



# FINAXA

## MERGER OF FINAXA INTO AXA

**Appendix to the report of the Board of Directors of Finaxa submitted to its Extraordinary General Meeting on December 16, 2005 and to the report of the Management Board of AXA submitted to its Extraordinary General Meeting on December 16, 2005**



In pursuance of its General Regulation (*règlement général*), in particular article 212-34, the *Autorité des marchés financiers* registered the present document under number n° E 05-133, dated November 16, 2005. This document was prepared by the issuer and renders its signatories responsible. The registration number has been granted, in accordance with article L. 621-8-1-I of the *Code monétaire et financier*, after verification by the AMF “that the document is complete and comprehensible, and the information contained are coherent”. It neither implies approval of the price or timeliness of the transaction nor authentication of the accounting and financial information presented. The issuer certifies that the information provided for in this document is consistent with the regulatory requirements for the admission to trading on Eurolist of Euronext Paris of the securities that, subject to the approval of the general meetings of the shareholders, will be issued as consideration of the contributed assets.

The present document incorporates by reference, the information in AXA’s annual report (*document de référence*) filed with the *Autorité des marchés financiers* (“AMF”) on March 31, 2005 under number D. 05-0313 and the update information of the said document filed with the AMF on November 14, 2005 under number D. 05-0313-A01 and Finaxa’s annual report (*document de référence*) filed with the AMF on May 4, 2005 under number D.05-0644.

The present document is available free of charge to the shareholders and to the public from AXA, 25, avenue Matignon, 75008 Paris, from Finaxa, 23, avenue Matignon, 75008 Paris, on the AMF website ([www.amf-france.org](http://www.amf-france.org)), and on the AXA website ([www.axa.com](http://www.axa.com)). A copy of this document is also available free of charge from the BNP Paribas Securities Services, GIS Emetteurs, Service Assemblées, Immeuble Tolbiac, 75450 Paris Cedex 09.



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**SUMMARY OF THE PRINCIPAL FEATURES OF THE DRAFT AGREEMENT  
AND PLAN OF MERGER OF FINAXA INTO AXA REGISTERED WITH THE AMF  
UNDER NUMBER N° E.05-133**

**ACQUIRING COMPANY**

AXA, a limited liability company with a Management Board and a Supervisory Board (*société anonyme à Directoire et Conseil de surveillance*) incorporated and organized under the laws of France, having its registered office at 25, avenue Matignon, 75008 Paris, France.

**ACQUIRED COMPANY**

FINAXA, a limited liability company with a Board of Directors (*société anonyme à Conseil d'administration*) incorporated and organized under the laws of France, having its registered office at 23, avenue Matignon, 75008 Paris, France.

**PURPOSE OF THE TRANSACTION**

- Nature of the transaction: merger of Finaxa into AXA.
- Goal of the transaction: the draft agreement and plan of merger between the companies AXA and Finaxa is intended to simplify the shareholder structure of the AXA Group. This operation is proposed to AXA and its shareholders, as an opportunity to improve the standing of the AXA stock and to increase the proportion of publicly traded shares. It also allows AXA to become the direct owner of the "AXA" trademark which is currently held by Finaxa and for which it pays annual fee. In addition, the merger also allows Finaxa shareholders to improve the liquidity of their securities and to eliminate the holding company discount which currently affects the valuation of these securities.

**SECURITIES TO BE ISSUED**

- Form of the securities: AXA shares.
- Number: 299,012,355.
- Nominal value: 2.29 euro.
- Date of exercise: as from the completion date of the merger, i.e. December 16, 2005, subject to satisfaction of conditions precedent provided for in the agreement and plan of merger. The new shares shall give right to any distributions decided as from December 16, 2005.
- Application date: the new shares shall be subject to an application for trading privileges on the Eurolist market of Euronext Paris S.A. from and after the completion of the merger, i.e. December 16, 2005, subject to satisfaction of conditions precedent provided for in the agreement and plan of merger.
- Stock Exchanges: – Eurolist Market of Euronext Paris S.A.  
– New York Stock Exchange under *American Depositary Share*

**TERMS OF EXCHANGE**

- Amount of the contributed net asset value: 4,993,106,908 euro (on the basis of the accounts as at December 31, 2004).
- Exchange ratio: 15 AXA shares for 4 Finaxa shares.
- Merger premium: 4,308,368,615.05 euro.

**CAPITAL DECREASE**

- Number of AXA shares to be cancelled: 337,490,816 (including the shares transferred by AXA Participations 2).
- Amount of the capital decrease: 772,853,968.64 euro.

## VALUATION OF THE EXCHANGE RATIO

- Main valuation methods:
  - AXA:
    - appraisal value;
    - trading price analysis over three months (on the basis of the three month period preceding May 10, 2005).
  - FINAXA:
    - Re-evaluated Net Asset (RNA) method.
- The merger appraisers, Messrs. René Ricol, Stéphane Lipski and Bernard Lelarge, concluded that the exchange ratio of 15 AXA shares for 4 Finaxa shares is fair.

They also concluded that the contributions of 4,993,106,908 euro is not overvalued and, consequently, that the net contributed assets are at least equal to the amount of the increase in capital of the acquiring company, increased by the merger premium, and that they had no comments on the number of AXA shares to which the conversion of the convertible bonds issued by the acquired company will give right.

## OTHER INFORMATION

- Date of the AXA Extraordinary General Meeting: December 16, 2005.
- Date of the Finaxa Extraordinary General Meeting: December 16, 2005.
- The merger will legally take effect on December 16, 2005, subject to completion of conditions precedent provided for in the agreement and plan of merger, with a retroactive accounting and tax effect as of January 1, 2005.
- Clauses and specific agreements:
  - Carry over of the double voting rights that some Finaxa shareholders benefit from over the AXA shares received in the context of the merger (it being acknowledged that Finaxa shareholders of less than two years shall keep the credit of their shareholding period in Finaxa for the potential acquisition of the double voting rights in AXA).
  - Succession by AXA to the obligations of Finaxa pursuant to the subscription options granted by Finaxa (with application of the exchange ratio), (ii) the convertible bonds granted by Finaxa (with application of the exchange ratio) and (iii) the exchangeable bonds granted by Finaxa. With regard to the latter, the Management Board of AXA on June 29, 2005 (after approval by the Supervisory Board) decided, in accordance with the terms and conditions of the exchangeable bonds, to exchange these obligations for convertible bonds newly granted by AXA, subject to the approval by the Extraordinary General Meeting on December 16, 2005, it being acknowledged that the nominal value, terms and conditions relating to redemption and conditions of remuneration of the new convertible bonds will be identical to those of the exchangeable bonds.
  - The above mentioned exchangeable bonds are subject to a purchase offer transaction made by AXA, announced on November 4, 2005 and extended until November 18, 2005 (included). As a result, AXA has acquired, as at November 16, 2005, 98.6% of the exchangeable bonds for a price of 118.09 euro each (including accrued interest). The total amount of exchangeable bonds still outstanding as of today represents 1.4% of the total amount of exchangeable bonds issued. Under such conditions, AXA might, after the merger, exercise its option to redeem the exchangeable bonds at a redemption price of 99.09 euro per bond since the outstanding bonds represent less than 10% of the total amount of exchangeable bonds initially issued.

**PARTY RESPONSIBLE FOR THE INFORMATION – AXA**

Mr. Denis Duverne  
AXA  
25, avenue Matignon  
75008 Paris,  
France 01 40 75 57 00  
[www.axa.com](http://www.axa.com)

**AVAILABILITY OF THE DOCUMENT**

The document registered with the AMF on November 16, 2005 under number n°E.05-133 and the documents incorporated by reference are available free of charge from AXA, 25 avenue Matignon, 75008 Paris, from Finaxa, 23 avenue Matignon, 75008 Paris, France, and on the AMF website ([www.amf-france.org](http://www.amf-france.org)).

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**CHAPTER I  
PERSONS RESPONSIBLE FOR THE DOCUMENT  
AND PERSONS RESPONSIBLE FOR THE AUDITING THE ACCOUNTS**

**1.1 AXA**

**1.1.1 Person responsible for the document**

Mr. Henri de Castries, Chairman of the Management Board.

**1.1.2 Certification of the person responsible for the document**

*“To my knowledge, and after taking any necessary measure in that respect, the information contained in this document accurately reflected the true financial position of AXA. It comprises all information required to enable investors to reach an informed opinion of the assets, activities, financial position, earnings and prospects of AXA. It contains no misleading omissions.*

*We have obtained from the AXA statutory auditors an achievement letter, which states that they have proceeded, in accordance with the regulation and professional standards applicable in France, with the verification of the information on the financial information relating to AXA provided for in the present document established as a result of the draft agreement and plan of merger of Finaxa into AXA and that they have reviewed the whole document.”*

**Paris, November 16, 2005  
Chairman of the Management Board  
Henri de Castries**

**1.1.3 Person responsible for the information**

Mr. Denis Duverne  
AXA  
25, avenue Matignon  
75008 Paris, France  
01 40 75 57 00

#### 1.1.4 Persons responsible for the auditing of the accounts

	Date of first mandate	Term of current mandate	Date of expiry
<b>Statutory auditors</b>			
<b>PRICEWATERHOUSE COOPERS AUDIT</b> Crystal Park 63 rue de Villiers 92908 Neuilly-sur-Seine Cedex France Represented by Mr. Eric Dupont and Mr. Yves Nicolas	February 28, 1989	6 fiscal years	Mandate expiring following the general meeting called to approve the accounts of the 2005 fiscal year
<b>MAZARS &amp; GUERARD</b> 39 rue de Wattignies 75012 Paris represented by Messrs. Patrick de Cambourg and Jean-Claude Pauly	June 8, 1994	6 fiscal years	Mandate expiring following the general meeting called to approve the accounts of the 2009 fiscal year
<b>Deputy statutory auditors</b>			
<b>M. Patrick Frotié</b> Crystal Park 63 rue de Villiers 92908 Neuilly-sur-Seine Cedex	May 17, 1995	6 fiscal years	Mandate expiring following the general meeting called to approve the accounts of the 2005 fiscal year
<b>M. Jean-Louis Simon</b> 39 rue de Wattignies 75012 Paris	April 21, 2004	6 fiscal years	Mandate expiring following the general meeting called to approve the accounts of the 2009 fiscal year

## 1.2 FINAXA

### 1.2.1 Person responsible for the document

Mr. Claude Bébéar, Chief Executive Officer.

### 1.2.2 Certification of the responsible person

*“To my knowledge, and after taking any necessary measure in that respect, the information contained in this document accurately reflected the true financial position of Finaxa. It comprises all information required to enable investors to reach an informed opinion of the assets, activities, financial position, earnings and prospects of Finaxa. It contains no misleading omissions.*

*We have obtained from the Finaxa statutory auditors an achievement letter, which states that they have proceeded, in accordance with the regulation and professional standards applicable in France, with the verification of the information on the financial information relating to Finaxa provided for in the present document established as a result of the draft agreement and plan of merger of Finaxa into AXA and that they have reviewed the whole document.”*

**Paris, November 16, 2005,  
Chief Executive Officer  
Claude Bébéar**

### 1.2.3 Person responsible for the information

Mr. Claude Bébéar  
FINAXA  
23, avenue Matignon  
75008 Paris, France  
01 40 75 57 00

### 1.2.4 Persons responsible for the auditing of the accounts

	Date of first nomination	Duration of mandate	Term of the mandate
<b>Statutory auditors</b>			
<b>PRICEWATERHOUSE COOPERS AUDIT</b> Crystal Park 63 rue de Villiers 92908 Neuilly-sur-Seine Cedex France Represented by Mr. Eric Dupont and Mr. Yves Nicolas	March 31, 1987	6 fiscal years	Mandate expiring following the general meeting called to approve the accounts of the 2009 fiscal year
<b>MAZARS &amp; GUERARD</b> 39 rue de Wattignies 75012 Paris represented by Messrs. Patrick de Cambourg and Jean-Claude Pauly	June 15, 1994	6 fiscal years	Mandate expiring following the general meeting called to approve the accounts of the 2005 fiscal year
<b>Deputy statutory auditors</b>			
<b>M. Pierre Coll</b> Crystal Park 63 rue de Villiers 92908 Neuilly-sur-Seine Cedex	May 11, 2004	6 fiscal years	Mandate expiring following the general meeting called to approve the accounts of the 2009 fiscal year
<b>M. Jean-Louis Simon</b> 39 rue de Wattignies 75012 Paris	May 11, 2004	Named as replacement for his predecessor, who resigned	Mandate expiring following the general meeting called to approve the accounts of the 2005 fiscal year

**CHAPTER II**  
**INFORMATION CONCERNING THE MERGER AND ITS CONSEQUENCES**

**2.1 ECONOMIC FEATURES OF THE MERGER**

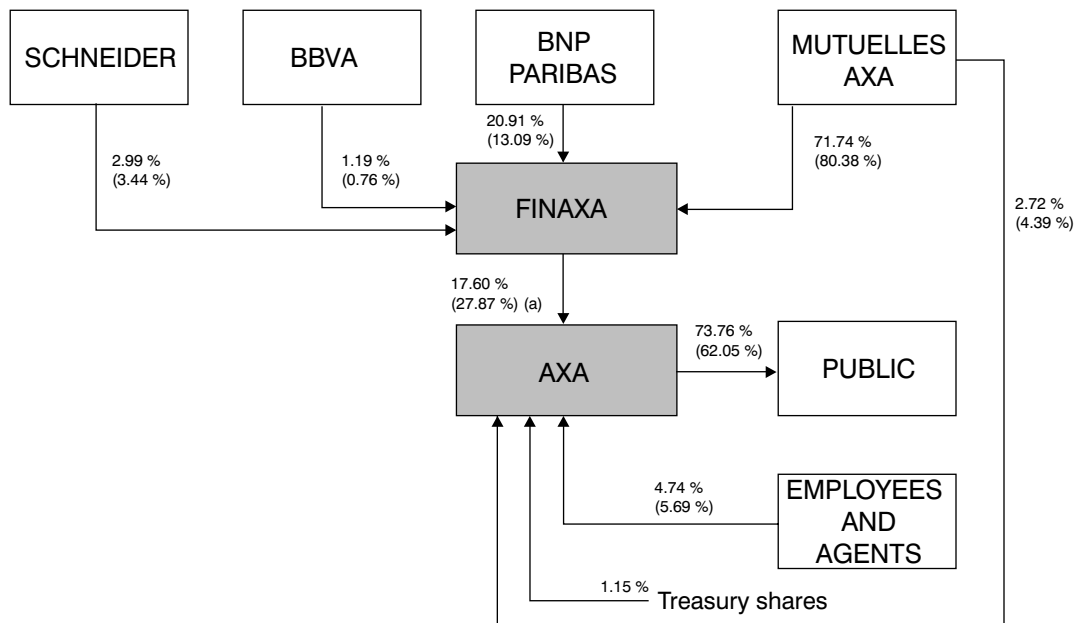
**2.1.1 Relationships between Finaxa and AXA**

*2.1.1.1 Shareholding relationships*

On September 30, 2005, based on the existing shares, Finaxa holds directly and in full ownership 262,138,751 AXA shares, with a nominal value of 2.29 euro each, representing approximately 13.72% of AXA's share capital giving right to 506,009,311 voting rights, i.e. 22.01% of AXA's voting rights.

After completion of the preliminary mergers mentioned in article 2.2.3.1 of the present document, Finaxa will hold 336,338,096 AXA shares, representing approximately 17.60% of the share capital giving right to 640,595,144 voting rights, i.e. 27.87% of AXA's voting rights.

The details of the relationships, prior to the merger subject of the present document and after completion of the preliminary mergers mentioned in article 2.2.3.1, are described in the chart hereafter:



( ) in voting rights

(a) Directly and indirectly

*2.1.1.2 Guarantees, mutual board members and managers, mutual subsidiaries and agreements*

*2.1.1.2.1 Guarantees*

None

*2.1.1.2.2 Mutual board members and managers*

- Mr. Claude Bébéar (Chief Executive Officer of Finaxa and Chairman of the Supervisory Board of AXA)
- Mr. Henri de Castries (Chairman of the Management Board of AXA and Vice-President of the Board of Directors of Finaxa)
- Mr. Henri Lachmann (director of Finaxa and member of the Supervisory Board of AXA)
- Mr. Henri Hottinguer (director of Finaxa and member of the Supervisory Board of AXA)

#### 2.1.1.2.3 *Mutual subsidiaries*

There is no mutual subsidiary between Finaxa and AXA, it being acknowledged however that Finaxa holds into AXA the shareholding mentioned in paragraph 2.1.1.1 above.

#### 2.1.1.2.4 *Agreements*

- the draft agreement and plan of merger entered into on June 29, 2005 for the completion of the merger and its amendment dated October 18, 2005;
- A licensing agreement entered into between Finaxa and AXA on May 21, 1996 pursuant to which Finaxa granted to AXA a non exclusive license to use the “AXA” trademark in countries in which AXA and its subsidiaries currently have operations. This agreement has been amended in January 17, 2001 and provides for the terms and conditions of the granting of licenses or sub-licenses for the subsidiary companies of AXA subject to the prior written consent of Finaxa.

Under the terms of this license, AXA is required to pay to Finaxa an annual fee corresponding, since January 1, 2005, to 80% of the revenue received by AXA under its sub-licenses granted to its subsidiaries, it being also specified that the contribution of Finaxa to the expenses of the AXA trademarks’ development incurred by the AXA Group has been removed on this same date.

### 2.1.2 **Motives and goals of the transaction – Interests for the AXA and Finaxa shareholders**

The draft agreement and plan of merger between the two companies is intended to simplify the shareholder structure of the AXA Group.

This operation is proposed to AXA and its shareholders, as an opportunity to improve the standing of the AXA stock and to increase the proportion of publicly traded shares. It also allows AXA to become the direct owner of the “AXA” trademark which is currently held by Finaxa and for which it pays an annual fee (in accordance with article 2.1.1.2.4).

This merger also allows Finaxa shareholders to improve the liquidity of their securities and to eliminate the holding company discount which currently affects the valuation of their securities.

## 2.2 **LEGAL FEATURES OF THE MERGER**

### 2.2.1 **The transaction**

#### 2.2.1.1 Execution date of the draft agreement and plan of merger

The draft agreement and plan of merger was executed on June 29, 2005 and its amendment dated October 18, 2005.

#### 2.2.1.2 Financial statements used to settle the contribution values

The terms of the merger have been determined on the basis of the financial statements of the companies as of December 31, 2004, i.e. the ending date of the fiscal year of both companies.

The financial statements of AXA as of December 31, 2004 were approved by its Management Board dated February 14, 2005 (and presented to the Supervisory Board of AXA dated February 23, 2005) and were certified by its statutory auditors and approved by the Annual General Meeting of shareholders on April 20, 2005.

The financial statements used to settle the contribution values are the financial statements of Finaxa as of December 31, 2004 approved by its Board of Directors on March 15, 2005, certified by its Statutory Auditors and approved by the Annual General Meeting of shareholders dated May 10, 2005.

### 2.2.1.3 Completion date and retroactivity of the transaction

The merger of Finaxa with and into AXA and the increase in share capital of AXA resulting from the merger shall become effective, from a legal point of view, as of December 16, 2005 subject to the satisfaction of the following conditions precedent:

- Approval by the Extraordinary General Meeting of shareholders of CFGA and by the Extraordinary General Meeting of shareholders of Finaxa of the preliminary mergers of the CFGA, and Oudinot Finance, Colisée Vendôme, FDR Participations companies into Finaxa, described in article 2.2.3.1 of the present document;
- Approval by the Extraordinary General Meeting of shareholders of Finaxa of the draft agreement and plan of merger, the merger contribution approved in this agreement, as well as the dissolution without liquidation of Finaxa and the universal transfer by operation of law of all the assets and liabilities of Finaxa to AXA (“*transmission universelle de patrimoine*”);
- Approval by the Extraordinary General Meeting of shareholders of AXA of the draft agreement and plan of merger, the merger contribution approved in this agreement, the increase in share capital allowing the contribution consideration described in article 2.2.3.2 below, this meeting will be held last and will report on the effective completion of the merger and the dissolution of Finaxa.

In addition, all the regulatory disclosures prior to the merger have been completed.

In accordance with article L. 236-4 of the French commercial code, it is specified that, from an accounting and tax point of view, the proposed merger will take effect retroactively as of January 1, 2005.

### 2.2.1.4 Dates of meeting of the Board of Directors of Finaxa, of the Management Board and of the Supervisory Board of AXA having approved the transaction

#### (i) AXA:

- A Committee of independent members of the Supervisory Board composed of Messrs. David Dautresme, Anthony Hamilton and Ezra Suleiman has been created in order to grant a recommendation to the Supervisory Board on the exchange ratio to be proposed to the AXA shareholders.

The Committee was convened between May 19 and June 1, 2005 and granted, unanimously, the recommendation, which conclusion is mentioned in article 2.4.5 (a) hereafter.

- The Supervisory Board convened on June 29, 2005, after reviewing the recommendation granted by the Committee and the fairness opinion (“*attestation d’équité*”) required by AXA and delivered by the HSBC CCF bank, has authorized, unanimously, the adoption of the draft agreement and plan of merger by the Management Board.
- The Management Board convened on June 29, 2005, after reviewing the recommendation of the Committee and the fairness opinion “*attestation d’équité*” delivered by the HSBC CCF bank, has approved, unanimously, the terms of the draft agreement and plan of merger after the approval of the Supervisory Board.

