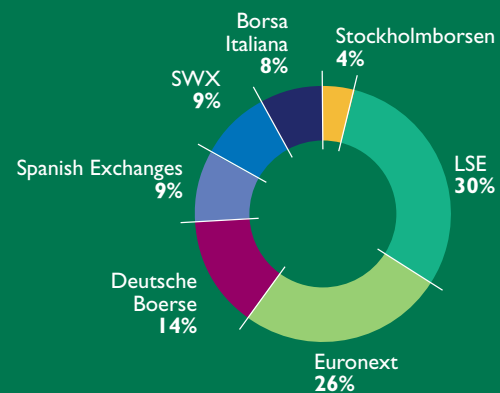
5.2.1 CASH TRADING AND LISTING

KEY POINTS

- NSC, single trading platform for Euronext cash markets from successful connection of Lisbon
- Single orderbook for Euronext cash markets
- Harmonised fees structure effective January 2004
- Market capitalisation of 1,392 companies reached €1,646 billion up to 11.4% on 2002
- 38 companies joined Euronext's listing in 2003
- Implementation of ISIN codes
- Availability of NSC trading platform stood at 99.9%



Number of trades on Euronext electronic order book (2002-2003)



European cash equity market capitalisation (as at end-2003)

FINANCIAL REVIEW: THE BUSINESS IN 2003

- **Number of transactions on NSC rose to 150 million trades, up 8.3% on 2002, Euronext's cash market share in Europe further enhanced**
- **Cash revenues resilient at €187.5 million (-1.6%) despite uncertain economic conditions and listing revenues down to €30.6 million (-20%)**
- **Cost control: drop in operational expenses (-5.5%)**

Cash trading and Listing revenues (excluding Clearnet and IS retrocessions) decreased by 4.7% at €218.1 million in 2003 from €229 million.

Listing revenues were down to €30.7 million, - 20.2% on 2002 (€38.4 million). This was due to two main factors:

- the drop of 8% in annual fees due to the delisting of companies (from 1,484 companies in December 2002 to 1,392 companies in December 2003);
- the drop of 34% in admissions (€-1.1 million impact) induced by the bearish economic environment.

Cash trading revenues stood in line with 2002 level at €187.5 million, despite an 11% increase in the volume of trades (which indeed reached 150 million for the whole year). This mainly results from the drop in average fees related to the digressive fee structure.

Operational expenses decreased by 5.5% is explained by IT synergy and lower staff expenses.

EBITA went down to €102.7 million. As a consequence of listing income trend together with the drop in Clearnet retrocessions, EBITA margin amounted to 43.8% for cash trading and 16.9% for listing in 2003.

Listing

(in thousands of euros)	2003	2002
External sales	30,652	38,396
Intersegment reallocations	(1,622)	(3,977)
Segment revenue	29,030	34,419
Segment expense	(24,124)	(24,868)
EBITA	4,906	9,551

Cash trading

(in thousands of euros)	2003	2002
External sales	187,463	190,488
Intersegment reallocations	36,026	46,570
Segment revenue	223,489	237,058
Segment expense	(125,702)	(134,091)
EBITA	97,787	102,967

CASH TRADING AND LISTING: DELIVERING THE BIGGEST LIQUIDITY POOL IN EUROPE

Euronext's strategic objective is to strengthen its role as premier consolidator of European capital markets. With the unification of the central order book of Amsterdam, Brussels, Lisbon and Paris, Euronext provides customers with an integrated cash market.

5.2.1.1 Introduction to the business

Euronext Cash trading and Listing Business Unit manages the listing and trading of all cash instruments (stocks, bonds and structured products such as warrants, certificates and exchange traded funds). Euronext's focus is to provide open access to all parties that wish to raise capital in Europe. Euronext organises fair, transparent and orderly driven markets. As far as the secondary market (trading activity) is concerned, Euronext's core mission is to ensure that NSC, Euronext's electronic trading platform, provides the highest level of processing efficiency. This will further increase the liquidity on Euronext's markets.

5.2.1.2 Listing

Euronext's marketplaces currently have their own listing rules as they are not yet incorporated into the harmonised rule book. Listing applicants are therefore free to choose their point of entry to the market (Amsterdam, Brussels, Lisbon or Paris). If admitted by the relevant regulatory authorities, the applicant company will then be positioned on the appropriate Euronext segment and choose a method of trading according to the level of liquidity of its shares.

Business overview

Some 38 companies joined Euronext in 2003:

- 21 companies listed on Euronext Paris in 2003, of which 3 on the *Premier Marché*, 4 on the *Second Marché* and 14 on the *Marché Libre*;
- 15 companies applied for a listing on Euronext Brussels with 4 on the *Nouveau Marché* and 11 on the *Premier Marché*. These 15 companies were formerly listed on Nasdaq Europe.
- Euronext Amsterdam welcomed the new listing of 2 companies.

As at 31st December 2003, 1,392 companies were listed on Euronext (of which 1,047 domestic and 345 foreign).

In 2003, 22 companies joined Euronext segments. As a result, NextEconomy included 116 companies and NextPrime 150 companies at year-end.

Listing organisation and development

Once a security is admitted to listing, Euronext manages all the corporate events related to the given listed company as well as notices for the market. These include the issue of new securities giving direct or indirect rights to capital, public offers, exchange or squeeze-out offers, and trading suspensions that can occur pending important information that could have a significant impact on the issuer's share price.

Euronext provides services for issuers and investors and promotes its markets via various workshops, events and other market initiatives through partnerships and sponsoring.

The Euronext list comprises all securities listed in Belgium, France, the Netherlands and Portugal. Inclusion in the Euronext list does not entail any regulatory requirements on top of those set by the local regulatory body.

Listed companies benefit from Euronext's single cross-border market as well as local knowledge and expertise.

Euronext list's organisation is based on four factors:

(i) Sector classification

Every company listed on Euronext is categorised on the basis of the FTSE classification system, an international standard that covers more than 46,000 companies around the world and places issuers with similar areas of activity in the same sectors.

(ii) Liquidity

Liquidity is related to the method of trading – continuous trading or auctions (see § 5.2.1.3).

(iii) Inclusion in the NextEconomy and NextPrime market segments

NextPrime represents the traditional economic sector and NextEconomy is the new technology sector. These segments offer listed companies the possibility to increase their visibility, regardless of their size.



(iv) *Positioning within the indices*

In order to better structure its list, Euronext has retained the national indices compiled by its predecessors, in view of their importance for local investors, and has also created and maintained indices specifically for the Euronext list (Euronext 100® and Next 150®, NextEconomy and NextPrime indices).

Euronext's indices are based on a range of factors, including market capitalisation, economic sector and market segment. The indices are compiled by the Group and marketed by the subsidiary Euronext Indices B.V.

Outlook

Positive signals of a recovery in IPOs were seen from the start of the year. The first IPO of the year, was that of the French Internet provider Iliad on the *Premier Marché* of Euronext Paris. The situation further strengthened with the IPO of the Belgian national telecom company Belgacom on Euronext Brussels on 22nd March 2004. This was the largest IPO in Europe for three years, helping to ensure that flotations on Euronext raised the largest amount of funds in Europe during the first quarter of 2004.

Under this framework, Euronext is working to simplify its market segmentation to further enhance visibility and competitiveness of the companies listing.

5.2.1.3. Cash trading

Euronext market model

The Euronext market is based on the following features:

- Order-driven market with an electronic central order book
- Execution of different types of orders
- Automatic order matching
- Full anonymity for orders and trades

Liquidity

Liquidity is related to the method of trading, which is based on two mechanisms: continuous trading and auctions. The most liquid securities are traded continuously during market sessions. Less liquid securities can be traded continuously with the aid of a liquidity provider, or exclusively in

auctions. Liquidity providers (LP) are traders for their own account that have undertaken, with the approval of the relevant market operator, to improve liquidity in a particular security. It is quite simple to change the trading method used for a particular security. For example, if an issuer wants its security to switch from auction trading to continuous trading it can arrange this by appointing a liquidity provider to support its security.

To adapt to the changing financial environment, new requirements were set up for LPs in April 2003, which concern all segments.

Business Overview

In 2003, Euronext completed the technical migration of cash markets to a single trading platform, NSC. This resulted in increased number of transactions (up 8.3% in 2003), due in part to cross-border trades, improved profitability, and improved liquidity. The implementation of a single system in 2001 went on proving its efficiency in opening up the individual marketplaces to each other's members, as illustrated in the table below. A similar positive impact is expected from the migration of Euronext Lisbon at the end of 2003.