#### (ii) FINAXA:

- A Committee of independent directors composed by Messrs Christian Manset, Octave Manset and Pierre de Waziers was created in order to grant to the Board of Directors a recommendation on the exchange ratio proposed to the Finaxa shareholders.

The Committee convened on May 23, 27 and June 6 and 9, 2005 granted, unanimously, a recommendation, which conclusion is mentioned in article 2.4.5 (b) below.

- The Board of Directors, convened on June 29, 2005, after reviewing the recommendation granted by the Committee and the fairness opinion “*attestation d’équité*” required by

Finaxa and delivered by the UBS bank, has unanimously approved the terms of the draft agreement and plan of merger.

2.2.1.5 Date of filing of the draft agreement and plan of merger with the “Tribunal de Commerce”

The draft agreement and plan of merger was filed with the *Greffes du Tribunal de Commerce de Paris* dated September 14, 2005 under numbers 00055372 and 00055378. The amendment of the draft agreement and plan of merger was filed with the *Greffes du Tribunal de Commerce de Paris* on October 25, 2005 under the numbers 89285 and 89286.

The draft agreement and plan of merger was also filed with the *Greffes du Tribunal de Commerce de Nanterre* on September 14, 2005 under number 25354. The amendment was filed with the *Greffes du Tribunal de Commerce de Nanterre* under number 29436.

2.2.1.6 Tax treatment of the merger

(a) For the companies parties to the merger

– Corporate tax

The merger of Finaxa into AXA is treated under the favourable tax regime provided by article 210 A of the French Tax Code (“*Code Général des Impôts*”) (“CGI”), the acquiring company having undertaken to comply with all the provisions described in this article. Consequently, capital gain realizes upon cancellation of AXA securities received by AXA as a result of the merger is exempted from corporate tax.

– Registration taxes

The merger of Finaxa into AXA is subject to a fixed duty of 230 euro, pursuant to article 816 of the CGI.

(b) For the shareholders of the companies parties to the merger

The information of the present document summarizes the tax consequences for shareholders applicable on the current tax laws. They must nonetheless verify with their own tax advisors the tax regime that applies to their particular situation.

Non French tax residents shall comply with the tax laws applicable in their own jurisdiction.

– For the shareholders of the acquiring company (AXA)

The merger is not a tax event for the shareholders of the acquiring company.

– For the shareholders of the acquired company (Finaxa)

The merger results in the allocation of shares of the acquiring company to the shareholders of the acquired company in exchange for their shares in the latter company; pursuant to article 115-1 of the CGI, this allocation is not considered as distribution of income from securities subject to tax.

The tax regime for capital gains or capital losses arising from the merger, due to the exchange of the shares of the acquired company for shares of the acquiring company, is described hereafter:

– *French individuals tax residents holding securities for their own account and not acting as habitual market operators.*

Pursuant to article 150-0 B of the CGI, capital gain or capital loss on exchange of Finaxa shares for AXA shares as a result of the merger is not taken into account for the income tax of the year of the exchange, this exchange representing an interim event as regards the income tax.

As a consequence:

– The deferral of taxation automatically applies, without request of the shareholder;

– The capital gain or capital loss arising from exchange may not be stated; and

- The exchange transaction is not taken into account for the calculation of the annual threshold of transfer of securities provided for in article 150-0 A of the CGI (currently equal to 15,000 euro).

This deferral of taxation shall expire on the transfer, buy-back, redemption or cancellation of the AXA shares received in the exchange. The net gain or loss resulting from the previous transfer of these shares shall be calculated on the tax basis of the Finaxa shares previously held and exchanged by the relevant shareholder.

If the exchanged Finaxa shares resulting from the merger have already benefited from a deferral of taxation, the deferred capital gains will automatically benefit from the deferral of taxation until the transfer, buyback, redemption or cancellation of the AXA shares received in exchange, subject to compliance with some mandatory formalities.

Individuals who hold Finaxa shares under a Share Saving Plan (“PEA”) provided for in the Law n° 92-666 dated July 16, 1992 and who will insert in their PEA AXA shares received in exchange shall benefit from a tax exemption on capital gains arising from this exchange, subject to satisfaction of the conditions relating to the PEA regime, and, in particular, duration. At the closing date of the PEA, the net capital gain arising from the opening date is submitted to the social contributions (*contribution sociale généralisée, contribution pour le remboursement de la dette sociale, prélèvement social de 2% and contribution additionnelle au prélèvement*), the rates of which depend on the date where the capital gain has been realized or stated.

- *French legal entities tax residents subject to corporate tax.*

Pursuant to article 38-7 bis of the CGI, the gain or the loss resulting from the exchange of securities as a result of the merger may:

- 1) Either be included in the taxable income of the fiscal year of the completion of the merger (standard tax regime):

The capital gains arising from the exchange of portfolio securities, equal to the difference between, on the one hand, the value of the AXA shares received in exchange, and, on the other hand, the tax basis of the shares held by Finaxa, are subject to corporate tax at the standard rate of 33 $\frac{1}{3}$ %. A contribution equal to 1.5% of the corporate tax for fiscal years ending in 2005 will be added thereto. (article 235 ter ZA of the CGI). However, corporate tax is, within the limit of 38,120 euro of the taxable income per twelve-month period, at the reduced rate of 15% for companies whose turnover, tax excluded, is below 7,630,000 euro during the fiscal year or the taxation period, reduced, as the case may be, to a twelve-month period, and the capital of which, fully paid, has been held continuously for the duration of the concerned period, up and at least by individuals or companies meeting the same conditions.

In addition, companies which do not meet conditions in terms of turnover and shareholding mentioned above, are subject to payment of the security contribution of 3.3% which is levied on the amount of corporate tax, reduced by an amount of 763,000 euro per twelve-month period (article 235 ter ZC of the CGI).

However, in accordance with article 219-I-a-ter of the CGI, long-term capital gains arising from the sale of investment securities held for more than two years are subject to a reduced rate of 15% which applies for fiscal years starting from January 1, 2005. A contribution equal to 1.5% of the corporate tax for fiscal years ending in 2005 and, as the case may be, a security contribution of 3.3% will be added thereto.

Long-term investment securities are, among other, shares of companies that have this characterization for accounting purposes, shares acquired by way of a tender offer or a share exchange offer by the company which launched the offer and, subject for the shares to being accounted for as long-term investment securities or under a specific sub-account, shares that are treated under the parent/subsidiary tax regime provided for in articles 145 and 216 of the CGI or, when their tax basis is at least equal to 22.8 millions euro, the shares that fulfill conditions that give the right to this regime other than holding 5% of the share capital of the subsidiary.



Long term capital losses may be offset against capital gains of the same nature for the current year and the ten following years. These capital losses are not generally deductible from the taxable income at the standard corporate rate.

2) Or be included in the taxable income of the fiscal year of which the AXA shares received in exchange will be transferred (deferred taxation regime):

Profit or loss arising from the subsequent sale of AXA shares received as a result of the merger will be calculated for the concerned shareholder, for tax purposes, by reference to the tax basis of the Finaxa shares.

This profit or loss will be included in the taxable income of the fiscal year of the sale pursuant to the terms mentioned in paragraph 1) above, subject to eventual modification of the applicable French tax Law.

However, for the fiscal years starting from January 1, 2006, the tax rate of the net amount of the long-term capital gains on investment securities is 8%; this rate is 0% for fiscal years starting from January 1, 2007. (The social contribution of 3.3% aforementioned is, as the case may be, in addition applicable – see article 235 ter ZC of the CGI.)

For the fiscal years starting from January 1, 2007, a share of costs and expenses equal to 5% of the net result of the capital gains arising from the sale will be taken into account in order to determine the taxable income at the standard rate.

Securities of real estate companies and securities deemed similar to long-term investment securities as a result of a tax basis at least equal to 22.8 millions euro and which fulfill the conditions required to be treated under the parent/subsidiary regime other than holding at least 5% of the share capital of the issuing company are, however, excluded from the aforementioned applicable provisions for fiscal years starting from January 1, 2006. These securities may, however, continue to benefit from the reduced corporate tax rate of 15% under the same conditions as for the fiscal years starting from January 1, 2006.

The amended finance law for 2004 provides for specific terms for the carry forward of long-term capital losses existing at the start of the first of the fiscal years started from January 1, 2006.

Pursuant to provisions of article 54 septies of the CGI, specific mandatory formalities shall be carried out by legal entities benefiting from the deferral taxation regime provided for by article 38-7 bis of the CGI, the infringement of which is sanctioned by a penalty equal to 5% of the results omitted on each of the documents concerned.

– *French tax non-residents*

Subject to international tax treaties, capital gains arising from shares exchange by persons not domiciled in France for tax purposes within the meaning of article 4 B of the CGI, as well as for persons with a registered office located outside of France, are usually tax exempt in France pursuant to article 244 Bis C of the CGI, unless the assets of a stable or permanent establishment include the shares, or the rights held directly or indirectly by the assignor, with his family group, in the profits of the acquired company have exceeded 25% at some point during the last five years preceding the merger.

– *Other holders of Finaxa shares*

The holders of Finaxa shares who are subject to a different tax regime from those mentioned above, especially taxpayers whose transactions on securities, exceed the simple portfolio management or those that have inserted their securities as assets in their commercial balance sheet, must verify their particular fiscal situation with their own tax advisor.

## **2.2.2 Approval of the transaction**

### 2.2.2.1 Date of General Meetings convened to approve the transaction

The merger will be subject to the approval of the Extraordinary General Meetings of AXA and Finaxa each to be held on December 16, 2005.

### 2.2.2.2 Merger Appraisers

Upon the joint request of AXA and Finaxa, the President of the “*Tribunal de Commerce de Paris*” appointed, by order dated May 12, 2005, Mr. René Ricol, Mr. Stéphane Lipski and Mr. Bernard Lelarge as merger appraisers.

During the last two years Mr. René Ricol, Mr. Stéphane Lipski and Mr. Bernard Lelarge have not had significant relationship with AXA or Finaxa.

Their reports dated November 9, 2005 which are attached to this document (Appendix 1 and Appendix 2) will be available to shareholders at the registered office of AXA and Finaxa pursuant to applicable law and regulations. The report of the merger appraisers relating to the value of contributions will be filed with the “*Tribunal de Commerce de Paris*”, pursuant to applicable law and regulations.

### 2.2.2.3 Experts appointed by the Tribunal de Commerce

None

### 2.2.2.4 Special mission accorded to the merger appraisers or statutory auditors by the AMF

None

## **2.2.3 Contribution consideration**

### 2.2.3.1 Preliminary transactions

It is noted that Finaxa will, prior to the merger contemplated in this agreement, carry out merger transactions with the following companies:

- Oudinot Finance, a limited liability company (*société par actions simplifiée*) with a share capital of 9,029,380.32 euro, having its registered office at 23, avenue Matignon, 75008 Paris, registered under number 425 073 244 RCS Paris. The transaction will entail a contribution to Finaxa, on the basis of the net book value as of December 31, 2004, of a negative amount of net asset of 32,630,605 euro, taking into account the 418,997,540 euro of liabilities to be assumed and the 37,400,000 euro of loss provision for the interim period;
- FDR Participations, a limited liability company, (*société par actions simplifiée*) with a share capital of 7,200,900 euro having its registered office at 21, avenue Matignon, 75008 Paris, registered under number 429 369 366 RCS Paris. The transaction will entail a contribution to Finaxa, on the basis of a net book value as of December 31, 2004, of a net asset of 7,745,159 euro, taking into account the 6,059,332 euro of liabilities assumed by Finaxa;
- Colisée Vendôme, a limited liability company, (*société par actions simplifiée*) with a share capital of 38,125 euro having its registered office at 23, avenue Matignon, 75008 Paris, registered under number 403 197 601 RCS Paris. The transaction will entail a contribution to Finaxa, on the basis of the net book value as of December 31, 2004, of a net asset of 41,947 euro, taking into account the 553,766,444 euro of liabilities assumed by Finaxa;
- Compagnie Financière des Agents Généraux d’AXA (“CFGA”), a limited liability company (*société anonyme*) with a share capital of 6,376,299 euro having its registered office at 21/23, avenue Matignon, 75008 Paris, registered under number 348 527 581 RCS Paris. This transaction will entail a contribution to Finaxa, on the basis of the net book

value as of December 31, 2004, of a net asset of 115,430,048 euro, taking into account the 27,629,263 euro of liabilities undertaken by Finaxa.

Finaxa will have to issue, as consideration for CFGA merger contribution, 1,190,024 new Finaxa shares with a nominal value of 3.05 euro, for the CFGA shares not held by Finaxa, based on an exchange ratio of 11 Finaxa shares for 2 CFGA shares which will increase the numbers of shares composing the Finaxa share capital to 79,744,541. The other mergers described above are full mergers with renunciation, and will not entail any increase in the share capital of Finaxa.

The Extraordinary General Meeting of Finaxa convened to vote on the merger contemplated in this agreement will also vote beforehand on the mergers described above.

The preliminary mergers described above and the merger of Finaxa with and into AXA are indivisible transactions and the Finaxa shares issued in exchange for the merger contribution of CFGA to Finaxa shall be immediately exchanged against AXA shares, subject to the approval of the merger of Finaxa with and into AXA by the Extraordinary General Meetings of AXA and Finaxa.

#### *2.2.3.2 Increase in share capital*

In accordance with the provisions of article L. 236-3 of the French Commercial Code, the Finaxa shares held by Finaxa itself will not be exchanged in the merger, these shares being purely and simply cancelled subject to the completion of the merger. As of September 30, 2005, Finaxa held 7,913 of its own shares (against 16,148 shares as of December 31, 2004 with a net book value of 817,378 euro).

Consequently, taking into consideration the exchange ratio of 15 AXA shares for 4 Finaxa shares, the number of new AXA shares to be created amounts to 299,012,355 with a nominal value of 2.29 euro each.

The amount of capital increase of AXA resulting from the merger will amount to 684,738,292.95 euro. Therefore, the share capital of AXA, following the merger, will be 5,060,341,562.89 euro, divided into 2,209,756,141 shares with a nominal value of 2.29 euro per share (before completion of the capital decrease described in paragraph 2.2.3.3. hereafter).

The exchange ratio being 15 AXA shares for 4 Finaxa shares, the Finaxa shareholders will bear the sole responsibility of purchasing or selling the fractional shares. However, at the completion date of the merger, the Finaxa shareholders who do not hold the necessary number of shares to obtain a whole number of AXA shares, will receive in return, as a counterpart of the fraction of AXA shares constituting fractional shares, an amount in cash equal to such fraction applied to the trading price of the AXA share at the date of completion of the merger.

#### (a) Date of exercise

The new shares to be created, as a result of the increase in share capital in exchange for the merger contribution, shall be subject to all statutory provisions, as from the completion date of the said increase in share capital and shall be comparable to the existing shares. Consequently, the shares shall be entitled to all distributions of dividends or any reserves which shall be decided by AXA as from the completion date of the said merger (i.e. December 16, 2005 subject to the satisfaction of the conditions precedents provided by the agreement and plan of merger).

#### (b) Date of admission to trading

The new shares shall be freely tradable from and after the completion of the increase in the share capital of AXA in exchange for the contribution of Finaxa in accordance with the provisions of article L. 228-10 of the French Commercial Code, i.e., December 16, 2005, subject to the satisfaction of the conditions precedents provided by the agreement and plan of merger.

The new shares shall be subject to an application for trading privileges on the Eurolist market of Euronext Paris S.A. as soon as possible.

An application for trading of the new shares under ADSs on the New York Stock Exchange will also be made.

### 2.2.3.3 Capital decrease

After the acquisition by AXA of Finaxa, AXA shall receive 337,490,816 of its own shares (this amount also includes the 1,152,720 AXA shares granted from the Finaxa shares purchased by AXA to AXA Participations 2).

It shall be proposed to the Extraordinary General Meeting of AXA to be convened on December 16, 2005, after consideration of the statutory auditor's report attached in Appendix 3 hereto, to cancel all of its 337,490,816 shares by way of capital decrease not justified by losses and in accordance with articles L. 225-204 *et seq.* of the French Commercial Code.

Consequently, the share capital will be reduced by 772,853,968.64 euro corresponding to the nominal value of these shares and will be thus reduced from 5,060,341,562.89 euro to 4,287,487,594.25 euro.

The difference between the contribution value in connection with the merger with Finaxa of the cancelled shares and their nominal value shall be attributed to the merger premium.

The difference between the acquisition value of the AXA shares acquired to AXA Participations 2, i.e. 26,112,950.40 euro, and their nominal value, shall be attributed to the merger premium.

### 2.2.4 **Treatment of convertible bonds, subscription options and exchangeable bonds issued by Finaxa**

#### (a) Suspension of transactions

Transactions of conversion of convertible bonds, exercise of subscription options and exchange of exchangeable bonds issued by Finaxa have been suspended from October 1, 2005 to December 19, 2005 (inclusive).

#### (b) Assumption by AXA of the obligations of Finaxa under the subscription options

AXA shall, from the completion of the merger, succeed, as of right, to all the obligations of Finaxa pursuant to the subscription options granted to employees and former directors and officers of Finaxa and its affiliates, within the meaning of article L. 225-180 of the French Commercial Code, not exercised on the completion date of the merger. The description of these subscription options may be found in the annual report of Finaxa filed with the AMF on May 4, 2005 under number D.05-0644.

After completion of the merger, the subscription options granted by Finaxa which would not have been exercised will be exercisable in AXA shares. The number and the exercise price of the relevant shares shall be adjusted to take into consideration the exchange ratio applicable to Finaxa shareholders in connection with the merger, except for additional adjustments which may occur as a result of subsequent financial transactions.

The Extraordinary General Meeting of AXA convened to approve the merger will be invited to acknowledge the above mentioned undertaking and AXA shareholders, if any, will be invited to vote upon the waiver of their preferential subscription right attached to the AXA shares to be issued from time to time pursuant to the exercise of the subscription options.

#### (c) Assumption by AXA of the obligations of Finaxa under the convertible bonds

Pursuant to the terms and conditions of the convertible bonds issued by Finaxa and the description of which appears in the annual report of Finaxa filed with the AMF on May 4, 2005 under number D.05-0644, the merger of Finaxa with and into AXA shall previously be subject

to the approval of the general meeting of the convertible bondholders. The general meeting of the convertible bondholders has been convened for November 24, 2005 on first notice and for December 1, 2005 on second notice. In the event that the general meeting of the convertible bondholders refuses or in the absence of a valid vote due to the absence of quorum, the Board of Directors of Finaxa may decide to disregard it in compliance with applicable legal requirements.

In accordance with article L. 228-101 of the French Commercial Code, AXA shall, from the completion of the merger, succeed, as of right, to the obligations of Finaxa pursuant to the convertible bonds.

The number of AXA shares which the convertible bondholders shall claim in the case of a conversion of the said convertible bonds shall be determined by applying the exchange ratio, referred to in article 2.4.1, to the number of Finaxa shares to which the bonds give right. The conversion of the convertible bonds shall give right to a maximum amount of 476,755 shares to be created, subject to subsequent financial adjustments. In accordance with article L. 228-101 of the French Commercial Code, an opinion of the merger appraisers shall be given in respect to the number of AXA shares to be created.

In accordance with article L. 228-101 of the French Commercial Code, the approval of the merger by the General Meeting of AXA will entail renunciation, to the benefit of the convertible bondholders, by the shareholders to the preferential subscription right, provided for in article L. 228-91 of the French Commercial Code, for the benefit of the convertible bondholders on the AXA shares to be issued from time to time pursuant to the conversion of the convertible bonds.

(d) Exchange of AXA convertible bonds for exchangeable bonds issued by Finaxa

Pursuant to the provisions of the terms and conditions of the exchangeable bonds and the description of which appears in the annual report of Finaxa filed with the AMF on May 4, 2005 under number D.05-0644, the merger of Finaxa with and into AXA shall previously be subject to the approval of the general meeting of the exchangeable bondholders. The general meeting of the exchangeable bondholders has been convened for November 24, 2005 on first notice and for December 1, 2005 on second notice. In the event that the general meeting of the exchangeable bondholders refuses or in the absence of a valid vote due to the absence of quorum, the Board of Directors of Finaxa may decide to disregard it in compliance with applicable legal requirements.

In addition, the Management Board of AXA dated June 29, 2005, after approval of the Supervisory Board of AXA, decided, taking into consideration the merger transaction, to exercise the “successor clause” provided in the terms and conditions of the Exchangeable Bonds, applicable in case of a merger between AXA and Finaxa. In accordance with this clause, the exchangeable bondholders shall, subject to the approval of AXA shareholders, receive bonds convertible into AXA shares in exchange for the said exchangeable bonds. The terms and conditions of the AXA convertible bonds were decided by the Management Board on October 17, 2005. The AXA convertible bonds issued in exchange shall have a nominal value, a maturity date, terms of redemption and terms and conditions of consideration identical to the existing terms of the exchangeable bonds. As a result, subject to the approval of the Extraordinary General Meeting of AXA convened to approve the merger, the exchangeable bondholders shall receive in exchange for each exchangeable bond, one bond convertible into AXA shares to be specifically issued to them.

Furthermore, on November 4, 2005, AXA has announced an offer transaction to acquire the exchangeable bonds in order to neutralize the potential dilution effect resulting from the possible issue of this new convertible bond. This transaction resulted, according to the terms of a press release dated November 16, 2005 to the acquisition of 98.6% of the exchangeable bonds. The total amount of bonds still outstanding and not yet held by AXA pursuant to this offer is 1.4% of the total amount of bonds issued. Under such conditions, it has been decided to extend the offer, at the unchanged price of 118.10 euro (including accrued interest), until November 18, 2005 (included), it being acknowledged thus that AXA might, after the merger, exercise its option to redeem the exchangeable bonds at a price of 99.09 euro per bond since

the outstanding bonds represent less than 10% of the total amount of exchangeable bonds initially issued.