One-year trend in cross-border transactions executed by members

As at 1st January 2003

Markets/Members	Amsterdam	Brussels	Paris	Lisbon
Euronext Amsterdam	70.0%	1.9%	28.1%	0.0%
Euronext Brussels	5.5%	67.7%	26.8%	0.0%
Euronext Paris	4.1%	1.0%	95.0%	0.0%
Euronext Lisbon	0.5%	0.0%	0.0%	99.5%

As at 31st December 2003

Markets/ Members	Amsterdam	Brussels	Paris	Lisbon
Euronext Amsterdam	53.6%	2.1%	44.3%	0.0%
Euronext Brussels	5.8%	47.0%	47.2%	0.0%
Euronext Paris	4.8%	0.9%	94.2%	0.1%
Euronext Lisbon	0.2%	0.0%	0.0%	99.8%

Business processes were also improved, aiming at:

- Reducing the number of legacy systems and databases, concentrating resources in certain locations (market operations in Paris) and enhancing the sales force in every location.
- Improving the business proposition for customers - on the technical side (adoption of the ISIN codes in Paris) or on the commercial side (design of a fee structure for the four Cash business centres or definition of a best practice concerning the provision of quarterly reports for listed companies).
- Strengthening its relationship with customers by being closer to customers across Europe through offices in London and Frankfurt and through a dedicated extranet for the members.
- Enhancing its continuous dialogue with the regulators at domestic and European level - particularly at a time of substantial modifications to trading mechanisms and the implementation of the new Investment Services Directive. Directive on financial instruments markets (formerly investments Service Directive 2).

Membership overview

At the end of 2003, a total of 277 members were active on Euronext cash markets:

- 58 Brokers,
- 23 Dealers,
- 196 Brokers/Dealers.

This includes the 19 Portuguese members who started trading directly on Euronext central order book further to the successful connection of Euronext Lisbon to NSC.

Euronext is actively pursuing product development of trackers (ETFs) on new indices such as the FTSEurofirst indices, the EuroMTS (EMTX) index (bond index) and Diamonds® indexes. These products will meet the needs of Euronext's customers who invest in liquid benchmark instruments.

Products performance and development

NextTrack Exchange Traded Funds segment

The volume of trades were up to 16.5% to 422,580 transactions on 2002. However the turnover decreased by 44 % to €72 million for two main reasons:

- large volumes on trackers are done over the counter;
- this segment has evolved from a market of arbitrageurs and short-term investors to one with more long-term investor positions. As a result, the increase in the asset under management has not been followed on the secondary market.

There was strong growth in the tracker market in 2003 with the primary market up by 153% (Diamonds® included) and 53% (without Diamonds®). The volume of trading was up 17% with more activity from retail investors and small size asset managers.

During 2003, Euronext listed American Stock Exchange's Diamonds®, one of the world's most popular Exchange Traded Funds and first trackers on the FTSEurofirst 80 index.

NextWarrants

The warrants segment of Euronext increased slightly in 2003 with a turnover at €4.9 billion, up 3% on 2002 despite difficult market conditions.

Technical enhancements have positioned NextWarrants at the forefront of all warrants electronic markets.



Bond indices

Euronext has a strong relationship with MTS Group, which operates the leading electronic European Bond trading platform. Euronext and MTS France have clearing agreements which include MTS SpA, the Italian arm of the MTS Group. The organisations forged an alliance in the bond index field by setting up a joint-venture, MTSNext.

MTSNext was created in May 2003, and licenses bond index based on the prices traded on the MTS platforms (see § 5.3.5).

Status of integration process

Completion of the migration of cash markets on NSC

NSC is a state-of-the-art electronic platform that supports the trading activity of Euronext cash markets. Licensed by AtosEuronext, it is used by some 14 exchanges around the world, making it the most widely used system of its kind (see § 5.3.3).

The successful migration of Lisbon cash markets onto the central order book in November 2003, gave Euronext customers direct access to the complete listings of Amsterdam, Brussels, Lisbon and Paris cash markets on a single platform.

Implementation of ISIN codes

In June 2003, ISIN codes (the quotation standard used to identify listed instruments), which were already used in Belgium, the Netherlands, and several other international markets, were extended to all Euronext products listed on the NSC system.

Added value for customers

In 2003, the centralisation of the technical support Euronext provides to its customers (for connectivity, systems supervision and incidents management) in Paris further enhanced clients' support.

In addition, local cash advisory committees were set up to increase the cooperation contact with the Group's customers. These groups which meet 3 times a year in all the Group's locations to discuss new developments with members and customers and address any concerns.

Associated Trading Partnership (ATP)

A new status allows the ATP to maintain its commercial relationship with Euronext reducing its trading, IT and connectivity costs.

Fee structure for 2004

In addition to providing customers with a single trading platform, Euronext implemented a standard harmonised fee structure for all members, regardless of location.

There are five different tariff packages which are designed for different trading activities with a special tariff for proprietary and arbitrage trading. A new member status, Associated Trading Partnership, was designed for small volume members. On average, the packages should reduce fees for customers by up to 11%.

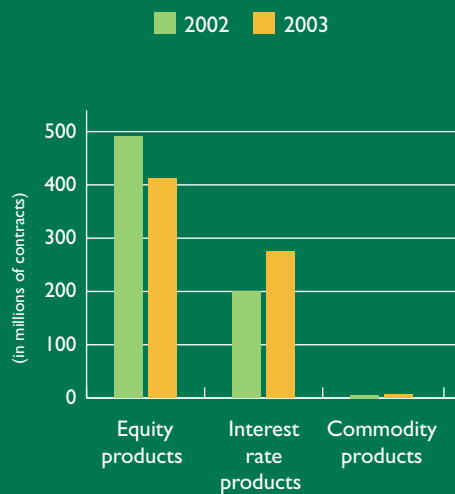
Outlook

Through customer focus, developing innovative products and new partnerships, we intend to further integrate Europe's fragmented capital markets.

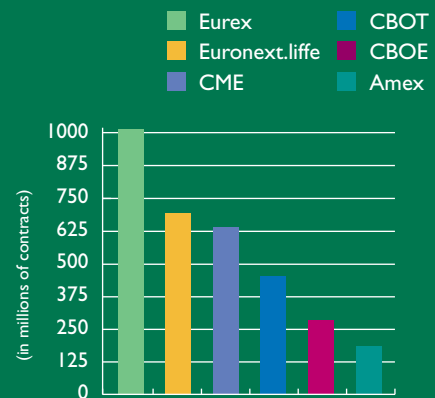
5.2.2 DERIVATIVES: FTSEUROFIRST

KEY POINTS

- 695 million contracts traded in 2003
- First phase of migration to LIFFE CONNECT® complete
- CBOT chooses LIFFE CONNECT®
- Wholesale Services launched for the OTC market
- FTSEurofirst index derivatives launched
- Takeover of full ownership of NQLX



Volumes traded by product (2002-2003)



Volumes traded on leading derivatives exchanges in 2003



FINANCIAL REVIEW: THE BUSINESS IN 2003

- Volumes resilient in 2003 (695 million vs 697 million contracts in 2002).
- Significant increase of 38% in interest rate products (to 275.8 million, from 199.9 million) offset by a decrease in equity products.
- EBITA margin increased by 35% to 24.3%, from 18.0%.

Euronext.liffe, the international derivatives business of Euronext maintained its position in 2003 as the world's second large derivatives exchange both in terms of the volume of contracts traded and their underlying value.

Volumes were resilient in 2003. A total of 695 million derivatives contracts, with a value of €251,000 million were traded through Euronext.liffe in 2003, compared to 697 million derivatives contract in 2002.

Trading revenues were up by 3.4%, to €299.9 million, from €290.1, as a result of increased volumes in interest rate products, which grew 38% in 2003. These were the largest product type in 2003 representing 40% of the product mix.

Commodity products also had a strong year, up 17% on 2002. Index products were up by 9%. But, amid reduced activity in Europe's equity options markets due to less volatility in underlying equity prices, equity options volumes were down 24% in 2003 compared to the year before.

Segmental revenues slightly up by 2% to €372 million, from €365.8 million.

On the other hand, cost bases went down by 6.1% as a result of lower staff costs.

EBITA grew by €24.5 million, from €65.7 million to €90.3 million.

This leads to an EBITA margin up to 24.3%.

Derivatives trading

(in thousands of euros)

	2003	2002
External sales	299,984	290,111
Intersegment reallocations	72,064	75,663
Segment revenue	372,048	365,774
Segment expense	(281,789)	(300,026)
EBITA	90,259	65,748

EURONEXT.LIFFE, THE WORLD'S SECOND LARGEST DERIVATIVES EXCHANGE

Euronext.liffe is the international derivatives business of Euronext, comprising derivatives markets in Amsterdam, Brussels, LIFFE, Lisbon and Paris, and offers the widest range of derivatives products to customers in twenty six countries in five continents around the world.

5.2.2.1 Business overview

To contribute to Euronext's need to deliver shareholder value by meeting the needs of its customers, Euronext.liffe's priorities are to provide customers with simpler and more efficient international derivatives trading through market integration and the launch of new products which meet evolving customer needs.

Technical integration during 2003 and 2004 is designed to create a large single market for derivatives products to which all the existing domestic markets act as gateways. The use of a single trading platform not only achieves synergies, both for customers and Euronext.liffe, but also helps to widen access to derivatives products by simplifying the procedures needed to trade new products. Customers of any one of the Euronext.liffe markets will now be able to trade the products listed on another more easily.

Customers' trading requirements are constantly evolving and Euronext.liffe continues to develop new products and services to meet new needs. During 2003, Euronext.liffe launched a number of new equity options to meet demand for additional trading opportunities. Options on the highly successful tracker (ETF) products were launched at the beginning of the year. In the Amsterdam market, the tradeable series available for the ten most traded options were increased. At the end of 2003, the first of three new Wholesale Services for European equity derivatives was launched. These facilities are designed to attract customers of the wholesale markets by combining the flexibility with which they operate with the security of trading through an exchange and a central clearing counterparty.

Euronext.liffe Market Solutions works continuously on the development of LIFFE CONNECT® to meet increasingly sophisticated trading needs. The newest version of the trading platform is currently being tested prior to being launched for the Amsterdam market in Q3 2004.

A significant achievement in 2003 was the sale of LIFFE CONNECT® to the Chicago Board of Trade in January. Trading on the new system began on schedule in November 2003. The CBOT's choice has greatly raised awareness and usage of LIFFE CONNECT® in the US, which is a significant strategic advantage.

5.2.2.2 Status of integration process

Euronext.liffe is creating a single market for derivatives, by transferring all its markets to a single electronic trading platform, LIFFE CONNECT®. Through access to LIFFE CONNECT®, customers will have an increasing range of trading opportunities, at a lower cost.

The LIFFE CONNECT® migration programme is on schedule for completion in Q3 2004. The Paris and Brussels markets were transferred on schedule in Q2 2003 and Lisbon and Amsterdam are on-target to migrate in Q1 and Q3 2004 respectively. Another milestone was reached in 2003 with the implementation of Clearing 21® for all derivatives products in Amsterdam, Brussels and Paris.

Euronext.liffe launched a fast track membership scheme to give existing members rapid access to all products traded on LIFFE CONNECT®. Under the scheme, the exchange has taken on the application process to each market to simplify the current regulatory arrangements which require customers to be members of each market. The scheme has proved popular with over 137 applications and 106 approvals by January 2004. Consistent with the opportunities which the introduction of a single trading platform will bring, there has been strong demand for membership of the smaller derivatives markets.

In tandem with completing the technical migration, Euronext.liffe is working to harmonise the wide range of equity derivatives it offers. Wherever possible the products are being standardised to offer customers seamless, simple cross-border trading opportunities.

The migration and the synergies it is generating are designed to reduce the cost of trading for customers, who will now only need one connection to access all the markets. For Euronext.liffe, the lower costs which follow have already enabled the business to pass on reductions in the cost of trading. Volume discounts were introduced for Paris listed contracts which have cut the cost of trading fees by between 17% and 50%.

Block trading fees were reduced for Amsterdam-listed contracts. Then in August 2003, Euronext.liffe and Clearnet cut the Exercise and Assignment fee payable on exercise of

equity options contracts to €500. This reduction significantly reduces the overall cost of trading. The combined effect of these reductions means a drop in fees of as much as 80% for some customers.

5.2.2.3 Product performance and developments

Short term interest rate products showed the strongest growth in 2003, up 40% on the previous year. Euribor futures volume increased by 30% and Euribor options volume increased by 79% in 2003. Volumes in the Euribor contract climbed to 64% of the Eurodollar, compared to 46% in 2002.

Individual equity products volumes were down in 2003 due to reduced volatility in the underlying equity markets. However, Universal Stock Futures (USFs), which were first launched in 2001, performed very strongly in 2003, with volumes up 61% on 2002. Euronext.liffe also teamed up with ten brokers in Germany to offer USFs directly to local retail investors. Equity index futures products grew 9% in 2003.

Commodity products were up 17% on the previous year reaching new record levels. Cocoa and Robusta Coffee performed well growing 29% and 22% respectively on 2002.

New products

Euronext is the European leader for listing and trading trackers (*exchange traded funds*), and in January 2003, options were launched on the two most liquid trackers on Euronext: the CAC40 Master Unit and the Dow Jones Euro STOXX 50SM Master Unit.

The launch of an option on Heineken Holding NV brought the total number of Dutch equity options offered by Euronext.liffe to 60 – the widest choice available on any exchange. A number of other new options were also listed - including an option on Euronext N.V. itself - reinforcing Euronext.liffe's aim to be the pre-eminent equity derivatives exchange in Europe.

In cooperation with the index specialists FTSE, Euronext launched two new European index products in 2003, the FTSEurofirst 80 and 100. Both indices are designed to address

the inadequacy of existing index products to reflect customers' changing trading requirements. Derivatives on the indices were launched in June 2003. By the end of the year, the products had traded over 550,000 contracts. After the first six months of trading, FTSEurofirst 100 already has a 25% share of the pan-European index product sector.

The FTSEurofirst indices have received strong support since launch. Funds under management in the Exchange Traded Fund based on the FTSEurofirst 80 launched by Lyxor Asset Management grew 50% to over €90 million by the end of 2003. The Swiss Post's pension fund, with over €6 billion under management, recently chose the FTSEurofirst 100 index as its benchmark after a beauty parade of indices.

In September 2003, Euronext.liffe announced the launch of three new Wholesale Services for European equity derivatives. The first of these, the MATCH facility was launched on 28th November to enable customers to pre-negotiate deals in USFs before the deal is matched through LIFFE CONNECT[®] and cleared through the London Clearing House. The move followed recent regulatory changes, which have made it possible for more investors to use derivatives, and strong growth in OTC equity derivatives markets. The services aim to attract OTC equity derivatives business from across Europe onto the exchange, by combining the flexibility of wholesale business of on-exchange and OTC trading.

5.2.2.4 Outlook

Euronext.liffe completed the second and third phases of its Wholesale Services for European equity derivatives by launching on 26th January 2004 the FLEX[®] facility, on 31st March 2004 the OTC facility.

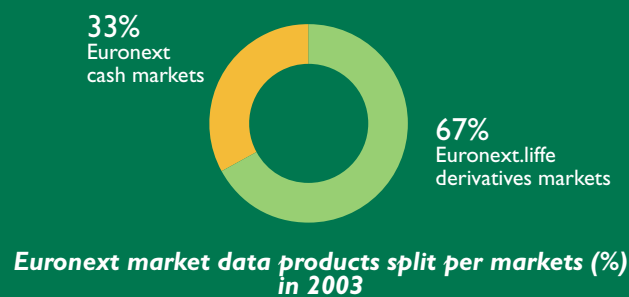
Euronext.liffe will further expand its product mix in interest rate products with the launch of three-month Eurodollar futures and options contracts from 18th March 2004.

In 2004, the migration of local trading systems to LIFFE CONNECT[®] will be completed by the transfer of Amsterdam's derivatives contracts to LIFFE CONNECT[®].

5.2.3 INFORMATION SERVICES

KEY POINTS

- Introduction of the full order book for Cash products (Cash Premium)
- Investment programme launched in new future fit dissemination platform aimed at value added services, improved time-to-market, consolidated data delivery and further IT synergies
- Migration to one index platform resulting in IT and operational synergies
- Resilient revenues in real-time information products due to additional market depth offering in derivative products





FINANCIAL OVERVIEW: THE BUSINESS IN 2003

- Sales revenue down by -1% to €91.2 million from €92.1 million

- EBITA growth to €21.5 million from €8.5 million due to restructuring into SBU

Remembering the bearish environment in 2003, Information Services performed well during the year. While the number of terminal accesses viewing Euronext real-time information dropped due to ongoing jobcuts in the investment banking industry, further fuelled by structural changes such as automated trading facilities, sales revenue was resilient at €91.2 million, thanks to the introduction of additional market depth in our continental derivative products.

The effective cost control (the drop in production costs notably) had Information Services expenses down by 2.2% to €43.4 million.

Now restructured into a SBU, inducing less income reallocation to other SBUs, Information Services generated a €21.5 million of EBITA, that is a 33.1% EBITA margin.

	2003	2002
External sales	91,154	92,073
Intersegment reallocations	(26,324)	(39,228)
Segment revenue	64,830	52,845
Segment expense	(43,364)	(44,323)
EBITA	21,466	8,522

INFORMATION SERVICES: INVESTING FOR FUTURE GROWTH

Financial information is one of an exchange's major assets. It is complementary to the process of listing and trading securities and derivatives and is an essential aspect of communication with parties that are or want to be active on our markets.

5.2.3.1 Introduction to the Information Services

Within the Euronext group, Information Services manage information flows with the aim of optimizing equity and derivatives trading and managing Euronext source data. Market data and related information are processed, distributed and sold to hundreds of customers, such as data vendors, ISVs and other parties that have dealings with the exchange. Euronext also provides information active on listed companies which puts the Group in a better position to attract new issuers and new listings. Information Services activities are a direct contribution that benefits other SBUs and Euronext's shareholders.