In the event of an issue of convertible bonds as mentioned above and considering that the issuance of AXA convertible bonds will be reserved to the Exchangeable Bond holders, the Extraordinary General Meeting of AXA, which decided this issuance, shall remove the preferential subscription right of AXA shareholders on the AXA convertible bonds for the benefit of the exchangeable bondholders.

Pursuant to article L. 225-132 of the French Commercial Code, the decision to issue AXA convertible bonds will entail renunciation for AXA shareholders of the preferential subscription right attached to AXA shares to be issued from time to time pursuant to the conversion of the AXA convertible bonds.

In the event that, for whatever reason, the aforementioned issuance could not be completed, the provisions of article L. 228-101 of the French Commercial Code shall apply. Accordingly, AXA shall, from the completion of the merger, succeed to all obligations of Finaxa pursuant to the exchangeable bonds. The exchange of exchangeable bonds will give right to a maximum of 50,530,301 existing AXA shares, subject to subsequent financial adjustments. In accordance with article L. 228-101 of the French Commercial Code, an opinion of the merger appraisers shall be given in respect to the number of existing AXA shares.

## 2.3 ACCOUNTING OF THE CONTRIBUTIONS

### 2.3.1 Description and valuation of the contributed assets and assumed liabilities

Pursuant to Rule n°2004-01 (§4.3) of the *Comité de la Réglementation Comptable* in relation to the accounting methods of mergers and similar operations, as amended, the merger is carried out on the basis of the fair market value (“*valeur réelle*”) of the contributed assets and assumed liabilities (as provided for in the financial statements of Finaxa) since AXA and Finaxa are under the separate control (“*contrôle distinct*”) of the Mutuelles AXA pursuant to the said Rule and since the merger is completed “*à l’endroit*”.

The assets and liabilities comprised in the contributions of Finaxa listed hereafter are those described in the balance sheet of Finaxa as at December 31, 2004.

This list is merely indicative and is non-exhaustive, the estate (*patrimoine*) of Finaxa shall be transferred to AXA in its totality and such as it exists on the completion date of the merger, in accordance with the provisions of article L. 236-1 of the French Commercial Code.

#### 2.3.1.1 *Description and valuation of contributed assets*

In euro	Gross Value	Accumulated Depreciation	Net book value
Intangible fixed assets	307,300,000		307,300,000
Long-term loans and investments	6,126,416,403		6,126,416,403
<b>Total intangible fixed assets</b>	<b>6,433,716,403</b>		<b>6,433,716,403</b>
Receivables	7,069,278		7,069,278
Marketable securities	5,047,861		5,047,861
Cash	12,204,107		12,204,107
<b>Total current assets</b>	<b>24,321,246</b>		<b>24,321,246</b>

**TOTAL AMOUNT OF ASSETS OF FINAXA 6,458,037,649 euro**

### 2.3.1.2 Liabilities of Finaxa assumed by AXA

	<b>In euro</b>
Loans and financial debts	1,272,833,958
Loans and debts to credit institutions	378,602
Tax and social liabilities	2,795,856
Other liabilities	11,319,782
<b>Total amount of liabilities</b>	<b>1,287,328,187</b>

**TOTAL AMOUNT OF LIABILITIES OF FINAXA** **1,287,328,187 euro**

- to which shall be added the aggregate amount of the dividend distribution paid out during fiscal year 2004: **177,602,554 euro**

**TOTAL AMOUNT OF LIABILITIES ASSUMED** **1,464,930,741 euro**

In addition and more generally, property, rights and assets, including off- balance sheet commitments not indicated above and which will be transferred such as they exist on the completion date of the merger.

As a result of this valuation the total net asset value contributed by Finaxa amounts to 4,993,106,908 euro.

### 2.3.2 **Expert valuation**

None

### 2.3.3 **Calculation of the merger premium**

#### (a) Expected amount of the merger premium

The net asset value of the merger contribution of Finaxa amounting to 4,993,106,908 euro,

And the amount of the increase in the share capital of AXA rounded to the nearest whole euro amounting to 684,738,293 euro,

The difference, i.e. 4,308,368,615.05 euro shall constitute the amount of the merger premium.

#### (b) Allocation of the merger premium

The merger premium may receive any allocation that complies with the general principles in force and decided by the Extraordinary General Meeting of AXA. In particular, such Extraordinary General Meeting convened to approve the merger, will be requested to authorize the Management Board to make any debit against the merger premium for the purposes of (i) restoring, on the liabilities heading of the balance sheet, the statutory provisions and reserves that existed on the balance sheet of Finaxa, as well as other reserves or provisions, the restoration of which is considered necessary; such restoration, if any, may be supplemented by utilizing all other premiums and reserves; (ii) attributing all or part of the fees, costs and expenses resulting from the merger; and (iii) restoring the legal reserve to 10% of the share capital, after the merger.

### 2.4 **CONTRIBUTIONS CONSIDERATION**

The contributions consideration and the determination of the exchange ratio were commonly decided on by both companies and on the basis of valuation works carried out by both companies as well as works carried out by the banks in charged of issuing a fairness opinion (“*attestation d’équité*”).

#### 2.4.1 Proposed exchange ratio

The exchange ratio given as by the Board of Directors of Finaxa and the Management Board of AXA is 15 AXA shares for 4 Finaxa shares.

#### 2.4.2 Valuation methods

To determine the exchange ratio between Finaxa shares and AXA shares, a multi-criteria analysis and an estimate of the relative values of Finaxa and AXA were carried out, taking into account the significant criteria pertaining to the activity and characteristics of the concerned companies.

##### 2.4.2.1 Valuation methods used

###### **Finaxa:**

- The Re-evaluated Net Asset (RNA) method, of Finaxa, i.e. the net asset of Finaxa on June 30, 2005 re-evaluated for the following reasons:
  - The value of the exchangeable and convertible bonds, and the subscription stock options, as described in paragraph 2.24;
  - The value of AXA shares, as mentioned below;
  - The value of the flows of the annual fees in relation to the trademark licensing;
  - The value of the tax assets and liabilities.

###### **AXA:**

- The appraisal value which consists of determining the value of AXA based on its future cash-flows;
- The analysis of the average trading price over 3 months on the basis of the three months preceding May 10, 2005.

The following table summarizes the results of the multi-criteria approach:

<i>euro</i>	<b>FINAXA</b>	<b>AXA</b>	<b>Ratio</b>
<b>RNA FINAXA (°) vs AXA</b>			
Intrinsic (**)	93.18	24.79	3.76
AXA trading price – average 3-month	72.47	19.67	3.68
2004 actual income	5.86	1.52	3.85
2005 Dividend	2.35	0.61	3.85

(°) base: 31/12/04 financial statements + cut-off 30/06/05 + reevaluation of AXA shares, Exchangeable Bonds and Convertible Bonds, + value of trademark fee

(\*\*) Embedded value as of 31/12/04 + multiple of New Business + PVFP Non-Life + cut-off dated 30/06/05

##### 2.4.2.2 Valuation methods for information only

###### **AXA:**

Two other criteria were contemplated:

- The relative net earnings per AXA share;
- The relative net dividend per AXA share.



#### 2.4.2.3 Valuation methods not retained

##### **Finaxa:**

- The Finaxa trading price did not appear to be a relevant criteria.
- Contrary to AXA, the Finaxa security is not very liquid and is not followed by analysts. 0.3% of the share capital of Finaxa was exchanged for the whole 2004 year, totaling €11,000,000 (against more than 117% or €38,000,000,000 for AXA).
- Contrary to holding company investing in various interests for which the discount affecting the trading price corresponds to the cost of management and intermediation and to lack of creation of value, the asset of Finaxa is solely composed of AXA shares. The discount affecting the trading price of Finaxa is solely related to the lack of liquidity of the share.
- Taking into consideration its holding status, the DCF method has not been taken into account.

#### 2.4.3 **Extracts of the fairness opinions (“attestations d’équité”) dated June 29, 2005 issued by UBS and HSBC CCF**

UBS concluded its fairness opinion (“attestation d’équité”) dated June 29, 2005 with the following terms:

*“(…) consider that on the date of this letter, the exchange ratio of 3.75 is fair, from a financial point of view, for the Finaxa shareholders.”*

HSBC CCF concluded its fairness opinion (“attestation d’équité”) dated June 29, 2005 with the following terms :

*“(…) we consider that on the date of this opinion, the Exchange Ratio is fair from a financial point of view for the Company and the Shareholders of the Company.”*

These fairness opinions (“attestations d’équité”) appear in Appendix 4 of the present document.

#### 2.4.4 **Report of the merger Appraisers**

The merger Appraisers established a report on the value of the contributions which appear Appendix 2 of this document. They have also drawn up a report on the consideration for the contributions which appear in Appendix 1, the conclusion of which are repeated hereafter:

Conclusion of the report on the value of the contributions:

*“As a conclusion of our works*

- *we believe that the value of the contributions of amounting to 4,993,106,908 euro is not overvalued and that, consequently, is at least equal to the amount of the increase in capital of AXA, increased by the merger premium;*
- *we do not have any observation to make on the number of AXA shares received in exchange of the convertible bonds issued by the acquired company.”*

Conclusion of the report on the contributions consideration:

*“As a conclusion of our works, we believe that the exchange ratio of 15 AXA shares for 4 Finaxa shares is fair”.*

**2.4.5 Recommendations of the Committee of Independent Directors of Finaxa and of Committee of independent members of the Supervisory Board of AXA**

(a) Recommendation of the Committee of the independent members of the Supervisory Board of AXA

The Committee of the independent members of the Supervisory Board, responsible, upon request of the Supervisory Board of AXA, for making a recommendation on the exchange ratio, met on May 19 and June 1, 2005. It took note of the details of the draft agreement and plan of merger of Finaxa with and into AXA. The Committee gave the Supervisory Board a recommendation, the conclusion of which is as follows:

*“After correction, for the Re-evaluated Net Asset of Finaxa, of the cost of the bonds and the subscription options, the committee concluded that the exchange ratio that should be determined by the supervisory board is inserted in the chart below that goes from 3.62 to 3.75 AXA shares for one Finaxa share. The committee believes that this ratio could be between 3.68 and 3.70 AXA shares for one Finaxa share, central values of the chart”.*

		Value of AXA share (€)									
		18.81	18.99	19.17	19.35	19.53	19.70	19.88	20.06	20.24	20.42
Value of AXA trademark (m€)	200	3.62	3.63	3.63	3.64	3.65	3.66	3.66	3.67	3.68	3.68
	210	3.62	3.63	3.64	3.65	3.65	3.66	3.67	3.68	3.68	3.69
	220	3.63	3.64	3.65	3.65	3.66	3.67	3.68	3.68	3.69	3.70
	230	3.64	3.65	3.65	3.66	3.67	3.68	6.68	3.69	3.70	3.70
	240	3.65	3.65	3.66	3.67	3.68	3.68	3.69	3.70	3.70	3.71
	250	3.65	3.66	3.67	3.67	3.68	3.69	3.70	3.70	3.71	3.72
	260	3.66	3.67	3.67	3.68	3.69	3.70	3.70	3.71	3.72	3.72
	270	3.67	3.67	3.68	3.69	3.70	3.70	3.71	3.72	3.72	3.73
	280	3.67	3.68	3.69	3.70	3.70	3.71	3.72	3.72	3.73	3.73
	290	3.68	3.69	3.70	3.70	3.71	3.72	3.72	3.73	3.74	3.74
	300	3.69	3.70	3.70	3.71	3.72	3.72	3.73	3.74	3.74	3.75

(b) Recommendation of the Committee of independent directors of Finaxa

The Committee of independent directors of Finaxa, responsible, upon request of the Board of Directors of Finaxa for making a recommendation on the exchange ratio, met on May 23, 27 and June 6 and 9, 2005. It took note of the details of the draft agreement and plan of merger of Finaxa with and into AXA. The Committee gave the Board of Directors a recommendation, the conclusion of which is as follows:

*“(…) our Committee believes that the Board of Directors of Finaxa is right in proposing to the general meeting of shareholders of Finaxa an exchange ratio between 3.75 and 3.85 AXA shares for one Finaxa share”.*

**2.5 CONSEQUENCES OF THE MERGER FOR AXA AND ITS SHAREHOLDERS**

**2.5.1 Impact of the merger on AXA’s equity**

The merger shall not have any other consequences on the consolidated and corporate equity of AXA than the one described in paragraph 2.5.6 below.

## 2.5.2 Impact on the capital ownership and voting rights

After the merger the capital ownership shall be as follows<sup>(1)</sup>:

	Number of securities	% of the share capital	Number of voting rights	% of voting rights
<b>Mutuelles and subsidiaries</b>	267,711,799	14.30%	483,505,728	22.67%
<b>BNP Paribas Group</b>	69,745,698	3.73%	69,745,698	3.27%
<b>BNP Paribas Asset Management</b>	20,509,522	1.10%	20,509,522	0.96%
<b>Schneider</b>	8,816,681	0.47%	16,163,198	0.76%
<b>BBVA</b>	3,506,145	0.19%	3,506,145	0.16%
<b>Employees</b>	90,523,135	4.83%	130,738,360	6.13%
<b>Public</b>	1,388,837,285	74.17%	1,408,610,748	66.05%
<b>Self held</b>	22,615,060	1.21%	N/A	N/A
<b>Total</b>	<b>1,872,265,325</b>	<b>100%</b>	<b>2,132,779,399</b>	<b>100%</b>

(1) on the basis of information on the capital ownership of Finaxa and AXA on September 30, 2005

## 2.5.3 Other transactions associated with the merger

None

## 2.5.4 Proposed modifications in the composition of the corporate bodies

None

## 2.5.5 Principal other proposed statutory modifications

None

## 2.5.6 Pro-forma balance sheet on the date the merger is effective

### 2.5.6.1 Accounting treatment of the merger

This merger is treated under the regime of transactions with companies under the separate control “*contrôle distinct*” since before the transaction, the control situation may not be effective between the acquiring company and the acquired company. Consequently, the agreement and plan of merger will be based on fair market values (“*valeurs réelles*”).

Within the meaning of the accounting regulation “*réglementation comptable*”, this transaction entails to a takeover of Finaxa by AXA. Nevertheless, the transferred assets and liabilities may not be qualified as “activity” within the meaning of the IFRS standards (IFRS 3.4) since this merger does not imply any turnover and supplementary incomes. The main assets of Finaxa are AXA securities held directly or indirectly and the AXA trademark, and as main liabilities, bonds exchangeable into AXA securities:

- Acquisition of AXA securities does not create any new activity for AXA,
- Concerning, the trademark, Finaxa entered into a licence agreement with AXA since 1996, for using the AXA trademark in order to cover the countries in which AXA and its subsidiaries are currently operating. This licence contained the possibility for AXA to sub-licence the use of the AXA trademark and/or its declension “*déclinaisons*” through the world, sub-licences which have been created with the main subsidiaries of AXA,
- Debt recording into Finaxa liabilities is to permit the acquisition of AXA shares either directly or indirectly through controlled subsidiaries.

Consequently, in accordance with the IFRS standards (IFRS 3.4), the cost of the purchased Finaxa group has been recorded in the assets of the Finaxa group on the basis of their fair values at the acquisition date.

#### 2.5.6.2 Resumed pro-forma balance sheet

##### ASSETS

<i>(in euro millions)</i>	<b>January 1, 2005</b>	<b>Pro forma January 1, 2005</b>
Goodwill	11,906	11,906
Value of purchased life business inforce <sup>(1)</sup>	3,123	3,123
Deferred and assimilated acquisition costs <sup>(2)</sup>	13,008	13,008
Other intangible assets	597	904
<b><i>Intangible assets</i></b>	<b>28,634</b>	<b>28,941</b>
Real estate	12,233	12,233
Financial Investments <sup>(3)</sup>	251,516	251,521
Loans <sup>(4)</sup>	18,114	18,114
Assets backing contracts with financial risk borne by policyholders <sup>(5)</sup>	112,387	112,387
<b><i>Investments from insurance activities<sup>(6)</sup></i></b>	<b>394,250</b>	<b>394,255</b>
<b><i>Investments from non-insurance activities<sup>(6)</sup></i></b>	<b>11,336</b>	<b>11,336</b>
<b><i>Investment in affiliated companies (equity method)</i></b>	<b>330</b>	<b>330</b>
<b><i>Reinsurer's share of insurance and investment liabilities</i></b>	<b>7,898</b>	<b>7,898</b>
Tangible assets	1,290	1,290
Other assets <sup>(7)</sup>	2,260	2,260
Deferred active policyholders bonuses	0	0
Deferred tax	3,731	3,731
<b><i>Other assets</i></b>	<b>7,281</b>	<b>7,281</b>
Receivables from insurance and reinsurance activities	8,167	8,167
Receivables from transferred reinsurance activities	2,134	2,134
Receivables (bank customers)	11,481	11,481
Receivables (income tax)	412	412
Receivables (other) <sup>(8)</sup>	9,590	9,597
<b><i>Receivables</i></b>	<b>31,784</b>	<b>31,791</b>
<b><i>Assets for sale and relating to giving-up of business activity</i></b>	<b>62</b>	<b>62</b>
<b><i>Cash and cash equivalent</i></b>	<b>22,494</b>	<b>22,480</b>
<b>TOTAL ASSETS</b>	<b>504,069</b>	<b>504,374</b>

(1) Amount before tax

(2) Gross amounts of unearned revenue and contribution

(3) Financial investment other than loans and assets backing contracts with financial risk borne by policyholders including shares, bonds, controlled and non-controlled mutual funds

(4) Including policies loans

(5) Including assets backing contracts with minimum income guarantees

(6) Including trading securities; including non-matured accrued interests. All amounts of investments include the effect of the derivatives (please refer to notes 1.2.16 and 10)

(7) Including long-term assets, i.e., lasted more than one year

(8) Including short-term assets, i.e., lasted less than one year

## LIABILITIES

<i>(in euro millions)</i>	<b>January 1, 2005</b>	<b>Pro forma January 1, 2005</b>
Ordinary shares and capital in excess of nominal value	19,385	18,379
Retained earnings and cumulative unrealized foreign exchange losses	9,138	9,138
<b>SHAREHOLDERS' EQUITY</b>	<b>28,523</b>	<b>27,517</b>
<b>Minority interests</b>	<b>2,507</b>	<b>2,507</b>
<b>TOTAL MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>	<b>31,030</b>	<b>30,024</b>
Liabilities in connection to insurance contracts	227,843	227,843
Liabilities backing contracts with financial risks borne by the policyholders <sup>(1)(7)</sup>	73,578	73,578
<b>Total liabilities from insurance activities<sup>(2)</sup></b>	<b>301,421</b>	<b>301,421</b>
Liabilities from investment contracts with discretionary participation	31,662	31,662
Liabilities from investment contracts without discretionary participation	869	869
Liabilities backing investment contracts with financial risks borne by the policyholders <sup>(3)</sup>	39,127	39,127
<b>Total liabilities from investment contracts<sup>(2)</sup></b>	<b>71,659</b>	<b>71,659</b>
Liabilities from unearned revenue and contribution	1,675	1,675
Liabilities from policyholders bonuses <sup>(4)</sup>	19,798	19,798
Derivatives from insurance and investment contracts	- 32	- 32
<b>LIABILITIES FROM INSURANCE AND INVESTMENT CONTRACTS</b>	<b>394,520</b>	<b>394,520</b>
<b>Provisions for risks and charges</b>	<b>7,729</b>	<b>7,729</b>
Subordinated debts	8,089	8,089
Non-subordinated debts instruments issued	2,903	4,166
Amounts owed to credit institutions	17	17
<b>Financing debts<sup>(5)</sup></b>	<b>11,009</b>	<b>12,272</b>
<b>Deferred tax</b>	<b>6,895</b>	<b>6,895</b>
Minority interests' share in controlled mutual funds	3,223	3,223
Other debts instruments issued and bank credit balance <sup>(6)</sup>	7,784	7,784
Payables arising from insurance and reinsurance activities	3,863	3,863
Payables arising from transferred insurance activities	3,588	3,588
Payables arising from banking activities	12,285	12,285
Payables (income tax)	954	954
Derivatives from other financing liabilities	1	1
Other debts	21,187	21,234
<b>Debts</b>	<b>52,886</b>	<b>52,933</b>
<b>Liabilities from activities to be transferred or given-up</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>	<b>504,069</b>	<b>504,374</b>

(1) Including liabilities from insurance contracts for minimum incomes guarantees

(2) Gross amount from reinsurers

(3) Liabilities from investment contracts with discretionary participation and from investment contracts without discretionary participation with financial risks borne by the policyholders

(4) Including liabilities from deferred policyholders bonuses

(5) All amounts of financing debts include effect of derivatives (please refer to notes 1.2.16 [et] 10)

(6) This amount include effect of derivatives (please refer to notes 1.2.16 [et] 10)

(7) By convention, in french standards, liabilities backing contracts with financial risks borne by the policyholders are mentioned on insurance contracts line.

**Historical information used to establish the pro forma balance sheet**

The pro forma financial data have been established on the basis of the consolidated financial statements of AXA for the fiscal year ending on December 31, 2004 prepared in accordance with the French accounting rules and principles and restated to take into account the application of the IFRS accounting principles as adopted in the European Union pursuant to the rules and principles retained by the group for the establishment of the consolidated financial statements of the fiscal year 2005.