5.2.3.2 Business overview

Some of the most important developments during 2003 included the following:

- Revenues in the market data industry came under pressure as a result of rationalisations in the financial industry. The number of trading workplaces fell due to job cuts, resulting in a decline in the number of information terminals.
- Exchanges took steps to expand their product range by providing new services based on source data or acquiring data vending activities. Consequently, the value chain of the market data industry is changing.
- Large end-user firms are pushing the market data industry to develop unified standards for technology and contract conditions. They are also demanding market data directly from the source, instead of via intermediaries. In response exchanges have started to abolish existing restrictions on distributing source data directly to end users.

5.2.3.3 Product performance and developments

Our current range includes the following products.

• Market data services

Information Services sells real-time market data (*prices, indices, news, volumes and other information*) to data vendors, market intermediaries such as investment banks and brokerage firms, websites, news agencies and other financial institutions. It collects annual royalty fees and licence fees from data vendors, which distribute flows of information to customers. Approximately 150 data vendors distribute Euronext data in real-time to 200,000 screens around the world. Many more receive delayed information, which is displayed with a 15-minute delay and is provided free of charge.

In December 2003, a new data product called Cash Premium was launched which displays the full order book of the Euronext Cash markets. This allows data vendor clients to feed their upper-tier products and responds to the demand in the market for clean and complete data for automated trading and other applications.

• Internet-related products

The euronext.com website is designed to serve the information needs of customers and investors. The site contains information about companies listed on Euronext, indices and the whole range of products offered by the Euronext group. It also provides prices, news, educational material and regulatory information, and can be used to help manage virtual portfolios. Currently, webvertising is our main revenue stream. In the course of 2004, Euronext's existing websites will be migrated to a single website. New commercial web activities will be developed to provide valuable exchange-related information services for specific user groups.



• Publication products

News is a crucial asset for our customers within the financial markets. We publish a number of exchange newspapers such as the *Cote Officielle* in Paris, the Daily Bulletin in Lisbon and the Euronext Amsterdam Daily Official List in Amsterdam. In addition, company press releases and Euronext notices are offered to data vendors and financial institutions in real-time. This allows listed companies to enjoy cost effective distribution of their news via all major data vendors and some of the world's most important news agencies. We intend to take advantage of new technologies in order to develop these services further.

• Indices

Euronext Indices B.V. is responsible for maintaining more than 600 existing indices as well as developing new ones. Index-related data is produced to support investments. The portfolio includes the national blue-chip indices (AEX®, BEL 20®, CAC 40® and PSI 20®), but also the global EPRA/NAREIT real estate indices and a score of others developed for or with third parties.

In 2003, the number of index derivatives traded rose by 0.3%. Assets managed by trackers (ETFs) on Euronext's indices more than doubled over 2003 to €1.9 million.

Index activities in 2003 included:

- The launch, with FTSE, of two new tradable European indices: the FTSEurofirst 80 (for the Eurozone) and 100 (Eurozone plus UK). The indices were well received, and have helped to achieve a better balance between accuracy, tradability and tracking errors.

- AEX® derivative volumes rose by 45% in their first full year of screen trading.
- The CAC 40® index was adjusted for free-float in December 2003. The change will improve the tradability of CAC 40® index baskets, while at the same time reducing volatility.
- Customised indices were provided for nine external clients, including two new clients.

5.2.3.4 Outlook for Information Services

Responding to developments in the market data industry, Information Services will target existing and prospective external clients, offering them multiple-channel distribution, customised information packages, index services and licences on both their own indices and third-party indices. We will also ensure new standards in contracts to make it easier to obtain and use Euronext market data services.

We have launched an investment programme that will implement a new data feed platform (EMDS) in the course of 2004 aimed at consolidating data delivery. The new platform is expected to decrease significantly the time-to-market for new value-added services. At the same time, the further rationalisation of our systems will result in significant savings.

The completion of Euronext.com in the course of 2004 will make it possible to add web-based delivery of new real-time, historical and text services, and help us to address different segments of the market more cost effectively.

5.2.4 CREATION OF EUROPE'S LEADING CENTRAL CLEARING HOUSE

In December 2003, Clearnet and the London Clearing House (LCH) merged to create Europe's leading central counterparty clearing organisation (CCP) under an independent UK holding company called LCH.Clearnet Group Ltd. LCH.Clearnet will be the leader in many European cleared markets, and the broadest multi-asset class CCP, enhancing the efficiency of the European capital market.

5.2.4.1 Introduction

On 22nd December 2003, the Group sold its 80.48% stake in the share capital of Clearnet and 17.7% in that of LCH to LCH.Clearnet Group Limited in exchange of 49.1% in the newly formed company. Subsequently, the Group instantaneously sold 7.6% of these shares. The remaining interest in LCH.Clearnet Group Limited is divided into 24.9% in the form of ordinary shares and 16.6% Redeemable Convertible Preference Shares which are intended to be redeemed, or converted in ordinary shares and to be sold in coming years. Therefore Euronext no longer holds a majority and, accordingly, the balance sheet position and result of operation subsequent to 22nd December are no longer consolidated (see § 6.3.5, "Discontinued operation").

The chapter below primarily describes the rationale behind the merger and the results of Clearnet that are consolidated in 2003.

5.2.4.2 Merger benefits

The merger is designed to build upon Clearnet and LCH's strengths. Clearnet has facilitated market consolidation with the amalgamation of the Belgian, Dutch, French and Portuguese CCPs when LCH has delivered a wide range of innovative CCP services with the support of its international user base and the major London exchanges.

Both Clearnet and LCH perform a key function midway between trading and settlement in recording transacted business, maintaining positions and guaranteeing transaction performance and settlement. They provide clearing services on cash and derivatives products traded on regulated and OTC markets.

LCH.Clearnet will establish a single independent CCP organisation resulting in more efficient, cost effective and transparent CCP infrastructure. LCH.Clearnet should also enable users to

enjoy the benefits of balance sheet netting, counterparty risk reduction, margin efficiencies and settlement netting in markets not currently serviced by a CCP. Major improvements should profit to:

• Users

- competitive fees and tariffs;
- wide range of cost savings which should reduce the all-in transaction costs;
- enhanced back office operations as a result of the progressive integration of the CCPs and the replacement of multiple technologies, interfaces, membership criteria and operating procedures by a single harmonised operating infrastructure;
- benefits created by the merger, which will be shared between its users and shareholders (70% of the excess when EBITA over €150 million in any given year);
- new standards in service delivery and risk management;
- capital savings thanks to common margin methodologies and cross margin offsets between closely correlated products and even, later on, positions held in a single account at either LCH.Clearnet S.A. (Eurozone office) or LCH.Clearnet Ltd (UK office).

• Exchanges and Trading Platforms

LCH.Clearnet will support the growth, diversification and globalisation strategies of its exchange and trading platform partners as a result of its broad international user base. It will also enhance volumes and liquidity on the exchanges and trading platforms it serves which will benefit from the critical mass and network effects enjoyed by users pooling their positions within LCH.Clearnet following the introduction of cross-margining.



5.2.4.3 LCH.Clearnet's independent corporate structure

A number of features have been introduced when creating LCH.Clearnet in order to organise and maintain the independence of the company share capital, corporate governance and voting structure.

• LCH.Clearnet share capital

According to the terms of the transaction which aims to balance the interests of stakeholders and ensure management independence through the following ownership structure, users will own 45.1%, Euroclear 9.8% and exchanges (including Euronext) 45.1% of LCH.Clearnet share capital.

Euronext owns 24.9% of LCH.Clearnet share capital in the form of ordinary shares and 16.6% of LCH.Clearnet share capital in the form of preference shares. London Metal Exchange (LME) and International Petroleum Exchange (IPE), the other exchanges, own 2.7% and 0.9% respectively of LCH.Clearnet share capital in the form of ordinary shares.

• LCH.Clearnet corporate governance

The LCH.Clearnet Board initially comprises 16 members, including 5 Directors appointed by exchange shareholders (including 4 by Euronext), 5 by user shareholders, 1 by Euroclear, 3 Independent Directors, the LCH.Clearnet Chief Executive Officer and the LCH.Clearnet Deputy Chief Executive Officer. The independent Chairman of LCH.Clearnet is *Gérard de la Martinière*.

LCH.Clearnet has an integrated management structure with Group heads of department who are members of the LCH.Clearnet Group Management Committee. The merger brings together two highly successful teams with proven records and a shared strategic vision.

LCH.Clearnet will be responsive to the needs and interests of both large and small users. Users' interests will be further served through appropriate representation within the LCH.Clearnet governance structure and by ensuring participation on key committees, including the risk committee and product advisory

committees where users will be in the majority and key board committees, including the Audit Committee.

• Voting structure

Voting caps, pre-emption rights and other arrangements will allow each category of LCH.Clearnet shareholders to preserve its interests. As a result, no single shareholder or group of shareholders will have control of LCH.Clearnet.

Regulatory Authorisation and Supervision

LCH.Clearnet Ltd, as a recognised UK clearing house, will continue to be subject to the supervision of the Financial Services Authority.