**Conventions for the establishment of a pro forma balance sheet**

This consolidated pro forma balance sheet has been prepared in order to show the impact that the merger could have had on the consolidated balance sheet of AXA on January 1, 2005 if the merger had been effective at this date. By nature, this pro forma balance sheet describes an hypothetical situation and does not necessary represent the financial situation or the performances which could have been noted if merger or the event had occurred at a date before its completion.

The pro forma financial statements have been established in accordance with the same accounting rules and principles as those used for the establishment of the consolidated financial statements as of January 1, 2005 restated to take into account the application of the IFRS accounting principles.

The data which permitted to establish a consolidated pro-forma balance sheet on January 1, 2005 were based:

- **on the basis of the opening trading price dated November 4, 2005 i.e. 24.90 euro**, day of the announcement by AXA of the acquisition of a bloc of bonds exchangeable for AXA shares and by retaining a unitarian market value of the exchangeable bond equal to the trading price retained for this transaction i.e. 118.10 euro. **The figures will be definitive on December 16, 2005 by taking into account the real trading price of AXA at this date.**
- on a valuation of the trademark to 307 millions euro as mentioned in the agreement and plan of merger
- consequently, the value of the contributed assets amounts to 7,395 millions euro, this amount including in addition the increase in share capital of Finaxa in connection with payment of dividend in shares.

This pro forma balance sheet takes also into account cancellation of AXA securities contributed by Finaxa as a result of the merger to which will be added the 1,152,720 AXA shares issued from Finaxa shares purchased to AXA Participation 2, i.e. – 8,401 millions euro.

It is presented as follows:

- equity from the group decrease from about one billion euro. This decrease will be inserted into the consolidated financial statements of AXA of the fiscal year 2005 for about – 800 millions euro by taking into account of the neutralization of the 205 millions euro of the dividends paid by AXA to Finaxa and its subsidiaries.
- the financing debts increase to 1,263 millions euro corresponding mainly to the bond part of the Bond Exchangeable for AXA securities for 1,255 millions euro.
- value of the AXA trademark is recorded in the “Other intangible assets” account for 307 millions euro.
- the account “Other debts” increase to 47 millions euro of which 32 millions euro non matured and accrued interests on financial debts of Finaxa.

#### 2.5.6.4 Auditor's report on the pro forma balance sheet

“To the Supervisory Board of AXA  
AXA  
25, avenue Matignon  
75008 Paris

*This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

In our capacity as statutory auditors of AXA, we have established the present report on the consolidated pro forma balance sheet of AXA as of January 1, 2005 established for the purpose of the document E and inserted article 2.5.6.4 of this document dated November 16, 2005, in connection with the merger of Finaxa with and into AXA.

This consolidated pro forma balance sheet has been prepared in order to show the impact that the merger could have had on the consolidated balance sheet of AXA on January 1, 2005 if the merger had been effective at this date. By nature, this pro forma balance sheet describes an hypothetical situation and does not necessary represent the financial situation or the performances which could have been noted if merger or the event had occurred at a date before its completion.

This consolidated pro forma balance sheet has been set up under your liability. Our role is to express an opinion on this consolidated pro forma balance sheet based on our diligences.

We conducted our diligences in accordance with the professional standards applicable in France. Theses diligences entailed mainly to verify that the basis on which this consolidated pro forma balance sheet has been established are consistent with the original documents, to examine the evidence justifying pro forma restatements and to meet the Management of AXA in order to collect information and explanations that we deem necessary.

In our opinion:

- The consolidated pro forma balance sheet has been correctly established on the mentioned basis;
- This basis is in conformity with the accounting methods retained by the issuer in connection with the application of the IFRS accounting principles.

This report is issued for the merger of Finaxa with and into AXA and may not be used in another context.”

Paris, November 16, 2005

The statutory auditors

PricewaterhouseCoopers Audit

Yves Nicolas

Eric Dupont

Mazars & Guérard

Patrick de Cambourg

Jean Claude Pauly

#### 2.5.7 **Evolution of AXA's market capitalization**

	<b>Before announcement of the merger (April 19, 2005)</b>	<b>After announcement of the merger</b>
Number of shares	1,909,775,520	1,909,775,520
Closing price (euro)	19.31	19.47
Capitalization (billion euro)	36.88	37.18
Float (billion euro)	28.64	28.88

## 2.5.8 Evolution of Finaxa's market capitalization

	<b>Before the merger was announced (April 19, 2005)</b>	<b>After the merger was announced</b>
Number of shares	75,591,703	75,591,703
Closing price (euro)	56.3	71.85
Capitalization (billion euro)	4.26	5.43
Float (billion euro)	0.14	0.15

## 2.5.9 Impact on the consolidated net income per AXA share

The chart hereunder shows the impact of the proposed transactions on net income per AXA share as of June 30, 2005:

	<b>Before the merger</b>	<b>After the merger and the reduction in capital</b>	<b>Variation</b>
Net consolidated profits 2005 (billion euro)	2,274	2,235	- 39
Number of shares <sup>(1)</sup>	1,885.2	1,846.7	- 38
BNPA (€)	1.21	1.21	—

(1) averaged weighted number of shares in circulation (in millions) as of June 30, 2005

## 2.5.10 Short and medium term planning relating to the activity, potential restructurations, results and dividend distribution policies

The merger of Finaxa with and into AXA shall not have any consequences on the activity, management and corporate bodies of AXA, other than those specified in paragraph 2.5 above.

Nor will it have any consequences on AXA's dividend distribution policy. The information relating to future perspectives of AXA appear in the annual report of 2004 filed with the AMF on March 31, 2005 under number D.05-0313.

## 2.5.11 Risks Factors

*In order to consider the merger, the market risks described in section "Risk Management" of the annual report of AXA filed with AMF on March 31, 2005 under number D.05-0313 relating to fiscal year ending December 31, 2004, incorporated by reference to the present document, as well as the other risks identified hereafter must be taken into account. Each one of these risks could have a negative effect on the activity, financial position, earnings and prospects of AXA and consequently could affect the price of the AXA shares or of the AXA ADSs.*

**Value of the AXA shares to be received by the shareholders of Finaxa in connection with the merger will be fluctuant.**

On the completion date of the merger, the Finaxa shares will be exchanged for AXA shares, pursuant the exchange ratio of 15 AXA shares for 4 Finaxa shares. There will be no adjustment of the exchange ratio in case of variation of the trading price of the Finaxa or AXA shares. Therefore, trading value of the AXA shares that the shareholders of Finaxa (and the holders of AXA convertible bonds in case of conversion) will receive after the merger, will depend on the trading value of the AXA shares at the time of completion of the merger, this trading value may significantly differs from the trading value of these shares at the date of the present document or at the execution date of the agreement and plan of merger and of the determination of the exchange ratio. The trading value of the AXA securities to be issued in connection with the merger will also continue to fluctuate after the completion of the merger. It is advised to verify the trading prices of the AXA and Finaxa shares.



**Some shareholders of AXA benefit from double voting rights. Therefore, and subject to provisions of article 2.6, the new shareholders of AXA will benefit, after the merger, from a percentage of voting rights of AXA lower than their percentage in the share capital of AXA.**

The current by-laws of AXA provide for a double voting right allocated to all shares recorded under the name of the same shareholder for at least two years. Consequently and subject to what is mentioned in article 2.6 concerning the retaining of the shareholding period for the shareholders of Finaxa holding shares under nominative form, the new shareholders of AXA will benefit from double voting rights only after a shareholding period of two years under the name of the same shareholder. As of September 30, 2005 a double voting right was attached to 410,182,448 AXA shares representing approximately 21.47% of the share capital of AXA, approximately 21.72% of the share capital of AXA excluding shares held by AXA and its subsidiaries, approximately 35.69% of its voting rights. Immediately after the completion of the merger and after the capital decrease mentioned in article 2.2.3.3, the former shareholders of Finaxa will hold approximately 15.91% of the share capital and 22.27% of the voting rights of AXA (treasury shares deducted for calculation of the voting rights). Similarly, the percentage of the voting rights of AXA held by a shareholder after the merger will be lower than the percentage of the share capital of AXA held by this shareholder. This percentage will also be lower than the percentage of the voting rights of AXA held by some current shareholders of AXA holding the same number or, as the case may be, a lower number of AXA shares.

## **2.6 CONSEQUENCES OF THE MERGER FOR FINAXA AND ITS SHAREHOLDERS**

Because of the merger of Finaxa with and into AXA (after which Finaxa shall be wound up), the Finaxa shareholders shall receive, as consideration for the contribution of assets and liabilities of Finaxa, 299,012,355 new AXA shares with a nominal value of 2.29 per share, representing an increase in share capital of 684,738,292.95 euro.

### **Double voting rights**

The by-laws of AXA providing for double voting rights to the benefit of shareholders that holding their shares under nominative form for more than two years. As a consequence of the merger, the double voting rights which Finaxa shareholders may benefit from will be rolled over onto the AXA shares received under the merger, pursuant to article L. 225-124 of the French Commercial Code. Furthermore, those who have held Finaxa nominative shares for less than two years shall keep the benefit of their shareholding period in Finaxa for the potential acquisition of the double voting rights in AXA.

The pro-forma shareholding chart of the acquired entity appearing in paragraph 2.5.2 takes into account the fact that the double voting rights are kept by shareholders of Finaxa benefiting from double voting rights on their Finaxa shares before the merger.

### **Relationships between AXA and BNP Paribas**

On September 12, 2001, the AXA Group (AXA, Finaxa and the Mutuelles AXA) and the BNP Paribas Group entered into an agreement, amended on October 26, 2004, that provides for maintaining a certain level of minimum cross-shareholdings between the parties (respectively 43,412,598 shares held by the AXA Group in BNP Paribas and 15,795,357 shares held by BNP Paribas in Finaxa as adjusted following the Finaxa's share capital increase of July 20, 2004). The agreement also grants each party a preemptive right to acquire the other party's minimum equity investment following the termination of the agreement as well as an option to repurchase the ownership interests of the other party if there is a change in control of the other party. Furthermore, the AXA Group guarantees the liquidity of BNP Paribas' holdings in ordinary shares of FINAXA. According to the above mentioned amendment, the initial agreement has been extended for a two year period from September 12, 2004, renewable automatically for subsequent period of one year each, unless either party provides notice of termination at least three months before the end of the current term. AXA and BNP Paribas envisage to enter into an agreement the terms of which will be substantially similar to the ones of the existing agreement (except for the liquidity guarantee mentioned above) in order to take into account the merger contemplated in this document. As mentioned in article 2.5.2 BNP

Paribas shall then be a shareholder of AXA to 3.73% of the share capital and to 3.27% of the voting rights.

**Relationships between the Mutuelles AXA**

Relationships between the Mutuelles AXA (AXA Assurances IARD Mutuelle, AXA Assurances Vie Mutuelle and AXA Courtage Assurance Mutuelle) vis-à-vis Finaxa are submitted to (i) a “*pacte d’union mutualiste*” dated March 6, 1991 and its amendment dated November 29, 1993 as well as (ii) a preemption agreement dated March 6, 1991 applicable in case of a transfer to third parties of Finaxa shares held by one of the Mutuelles AXA.

In order to take into account the merger, the Mutuelles AXA envisage to enter into new agreements vis-à-vis AXA, the terms of which will be mainly similar to the ones of the existing agreements.

**CHAPTER III**  
**PRESENTATION OF THE ACQUIRING COMPANY: AXA**

Detailed information over the legal situation, the activity, the accounts, the recent evolutions and future perspectives of AXA appear in the following documents which have been incorporated by reference into the present document:

- the AXA's annual report filed with the AMF on March 30, 2005 under number D.05-0313;
- the update information of the AXA's annual report with the AMF on November 14, 2005 under number D. 05-0313-A01.

These document are available free of charge from the registered office of AXA, on the AXA website ([www.axa.com](http://www.axa.com)) and on the AMF website ([www.amf-france.org](http://www.amf-france.org)).

There are no new significant facts that have occurred since June 30, 2005 concerning the legal situation, the activity, the accounts, recent evolutions and future perspectives of AXA other than those mentioned in the update information mentioned above.

## CHAPTER IV PRESENTATION OF THE ACQUIRED COMPANY: FINAXA

Detailed information on the legal situation, the activity, the accounts, the recent evolutions and future perspectives of Finaxa appear in Finaxa's annual report filed with the AMF on May 4, 2005 under number D.05-0644 which is incorporated by reference to the present document.

This document is available free of charge from the registered office of Finaxa and from the AMF website ([www.amf-france.org](http://www.amf-france.org)).

The new significant facts that have occurred since May 4, 2005 as regards the legal situation, the accounts, the recent evolutions and the future perspectives of Finaxa are described hereafter.

### **FINANCIAL INFORMATION**

#### **4.1 ACTIVITY REPORT FOR THE FIRST HALF OF 2005**

For the first half of 2005, information on market conditions, significant events and events subsequent to December 31, 2004 mainly relates to AXA, since Finaxa's stake in AXA accounts for the vast majority of Finaxa's activity.

##### **First-half 2005 market conditions**

###### ***EQUITY MARKETS***

Performance in the equity markets was mixed over the period: although the global progression was 3.52%, the US markets were down (-4.7% for the Dow Jones, -1.7% for the S&P 500 and -5.5% for the NASDAQ). Japanese Nikkei was nearly flat (+0.8%). In Europe, the CAC 40 was up +10.7%, the STOXX 50 +7.8%, and the FTSE +6.2%.

###### ***BOND MARKETS***

All of the world's bond markets turned in a positive performance. Globally, 10-year government maturities are up +4.61%, with both Bund (+6.76%) and Gilt (+5.79%) yields standing out. As for spread bonds, performance has also been positive across the board: emerging markets (+5.11%), investment grade corporate bonds (+3.43%), High Yield debt (+1.31%) and BBB-rated corporate debt (+1.22%). For two-year government bonds, the rise was less spectacular (+0.97%) due to expectations of key rate increases by the Federal Reserve. The Federal Reserve Board raised its intervention rate to 3.25%, a 100bp hike since the beginning of this year. Elsewhere – in the eurozone, the United Kingdom and Japan – the status quo has ruled so far this year.

###### ***CURRENCY MARKETS***

Compared to December 31, 2004, the US dollar recovered against the euro (by 12% from 1.36 to 1.21 USD/€), as well as the GBP (from 0.71 to 0.67 GBP/€) and the Yen (from 140.6 to 133.4 JPY/€).

##### **Significant events in the first half of 2005**

###### **Main acquisitions and disposals**

On March 1, 2005, Eurazeo and Finaxa signed a contract under which Finaxa sold its entire holding of 915,268 shares in Ateliers de Construction du Nord de la France (ANF), listed on Eurolist by Euronext Paris, representing 95.45% of ANF's capital and 97.18% of its voting rights. No significant gain or loss was recognized in Finaxa's net income (group share) after this transaction.

Following the signature of the contract between Eurazeo and Finaxa, on the same date ANF sold its stake in AXA – representing 0.29% of AXA's capital and 0.48% of its voting rights – to Finaxa subsidiary Oudinot Finance at a price per share of €20.38, which corresponded to the volume-weighted average AXA share price on February 28, 2005.

## Capital and financing operations

### **CAPITAL OPERATIONS**

On June 29, 2005, AXA's Management Board (following the decision by AXA's Supervisory Board) and Finaxa's Board of Directors approved the terms of AXA's acquisition of Finaxa. This followed the announcement on April 19, 2005 that such an acquisition was being considered.

For AXA and its shareholders, this transaction will simplify the Group's ownership structure, enhance the stock's standing in the market and increase the free float. It will also make AXA the direct owner of the AXA brand, which has until now been owned by Finaxa. For Finaxa shareholders, the transaction will increase the liquidity of the shares they own and will remove the discount at which their shares have traded until now.

Following work done by committees of independent directors formed within AXA's Supervisory Board and Finaxa's Board of Directors, AXA's Management Board and Finaxa's Board of Directors have agreed to offer 3.75 AXA shares for every one Finaxa share, equating to 15 AXA shares for every 4 Finaxa shares. The independent banks appointed by AXA's Supervisory Board and Finaxa's Board of Directors have each provided a fairness opinion confirming that the exchange ratio is fair for the shareholders of both companies.

AXA is likely to carry out a €299 million capital increase. This amount will be adjusted on the basis of the number of Finaxa warrants exercised and convertible bonds converted until such operations are suspended.

Following this capital increase, AXA shares currently owned by Finaxa and its subsidiaries (336 million shares) would be cancelled. As a result, AXA's post-acquisition consolidated shareholders' equity would be reduced by between €0.8 billion and €0.9 billion.

Under IFRS, this transaction would enhance AXA's undiluted net income per share by 1.2%, and dilute it by 0.7% on a fully diluted basis.

At June 30, 2005, the AXA and Finaxa mutual companies owned 20.35% of AXA's capital and 32.20% of its voting rights. Post-acquisition, the AXA mutual companies that currently own 2.72% of AXA's capital and 4.38% of AXA's voting rights, along with 71.69% of Finaxa's capital and 80.53% of Finaxa's voting rights, would become the leading shareholder in AXA, with around 14% of AXA's capital and 23% of AXA's voting rights.

The terms of this acquisition, and particularly the exchange ratio, will be submitted for assessment by the *commissaires la fusion et aux apports* (certified public accountants appointed to assess M&A transactions and contributions to capital), who will report prior to the Finaxa and AXA extraordinary shareholders' meetings convened to vote on this acquisition on December 16, 2005.

AXA will assume Finaxa's rights and obligations as of January 1, 2005.

### **FINANCING OPERATIONS**

On January 25, 2005, as part of its €5 billion Euro Medium Term Note (EMTN) program, AXA Group issued €250 million of perpetual subordinated notes (deeply subordinated notes). This issue was intended to refinance debts falling due in 2005 and beyond. It also improved the quality of AXA's debt and increased its level of hybrid capital.

### **OTHER HIGHLIGHTS**

In order to further protect the Group balance sheet exposure to the USD, an additional \$1.950 billion economic **hedged** have been implemented in the first half year 2005, through Cross Currency Swaps.

### **Events subsequent to June 30, 2005**

On July 29, 2005, AXA Group announced its intention to acquire the Seguro Directo Gere – Companhia de Seguros, S.A. insurance company from Caixa Geral de Depositos. The company to be acquired is better known as Seguro Directo, and operates in Portugal's direct insurance

market, selling policies by telephone and on the internet. Its share of this market is almost 50%, and its revenues total €23 billion. This acquisition fits with AXA's growth strategy in Portugal. It will enable it to diversify its distribution channels and further improve the service it offers to its 700,000 local customers. AXA has two main objectives: to strengthen its position in the direct distribution of insurance and to re-establish the leading position that Seguro Directo previously held in Portugal. The acquisition is subject to the necessary regulatory approvals, including those from the Portuguese insurance and anti-trust authorities.

On July 28, 2005, AXA Investment Managers (AXA IM) and Framlington Group Limited announced an agreement for AXA IM to acquire Framlington Group Limited from HSBC Holdings plc and Comerica Incorporated. The transaction is subject to certain conditions, including the approval of the UK's Financial Services Authority. Framlington is an asset management company specializing in high-performance and high-value-added equity investments. It has a strong position in the UK retail market, with a 10.7% market share in 2004 in terms of sales. Framlington had £4.5 billion in assets under management at end-June 2005. Under the agreement, AXA IM will acquire all shares in Framlington Group Limited for a total price of £174 million, representing its net asset value on the date of the sale. The acquisition will be financed by the Group.

On August 29, 2005, Hurricane Katrina made landfall on the U.S. Gulf Coast causing severe damages and floods. AXA has exposures to this event mainly through its reinsurance activities in AXA RE, and marginally through its large risks (AXA Corporate Solutions Assurance) and Art (AXA Art) businesses. As at the date of publication of this Management Report, AXA RE only received limited information from its cedants in relation with this event. The corresponding cost to AXA, of which a significant part will be reinsured or retroceded outside of the AXA Group, will be included in the Full Year 2005 financial statements. Based on our current knowledge, including an insurance market loss in the range of \$40 billion to \$60 billion, the costs related to Hurricane Katrina are estimated to be approximately \$200 million before tax and net of retrocession in AXA RE.

On September 14, 2005, AXA Financial, Inc., a Delaware corporation (the "Company"), and Merrill Lynch, Pierce, Fenner & Smith Incorporated, a Delaware corporation ("Merrill Lynch"), entered into a definitive Stock Purchase Agreement, dated as of September 14, 2005 (the "Stock Purchase Agreement").

Pursuant to the Stock Purchase Agreement, Merrill Lynch will purchase from the Company all of the issued and outstanding shares of capital stock of The Advest Group, Inc. ("Advest"), a Delaware corporation and a wholly owned subsidiary of the Company, for \$400 million in cash, subject to adjustments in certain circumstances. The Company's estimated post-tax proceeds from the sale will be approximately \$297 million. The Company preliminarily estimates that the purchase price will result in a pre-tax gain to the Company of approximately \$6 million and a post-tax loss to the Company of approximately \$96 million. This transaction reduces the Company's goodwill by approximately \$190 million, representing 31% of the total goodwill related to the MONY acquisition in 2004.

The sale of Advest is expected to close in the fourth quarter of 2005 and is subject to certain regulatory approvals.

## **Finaxa business and financial information**

### ***FINAXA CONSOLIDATED SHAREHOLDERS' EQUITY***

At June 30, 2005, shareholders' equity excluding minority interests in subsidiaries, including earnings for the period, totaled €4.715 billion. Changes in shareholders' equity since the end of 2004 were as follows:

<b>Consolidated shareholders' equity excluding minority interests</b>	<b>Millions of euros</b>	<b>Millions of shares</b>
<b>December 31, 2004</b>	<b>4,015</b>	<b>75.6</b>
– Dividends paid by the company	(178)	–
– Other increases in capital (conversion of bonds)	1	–
– Impact of changes in exchange rates	196	
– Reserves related to changes in fair value recorded under shareholders' equity	293	
– Other	32	
<b>At June 30, 2005 (excluding earnings for the period)</b>	<b>4,359</b>	<b>75.6</b>
– Earnings for the period	356	
<b>At June 30, 2005 (including earnings for the period)</b>	<b>4,715</b>	<b>75.6</b>

### ***FINAXA CONSOLIDATED RESULTS***

Finaxa's net income, group share was €356 million in the first half of 2005, up by €89 million relative to the first half of 2004.

This increase was mainly due to the following factors:

- An €78 million increase in Finaxa's adjusted earnings, arising from a €86 million rise in AXA's adjusted earnings and a €7 million fall in adjusted earnings from Finaxa and intermediate holding companies. The latter decline was mainly due to the non-recurrence of the €5 million income from ORANs (bonds redeemable in cash or shares), net of the cost of refinancing via credit facilities, recorded in the first half of 2004.
- A €24 million increase in gains on financial assets recognized at fair value through profit and loss and on derivatives from AXA (a gain of €21 million versus a loss of €3 million in the year-earlier period).
- The impact of exceptional operations carried out by AXA, which totaled €5 million as opposed to €22 million in the first half of 2004.
- A €6 million decline in net goodwill charges, resulting from the non-recurrence of the first-half 2004 write-down of goodwill in AXA Group's Dutch property & casualty insurance business.

- A €2 million decline in the market value of the exchange option forming part of the exchangeable bond recognized in Finaxa's financial statements, from €3 million in the first half of 2004 to €1 million.

<b>Finaxa consolidated earnings</b> <i>(in millions of euros)</i>	<b>First half</b>	<b>2004</b>	<b>Full year</b>
	<b>2005</b>		<b>2004</b>
AXA	395	297	641
Finaxa and other intermediate holding companies	(39)	(30)	(20)
<b>NET INCOME, GROUP SHARE</b>	<b>356</b>	<b>267</b>	<b>21</b>
Gains or losses on financial assets recognized at fair value through profit and loss and on derivatives	21	(3)	73
Exceptional operations			
AXA	5 <sup>(a)</sup>	22 <sup>(a)</sup>	2 <sup>(a)</sup>
Net charges on goodwill and other similar intangible items	(1)	(7)	(7)
Contribution of Finaxa and other intermediate holding companies	1	3	48
<b>Adjusted earnings (excluding gains and losses on financial assets and derivatives, exceptional operations and net goodwill charges)</b>	<b>330</b>	<b>252</b>	<b>504</b>

(a) Finaxa's share in AXA's exceptional operations :

Figures for the first half of 2005 include the following items:

- Gains realised on the disposals of AXA Assistance's stake in CAS (€4 million), of Alliance Capital Cash Management (€1 million) and of BIA by AXA Bank Belgium.

Figures for the first half of 2004 include the following items:

- Gains realized by the Dutch holding company on the disposal of the Group's Dutch brokerage activities (Unirobe, €18 million).
- Losses realized in Germany on the disposal of building society AXA Bausparkasse (€4 million).
- Exceptional income of €8 million after federal tax at the AXA Financial holding company. This income arises from the reduction in tax payable on the sale of Donaldson, Lufkin & Jenrette (DLJ) in 2000.

Figures for full-year 2004 include the following items:

- Gains realized by the Dutch holding company on the disposal of the Group's Dutch brokerage activities (Unirobe, €18 millions).
- Losses realized in Germany on the disposal of building society AXA Bausparkasse (€4 million).
- The gain realized in October 2004 on the transfer by AXA Assurance Royaume-Uni of its direct business renewal right to RAC plc (€2 million).
- Exceptional income of €7 million after federal tax at the AXA Financial holding company. This income arises from the reduction in tax payable on the sale of Donaldson, Lufkin & Jenrette (DLJ) in 2000.
- The gain realized on the sale of Cralux in Belgium (€3 million).
- The gain realized on the sale of AXA Zorg's Dutch health insurance portfolio (€0.5 million).
- An addition to restructuring provisions relating to the MONY acquisition (€25 million).

#### ***EARNINGS OF FINAXA AND OTHER INTERMEDIATE HOLDING COMPANIES***

In the first half of 2005, the contribution of Finaxa and other intermediate holding companies to net income, group share was -€39 million, as opposed to -€30 million in the first half of 2004. This €9 million decline was mainly due to the non-recurrence of income from ORANs (€5 million) in the first half of 2004 and the €2 million fall in the market value of the exchange option forming part of the exchangeable bond (from €3 million in the first half of 2004 to €1 million in the first half of 2005).



## EARNINGS OF AXA

AXA's consolidated net income, group share, was €2.274 billion, up by €541 million relative to the first half of 2004. Taking into account the increase in the average ownership percentage, AXA's contribution to Finaxa's consolidated earnings can be analysed as follows:

AXA's contribution to Finaxa's consolidated earnings (millions of euros, except for percentages)	First half		Full year
	2005	2004	2004
AXA consolidated net income, group share	2,274	1,733	3,738
Finaxa's stake in AXA (average)	17.36%	17.13%	17.06%
<b>AXA's contribution to Finaxa's net income, group share</b>	<b>395</b>	<b>297</b>	<b>641</b>

AXA's contribution to Finaxa's **net income**, group share rose from €297 million to €395 million, and its contribution to adjusted earnings<sup>(1)</sup> rose from €284 million to €370 million, due to the improvement in AXA's net income, group share and adjusted earnings (see below).

## Gross revenues

Gross revenues <sup>(a)</sup>					
(in millions of euros)	2005	2004	Change	Change 2005/2004 on a comparable basis <sup>(b)</sup>	FY 2004
Life & Savings	21,907	21,085	3.9%	2.4%	42,344
Property & Casualty	10,314	9,794	5.3%	2.9%	17,852
International Insurance	2,501	2,284	9.5%	10.6%	3,363
<b>Total Insurance</b>	<b>34,723</b>	<b>33,164</b>	<b>4.7%</b>	<b>3.1%</b>	<b>63,559</b>
Asset Management	1,550	1,518	2.2%	5.7%	3,084
Other financial services	225	198	13.7%	15.9%	387
<b>Total financial services</b>	<b>1,776</b>	<b>1,716</b>	<b>3.5%</b>	<b>6.9%</b>	<b>3,471</b>
<b>TOTAL</b>	<b>36,499</b>	<b>34,880</b>	<b>4.6%</b>	<b>3.3%</b>	<b>67,030</b>

(a) Net of intercompany eliminations

(b) Percentages are expressed on a comparable basis (constant methodology, exchange rates and structure).

Consolidated gross revenues for Half-Year 2005 were **€36,499 million**, up 4.6% compared to previous period.

Excluding the unfavorable impact of the appreciation of the euro against other currencies (1.5 point, mainly from the US Dollar), and additional revenues stemming from (i) Mony integration (€867 million or 2.5 points) and (ii) the change in consolidation method of Turkey, Hong-Kong and Singapore P&C operations (€287 million, or 0.8 point)<sup>(2)</sup>, gross consolidated revenues were **up 3.3% on a comparable basis**.

**Life & Savings** revenues growth was **+2.4% to €21,907 million**, mainly driven by good performances in **France (+10.7% to 6,583 million)** primarily due to a surge in Unit-Linked premiums and price increases in Health, **Belgium (+27.1% to 1,353 million)** driven by Individual Investment non Unit-Linked products (Crest) and individual investment structured Unit-Linked product (Millesimo), and **Southern Europe (+25.2% to €717 million)**, mainly due to large corporate Investment & savings contracts in Italy. This trend was partly offset by lower revenues in **the United States (-2.5% to €6,623 million)**, **the UK (-2.1% to €1,130 million)** and

(1) Net income, group share, before gains or losses on financial assets optionally recognised at fair value and derivatives, net goodwill charges and the impact of exceptional transactions.

(2) Fully consolidated starting January 1, 2005 (previously accounted for under the equity method)

**Japan (-16.5% to €2,322 million).** The US revenues were down **-2.5%, or +2.0% excluding Real Estate Institutional Separate Account premiums.** This growth was mainly attributable to an increase in First Year Life premiums (+15%) and Variable Annuity premiums (+5%), as well as increases in asset management fees (other revenues), partially offset by a decline in Life renewal premiums (-4%) and Fixed Annuity premiums (-46%). In the **UK**, the decline (-2.1%) mainly stemmed from Investment & Savings, as the market is shifting away from Old World products towards Self Invested Personal Pensions and Stakeholder products in advance for Pensions Simplifications in 2006. Investment & Savings margins increased €27 million (+14.8%) mostly due to €17 million higher fees on account balance and €9 million front end fees. **In Japan (-16.5%), excluding group pension transfers and conversion program, premiums decreased by 6% to €2,195 million.** This was mainly due to a 22% decrease in Investment & Savings, primarily as a result of a reduction in group pension premiums (€-63 million) and individual fixed annuities sold via bancassurance partnerships (€-187 million). This trend was partially offset by the 17% health premium increase driven by the good retention on high margin medical products such as Medical Whole Life and Medical Riders.

**Group New Business APE<sup>(3)</sup>** reached €2,515 million, up +10.8% compared to Half-Year 2004. On a pro-forma basis<sup>(4)</sup>, Group New Business APE increased by +6.5%, stemming from all significant countries except Germany. Germany APE decline (-19%) was primarily due to a new business surge at the end of 2004 in anticipation of a change in the tax regulation (non UL products), and to a decrease in Health due to a weak market environment.

Property & Casualty **gross written premiums** were up 2.9% to €10,314 million, **mainly driven by France (+3.8% to 2,770 million), Southern Europe (+5.5% to €1,551 million), while Germany, Belgium and the UK showed lower performance.** Personal lines were up nearly 4%, **stemming from both Motor (France +3% and Southern Europe +5%), benefiting from positive net inflows of 35,300 and 91,300 respectively) and Non Motor (mainly in Household in the UK +11%, Southern Europe +9%, France +2% and Belgium +3%).** Commercial lines (+1.5%) benefited from Non Motor lines (+2%) primarily in France and Southern Europe (+7% for both), mainly as a result of tariff increases in most business lines, while maintaining a strict underwriting policy. Motor lines declined (-1%) mainly in Ireland, due to falling average premiums reflecting the competitive market. Other lines increased by 2% driven by UK health (+8%).

International Insurance revenues were up 10.6% to €2,501 million, **both attributable to AXA RE and AXA Corporate Solutions Assurance.** AXA RE sticks to its underwriting strategy aiming at diversifying the portfolio both geographically in Property as well as in terms of lines of business. The growth in revenues (+15.4% to €1,056 million) was mainly driven by higher non life gross written premiums (97% of reinsurance activity) which increased by 15% on a comparable basis, notably including higher premiums in European proportional Property Cat and Credit business, as well as selected non proportional General Liability business. AXA Corporate Solutions Assurance revenues were up +9.2% to €1,059 million, as a result of the combined effect of increased activity in Marine (+17% to €224 million), Aviation (+28% to €109 million) and Construction (+42% to €81 million) lines partly offset by decrease in Liability (-3% to €255 million). However, it should be noted that marine and aviation growth benefited from seasonal effect in first half year 2005.

**Asset management** revenues increased by +5.7% to €1,550 million, driven by higher average Assets under Management and strong net inflows. **Alliance Capital** revenues were up +1.2% to €1,117 million, thanks to higher investment advisory fees, driven by higher average Asset Under Management (AUM) (+10%) and higher performance fees in 2Q05, offset by lower distribution revenues and lower shareholder servicing fees. **AXA Investment Managers** showed a +20.2% performance to €433 million, due to AUM growth (+19%) and higher performance fees.

**Net banking revenues in Other Financial Services** were up +15.9% to €225 million, mainly attributable to AXA Bank Belgium (+20.6% to €161 million), as a result of higher revenues on

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(3) Annual premiums equivalent is New regular premiums plus one tenth of Single premiums

(4) Excluding Mony in the United States

mortgage loans and lower interest paid for certificates of deposits, partly offset by lower income from inter-bank operations.

### Adjusted earnings and net income

Underlying earnings, adjusted earnings and net income		
(in millions of euros)	June 2005	June 2004
Life & Savings	972	815
Property & Casualty	695	577
International Insurance	103	138
Asset Management	154	123
Other financial services	42	8
Holding companies	-205	-265
<b>UNDERLYING EARNINGS</b>	<b>1,761</b>	<b>1,398</b>
Share of net realized capital gains attributable to shareholders	370	263
<b>ADJUSTED EARNINGS</b>	<b>2,132</b>	<b>1,661</b>
Gains or losses on financial assets recognized at fair value through profit and loss and on derivatives	119	-16
Impact of exceptional operations (including discontinued activities)	27	126
Net charges on goodwill and other similar intangible items	-4	-38
<b>NET INCOME, GROUP SHARE</b>	<b>2,274</b>	<b>1,733</b>

(a) Adjusted earnings represent net income, group share, before the impact of gains and losses on financial assets optionally recognized at fair value and derivatives, exceptional operations and net goodwill charges. Adjusted earnings is a non-GAAP measure, which may not be comparable to similarly titled measures reported by other companies.

**Group underlying earnings** reached **€1,761 million, up +26% or €+363 million**. At constant exchange rates, the growth was **€+393 million**, attributable to all operational segments except International Insurance as AXA RE was unfavorably impacted by major losses in the first half of 2005.

#### Life & Savings.

**Life & Savings** underlying earnings were **up €+183 million**. In the United States, incremental underlying earnings coming from Mony was **€64 million** (or €61 million at current exchange rate). Underlying earnings also included **non-recurring impacts in Japanese earnings for €47 million** (reported improvement was €+43 million): mainly a positive tax impact (€193 million), reflecting the improvement in recoverability of tax losses carried forward, partly offset by additional VBI and DAC amortization due to a change in future investment assumptions (€-136 million net of tax).

Excluding Mony and Japan, underlying earnings were up €+76 million, mainly attributable to **France** (€+31 million to €249 million), **the United States** (€+25 million), and **Germany** (€+15 million to €15 million). The improvement was mainly the result of **(i) higher Fees and Revenues** (€+261 million), pulled up by France, the US, and the UK, **(ii) an improved net technical margin** (€+28 million), partly offset by **(iii) higher expenses** (€-205 million), mainly in the US, UK, and France, and **(iv) a decrease in investment margin** (€-31 million), primarily in the US.

## Property & Casualty

**Property & Casualty** underlying earnings improved by **€+118 million to €695 million**. This improvement was attributable to all countries (mainly France €+31 million, Germany €+38 million, UK €+16 million, Canada €+20 million) except Belgium, and derived from:

- (i) **A higher net technical result** (€+271 million to €2,734 million), with an **accounting loss ratio improving by 1.5 point to 70.2%**
- (ii) **Higher expenses** (€-170 million to €-2,508 million), **the expense ratio slightly deteriorating by 0.5 point to 27.3%, but only due to higher acquisition ratio** in France and in the UK.

As a consequence, **Group combined ratio improved by 1.0 point to 97.5%**.

- (iii) **Higher investment income overall** (€+105 million to €819 million) mainly as a result of higher technical reserves and stable investment yield.
- (iv) **Higher income tax expense** (€-61 million to €-321 million) in line with higher pre-tax earnings
- (v) Income/Loss arising from investment in affiliates and associates-equity method decreased by €-17 million as a result of the change in consolidation method for Asian P&C entities and Turkey.
- (vi) Minority interest increased by €9 million, of which €7 million on Turkey, previously accounted for under the equity method.

## International Insurance

**International Insurance** underlying earnings reached **€103 million, down €-35 million**.

This was mainly attributable to **AXA RE (€-33 million or €-20 million on a comparable basis<sup>(5)</sup>)**, as a result of lower technical result (as two major losses – Erwin storm and Suncor Energy fire – occurred at the beginning of 2005 for €73 million as well as negative development on 2004 hurricanes for €39 million mitigated by other boni). The combined ratio increased by 2.6% to 97% as a consequence of the deterioration of the loss ratio (up 5.1 points to 82%) and despite the improvement of the expense ratio by 2.6 points to 15% (decrease in general expenses).

**AXA Corporate Solutions Assurance** improvement (**€+12 million**) mainly stemming from higher investment revenues, was more than offset by the **deterioration in other transnational activities** (€-10 million or €-23 million on a comparable basis), as a result of a €-9 million mali on 2004 US hurricanes (exposure coming from the program business of AXA RE P&C Insurance Company, now in run off) and a €10 million decrease in US Life reinsurance earnings (decrease in premiums volume on this portfolio and the implementation cost of a dynamic hedging program on part of the business). In **AXA Corporate Solutions Assurance**, the combined ratio increased by 0.6 point to 100.5%, reflecting the loss ratio deterioration (up 0.6 point to 87.4%) while the expense ratio remained stable at 13.1%.

## Asset Management

**Asset Management** underlying earnings increased by **€+37 million to €154 million**, attributable to both Alliance Capital and AXA Investment Managers.

In **Alliance Capital**, the improvement was €+17 million (to €98 million) due to (i) slightly higher fees, commissions and other revenues (higher investment advisory fees driven by 10% higher average AUM and increased performance fees, partially offset by lower distribution revenues and lower shareholder servicing fees in the retail channel), whereas expenses remained flat, (ii) and higher ownership interest in Alliance Capital (from approximately 58% at June 2004 to 61% at June 2005 following the acquisition by AXA Financial of 8.16 million private units in H2 2004). The operating cost income ratio improved by 1.5 point from 71.6% in 2004 to 70.1% in 2005.

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(5) Transfers of US AXA RE Life and non life activity to other Transnational activities

In **AXA Investment Managers** (€+20 million to €57 million), the increase in fees, commissions and other revenues (mainly driven by management fees reflecting higher average AUM (+19% on a comparable basis), and higher performance fees) was beyond the increase in general expense, and resulted in an improved operating cost income ratio (-2.8 pt to 75.7%).

#### Other financial services

In **Other Financial Services** underlying earnings increased by **€+34 million to €42 million**, mainly attributable to (i) AXA Bank Belgium (€+22 million to €36 million), mainly due to an improved interest margin and the reversal of a provision for risks (€16 million), and (ii) CFP: €+14 million to €7 million, following positive run-off developments in first half 2005.

#### Holding companies

**Holdings** underlying earnings were **up €+57 million to €-205 million**. This improvement was mainly attributable to (i) AXA SA (€+67 million to €-86 million), mainly due to a €47 million non recurring tax benefit, the non-recurrence of the 2004 interest charge on the ORAN issued for Mony financing (€10 million), and a tax saving of €8 million related to withholding taxes on dividends received, (ii) partly offset by AXA Financial Holdings (€-18 million at constant exchange rate to €-43 million) due to higher net interest expense principally related to the MONY acquisition.

**Net capital gains** attributable to shareholders were **up €+107 million to €370 million**, mainly as a result of:

- An additional €114 million release of valuation allowance on tax losses carried forward in Japan
- Higher realized capital gains by €130 million (including impact of foreign exchange),
- €-200 million in Japan related to a reserve strengthening following a change in future investment assumptions in 2005 (€-322 million pre-tax), and €+65 million in the UK related to the unfavorable impact in 2004 of the transfer of ownership of the Isle of Man subsidiary.

As a result of higher underlying earnings and higher net capital gains, **adjusted earnings were up €+471 million to €2,132 million**.

The Half-Year 2005 **Net Income** reached **€2,274 million, up €+541 million or +31%** compared to half-Year 2004. At constant exchange rates, the growth amounted to **+33%**.

This growth was the result of:

- (i) **Higher adjusted earnings** (+28% or €+471 million to €2,132 million)
- (ii) **Higher result (excluding exchange rates) on financial assets accounted for under Fair Value Option and derivatives (€+135 million to €119 million)**. This trend was mainly attributable to Life & Savings, Property & Casualty, and Holdings operations.

**Life & Savings** operations (€+43 million to €41 million) were positively impacted by:

- Higher profit and loss on change in fair value of underlying assets within consolidated mutual funds accounted for under fair value option (€+16 million), of which €+11 million in France
- Higher positive change in fair value of derivatives partly offset by lower profit and loss on assets under fair value option (€+38 million net impact). This was mainly attributable to France (€+45 million) reflecting a higher positive change in fair value of derivative and positive performance of equities and fixed interest securities markets during the first half year 2005 partly offset by €-10 million in the US
- In the UK, the non symmetric accounting treatment on unrealized gains attributable to policyholders in Unit Linked Life (€-11 million tax impact)

**Property & Casualty** operations (€+35 million to €47 million) encountered higher profit and loss on change in fair value of consolidated Mutual funds (€+42 million), of which €+28 million in France, €9 million in Germany, and €5 million in Belgium.

In **Holdings** operations (€+48 million to €26 million), AXA SA and other French Holdings showed positive change in fair value of derivatives

(iii) **Lower goodwill and other related intangible impacts (€+34 million to €−4 million)**, as Half-Year 2004 included the goodwill amortization of the remaining balance in The Netherlands P&C (€−33 million; AXA Schade) following the sale of Unirobe, which was a distributor for AXA Schade, and the amortization of the goodwill related to the minority interest buy-out of AXA Re Finance (€−5 million). Half-Year 2005 goodwill expense only related to the normal amortization of Mony intangible asset.