LCH.Clearnet S.A., a clearing house authorised as a credit institution, will continue to be supervised and overseen by the French authorities (*Commission Bancaire*, CECEI/*the Banque de France* and the *Autorité des marchés financiers*) in co-ordination with the relevant Belgian, Dutch and Portuguese regulatory authorities in accordance with the Memorandum of Understanding dated March 2001.

5.2.4.4 Outlook for LCH.Clearnet

LCH.Clearnet meets users' and other industry groups' needs for CCP integration in order to deliver a single European market in financial services. CCPs have traditionally serviced their own national market infrastructures and operated under distinct legal structures and regulatory regimes, as it is currently the case of fragmented infrastructure in the US.

LCH.Clearnet will support the markets and products that were provided by LCH and Clearnet, as well as develop linkages to new trading platforms. It will continue clearing cash equities, exchange traded derivatives and commodities traded on the following major international exchanges and trading platforms: Endx, Euronext, the Intercontinental Exchange, the International Petroleum Exchange, the London Metal Exchange, the London Stock Exchange, Powernext and virt-X. LCH.Clearnet also clears interest rate swaps, bonds and repos traded on international OTC markets.

Standardisation of services, unification of processes, elimination of duplicative operational and investment expenses, will lead to economies of scale, mainly in the areas of operations and customer relations. Harmonisation and progressive integration of support functions will also lead to some natural headcount optimisation and lower costs.

LCH.Clearnet will establish five business streams (cash equities, exchange-traded derivatives, fixed income, OTC derivatives and energy) built on a common infrastructure and core CCP functions. LCH.Clearnet will be able to accelerate the launch of new products by combining the resources of former Clearnet and LCH and from an enhanced and more flexible systems infrastructure.

Operational integration of the two CCPs is expected to proceed over the next three to four years after the merger.

5.2.4.5 Relations between Euronext and LCH.Clearnet

As a result of the merger of the London Clearing House and Clearnet, Euronext has become a minority shareholder of the new company, LCH.Clearnet. Clearnet has been deconsolidated and is accounted as an associate from 22nd December 2003 (see chapter 6, note 5 "Discontinued Operation" and Annex 6.5).

5.2.4.6 Clearing business in 2003

Clearing	2003	2002
External sales	165,071	183,684
Intersegment reallocations	(31,119)	(45,491)
Segment revenue	133,952	138,193
Segment expense	(95,267)	(96,677)
EBITA	38,685	41,516

In 2003, taken into account the impact of deconsolidation induced by LCH.Clearnet merger (i.e. €3 million) clearing revenues decreased by 10.1% compared to 2002 at €165.1 million. Net profit was €32.8 million, down 7.6% on 2002.

2003 marks the end of the migration to Clearing 21[®] in Amsterdam, Brussels and Paris. Clients have been able to harmonise their back-office procedures and can improve the rationalisation of the cross-border post-trading operations. They have unified access to Clearing 21[®] and many will be able to offer cross-border services. Clearnet services have been extended to the Portuguese market with the implementation of Clearing 21[®].

In 2003, harmonisation of collateral payment and the merger of the collateral clearing fund across Amsterdam, Brussels and Paris improved cross border efficiency for Euronext's members. All clients are able to concentrate their initial and variation margins, their clearing fund contribution, their premiums and cash settlement and their clearing fees within a single point.

Clearnet reinforced its position on the Italian market following the launch of bond and repo clearing operations to Italian sovereign cash bonds and repo traded on MTS Italy's electronic trading platform.

Revenues breakdown per product (2002 - 2003)

(in million of euros)	2003	2002
Futures	16.09	15.12
Options	24.67	36.14
Cash	112.01	117.09
OTC	1.71	1.28
Others	13.59	14.06
Effect of discontinued operation	(3)	-
Total clearing revenues	165.07	183.68

5.3 OTHER ACTIVITIES, PARTNERSHIPS & ALLIANCES

Euronext's business model is based on straight-through processing and supported by major European post-trade services suppliers, the Group's companies CIK and Interbolsa on the one hand, and the Group's partner Euroclear on the other.

Euronext has always been open to innovation-oriented partnerships. The partnerships with high technology providers, the Group's company GL Trade and the associate AtosEuronext have a long and successful track record.

Through other partnerships Euronext has been aiming to enter new markets, such as energy markets and bond markets.

5.3.1 POST-TRADE ACTIVITIES

In order to provide its customers with a full range of services resulting in a straight-through processing from listing to settlement and custody of securities, Euronext benefits from the relationship with preferred partners in post-trade activities.

5.3.1.1 Group's settlement and custody services

Financial overview: the business in 2003

The comparison between 2003 and 2002 settlement and custody results should be read carefully with regard to two specific items: the accounting for Necigef activity for the first two months of 2002 and intersegment reallocations as of 2003 that impact both income and expenses.

From one year to the other, CIK's settlement and custody revenues showed some good resilience at €14.8 million (-1% vs 2002), whilst Interbolsa income went up 6.5 % to €13.4 million.

During the same period, operating costs went down in both entities.

As a consequence, 2003 settlement and custody EBITA ended the year up to €9.3 million, that is a 31.4% EBITA margin.

Settlement and Custody	2003	2002
External sales	28,236	29,051
Intersegment reallocations	1,411	98
Segment revenue	29,647	29,149
Segment expense	(20,330)	(20,742)
EBITA	9,317	8,407

Introduction to business

Settlement is the process by which money and securities are exchanged between the accounts of two clearing members. Once a transaction has been executed on the Euronext markets, it is cleared through LCH.Clearnet, which then transmits the settlement instructions to the organisation responsible for settlement operations in the country where the clearing member (or its settlement agent) holds an account.

Transactions are currently settled through Euroclear France (resulting from the sale of Sicovam S.A. to Euroclear in 2001) or Euroclear Bank (since July 2002) for clearing members in Paris, through BXS-CIK for clearing members in Brussels, through Euroclear Netherlands for clearing members in Amsterdam and through Interbolsa for clearing members in Lisbon.

Once Euronext's settlement systems have been fully integrated, every transaction done on Euronext's marketplaces will be settled through Euroclear and CREST Co (a UK-based organisation) or another settlement agency authorised by LCH.Clearnet.

CIK

CIK is Euronext's wholly-owned subsidiary for the settlement and custody of securities in Belgium. It is currently diversifying its activities, developing in particular printing on request, Sicav settlement and nominative registration services. The current CIK services can be subdivided into two main activity / income pillars.

Custody-related services

The first pillar is the handling and safe-custody of physical securities. In order to provide this service, CIK has a highly secured and adapted infrastructure (which consists of secured vaults, a custody management system and adapted security procedures). Provided the securities are CIK-eligible, physical securities can be deposited in CIK by its affiliates. CIK guarantees the safe-guarding of the securities until they are withdrawn. These movements and positions are managed/reflected in the custody management system (CDMS⁽¹⁾).

The three core physical custody related activities are consequently: deposit, safe-custody and withdrawal.

CIK offers a number of additional related services, such as corporate actions, destruction of physical securities, and processing of physical coupons. Physical coupons, which are reimbursed at the bank agencies' counters, can subsequently be deposited into the CIK-Centre where they are processed by the CIK-Centre.

• Settlement related activities

CIK provides "engines", or systems, which enable the settlement of transactions and transfer of book positions. A distinction is made between the settlement engine for On-Exchange transactions (FMS⁽²⁾), for Over The Counter transactions (EMSS⁽³⁾) and finally the core CIK system (CDMS) which can be used for Free Of Payment transfers between CIK accounts⁽⁴⁾.

• New CIK services

Recently, a number of CIK projects have been started which aim at developing new CIK activities and will go on being implemented in 2004.

One of the most advanced projects is "Printing on Demand" which was launched at end 2003 to enable the printing of

securities "on request" for Investment Funds in particular, "Sicav Settlement" and "Nominative Register" which provides issuers with outsourced management of their nominative register by transforming securities from nominative to bearer form.

Interbolsa

Interbolsa (*Sociedade Gestora de Sistemas de Liquidação e de Sistemas Centralizados de Valores Mobiliários, S.A.*) is the Portuguese central custodian and is 100% owned by Euronext Lisbon. It is responsible for the custody of securities and for arranging settlement in conjunction with the Bank of Portugal. It also provides a full range of services related to securities, such as the payment of dividends, coupon clipping and the redemption of bonds. Interbolsa acts as the national coding agency for the assignment of ISINs and CFI codes.

During 2003, Interbolsa was significantly involved in the migration of Portuguese securities market to the pan-European platforms managed by Euronext along with its three main activities, the central securities depository, the settlement of securities transactions and the National Numbering Agency. As a result of the migration of the cash market, the implementation of central counterparty and related services in the Portuguese market and the cancellation or suspension of affiliation to Interbolsa of the trading-only members, number and value of the settlement instructions sharply decreased.

At the end of 2003, the number of securities issues registered with the Central Securities Depository had increased by 5% at 1,479, representing 6,295 billion securities, with a nominal value of €111 billion.