(iv) **Partly offset by lower result of exceptional operations (€−99 million to €27 million)**

Half-Year **2005 exceptional operations (€27 million)** related to the realized capital gains on the sale of AXA Assistance participation in CAS (€23 million), of Alliance Capital Cash Management activity (€3 million − €9 million before tax and minority interest), and of BIA in AXA Bank Belgium (€2 million).

Half-Year **2004 exceptional operations (€126 million)** related to:

- The realized capital gains on the disposal of Unirobe in The Netherlands Holding (€+104 million),
- The realized capital loss on the disposal of AXA Bausparkasse in Germany (€−22 million, net group share, of which €−8 million in the Life company)
- An exceptional profit in the AXA Financial holding (pre-tax gain on disposal of the discontinued Investment Banking and Brokerage segment of €66.7 million, or €43.4 million net of Federal income taxes). The gain resulted from the reduction of state tax liabilities related to the 2000 sale of DLJ.

### **Finaxa's outlook**

Finaxa's outlook is dependent on the performance of AXA, its main equity investment.

In the first half of 2005, AXA Group generated very strong earnings growth in its Life & Savings, Property & Casualty and Asset Management businesses. The Group expects the financial market environment to remain positive for the Life & Savings and Asset Management businesses, and particularly for higher-margin unit-linked products due to the low interest rate environment.

In Property & Casualty, the Group expects the positive first-half trend to continue in spite of some pricing pressure, since loss experience remains moderate.

Despite recent weather events in the USA and barring another major catastrophe, the Group is confident of achieving solid double-digit earnings growth for full-year 2005.

In the first half of 2005, AXA and Finaxa announced plans to merge. AXA's Management Board and Finaxa's Board of Directors met on June 29, 2005 and approved the terms of AXA's acquisition of Finaxa, following the announcement on April 19, 2005 that such an acquisition was being considered.

## 4.2

## CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2005

CONSOLIDATED BALANCE SHEET

## ASSETS

Notes	(in millions of euros)	IFRS		French GAAP(*)	
		June 30, 2005	Dec 31, 2004	Dec 31, 2004	Dec 31, 2003
	Other intangible assets				
7	<i>Intangible assets</i>				
	<i>Investments by non-insurance activities</i>	0	5	4	260
	<i>Investments in affiliated companies (equity method)</i>	6,030	5,304	4,866	4,325
	Tangible assets				
	Other long-term operating assets	1	0	42	66
	Deferred policyholder benefit assets				
	Deferred tax assets	0	0		
	<i>Other assets</i>	1	0	42	66
	Receivables resulting from banking operations				
	Tax receivable				
	Other receivables <sup>(1)</sup>	10	4	279	287
	<i>Receivables</i>	10	4	279	287
	<i>Assets intended for sale and relating to discontinued activities</i>				
	<i>Cash and equivalents</i>	182	18	18	34
	<b>TOTAL ASSETS</b>	<b>6,224</b>	<b>5,331</b>	<b>5,210</b>	<b>4,973</b>

(\*) IFRS presentation

(1) Includes short-term assets, i.e. due in less than one year

## LIABILITIES

Notes	(in millions of euros)	IFRS		French GAAP(*)	
		June 30, 2005	Dec 31, 2004	Dec 31, 2004	Dec 31, 2003
	Share capital and share premiums	1,761	1,760	1,760	1,432
	Reserves, retained earnings and cumulative translation adjustments	2,598	1,634	1,738	1,884
	Consolidated earnings	356	621	360	82
	<b>GROUP SHAREHOLDERS' EQUITY</b>	<b>4,715</b>	<b>4,015</b>	<b>3,858</b>	<b>3,399</b>
	Minority interests	84	77	71	69
9	<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>4,800</b>	<b>4,092</b>	<b>3,929</b>	<b>3,468</b>
	<i>Provisions for risks and charges</i>				<b>4</b>
	Subordinated debt				
	Non-subordinated debt instruments issued	1,233	1,230	1,273	1,273
	Amounts owed to credit institutions	1	0	0	220
10	<i>Financing debt<sup>(1)</sup></i>	<b>1,234</b>	<b>1,231</b>	<b>1,273</b>	<b>1,493</b>
	<i>Deferred tax liabilities</i>				
	Other debt securities in issue and bank overdrafts				
	Payables resulting from banking operations				
	Tax payable	4			
	Derivatives relating to other financial liabilities				
	Other payables	186	8	8	8
	<i>Payables</i>	<b>190</b>	<b>8</b>	<b>8</b>	<b>8</b>
	<i>Liabilities relating to activities intended for sale or discontinued activities</i>				
	<b>TOTAL LIABILITIES</b>	<b>6,224</b>	<b>5,331</b>	<b>5,210</b>	<b>4,973</b>

(\*) IFRS presentation

(1) All financing debt amounts include the impact of derivatives



## INCOME STATEMENT

Notes	(in millions of euros, except earnings per share in euros)	IFRS		French GAAP(*)	
		June 30, 2005	June 30, 2004	June 30, 2004	June 30, 2003
	Gross premiums and financial services revenues				
	Net investment result <sup>(1)</sup>	6	11	-8	-28
	Net realized gain/loss on sales of investments	0	0	0	4
	Change in fair value of financial instruments recognized at fair value through profit and loss				
	Change in provisions on financial instruments				0
	<b>Net financial items excluding cost of net debt</b>	<b>6</b>	<b>11</b>	<b>-8</b>	<b>-24</b>
	Administrative expenses	-4	-6	-4	-3
	Negative value adjustment on tangible assets				
	Other income and expenses			-12	-2
	<b>Other non-exceptional income and expenses</b>	<b>-4</b>	<b>-6</b>	<b>-16</b>	<b>-5</b>
	Net income from ordinary operations before tax	2	5	-24	-28
	Share in earnings of companies accounted for by the equity method	401	302	251	37
	Financing debt expenses <sup>(2)</sup>	-37	-35		
	Adjusted income before tax	366	272	227	9
	Income tax	-5	-1	-1	-15
	Net income from ordinary operations	361	271	226	-6
	Net charges on intangible assets			-10	-10
	After-tax income from discontinued activities				
	Net income including minority interests in subsidiaries' income	361	271	216	-17
	Minority interests in subsidiaries' net income	-5	-4	-3	0
	Net income, group share	356	267	213	-17
	Earnings per share	4.71	3.90	3.11	-0.25
	Diluted earnings per share	4.69	3.88	3.09	-0.25
	Adjusted earnings, group share	330	252	248	19
	Adjusted earnings, group share per share	4.37	3.68	3.62	0.29
	Diluted adjusted earnings, group share per share	4.35	3.66	3.60	0.29

(\*) IFRS presentation

(1) Net of investment management fees

(2) Net of income and expenses arising from derivatives relating to financing debt (excluding changes in fair value of related derivatives)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Preliminary notes:

In these notes, the holding company FINAXA is referred to as “the Company”; the Company and its direct and indirect subsidiaries are referred to as FINAXA.

### Note 1: First time adoption of IFRS

#### 1.1 First time adoption: Impact of transition to IFRS

##### 1.1.1 Accounting principles

In its 2004 annual report, the Company stated that it would present consolidated financial statements in accordance with IFRS as of 2005. FINAXA has decided to adopt the same options as its main subsidiary, AXA. AXA's conversion project involved the Executive Committee approving and the Audit Committee reviewing the accounting options and application principles adopted for the opening balance sheet and comparative figures for 2004 (first-half and full-year periods). AXA's Audit Committee carried out its final review of these accounting options and principles in June 2005.

The 2004 restated financial statements were prepared in accordance with IFRS and with IFRIC (International Financial Reporting Interpretations Committee) interpretations that had been published and come into force, or that had been recently adopted at the time the statements were prepared (June 2005) and approved by the European Commission.

AXA anticipated the amendment of IAS 39 relating to the fair value option, published by the IASB (International Accounting Standards Board) on June 16, 2005 and approved by the ARC (Accounting Regulation Committee) in July 2005. This amendment is likely to be approved by the European Commission in the second half of 2005. AXA also applied the amendment to IAS 19 adopted by the IASB in December 2004, and which is also due to be approved by the European Commission in the second half of 2005 following approval by the ARC in May 2005. The principles set out in this note concerning the opening balance sheet are the same as those applied to comparative data for the first-half and full-year periods in 2004 and those used for the financial statements to June 30, 2005 set out in note 4.

The IFRS standards and IFRIC interpretations that will be applicable at December 31, 2005, including those optionally applicable, were not known with any certainty at the time the restated financial statements in this document were prepared.

#### *First-time adoption at January 1, 2004*

- In accordance with the rules governing the first-time adoption of standards, as set out by IFRS 1, FINAXA is adopting IFRS as if they had always existed, except in cases where prospective adoption is authorized. FINAXA has selected the following options regarding its first-time adoption of applicable IFRS standards at January 1, 2004:
- Adoption of IFRS 4, IAS 32, IAS 39 and IFRS 2 as of 2004 (see below for the adoption of the fair value option)
- Recognition of past actuarial losses on benefit plans granted to employees in opening shareholders' equity
  - No restatement of business combinations prior to January 1, 2004
- Cumulative translation adjustments between entities reset to zero
- Recognition at fair value at January 1, 2004 of investment real estate carried at cost and whose fair value at January 1, 2004 was lower than its carrying value. This fair value becomes the presumed cost of such items in accordance with IFRS 1.

In addition to the differences noted above, restatements specific to FINAXA relate mainly to the prepaid expenses account which is not considered an asset under IFRS. The impact of this will be minus 0.3 billion euros at January 1, 2004.

a) Assets

<i>million euros</i>	<b>French GAAP</b>	<b>IFRS FTA impact</b>	<b>IFRS</b>
Other intangible assets		–	
<b><i>Intangible assets</i></b>		–	
Investments in real estate properties	3	–	3
Invested financial assets	257	–	257
Loans	0	–	0
Assets backing contracts where the financial risk is borne by policyholders		–	
<b><i>Investments from non-insurance activities</i></b>	<b>260</b>	<b>–</b>	<b>260</b>
<b><i>Investment in affiliated companies</i></b>	<b>4,325</b>	<b>(162)</b>	<b>4,163</b>
Tangible assets		–	
Other long-term assets	66	(66)	(0)
Deferred tax asset	0	–	0
<b><i>Other assets</i></b>	<b>4,651</b>	<b>(228)</b>	<b>4,424</b>
Receivables arising from banking activities		–	
Receivables – current tax position		–	
Other receivables <sup>(1)</sup>	287	(274)	13
<b><i>Receivables</i></b>	<b>287</b>	<b>(274)</b>	<b>13</b>
<b><i>Assets held for sale and relating to discontinued operations</i></b>		<b>–</b>	
<b><i>Cash and cash equivalents</i></b>	<b>34</b>	<b>–</b>	<b>34</b>
<b>TOTAL ASSETS</b>	<b>4,973</b>	<b>(502)</b>	<b>4,471</b>

**IFRS:**

(1) Includes short term assets, i.e. when maturity is below 1 year

b) Liabilities

<i>million euros</i>	<b>French GAAP</b>	<b>IFRS FTA impact</b>	<b>IFRS</b>
Share capital and capital in excess of nominal value	1,432	–	1,432
Retained earnings	1,967	(466)	1,501
<b>SHAREHOLDERS' EQUITY</b>	<b>3,399</b>	<b>(466)</b>	<b>2,934</b>
<b>Minority interests</b>	<b>69</b>	<b>(3)</b>	<b>66</b>
<b>TOTAL MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>	<b>3,468</b>	<b>(468)</b>	<b>2,999</b>
<i>Provisions for risks and charges</i>	<b>4</b>	–	<b>4</b>
Subordinated debt		–	
Financing debt instruments issued	1,273	(33)	1,239
Financing debt owed to credit institutions	220	–	220
<i>Financing debt<sup>(1)</sup></i>	<b>1,493</b>	<b>(33)</b>	<b>1,460</b>
<i>Deferred tax liability</i>	<b>(0)</b>	–	<b>(0)</b>
Other debt instruments issued, notes and bank overdrafts	0	–	0
Payables arising from banking activities		–	
Payables – current tax position		–	
Derivatives relating to other financial liabilities		–	
Other payables	8	–	8
<i>Payables</i>	<b>8</b>	–	<b>8</b>
<i>Liabilities held for sale or relating to discontinued operations</i>		–	
<b>TOTAL LIABILITIES</b>	<b>4,973</b>	<b>(502)</b>	<b>4,471</b>

**IFRS**

(1) Financing debts balances are shown net of effect of derivatives instruments

c) Shareholders' equity

<i>million euros</i>	<b>French GAAP</b>	<b>IFRS FTA impact</b>	<b>IFRS</b>
<b>Share capital and capital in excess of nominal value</b>	<b>1,432</b>	–	<b>1,432</b>
Reserves relating to the change in FV of financial instruments available for sale		732	732
Reserves relating to the change in FV of hedge accounting derivatives (cash flow hedge)		8	8
Reserves relating to revaluation of tangible assets		–	
Others		32	32
<b>Other reserves</b>	–	<b>772</b>	<b>772</b>
<b>Translation reserve and undistributed profits</b>	<b>1,967</b>	<b>(1,238)</b>	<b>729</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>3,399</b>	<b>(466)</b>	<b>2,934</b>
<b>MINORITY INTERESTS</b>	<b>69</b>	<b>(3)</b>	<b>66</b>
<b>TOTAL MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>	<b>3,468</b>	<b>(469)</b>	<b>2,999</b>

The impact on opening FINAXA group share shareholders' equity of the difference between French GAAP and IFRS standards is as follows:

	<b>Total</b>	<b>AXA</b>	<b>FINAXA</b>
Scope of consolidation	(37)	(37)	
Business combinations and goodwill	(216)	(216)	
Invested assets	458	457	1
Derivatives and hedge accounting	33	33	
Liabilities arising from non-life insurance contracts	45	45	
Deferred acquisition costs and equivalent	(22)	(22)	
Pension benefit obligations and share-based compensation	(337)	(337)	
Treasury shares	(88)	(87)	(1)
Compound instruments and payables classification variance/ shareholders' equity	21	21	
Cancellation of accrued income account	(269)		(269)
Other differences	(54)	(16)	(38)
<b>Total restatements</b>	<b>(466)</b>	<b>(159)</b>	<b>(307)</b>

d) Main differences in accounting principles between French GAAP and IFRS

The main differences in accounting principles between French GAAP and IFRS are set out below. As well as the impact resulting from changes to valuation principles, which affect various components of opening shareholders' equity, many balance sheet items are affected by changes in presentation that have no impact on AXA's net position. These include the presentation of unearned revenue as liabilities instead of being deducted from deferred acquisition costs, and the reversal of the deferred tax offset on the value of business in force (VBI) resulting from acquisitions.

In addition to these offset reversals, the expansion of the scope of consolidation has led to an increase in opening asset and liability balances.

(a) Scope of consolidation

Real estate and investment companies (principally held by insurance companies and backing insurance liabilities) are not consolidated in French GAAP, in compliance with CRC Regulation **2000-05**.

According to IFRS, all entities in which the Group has a significant influence should be consolidated with:

- the full consolidation method if the Group exercises an exclusive control
- the proportionate method if the Group exercises a joint control
- the equity method if AXA exercises a significant influence

The IFRS scope of consolidation is discussed in point 1.2.1. The impact of the increase in the number of consolidated companies on AXA's opening shareholders' equity is –€217 million and –€37 million for FINAXA's group share.

For consolidated investment companies, minority interests are recognized at fair value and recorded under liabilities on AXA's balance sheet under *Minority interests in controlled mutual funds*. The recognition of these minority interests increases invested assets and liabilities on AXA's opening balance sheet by €3,403 million.

(b) Goodwill

As mentioned in point 1.1.1 above, the Group has opted not to restate past business combinations, in accordance with the exemption offered by IFRS 1. As a result, adjustments to opening goodwill are limited to the translation adjustments described below and restatements of any assets and liabilities recognized when the acquisitions took place but that do not meet IFRS recognition criteria (see VBI relating to investment contracts without discretionary participation features).

Under IFRS, goodwill resulting from the acquisition of a foreign entity is recognized in the currency of the acquired entity and translated into euros at the end of the accounting period. Under French GAAP, goodwill was translated into the acquirer's currency. As a result, a retroactive adjustment has been made under IFRS to recognize goodwill in the currency of the acquired entity. This restatement has reduced goodwill by €1,284 million in AXA's opening balance sheet, and is the main adjustment to the *Business combinations and goodwill* sub-total. The total net impact on opening FINAXA group share shareholders' equity is –€1,260 million.

Recognized goodwill relating to business combinations prior to 2004 is no longer amortized but subjected to impairment tests. The impact of this change in accounting principles on 2004 figures is discussed in point 1.1.3. There is no difference between French GAAP and IFRS as regards the conclusions of impairment tests.

(c) Invested assets

*i. Classification*

According to IAS 39, the intention to hold the investment is more important than the nature of investment.

Applying the principle, invested assets are classified in the following categories:

- held to maturity and accounted for at amortized cost
- loans & receivables are accounted for at amortized cost
- trading and accounted for at fair value with change in fair value in P&L
- available for sale accounted for at fair value with change in fair value in shareholder's equity.

Pursuant to the IAS 39 amendment published by the IASB on June 16, 2005, companies have the option, at first recognition of financial assets and liabilities, to state them at fair value and take any variations in fair value to the statement of income (recognize them at “fair value through profit and loss”). The Group has used this option mainly in the following cases:

- assets backing liabilities resulting from contracts in which policyholders bear the investment risk
- securities held by consolidated investment entities under a Group risk management policy
- certain assets covered by hedges arranged by the Group and for which hedge accounting in the meaning of IAS 39 is not used
- Debt held by newly-consolidated Collateralised Debt Obligations (CDOs) are also stated at fair value through profit and loss. This has a limited impact, since the corresponding assets are also recognized at fair value through profit and loss. This debt appears on AXA's balance sheet under *Other debt instruments in issue and bank overdrafts*.

The adoption of these principles means that most invested assets are stated at fair value. No investment has been classified in the held-to-maturity securities category, and only loans are stated at amortized cost. The increase in invested assets resulting from the revaluation of available-for-sale assets amounted to €11,880 million for AXA at January 1, 2004. The impact on reserves relating to the change in fair value of available-for-sale financial assets – net of tax, policyholder bonuses where applicable and additional depreciation of VBI and DACs – is €4,213 million including the impact on consolidated funds and €4,091 million excluding the impact on these funds. For FINAXA group share the impact is €722 million.

*ii. Accrued interest*

Under IFRS, interest accrued but not yet due is included in invested assets. As a result, revalued financial assets are stated at fair value including accrued interest. Interest accrued but not yet due was previously stated under short-term assets under French GAAP. The reclassification has no net impact, but increases the value of invested assets on AXA's opening balance sheet by €2,969 million.

*iii. Real estate*

Real estate companies (excluding investment properties backing in whole or part contract liabilities in which policyholders bear the investment risk) and buildings used in operations are recognized at amortized cost under IFRS but using a non-compulsory component-based method under French GAAP until 2004.

*iv. Identification and valuation of embedded derivatives*

According to IFRS, embedded derivatives should be separated and accounted for at fair value with change in fair value in P&L if the host contract is not accounted for with the same method and derivatives are not clearly and closely related to the host contract. So far, total embedded derivatives in invested assets which are not accounted for at fair value through P&L in accordance with this method is not material at the Group level.

*v. Impairment rules*

There is no difference between impairment rules for debt securities under French GAAP and IFRS, but the principles are different for equities. AXA considers that equity securities showing unrealized losses for a continuous period of 6 months or more prior to the closing date or equal to more than 20% of the carrying value at the closing date should be impaired in IFRS.

The impairment is calculated in reference to the market value at the closing date rather than to a recoverable value which reflects the investment period. In IFRS, any impairment of equity securities is irreversible. The amount of additional impairment recognized in AXA's opening balance sheet is €2,269 million including consolidated funds and €2,251 million gross excluding consolidated funds, giving a net impact on shareholders' equity of –€1,445 million excluding consolidated funds. The FINAXA group share is –€248 million.

*vi. Accounting rules for derivatives and hedging*

The Group applies as much as possible the hedge accounting rules for derivatives under IFRS. When it is not possible, the derivatives are accounted for at fair value with change in fair value in P&L. The impact on revenues is limited since hedged items are also recognized at fair value through profit and loss.

The net impact on opening shareholders' equity is €192 million for AXA. This includes the revaluation of underlying items when appropriate in cases of hedge accounting in the meaning of IAS 39 or in cases of "natural hedging" (use of the fair value option to value the underlying item or selective reflection of current interest rates for insurance contracts – IFRS 4.24). This residual net impact relates mainly to derivative instruments held by the AXA SA holding company, on which the effects of hedging cannot be reflected adequately due to the constraints imposed by IAS 39.

(d) AXA's insurance & investment contracts

*i. Classification and accounting rules of the contracts*

According to IFRS 4 ("Phase I") and IAS 39, contracts should be classified in 2 categories: insurance contracts or investment contracts.

AXA continues to apply existing accounting principles for insurance and investment contracts with discretionary participation during Phase I. Consistently with the accounting standards previously used by AXA, an adequacy test is performed under IFRS to ensure that the existing provisions are sufficient to cover future flows including settlement costs, embedded options and guarantees. The only exception to the previous accounting principles concerns equalization provisions, which are eliminated under IFRS. This adjustment increases AXA's opening shareholders' equity by €260 million net, and reduces gross non-life provisions by €397 million gross. The FINAXA group share is €45 million.