5.3.1.2 Partnership with Euroclear

Introduction

Euroclear is the leading European clearing and settlement organisation. Its scope of activity consists in securities

(1) Custody and Depository Management System.

(2) Forward Market Settlement.

(3) Electronic Matching and Securities Settlement.

(4) Between institutions or between accounts of one institution + international transfers.





clearing and settlement, securities lending and borrowing, custody, collateral management, money transfer, and ancillary banking services.

As an advocate of the horizontal integration in Europe's securities markets, Euroclear has been active during the past three years in contribution to consolidation in the industry: in 2001 with Sicovam S.A. (named Euroclear France after the merger) the French Central Securities Depository (CSD), and signature with Euronext to transfer to Euroclear the settlement activity of CIK, the Belgian CSD; in 2002 with Necigef / Niec (named Euroclear Netherlands after the merger) the Dutch CSD, and with CRESTCo, the UK settlement entity,

Capital links between Euronext and Euroclear

When Euroclear purchased Sicovam SA in 2001, Euronext received 1.6% of Euroclear plc (via Sicovam Holding) in exchange for its stake in Sicovam S.A. During the same year, the two companies signed an agreement under which Euronext transferred 20% of the share capital of Clearnet to Euroclear plc in February 2002 together with all the shares of Necigef and NIEC in return for 89,694 shares in Euroclear plc.

At the end of these transactions, Euronext held 4.5% of the capital of Euroclear plc (including 1.6% through its stake in Sicovam Holding). After the merger of Euroclear with CRESTCo, Euronext's stake in Euroclear was diluted and reduced to 3.6%.

5.3.2 GL TRADE, THE WORLD'S LEADING PROVIDER OF ELECTRONIC TRADING SOLUTIONS

Euronext Paris holds 51.3% of the capital of GL Trade, a French company listed on the *Nouveau Marché*, through its 51% owned subsidiary *Financière Montmartre*, as further detailed below, and thereby controls the GL Trade Group.

2003 Key figures

- Turnover: €128,1 million
- International turnover: 73%
- Net margin (before goodwill): 12.6%
- Staff: 937 people

Financial overview: the business in 2003

In 2003, despite difficult market conditions and the impact of foreign exchange movements, GL Trade's contribution to Euronext's revenues remained steady at €128.1 million. Its trading system revenues grew by 13%, with the negative effects of mergers and cost cutting measures amongst clients, offset by enhancements of the range of trading products. The pre- and post-trade products lines saw growth of 18%, showing the Group was right to concentrate more on these areas.

Though, data transmission and e-brokerage business were quite impacted by economic difficulties: the GL Multimedi@ subsidiary, whose core business lies in these areas, saw the sharpest fall (-33%).

2003 Key events

• Acquisitions

- 7th April Acquisition of 4D Trading
- 2nd November Acquisition of three MISYS subsidiaries

• Partnerships

- 18th June Agreement with Thomson Financial
- 1st July Partnership with Sonic Financial Technologies
- 19th November GL Trade teams with HP to bring GL Trade applications to Linux

• Opening of office

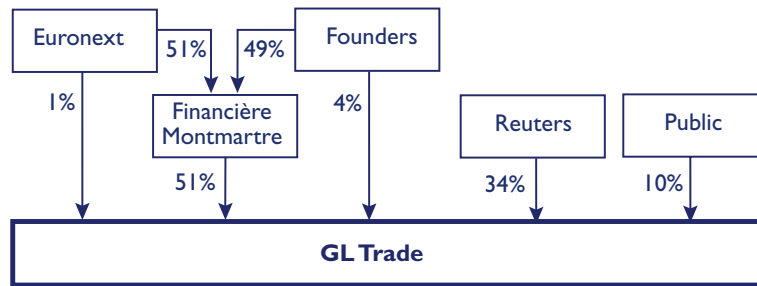
- 3rd February Opening of office in Geneva

5.3.2.1 Introduction to business

GL Trade designs, develops and markets complete solutions for market displays, real-time order placement and automated transaction execution. GL Trade, which is based in Paris, has 18 offices outside France and distributes its products in more than 25 countries around the world. It is the market leader on the main financial markets worldwide and is the only Group offering a global system compatible with all kinds of markets and products. In 2003, 73% of GL Trade's revenues were derived from its international activities. The company has 3,500 customers, including 500 international institutions.



GL Trade and Euronext



5.3.2.2 Business overview

GL Trade earns nearly half of its revenues from the GL Win trading station. Used daily by 30,000 professionals worldwide, GL Trade's front-end trading system is now recognized as setting the standard globally for electronic trading. GL Trade also offers clients GL Net, the first private international network entirely dedicated to electronic trading.

The company provides direct electronic access to more than 95 stock and derivatives markets around the world via the GL Gateways systems. Other services include diversification of front and middle-office automated processing applications, e-broking activities, and the development of assistance and engineering services.

Major steps reached on 2003 were:

• Acquisitions

At the end of 2003, GL Trade acquired three companies in Hong Kong, Japan and the UK allowing GL Trade to become leader in the front-office market in Asia, and to enter the back-office market. It will also strengthen the presence of GL in the UK. These acquisitions represented a revenue of €2.8 million this year and €9 to €10 million on a full year basis.

The company also acquired 4D Trading, a London based company, which has developed an innovative 3-dimension visualisation product integrated in GL Win's offer.

• Technology

The new V5 technology (completing a three year project) places GL Trade ahead of its competitors. Moreover, the company recently teamed with HP to bring GL Trade applications to Linux.

5.3.2.3 Outlook

A number of factors are expected to contribute to GL Trade's future growth: the move to electronic trading by stock exchanges (many stock exchanges, as the NYSE, are still open outcry markets), the stock market recovery, and the continuous growth of financial intermediaries connected to the markets.

Further significant growth in GL Trade's business is expected in markets where GL Trade is already positioned: Asia (Japan, Korea, Hong-Kong, China), the United States and Northern Europe.

5.3.3 ATOS Euronext, TOP OF THE RANGE IT PROVIDER

Key figures

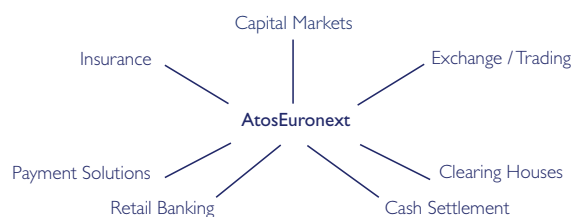
- Turnover: €243.8 million
- Net margin (before goodwill): 5%
- Staff: 893 people

5.3.3.1 Introduction to the business

AtosEuronext, which is a joint venture (50/50) formed on 30th June 2000 by Euronext with Atos Origin, is Euronext's primary service provider for IT.

AtosEuronext combines an in-depth knowledge of the financial and capital markets, with high technology, making it a leading European information technology service provider in the international financial and exchange sector. It has concentrated on a small number of specialised sectors, in which it has achieved a leading position by providing strong value-added services and products. Its areas of expertise can be summarised as follows:

Seven competency areas



5.3.3.2 Business overview

AtosEuronext licenses technology to third parties. Its licensing activities guarantee a regular revenue flow to finance the research and development of new technology systems and new functions. The licensing agreements can facilitate merger agreements, alliances or co-operative agreements with institutions that use identical or similar systems, based on potential synergies and cost savings. In addition to licensing systems to numerous banks, financial institutions, on-line brokers, ECN and B2B suppliers, AtosEuronext promotes and develops two major licences: NSC and Clearing 21®.

2003 key facts

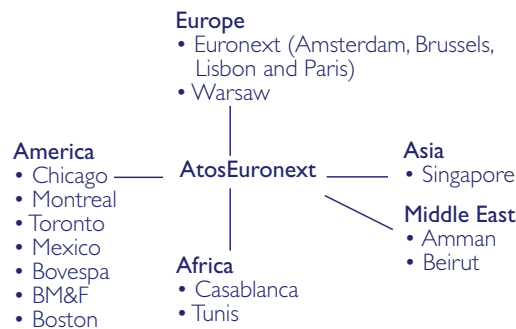
- At the beginning of 2003, AtosEuronext transferred its Dutch subsidiary AtosEuronext Netherlands to Atos Origin. The Dutch network activity has been brought to a new company, AtosEuronext Connect Netherlands.
- In mid-2003, AtosEuronext and KLSE (Kuala Lumpur Stock Exchange) signed the heads of an agreement to form a joint-venture company to better serve the technological needs of the KLSE Group and the Malaysian securities industry and, moreover, to become the Asia-Pacific region's new leader in IT solutions for financial establishments such as Exchanges, Clearing Houses and Depositories.



• NSC system

The intellectual property rights to the NSC system, which was originally developed by Euronext Paris, have been transferred to AtosEuronext which has licensed the NSC system to 13 stock and derivatives exchanges alongside Euronext.