A small number of the contracts are classified as investment contracts without discretionary participation and are accounted for differently under IFRS. In accordance with IAS 39, these contracts are accounted for using the “deposit accounting” method. For AXA, this category includes almost exclusively certain unit-linked contracts for which liabilities already represented the market value of the assets linked to those contracts under existing accounting standards.

ii. *Presentation impact*

On AXA's balance sheet, information about deferred and non-deferred acquisition costs is presented gross of unearned revenues and unearned revenue reserves. This leads to a €1,646 million increase in *Deferred acquisition costs and similar*, with the balancing entry being to *Liabilities relating to unearned revenues*.

In addition, VBI relating to acquired life insurance companies is stated gross of tax. This increases VBI on the asset side of the balance sheet by €857 million, with the balancing entry being to deferred tax liabilities.

These offset reversals have no impact on opening shareholders' equity.

iii. *Net impact on shareholders' equity*

Overall, the impact of these adjustments to existing deferred acquisition costs (DAC) and life VBI on shareholders' equity is –€127 million. FINAXA's group share is –€22 million.

iv. *Investment contracts without discretionary participation*

Acquisition costs relating to investment contracts without discretionary participation were recognized under French GAAP, but can no longer be recognized as assets under IFRS. Only costs directly attributable to the acquisition of a financial management service contract may be recognized as an asset (non-deferred costs) to the extent that the company will receive payments covering these costs over the life of the contract. The amount of these costs allowable under IFRS is lower than under French GAAP. There are also depreciation differences, mainly arising from differing ways of valuing profits arising from the business concerned. €641 million of gross DACs relating to investment contracts without discretionary participation have been reversed out of opening shareholders' equity, while €499 million of deferred origination costs (DOCs) have been included in AXA's opening balance sheet.

At the same time, VBI relating to investment contracts without discretionary participation has been reduced by €378 million in AXA's opening balance sheet.

v. *Impact of shadow accounting on deferred acquisition costs and value of business in force – IFRS restatements*

On AXA's balance sheet, depreciation of *Deferred acquisition costs and similar* and *Value of business in force resulting from acquisitions* is also affected by IFRS restatements. The recognition of available-for-sale assets at fair value through shareholders' equity, for example, causes accelerated depreciation of these two captions through shareholders' equity, with a reduction in corresponding assets (DACs and VBI) and a reduction in the revaluation reserve for available-for-sale securities (“shadow DACs” and “shadow VBI”) totalling €634 million for DACs and €380m for VBI. In addition, DACs and VBI resulting from acquisitions are also affected by income-related adjustments (opening restatements affecting retained earnings). The impact on DACs is €38 million and the impact on VBI resulting from acquisitions is €297 million.

Guaranteed minimum income benefits (GMIBs) offered by some direct insurance contracts and performance guarantees offered by some reinsurance contracts are covered by a risk management programme. To reduce the asymmetry between the valuation of liabilities and the valuation of the derivatives linked to them, AXA has adjusted liabilities to better reflect current interest rates on these contracts, using the selective restatement



option under section 24 of IFRS 4. The aim is to reflect changes in market assumptions regarding interest rates and other factors.

vi. *Shadow accounting and deferred policyholder bonuses*

In compliance with the possibility offered by IFRS 4, the shadow accounting rules are applied, for insurance and investment contracts with discretionary participation, on technical provisions, deferred acquisition costs and value of business in force to reflect unrealized losses and gains attributable to policyholders (Cf. additional depreciation mentioned above: effect on DACs and VBI). This mechanism is identical in principle to the notion of deferred policyholder bonuses under French GAAP, and is also applied to timing differences generated by differences between the two sets of standards and recognized through profit and loss (retained earnings on the opening balance sheet). The participation rate in use is determined locally by each entity on the basis of its estimated liabilities to policyholders.

vii. *Accounting rules for embedded derivatives*

Similarly to embedded derivatives in the invested assets under IAS 39, under IFRS 4 embedded derivatives in insurance contracts should be separated and accounted for at fair value with change in fair value in P&L if:

- they are not closely related to the host contract
- if they are not explicitly excluded by IFRS 4 (surrender option for a fixed amount in insurance and investment contracts with discretionary participation)
- they do not meet the definition of an insurance contract

So far, the total value of embedded derivatives in insurance and investment contracts which should be recognised through the P&L does not seem to be material at AXA's level.

(e) Employee benefits

As mentioned in point 1.1.1 above, in accordance with the exemption offered by IFRS 1, AXA has chosen to recognize in opening shareholders' equity actuarial gains and losses arising from differences with respect to estimates and changes in assumptions, which were not recognized through profit and loss under French GAAP. This net cumulative adjustment arising from changes in assumptions, in accordance with IFRS, reduces AXA's opening shareholders' equity by €2,062 million, and mainly concerns the UK and USA. This leads to a reduction in FINAXA opening group share shareholders' equity of €359 million.

This restatement affects both employee benefit liabilities accounted for under *Provisions for risks and charges* and *Other long-term operating assets* for plans that had a net asset position. Assets representing pensions commitments but that do not meet the definition under IAS 19 have also been transferred to these asset and liability captions. Offsets on these assets must therefore be reversed. This presentation adjustment does not affect AXA's opening shareholders' equity, but does affect total assets and liabilities.

Actuarial gains and losses arising from differences with respect to estimates and from changes in assumptions subsequent to the opening balance sheet are taken in full to shareholders' equity during the period in which they arise (through the "statement of income and expenses recognized during the period").

(f) Share-based compensation

The plans set up by AXA and FINAXA mainly involve direct remuneration in the form of shares, not cash. The main adjustment relates to the release of a reserve established for this purpose under French GAAP, resulting in a limited impact on opening shareholders' equity (+€103 million; FINAXA group share: €18 million). Only options granted after 7 November 2002 and not fully vested at January 1, 2004 are recognized under IFRS. Options are stated at fair value on the grant date, and changes in fair value until the vesting date are recognized as expenses over the vesting period.

Favourable conditions granted as part of share-save plans involving capital increases reserved for employees are also recognized in accordance with IFRS 2, and with the application document published by the CNC (Conseil National de la Comptabilité, French accounting standard-setter) relating to French share-save plans. The resulting impact is recognized in the statement of income for the period.

(g) Treasury shares

Under French GAAP, treasury shares are accounted for on the asset side of the balance sheet if they are held to stabilize the Company's share price in the market, to be attributed to employees, or treated as an investment backing liabilities arising from contracts in which financial risk is borne by the policyholder. Under IFRS, these treasury shares are eliminated with a balancing deduction from shareholders' equity. The net impact on AXA's opening shareholders' equity (and invested assets) is –€510 million. For FINAXA, the reduction in opening shareholders' equity is €87 million. FINAXA's opening shareholders' equity has also been reduced by €1 million in respect of FINAXA treasury shares.

(h) Compound financial instruments

Under IFRS, any compound financial instruments issued by the Group that comprise both an equity component (i.e. an option allowing a debt instrument to be converted into an equity instrument of the company) and a debt instrument (comprising a contractual obligation to deliver cash) are classified separately on the liability side of the balance sheet, and the equity component is stated under shareholders' equity. This results in a net €120 million increase in AXA's opening shareholders' equity, with a €21 million increase for FINAXA's group share.

(i) FINAXA's assets and liabilities

Since the prepayments account is not considered an asset under IFRS, FINAXA's opening shareholders' equity has been reduced by €0.3 billion.

The exchange option attached to bonds issued by FINAXA which are exchangeable into AXA shares has been accounted for separately on the liability side of FINAXA's balance sheet. The redemption premium is now recognised over time at the interest rate effective over the lifetime of the issue. Finally, issue costs must be charged to the book value of the relevant issue. The impact on FINAXA's group share of opening shareholders' equity of these restatements and of amortisation on the basis of the effective interest rate method is –€38 million. Changes in the option's fair value are charged to the profit and loss account.

### 1.1.3 Reconciliation of statements to June 30, 2004 and December 31, 2004

a) Reconciliation between statements of income at June 30 and December 31, 2004

*Reclassifications*

The column showing the transition to IFRS also contains reclassifications due to changes in presentation between French GAAP and IFRS. For example:

- The notion of net banking income has been used under IFRS, whereas figures were presented gross under French GAAP.
- On the other hand, financing debt expenses are isolated in a specific sub-total under IFRS, while they were presented net under net financial items under French GAAP. The same change is made for other debt expenses, which were presented net under net financial items under French GAAP but are now included in the Other income and expenses sub-total in the IFRS statement of income.

The reconciliation between earnings reported under French GAAP in the six months to June 30, 2004 and the earnings for the same period under IFRS is as follows:

<i>million euros</i>	<b>French GAAP</b>	<b>IFRS FTA impacts</b>	<b>IFRS</b>
<b>Revenues</b>		–	
Net investment income <sup>(1)</sup>	(8)	19	11
Net realized investment gains and losses	0	–	0
Change in fair value of financial instruments at fair value through P&L		–	
Change in financial instruments impairment		–	
<b><i>Net investment result excluding financing expenses</i></b>	<b>(8)</b>	<b>19</b>	<b>11</b>
Administrative expenses	(4)	(1)	(6)
Change in tangible assets impairment	–	–	
Other income and expenses <sup>(2)</sup>	(12)	12	
<b><i>Other operating income and expenses</i></b>	<b>(16)</b>	<b>11</b>	<b>(6)</b>
<b>Net income from operating activities gross of tax</b>	<b>(24)</b>	<b>29</b>	<b>5</b>
<b><i>Income arising from investments in associates— equity method</i></b>	<b>251</b>	<b>50</b>	<b>302</b>
<b><i>Financing debts expenses</i></b>		<b>(35)</b>	<b>(35)</b>
<b>Net operating income gross of tax</b>	<b>227</b>	<b>45</b>	<b>272</b>
<b><i>Income tax</i></b>	<b>(1)</b>	<b>–</b>	<b>(1)</b>
<b>Net operating income</b>	<b>226</b>	<b>45</b>	<b>271</b>
<b><i>Change in goodwill impairment</i></b>	<b>(10)</b>	<b>10</b>	
<b><i>Result from discontinued operations net of tax</i></b>		<b>–</b>	
<b>Net consolidated income</b>	<b>216</b>	<b>55</b>	<b>271</b>
<b><i>Minority interests in net consolidated income</i></b>	<b>(3)</b>	<b>(1)</b>	<b>(4)</b>
<b>Group share of consolidated income</b>	<b>213</b>	<b>54</b>	<b>267</b>

**IFRS:**

(1) Net of investment management costs

(2) Balance net of income and expenses in relation to derivatives relating to financing debt (however excludes change in fair value of these derivatives)

The reconciliation between earnings reported under French GAAP in the twelve months to December 31, 2004 and the earnings for the same period under IFRS is as follows:

<i>million euros</i>	<i>French GAAP</i>	<i>IFRS FTA impacts</i>	<i>IFRS</i>
<b>Revenues</b>		–	
Net investment income <sup>(1)</sup>	– 26	35	9
Net realized investment gains and losses	4	–	4
Change in fair value of financial instruments at fair value through P&L		–	
Change in financial instruments impairment		–	
<b>Net investment result excluding financing expenses</b>	<b>– 22</b>	<b>35</b>	<b>13</b>
Administrative expenses	– 4	(1)	– 4
Change in tangible assets impairment	–	–	
Other income and expenses <sup>(2)</sup>	– 22	22	
<b>Other operating income and expenses</b>	<b>– 26</b>	<b>22</b>	<b>– 4</b>
<b>Net income from operating activities gross of tax</b>	<b>– 48</b>	<b>57</b>	<b>8</b>
<b>Income arising from investments in associates— equity method</b>	<b>444</b>	<b>215</b>	<b>659</b>
<b>Financing debts expenses</b>		<b>(26)</b>	<b>– 26</b>
<b>Net operating income gross of tax</b>	<b>396</b>	<b>245</b>	<b>641</b>
<b>Income tax</b>	<b>– 4</b>	<b>–</b>	<b>– 4</b>
<b>Net operating income</b>	<b>392</b>	<b>245</b>	<b>638</b>
<b>Change in goodwill impairment</b>	<b>– 20</b>	<b>20</b>	
<b>Result from discontinued operations net of tax</b>		<b>–</b>	
<b>Net consolidated income</b>	<b>373</b>	<b>265</b>	<b>638</b>
<b>Minority interests in net consolidated income</b>	<b>– 13</b>	<b>(3)</b>	<b>– 16</b>
<b>Group share of consolidated income</b>	<b>360</b>	<b>261</b>	<b>621</b>

**IFRS:**

- (1) Net of investment management costs
- (2) Balance net of income and expenses in relation to derivatives relating to financing debt (however excludes change in fair value of these derivatives)

b) Reconciliation of shareholders' equity at June 30 and December 31, 2004

The reconciliation between shareholders' equity reported at June 30, 2004 under French GAAP and shareholders' equity at the same date under IFRS is as follows:

<i>million euros</i>	<i>French GAAP</i>	<i>IFRS FTA impacts</i>	<i>IFRS</i>
<b>Share capital and capital in excess of nominal value</b>	<b>1,499</b>	<b>(1)</b>	<b>1,498</b>
Reserves relating to the change in FV of financial instruments available for sale		673	673
Reserves relating to the change in FV of hedge accounting derivatives (cash flow hedge)		7	7
Reserves relating to revaluation of tangible assets		–	–
Others		34	34
<b>Other reserves</b>	<b>–</b>	<b>714</b>	<b>714</b>
<b>Translation reserve and undistributed profits, including net income for the period</b>	<b>2,115</b>	<b>(1,116)</b>	<b>999</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>3,614</b>	<b>(403)</b>	<b>3,211</b>
<b>MINORITY INTERESTS</b>	<b>72</b>	<b>(3)</b>	<b>69</b>

The reconciliation between shareholders' equity reported at December 31, 2004 under French GAAP and opening shareholders' equity at the same date under IFRS is as follows:

<i>million euros</i>	<i>French GAAP</i>	<i>IFRS FTA impacts</i>	<i>IFRS</i>
<b>Share capital and capital in excess of nominal value</b>	<b>1,760</b>	<b>(0)</b>	<b>1,760</b>
Reserves relating to the change in FV of financial instruments available for sale		992	992
Reserves relating to the change in FV of hedge accounting derivatives (cash flow hedge)		8	8
Reserves relating to revaluation of tangible assets		–	–
Others		129	129
<b>Other reserves</b>	<b>–</b>	<b>1,129</b>	<b>1,129</b>
<b>Translation reserve and undistributed profits, including net income for the period</b>	<b>2,098</b>	<b>(972)</b>	<b>1,126</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>3,858</b>	<b>157</b>	<b>4,015</b>
<b>MINORITY INTERESTS</b>	<b>71</b>	<b>6</b>	<b>77</b>

c) Reconciliations between shareholders' equity by type

	June 30, 2004			December 31, 2004			For information January 1, 2004		
	Total	AXA	FINAXA	Total	AXA	FINAXA	Total	AXA	FINAXA
<b>Shareholders' equity French GAAP</b>	<b>3,614</b>			<b>3,858</b>			<b>3,399</b>		
Scope of consolidation	(11)	(11)		45	45		(37)	(37)	
Business combinations and goodwill	(144)	(144)		(135)	(135)		(216)	(216)	
Invested assets	443	442	1	775	774	1	458	457	1
Derivatives and hedge accounting	27	27		80	80		33	33	
Liabilities relating to non- life insurance contracts	47	47		47	47		45	45	
Deferred acquisition costs and equivalents	(40)	(40)		(43)	(43)		(22)	(22)	
Pension benefit obligations and share-based compensation	(344)	(344)		(375)	(375)		(337)	(337)	
Treasury shares	(85)	(85)	(1)	(68)	(67)	(1)	(88)	(87)	(1)
Compound instruments and changes in classification									
Payables/shareholders' equity	21	21		130	130		21	21	
Cancellation of accrued income account	(269)		(269)	(269)		(269)	(269)		(269)
Other differences	(47)	(14)	(33)	(30)	(44)	14	(54)	(16)	(38)
<b>Total restatements</b>	<b>(403)</b>	<b>(101)</b>	<b>(301)</b>	<b>157</b>	<b>412</b>	<b>(254)</b>	<b>(466)</b>	<b>(159)</b>	<b>(307)</b>
<b>Shareholders' equity IFRS</b>	<b>3,211</b>			<b>4,015</b>			<b>2,934</b>		

Notes on income statement reconciliations and impacts on shareholders' equity at June 30, 2004 and December 31, 2004

Main net impacts on group share of net income at June 30, 2004 and December 31, 2004

The main changes to the results for these two periods are as follows:

a) FINAXA group share of AXA restatements:

- no goodwill amortization (positive impact of €58 million in the first half of 2004 and €105 million in full-year 2004)
- releases from investment impairment reserves arising on disposal and reduced additions to these reserves during the periods (net positive impact of €29 million in the first half of 2004 and €91million in full-year 2004)
- incomplete recognition of derivative hedging effects under IFRS (impact of almost zero in the first half of 2004 but a net positive impact of €44 million in full-year 2004)
- additional restructuring charges relating to the acquisition of MONY in the second half of 2004 (net negative impact of –€25 million in full-year 2004), which are not recognized in the subsidiary's opening balance sheet under IFRS, whereas they are under French GAAP
- no exceptional income resulting from the release of reserves relating to the exercise of puts by former shareholders of Sanford C. Bernstein (Alliance Capital). This income is cancelled under IFRS, resulting in an impact of –€11 million in the first half of 2004 and –€19 million in full-year 2004.

b) Restatements specific to FINAXA:

- no goodwill amortization (positive impact of €10 million in the first half of 2004 and €20 million in full-year 2004)
- restatement of the amortized cost of FINAXA exchangeable bonds (negative impact of –€19 million in the first half of 2004 and –€38 million in full-year 2004)
- change in market value of the exchange option relating to the FINAXA exchangeable bond (positive impact of €3 million in the first half of 2004 and €48 million in full-year 2004)
- cancellation of the exchangeable bond redemption premium charge (positive impact of €11 million in the first half of 2004 and €22 million in full-year 2004)

Main net impacts on shareholders' equity at June 30, 2004 and December 31, 2004

The main changes to shareholders' equity for these two periods are as follows:

a) FINAXA group share of AXA restatements:

- change in fair value of available-for-sale investments (positive impact of €673 million in the first half of 2004 and €992 million in full-year 2004)
- impairments recognized to available-for-sale assets (negative impact of –€215 million in the first half of 2004 and –€192 million in full-year 2004)
- restatements of pension benefit obligations, mainly relating to recognition of actuarial gains and losses on benefit programmes for retired employees, and on share-based compensation (negative impact of –€344 million in the first half of 2004 and –€375 million in full-year 2004)

b) Restatements specific to FINAXA:

- cancellation of FINAXA accrued income account (negative impact of –€269 million in first half of 2004 and in full-year 2004)
- cancellation of FINAXA exchangeable bond redemption premium charge (positive impact of €135 million in the first half of 2004 and €146 million in full-year 2004)
- restatement of the amortized cost of FINAXA exchangeable bonds (negative impact of –€195 million in the first half of 2004 and –€215 million in full-year 2004)
- change in the market value of the exchange option relating to the FINAXA exchangeable bond (positive impact of €7 million in the first half of 2004 and €52 million in full-year 2004)
- no goodwill amortization (positive impact of €10 million in the first half of 2004 and €20 million in full-year 2004)

**Note 2: Operating highlights**

**(a) Main acquisitions and disposals**

On March 1, 2005 EURAZEO and FINAXA signed a contract to sell 915,268 shares, being the whole block owned by FINAXA, representing 95.45% of the outstanding shares and 97.18% of the voting rights in Ateliers de Construction du Nord de la France (ANF), a company listed on the Paris Euronext Eurolist. This transaction did not lead to any material impact on FINAXA's group share of net income.

On the same day, following signature of the contract of sale between EURAZEO and FINAXA, ANF sold its shareholding in AXA to Oudinot Finance, a subsidiary of FINAXA, representing 0.29% of AXA's outstanding shares and 0.48% of the voting rights. The sale took

place at the price of €20.38 per share, AXA's weighted average share price by volume on February 28, 2005.

**(b) Capital and financing operations**

**Capital operations:**

On June 29, 2005, the Management Board of AXA (following a meeting of the Supervisory Board) and the Board of Directors of FINAXA approved the terms and conditions of the merger of FINAXA into AXA. A review of this move had been announced on 19 April.

For AXA and its shareholders, this merger simplifies the shareholder structure, improves the standing of the stock and increases the proportion of publicly traded shares. In addition, AXA will obtain ownership of the "AXA" brand which is currently the property of FINAXA. For FINAXA shareholders, this transaction improves the liquidity of their securities and eliminates the discount which affects the value of their securities.

Following the studies conducted by the committees of independent directors appointed within the Supervisory Board of AXA and the Board of Directors of FINAXA, the Management Board of AXA and the Board of Directors of FINAXA have set an exchange ratio of 3.75 AXA shares for one FINAXA share, corresponding to 15 AXA shares for 4 FINAXA shares. Independent banks respectively appointed by the Supervisory Board of AXA and the Board of Directors of FINAXA have each given a fairness opinion confirming that the exchange ratio is fair to the shareholders of each company.

AXA will undertake a capital increase of a minimum of 288 million shares. This number could go up to 299 million shares depending on the proportion of FINAXA'S dividend paid in newly issued FINAXA shares. This number could also be adjusted for FINAXA stock-options and convertible bonds exercised up to the suspension date of these operations.