AtosEuronext has licensed the NSC system to 14 stock and derivatives exchanges



• Clearing 21®

As a result of Euronext Paris obtaining an exclusive world licence to promote and distribute Clearing 21® further to the agreement its forerunner Euronext Paris, CME, and NYMEX signed in June 1997, Euronext Paris decided to outsource its commitments to AtosEuronext. AtosEuronext provides other exchanges with Clearing 21® and its upgrades, with the clear objective of promoting Clearing 21® and making it a global standard for the clearing of financial products. NYMEX and CME reserved the right to promote and market Clearing 21® to certain potential users and keep the ownership rights on all enhancements to Clearing 21®. Euronext Paris also licenses Clearing 21® to LCH. Clearnet S.A. and to the market undertakings whose products are cleared by this clearing house. In addition, Euronext Paris licensed Clearing 21® to LCH. Clearnet Group Ltd and its subsidiaries at the end of 2003.

• AtosEuronext and Euronext

AtosEuronext gives Euronext access to a pool of expertise and technological resources without demanding the level of investment that would be required for in-house development. It is responsible for managing much of the software related to Euronext's exchange activities, including the NSC trading system and the Clearing 21® clearing system.

AtosEuronext also provides a range of services to Euronext, including the supply of operating equipment, network management, office equipment management, software maintenance, software licensing, project design and development, consulting services and technical assistance. It works closely with Euronext.liffe Market Solutions to meet Euronext's constantly evolving technological needs.

During 2003, development costs capitalised by Euronext N.V. for services provided by AtosEuronext amounted to €15.2 million.

Euronext.liffe Market Solutions, the technology arm of Euronext derivatives trading

Alongside its cooperation with AtosEuronext, the Group also provides top IT services through Euronext.liffe Market Solutions which designed and built LIFFE CONNECT®, and which makes the Euronext.liffe derivatives market available to customers in 28 countries and in every major financial services centre worldwide.

Euronext.liffe Market Solutions has capitalised on its network management expertise and launched the innovative LIFFE CONNECT® Network, providing exchange users with wider connection options. It continues an ongoing programme of continual innovation to ensure that the system remains at the cutting edge of trading technology development. LIFFE CONNECT® has been chosen by the Chicago Board of Trade, the Tokyo International Financial Futures Exchange and NQLX to support their electronic derivatives trading, and is rapidly becoming recognised as the derivatives industry's preferred platform for processing complex trades in futures and options.

5.3.4 POWERNEXT, A KEY PLAYER IN EUROPE'S POWER MARKET

5.3.4.1 Introduction to business

Euronext Paris holds 34% of the capital of Powernext S.A., France's first power exchange launched in November 2001. The remaining capital is held by HGRT (a holding of European Transmission Operators) which owns 17%, and by major European finance and electricity trading specialists: BNP Paribas, Electrabel, Société Générale, Total, Endesa, EDF and Atel.

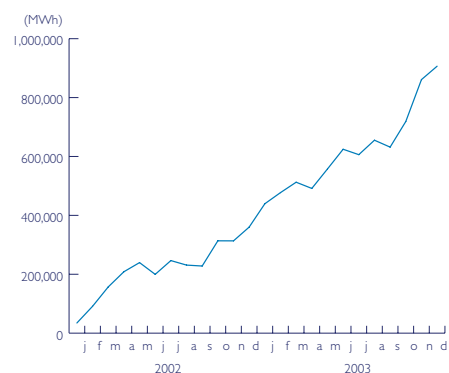
The establishment of a power exchange in France is an integral part of the liberalisation of European electricity markets initiated by the 1996 European Directive and written into French law in 2000. On this market, electricity producers, consumers and traders can trade MWh deliverable on the French electricity network. The positioning of France on the European electricity market and network affords Powernext strong growth prospects.

Powernext aims at:

- creating a benchmark reference price in France, through a dedicated platform and an increase in the diversity of market participants, and by benefiting from the privileged position of the French electricity hub;
- playing a decisive part in European electricity markets' rationalisation by providing a spot market of European scope (block products, conclusion of bilateral contracts, indices, opening up to other hubs).

5.3.4.2 Business overview

After two years in existence, Powernext's first objective of installing a short-term reference price has been reached. More than half of all day-ahead balancing needs are now traded on Powernext. The good health of the market is further demonstrated by the constant increase in volume traded:



Powernext volume evolution (2002-2003)

5.3.4.3 Outlook

In 2004, Powernext will consolidate the structure of the spot market with the implementation of market mechanisms designed to manage congestion at the borders, which is set to take effect from July 2004. The second forthcoming challenge is the launch, in the first half of 2004, of a futures market with physical delivery on the French hub. These contracts will enable members to manage fluctuation risks of power prices within a two-year scope in a secure and regulated environment.

5.3.5 MTSNEXT

5.3.5.1 Introduction to business

After four years of close collaboration through MTS France - the leading electronic trading platform for French government bonds - Euronext and EuroMTS have once again joined forces to deliver the first genuinely independent and transparent pan-European government bond indices, collectively known as the EuroMTS Index.

EuroMTS Index is managed by MTSNext, a joint venture started in London on 9th May 2003, with capital of €1.5 million. EuroMTS holds two thirds of the shares of MTSNext, with the remainder being held by Euronext.



The EuroMTS index is a Euro-denominated total return index series derived from the well established CNO Etrix index and has been designed to measure the performance of the Eurozone government bond market. Based on real time tradable prices from the inter-dealer MTS platform, the largest electronic platform for cash bond trading in the Eurozone,

the indices are extremely transparent, highly replicable and independent. Such characteristics have previously been found only in equity indices.

Through this partnership, Euronext aims at sustaining the creation of cash and derivatives products which will be distributed and tradable on the Euronext trading platforms.

5.3.5.2 Business overview

EuroMTS index – a timeline

Date	Event
January 1989	Launch of the first French government index by the French Bond Association (CNO)
January 1999	Launch of the Eurozone government index by the French Bond Association branded as CNO Etrix (<i>euro total return index</i>)
November 2002	EuroMTS acquires the intellectual property and calculation rights of the CNO Etrix indices
January 2003	Re-branding of the CNO Etrix as EuroMTS index. Calculation of the EuroMTS index with MTS bid prices at 11 a.m. CET
February 2003	Calculation of the EuroMTS Index with MTS bid prices 4 p.m. CET
March 2003	Establishment of EuroMTS Index Advisory Committee
May 2003	MTSNext created
May 2003	Real-time calculation of the EuroMTS index with MTS bid prices
January 2004	Lyxor Asset Management launches the first exchange traded fund (<i>ETF or tracker</i>) on the EuroMTS index

5.3.5.3 Outlook

This index will undoubtedly contribute to the growth of the Eurozone government bond market, and MTSNext is fully committed to developing markets in OTC and exchange-traded instruments to implement a variety of cost efficient bond investment strategies. On 22nd January 2004, Lyxor Asset Management launched the first exchange traded fund based on the EuroMTS index, and the first EuroMTS index derivatives are expected to be listed on Euronext.liffe later in the year.

5.4 RISK MANAGEMENT

Euronext has identified a number of key inherent risks which the company may face. These are: strategic, reputational, business integration, legal and regulatory, marketing, product and business development, information and communication technology, people, physical infrastructure, third party dependency, financial and operations risks.

Inherent risks are threats to achieving objectives due to the nature of the business's activities or the environment in which it operates, without taking account of measures in place to manage the risks (potential or gross risk).

Risk management and internal audit reporting is, based on the key inherent risk categories. This method of reporting enables focused management responses to inherent risks, thereby helping to minimise the level of residual risks.

Sub sets of key inherent risks, which could potentially impact Euronext's financial statements are disclosed hereafter:

5.4.1 STRATEGIC RISKS

Revenues closely linked to market conditions

The revenues and profitability of Euronext depend on a series of factors linked to trading volumes, which are determined in turn by the liquidity and volatility of the market, the amount of capital exchanged, and the number of securities and derivatives traded on its systems.

These factors reflect variations caused by changes in economic growth in Europe and the world in general, political stability, and the regulatory environment for investment in cash products and derivatives. Euronext's diverse operations put the company in a better position to cope with the changing economic climate, due to the counter-cyclical nature of the derivatives business in relation to the cash business.

Competition

The consolidation of financial services and markets, the creation of new mechanisms (ECNs, ATSS, etc.) for the electronic trading of all types of securities and the increasingly aggressive behaviour of competing exchanges mean that Euronext faces increasing competitive pressures.

Similarly, faced with the trend toward consolidation among stock exchanges, competitors could combine and gain market share, thus weakening Euronext's position.

5.4.2 BUSINESS INTEGRATION RISKS

The ongoing goal of Euronext is the integration of trading, clearing and settlement platforms in order to generate synergies and offer cost savings to the users of these platforms. Integration of the cash product trading and clearing platforms has now been completed. Migration of the Paris and Brussels derivatives markets to LIFFE CONNECT® was completed in 2003, the migration of Euronext Lisbon ones from March 2004. Migration of the derivatives markets operated by Euronext Amsterdam to LIFFE CONNECT® are on schedule to be completed in the course of 2004. In the unlikely event that delays occur in these migrations, Euronext and its users would not be able to profit from synergies as quickly as anticipated.



5.4.3 MARKET RISKS

Market risks are described in greater detail in chapter 6.3.6 "Notes to 2003 Consolidated Financial Statements".

5.4.3.1 Liquidity risk

Because of structural surplus cash reserves combined with investment rules that ensure very short-term liquidity for its financial assets, Euronext has a cash and cash equivalents' position that allows the company to repay its financial liabilities at all maturities, disregarding incoming cash flows generated by operational activities. The financial assets, liabilities and net position of Euronext are described in greater detail in chapter 6 (see note 6.3.6.1 to the consolidated financial statements).

More specifically, as at 31st December 2003, the consolidated loans and borrowings of Euronext mainly consisted of:

Type of loan	Amount	Maturity	Type of rate
Banking loan in £.....	£150,000,000 (€212,826,334)	12/11/2004 at the latest, prepaid on 12/02/2004 ⁽¹⁾	Floating
Loan notes in £.....	£5,924,453 (€8,405,864)	at holders' request but by 07/01/2007 at the latest	Floating
Banking loan in €.....	€915,000	27/07/2004	Fixed

(1) On 12th February 2004, Euronext fully prepaid the £150 million syndicated banking loan following the issue of a £250 million fixed-rate bond maturing on 16th June 2009. This bond, which was swapped to floating rate, does not contain any financial covenant or material customary provision which may lead to an early redemption.

5.4.3.2 Interest rate risk

Almost all the financial assets and liabilities of Euronext, for which the exposure to interest rate risk is described in chapter 6 (see note 6.3.6.1 to the consolidated financial statements), are either based on floating rates or fixed rates with a maturity of less than one year. Therefore, Euronext is not exposed to price risk affecting fixed-rate financial assets and liabilities.

However, Euronext is exposed to cash-flow risk arising from net floating-rate positions. When Euro rates decrease, the financing income of Euronext, which is a lender at floating-rate in euros, decreases (€4.2 million for a 1% decrease). Similarly, when the Sterling rates increase, the financing expenses of Euronext, which is a borrower at floating-rate in Sterling, increase (€1.1 million for a 1% increase).

5.4.3.3. Currency risk

Following the acquisition of LIFFE, a significant part of the assets, liabilities, income and expenses of Euronext is recorded in Pound Sterling. Therefore, Euronext is exposed to a currency risk. When the Euro increases in value against the Pound Sterling, the contribution of equity, being the balance of assets and liabilities, and income in Pound Sterling, once translated in euros, in the consolidated financial statements of Euronext decreases.

On 31st December 2003, Euronext's net currency position was £319 million and the currency exchange rate differences had a negative impact of €26.9 million on Euronext's consolidated equity in 2003. More detailed explanations, including a calculation of sensitivity, is provided in chapter 6 (see note 6.3.6.1 to the consolidated financial statements).

In order to reduce its exposure to the foreign exchange rate fluctuations, Euronext may use derivatives financial products, however exclusively to hedge financial risks incurred by its commercial activities or financial positions. At 31st December 2003, the only such economic hedges implemented consisted of currency options hedging the translation of the budgeted 2004 Pound Sterling result into euro, for a total notional amount of €19 million.

5.4.3.4 Credit risk of financial instruments

Euronext is exposed to credit risk in the event of a counterpart's default. Euronext limits its exposure to credit risk by rigorously selecting the counterparts with which it executes agreements. Credit risk is monitored by using exposure limits depending on ratings assigned by rating agencies as well as the nature and maturity of transactions. Mitigation rules are described in greater detail in chapter 6 (see note 6.5.1.4 to the consolidated financial statements).

5.4.4 LEGAL AND REGULATORY RISKS

Legal proceedings

Via Net.Works - Euronext Amsterdam

Following the initial public offering of Via Net.Works on Euronext Amsterdam and Nasdaq on 11th February 2000, Euronext Amsterdam was criticised by the media for allowing trading in shares of Via Net.Works to start before trading started on Nasdaq. Prior to the start of trading of these shares on Nasdaq, trading on Euronext Amsterdam opened and closed at a price of €89 per share. After the close of trading on the Amsterdam market, trading on Nasdaq opened at a price of U.S.\$41 per share. At the start of the next trading day, Via Net.Works price on the Amsterdam market dropped to €50 per share. The STE (now the AFM - the Netherlands Authority for Financial Markets) conducted an inquiry into the listing of Via Net.Works. In 2002, the AFM notified Euronext Amsterdam that it decided not to fine or sanction the company in connection with this initial public offering. This decision is final.

Directly following this initial public offering, legal proceedings were instituted against the Amsterdam market by a private investor and the "Via Networks Foundation", claiming to represent approximately 600 investors and currently claiming compensation in respect of trading losses of approximately €11 million. The company is strongly defending itself against these claims. Both cases are pending at the district court of Amsterdam. The private investor claim (€250,000) is awaiting judgment, but no date has yet been set for the main court hearing in relation to the Foundation.

There is no major deviation from the position of litigation since 31st December 2002.

The Group has no knowledge of any other litigation that could impact significantly its financial position, its assets, its cashflows nor its results.

• Regulatory risks

Euronext operates in a highly regulated sector, which is governed by a large number of laws.

All Euronext rules must be approved by the relevant authorities of each country in which Euronext operates as well as by the coordinating bodies set up by the regulators' memoranda of understanding. This may slow the integration process if certain rules are not approved by all the regulators or require some time for approval. Moreover, the decisions taken by the coordinated bodies are not binding to each of the national regulators separately, who need to approve them ultimately at national level and may come back on discussions or modifications validated at coordinated level.

Furthermore, as Euronext operates in a highly regulated sector, it is exposed to the risk of changes in regulations in each of the countries in which it operates. Notwithstanding the procedures established pursuant to the regulators' memoranda of understanding, Euronext can offer no assurances that these regulations will necessarily evolve towards a greater degree of harmonisation between jurisdictions.

Finally, Euronext has to cope with demands from regulators to, amongst other things, update its technical systems to

enhance their monitoring capabilities. These developments can be costly and time-consuming (i.e. performed concurrently to harmonisation efforts).

5.4.5 INFORMATION AND COMMUNICATION TECHNOLOGY RISKS

This work relates to the dependence on the availability and reliability of its information technology.

The company's business depends on the successful operation of its cash and derivatives trading platforms, and all its computer and communications support systems. Trading is almost exclusively electronic. Any malfunction or breakdown is harmful, but Euronext has taken a number of steps to minimize the risk of failures and guarantee the integrity and continuity of the systems.

Furthermore, information technology changes rapidly. The company's growth and long-term profitability will therefore require continuous improvements in its systems so that they remain competitive. These changes require on-going capital investment in the company's information systems.

5.4.6 THIRD PARTY DEPENDENCY RISK

This refers to the Group's dependence on certain corporate partners: AtosEuronext, Euroclear, and LCH.Clearnet.

- AtosEuronext is Euronext's preferred supplier for information technology and as such is responsible for developing technology for Euronext and managing its IT systems. Any decision against the interests of AtosEuronext would be harmful to Euronext.
- LCH.Clearnet clears all the transactions executed on Euronext cash markets and Euronext.liffe. Even though Euronext only holds an interest in LCH.Clearnet, it could be affected in the event LCH.Clearnet, either through its UK clearing house or its French clearing house experiences problems. Besides, the efficiency of the clearing operations delivered by LCH.Clearnet S.A. to the cash markets and the continental derivatives markets relies on the content of the Service Level Agreement to be newly set up between

Euronext and LCH.Clearnet S.A. for the period starting 22nd December 2003, as concerns the clearing services to be provided by the clearing house.

- Euroclear is responsible for settling all transactions cleared on Euronext cash markets, except for Euronext Brussels and Euronext Lisbon for the time being. Although Euronext has only a minority interest in Euroclear plc, it may suffer adverse consequences if Euroclear were to encounter difficulties.

5.4.7 INSURANCE POLICY

The Group maintains a comprehensive insurance programme, which is intended to cover its commercial and operational risks. During 2003 it was decided to consolidate all the main insurance policies at Group level in order to ensure consistency of cover across the Group and to reduce premiums through economies of scale. Previously most policies had been entered into locally.

The Group's policies are split into three categories:

- Financial - Directors' and Officers' Liability; Professional Indemnity; Crime;
- General - Property; Theft, Material Damage; Business Interruption; Public and Product Liability;
- Local - e.g. Employers' Liability/Workers' Compensation; Travel; Motor, etc.

The scope of the policies are set by reference to the activities of the Group, and the limits by reference to total asset values and revenues. Advice on all insurance related matters is taken from the Group's broker's and all underwriters are appropriately analysed from a credit rating perspective.

The Financial policies were consolidated mid-2003 and the General policies from 1st January 2004, following the expiry of existing local policies. From 1st January 2004, Clearnet is no longer part of the Group insurance programme.

Alongside the insurance policies there exist well developed risk management procedures and business continuity plans. Operational risks are minimised by having back-up facilities and IT systems in place to deal with disaster recovery requirements.