Following this capital increase, AXA shares currently held by FINAXA and its subsidiaries, which amount to 336 million shares, would be cancelled. As a consequence, AXA's shareholders' equity would be reduced by Euro 0.8 to 0.9 billion, following the merger.

Under IFRS principles, this merger would be +1.2% accretive to AXA non-diluted EPS as soon as 2005 and -0.7% dilutive to fully diluted EPS.

Mutuelles AXA and FINAXA currently own 20.35% of AXA outstanding shares and 32.20% of AXA voting rights. Following the merger, the Mutuelles AXA, which currently own 2.72% of AXA outstanding shares representing 4.38% of AXA voting rights and 71.69% of FINAXA outstanding shares representing 80.53% of FINAXA voting rights, would become the principal AXA shareholder, holding approximately 14% of AXA shares representing 23% of voting rights.

The terms and conditions of the merger, including the exchange ratio, will be submitted to Court Appointed Merger Auditors ("Commissaires aux Apports et la Fusion") who will deliver their reports before December 16, 2005, the date of the Extraordinary General Assemblies of FINAXA and AXA at which the merger will be presented for approval to the shareholders of each company.

AXA will take over the rights and obligations of FINAXA on January 1, 2005.

**Financing operations**

On January 25, 2005, AXA issued, under its €5 billion Euro Medium Term Notes program, €250 million of undated deeply subordinated notes ("Titres Super Subordonnés"), allowing the Group to improve debt quality and to strengthen hybrid capital, whilst anticipating the refinancing of debts maturing in 2005 and after.



a) **Other highlights**

In order to further protect the Group balance sheet exposure to the USD, an additional \$1.950 billion economic hedges have been implemented in the first half year 2005, through Cross Currency Swaps.

**Note 3: Events subsequent to June 30, 2005**

A combined general meeting of shareholders on May 10, 2005 gave each shareholder the option of receiving the dividend payment for 2004 in either cash or shares from May 16 to July 8, 2005.

At the end of this option period, 2,945,178 new shares were created, increasing shareholders' equity by €174 million.

On July 28, 2005, AXA Investment Managers (AXA IM) and Framlington Group Limited announced that AXA IM entered into an agreement to buy Framlington Group Limited from HSBC Holdings plc and Comerica Incorporated. Completion of the transaction is subject to certain conditions, including FSA approval. Framlington is an investment management boutique with an emphasis on specialist, high-performance and high-value-added equity investments, and has a significant market position within the UK retail market segment, capturing 10.7% of overall UK retail net sales during 2004. Assets under management, as at the end of June 2005, were £4.5 billion. Under this agreement, AXA IM will buy 100% of Framlington Group Limited shares for a total consideration of £174 million, representing net asset value at the sale date. This acquisition will be financed internally within the AXA Group.

On July 29, 2005, AXA announced its intention to acquire from the group Caixa Geral de Depositos the insurance company "Seguro Directo Gere – Companhia de Seguros, S.A.". Usually known as Seguro Directo, the company operates in the direct insurance market in Portugal (by telephone and Internet), where it has a market share of almost 50% and gross revenues of approximately Euro 23 million. This acquisition is consistent with the growth strategy of AXA Portugal and will allow the company to diversify its distribution channels and further improve the service to its 700,000 clients. AXA has the objective of growing the direct distribution channel and re-establishing the leadership position Seguro Directo once held in Portugal. The transaction is subject to regulatory approvals, including the Portuguese Insurance Institute and Antitrust Authority.

On August 29, 2005, Hurricane Katrina made landfall on the U.S. Gulf Coast causing severe damages and floods. AXA has exposures to this event mainly through its reinsurance activities in AXA RE, and marginally through its large risks (AXA Corporate Solutions Assurance) and Art (AXA Art) businesses. As at the date of publication of this Management Report, AXA RE only received limited information from its cedants in relation with this event. The corresponding cost to AXA, of which a significant part will be reinsured or retroceded outside of the AXA Group, will be included in the Full Year 2005 consolidated financial statements. Based on our current knowledge, including an insurance market loss in the range of \$40 billion to \$60 billion, the costs related to Hurricane Katrina are estimated to be approximately \$200 million before tax and net of retrocession in AXA RE.

On September 14, 2005, AXA Financial, Inc. ("the Company") and Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), both Delaware corporations, entered into a definitive Stock Purchase Agreement.

Pursuant to the Stock Purchase Agreement, Merrill Lynch will purchase from the Company all of the issued and outstanding shares of capital stock of The Advest Group, Inc. ("Advest"), a Delaware corporation and a wholly owned subsidiary of the Company, for \$400 million in cash, subject to adjustments in certain circumstances. The Company's estimated post-tax proceeds from the sale will be approximately \$297 million. The Company preliminarily estimates that the purchase price will result in a pre-tax gain to the Company of approximately \$6 million and a post-tax loss to the Company of approximately \$96 million. This transaction reduces the Company's goodwill by approximately \$190 million.

The sale of Advest is expected to close in the fourth quarter of 2005 and is subject to certain regulatory approvals.

#### **Note 4: Accounting policies and consolidation method**

FINAXA's consolidated financial statements at June 30, 2005 were approved for publication by the Board Of Directors on October 18, 2005. AXA has been consolidated using the equity method on the basis of AXA'S consolidated financial statements at June 30, 2005.

### **4.1 General accounting policies**

#### **4.1.1 General principles**

The interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards endorsed by the European Commission. AXA has anticipated the amendment to IAS 39 regarding the Fair value option issued by the IASB in June 2005 and expected to be formally endorsed by the European Commission in the second half-year 2005. AXA has also applied the amendment to IAS 19 adopted by IASB in December 2004, and to be endorsed in the second half-year 2005 by the European Commission following the approval by ARC (Accounting Regulation Committee or Comité de réglementation comptable) in May 2005.

The consolidated financial statements to June 30, 2005 comply with the recommendations of the CESR and the AMF, and have been prepared in accordance with the accounting principles adopted by the European Union at June 30, 2005. Financial statements for 2004 presented for purposes of comparison have been prepared in accordance with the same accounting standards, including IAS 32, IAS 39 and IFRS 4, which FINAXA opted to apply as of January 1, 2004. The Group has also opted not to apply IAS 34 relating to interim financial statements to June 30, 2005. These are prepared in accordance with CNC recommendation 200101 R 01 relating to interim financial statements.

The AMF does not require insurance groups applying CNC recommendation 99-R-01 to publish a statement of cash flow to June 30, 2005. Under this alternative, FINAXA has opted not to present this information.

These interim financial statements comply with IFRS standards and IFRIC interpretations issued and in force or issued and adopted in anticipation, at the time the financial statements were prepared (July 2005).

Preparation of financial statements in accordance with IFRS requires that certain estimates and assumptions be made. This includes judgement when applying the Group's accounting principles as described below.

As recommended by IAS 1, assets and liabilities on the balance sheet are in increasing order of liquidity, which is more relevant than the current/non-current classification for financial institutions. Expenses are presented in order of function in the income statement.

All figures on the balance sheet and income statement and in the notes are in millions of euros, rounded up.

#### **4.1.2 First-time adoption of IFRS**

The transition date for FINAXA is January 1, 2004. FINAXA prepared its opening IFRS balance sheet at that date (the reporting date of these interim consolidated financial statements is June 30, 2005). FINAXA's IFRS adoption date is January 1, 2005.

FINAXA's accounting policies have been applied in a manner consistent with AXA's policies, including those relating to the classification and measurement of insurance contracts, investment contracts and other financial assets and liabilities including derivatives.

FINAXA's consolidated financial statements were prepared in accordance with generally accepted accounting principles in France (referred to as "French GAAP") until December 31, 2004. The comparative figures in respect of 2004 including IAS 32, IAS 39 and IFRS 4 impacts

were restated to reflect these adjustments. First-time adoption of IFRS is described in Note 1 where are provided reconciliations and descriptions of the effect of the transition from French GAAP to IFRS on shareholders' equity and net income.

## **4.2 Policies and consolidation method**

### **4.2.1 Basis of consolidation**

Companies in which FINAXA exercises control are known as subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to FINAXA. Control is presumed to exist when FINAXA directly or indirectly holds at least 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible have also been considered when assessing whether FINAXA controls another entity.

Companies in which FINAXA directly or indirectly holds 20% or more of the voting rights and for which FINAXA exercises joint controlling influence are proportionately consolidated.

Companies in which FINAXA exercises significant long-term influence are accounted for as an investment using the equity method of accounting. Significant influence is presumed when FINAXA directly or indirectly holds 20% or more of the voting rights or when significant influence is exercised through an agreement with other shareholders. FINAXA's share of the associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves through Other Reserves.

### **4.2.2 Business combinations: purchase accounting and goodwill including acquisitions of minority interests**

As described above and in note 1 on first time application of IFRS, past business combinations prior to 2004 have not been restated except for the goodwill related to entities in foreign currency. The principles described below apply to business combinations occurring after January 1, 2004.

#### **Valuation of assets acquired, liabilities assumed and contingent liabilities**

Upon the first consolidation, the identifiable assets and liabilities of the acquired companies are recorded at their estimated fair value. However as permitted by IFRS 4, the liabilities related to the life insurance contracts or investment contracts with discretionary participating features are maintained at the predecessor's carrying value at the date of the acquisition if the measurement basis is consistent with FINAXA's accounting principles.

An asset is recorded corresponding to the present value of estimated future profits emerging on purchased business in-force at the date of acquisition (also referred to as value of purchased business in-force or VBI), reflecting the value of portfolios of insurance and investment contracts with discretionary participation. The present value of future profits takes into consideration the cost of capital and is estimated using actuarial assumptions based on future projections made at the acquisition date and using a discount rate which includes a risk premium. Other intangible assets such as trademarks or customer relationships are recognized if they can be valued reliably and it is probable that future economic benefits attributable to the assets will flow to the entity.

In connection with business combinations, only restructuring costs that can be measured reliably and which correspond to an existing liability of the acquired company prior to the acquisition date are included in a restructuring provision recognized in the balance sheet of the acquired company as of the acquisition date.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus external fees directly attributable to the acquisition.

External fees related to the business combination include the costs of settling or exchanging the target company's outstanding employee share options (applicable to all acquisitions including acquisitions of minority interests). If the transaction is based in a foreign currency, the impact

of the foreign currency is included in the purchase price at the date of the transaction or the initial date of the transaction (if it occurs over a period of time).

### **Goodwill**

The excess of the cost of acquisition over the net fair value of the assets, liabilities and contingent liabilities acquired represents goodwill. Goodwill arising on the acquisition of a foreign entity is recorded in local currency of the acquired entity and translated into euros at the closing date.

If the cost of acquisition is less than the net fair value of the assets, liabilities and contingent liabilities acquired, the difference is recognized directly in the income statement.

Revisions can be made to goodwill within the twelve months of the acquisition date, if new information becomes available.

Goodwill is allocated across segments (“Life & Savings”, “Property & Casualty”, “International Insurance” including reinsurance and “Other Financial Services”) to cash generating units corresponding (i) to the companies or portfolios of business acquired in respect of their market image and share and their expected profitability, and (ii) to the entities within the Group that will benefit from the synergies expected from the combination with the activities acquired. This allocation of goodwill is used both for segment reporting and for impairment testing purposes.

### **Step by step acquisitions (with change in control)**

When an acquisition is achieved in stages (successive acquisitions), each significant transaction is treated separately for purpose of determining the cost of acquisition, the fair values of the identifiable assets acquired and liabilities assumed, and the goodwill. Any adjustment to the fair values previously recognized is a revaluation and is accounted for as such through equity (other reserves).

### **Acquisitions of minority interests (without change in control)**

Acquisitions of minority interests are accounted for as equity transactions. The difference between the cost of acquisition and the corresponding interests acquired is directly recognized in equity.

In certain transactions, when acquiring the control of an entity, a put option may be granted to minority shareholders. Whether this option is recognized as a liability depends on the precise terms of the contract.

### **Intra group transactions**

Intra group transactions, including internal dividends, balances and gains or losses on intra group transactions are eliminated:

- in full for wholly-owned subsidiaries
- to the extent of FINAXA’s interest for associates and proportionally consolidated companies

The income statement impact of transactions between consolidated companies is always eliminated, with the exception of long-term internal losses which are generally retained.

When an asset not intended as a long-term holding is disposed of internally within the FINAXA Group:

- the tax corresponding to the realized gain or loss is also eliminated by being posted to the deferred tax account on the balance sheet
- the same applies to the impact on the income statement of potential policyholder benefit from this transaction (the balancing entry is a deferred policyholder benefit asset account on the balance sheet)

In addition, the total or partial transfer of securities in a company included in the scope of consolidation, between two subsidiaries that are fully consolidated but where the ownership level differs, will not affect the consolidated operating results, with the exception of any related tax and allocation to policyholders' participating benefits recorded as a consequence of the transaction, when the securities being transferred internally are to be held long-term within FINAXA.

The transfer has an impact on shareholders' equity, with the balancing entry in minority interests, which is identified in the "Internal restructuring" line of the shareholder's equity reconciliation.

### **Foreign currency translation and transactions**

The consolidated financial statements are presented in millions of euros, euro being FINAXA's functional and presentation currency.

The results and financial position of all FINAXA entities that have a functional currency (i.e. the currency of the primary economic environment in which the entity operates) different from FINAXA's presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities of subsidiaries whose functional currency is not the euro are translated into euro using foreign exchange rates at the date of that balance sheet
- (ii) income and expenses are translated at average exchange rates for each period presented
- (iii) all resulting exchange differences are recognized as a separate component of shareholders' equity (cumulative translation adjustment).

Foreign currency transactions are translated into euro using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at closing date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except where hedge accounting is applied as explained in paragraph 9.

As noted above, goodwill arising on the acquisition of a foreign entity is recorded in the local currency of the acquired entity and is translated into euros at the reporting date.

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recorded in shareholders' equity and are recognized in the income statement on disposal of the net hedged investment.

Exchange differences arising from monetary financial assets classified as available for sale and corresponding to the amortized cost are recognized as income or expense for the period; the remaining changes relating to fair value changes are recorded in shareholders' equity.

### **Segment reporting**

The segmental analysis provided in FINAXA's annual report and financial statements reflects both lines of business (primary segment) and geography; it is based on five types of activities: "Life & Savings", "Property & Casualty", "International Insurance" (including reinsurance) and "Other Financial Services" (including Asset Management). An additional "Holdings" segment includes all non-operational activities.

### **Intangible assets**

#### **Goodwill and impairment of goodwill**

Goodwill is considered to have indefinite useful life and is therefore not amortized. It is subject to impairment tests which should be performed at least annually. Impairment of goodwill is not reversible.

FINAXA performs an annual impairment test of goodwill based on the cash generating units using a multi-criterion analysis (parameters include value of assets, future operating profits, market share) in order to determine if there are significant adverse changes. That analysis includes the long-term nature of the holding, and excludes factors affected by short-term

market volatility. The analysis also considers the interdependence of transactions within sub-groups. Within each cash generating unit, a comparison is made between net book value and the recoverable value, which is equal to the higher of the market value and value in use. The value in use is the net assets and expected earnings from existing and new business, taking into account the cash generating unit's future estimated future cash flow. The value of future expected earnings is estimated on the basis of life insurance and savings embedded value figures published by AXA or similar calculations for other activities. Market value is based, for example, on various valuation multiples.

#### **Value of purchased life insurance business in force (“VBI”)**

The VBI, in respect of acquired insurance companies, is determined on the basis of profits emerging over the contract period and is amortized over the life of the relevant contracts. A recoverability test is carried out each year, in similar manner to the liability adequacy test, based on actual experience and expected trends with respect to the principal assumptions.

#### **Other intangible assets**

Other intangible assets include software whose associated direct costs are capitalized and amortized on a straight-line basis over their estimated useful life.

Other intangible assets also include trademarks or customer relationships recognized as a result of business combinations, subject to the fact that their fair value can be measured reliably and it is probable that future economic benefits attributable to the assets will flow to the Company. They are carried at amortized cost. If these assets have a finite useful life, they are amortized over this useful life. In all cases, they undergo an impairment test at each accounts closing. In the event of a significant decline in value, an impairment valuation allowance is booked for the difference between the value on the balance sheet and the higher of value in use and market value.

#### **Deferred acquisition costs (“DAC”) in respect of life insurance and investment contracts with discretionary participating features. Deferred origination costs (“DOC”) in respect of investment contracts without discretionary participating features**

The variable costs of acquiring life insurance contracts are carried as assets on the balance sheet. Such deferred acquisition costs are amortized over the average contract term in proportion to expected future profits. This asset is tested for recoverability in a manner similar to the liability adequacy test: any part of the acquisition costs which, at the end of each accounting period, is not deemed recoverable from future profits is immediately recorded as a charge against income.

For investment contracts without discretionary features, a similar asset is created (DOC) but limited to costs directly attributable to the provision of asset management services. This asset is amortized in proportion of all estimated level fees collected over the life of the contracts. The amortization of the DOC is reviewed at each closing date to reflect changes in assumptions and experience. This amortization is also tested for recoverability.

DAC and DOC are reported gross of unearned revenues and fees reserves.

These unearned revenues and fees reserves are separately recognized as liabilities and are amortized over the contract term using the same amortization basis used respectively for DAC and DOC.

#### **Investments from insurance, banking, and other activities**

Investments include investment real estate properties and financial instruments including equity securities, fixed term securities, and loans.

## **Investment properties**

Investment properties (excluding investment properties backing totally or partially contract liabilities where the financial risk is borne by policyholders) are accounted for at cost, the components being depreciated over their estimated useful life, taken into consideration their residual value at the end of the useful life if the residual value may be reliably estimated.

Valuation allowances are recorded for a decline in the value of a property that is deemed to be other-than-temporary. When the appraised value is 15% lower than the net carrying value, the present value of the asset's future estimated cash flows is calculated. If the calculated amount is lower than the net carrying value, a valuation allowance is recorded, equal to the difference between (a) the net carrying value and (b) the higher of the appraised value or the discounted cash flow value.

If, in subsequent periods, the difference between the appraised value and the net carrying value reaches 15% or more, previously recorded valuation allowances are reversed to the extent of the difference between a) the net carrying value and b) the lower of the appraised value or the depreciated cost (before impairment).

Investment properties backing totally or partially contract liabilities where the financial risk is borne by policyholders, are accounted for at fair value with changes in fair value recorded in profit or loss.

## **Financial instruments**

### **Classification:**

Financial instruments are classified in the following categories depending on the intention and ability to hold the invested assets:

- assets held to maturity, accounted for at amortized cost
- loans & receivables (including unlisted debt instruments) accounted for at fair value
- trading assets and assets designated at fair value with change in fair value through profit or loss
- available for sale assets accounted for at fair value with changes in fair value in shareholder's equity.

The option for designation of financial assets and liabilities at fair value with change in fair value through profit or loss, as defined by the IAS 39 amendment issued June 16, 2005 by the IASB, has been mainly used by the Group in the following cases:

- financial assets for which electing fair value option is appropriate to reduce accounting mismatch, particularly in the following cases:
  - assets backing liabilities arising from contracts for which the financial risk is borne by the policyholders
  - assets included in hedging strategies set out by the Group for economic reasons but not eligible for hedge accounting as defined by IAS 39
- groups of financial assets managed and their performance evaluated on a fair value basis: mainly, securities held by some mutual funds included in the scope of consolidation on the basis of Group risk management policy ("Satellite Investment Portfolio" see definition below)
- in addition, the debts held by consolidated CDOs have also been designated under this option, at fair value through profit or loss, electing this option being appropriate to reduce the accounting mismatch.

In practice, assets held through mutual funds are classified either:

- as assets of the "Core Investment Portfolios" which include assets held for backing insurance and investment contract liabilities, based on the Group's asset/liability management (ALM) strategy

- or as assets of the “Satellite Investment Portfolios” reflecting strategic asset allocation based on active management with total return objective.

Securities within “Core Investment Portfolios” are classified as “available for sale” unless involved in a qualifying hedge relationship or more broadly in the case when electing fair value option is appropriate to reduce accounting mismatch. The securities held in the “Satellite Investment Portfolios” are accounted for at fair value through profit or loss.

Loans are stated at amortized cost, net of unamortized discounts and valuation allowances.

#### **Impairment of financial assets**

FINAXA assesses at each balance sheet date whether a financial asset or a group of financial assets has suffered long-term impairment.

For fixed interest securities, a valuation allowance is recorded through income statement for a decline in value of a security if the amount may not be fully recoverable from the security issuer. If this risk is eliminated or improves, the valuation allowance may be reversed. The amount of the reversal is recognized in the income statement.

For equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an indication of the securities’ loss of value. That is the case for equity securities with unrealized losses for a continuous period of 6 months or more prior to the closing date or higher than 20% of the carrying value at the closing date. If any such evidence exists for available-for-sale financial assets, the cumulative loss—measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement—is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement until the asset is sold or derecognized.

Impairment measurement of loans is based on the present value of expected future cash flows, discounted at the loan’s effective interest rate, on the loan’s current market price or the fair value of the collateral.

For assets accounted for at amortized cost, including loans and assets classified as “held to maturity”, the impairment test is first performed at the individual level. If there is no evidence of impairment at this level, then a collective assessment is made for groups of assets with similar risks.

Due to the volume of transactions and variety of information systems among the consolidated companies, various methods may be used to allocate the cost of equities and bonds, as long as they are applied constantly by each entity: average cost, first-in first-out (FIFO) or any other method.

#### **Assets backing contract liabilities for which the financial risk is borne by the policyholders**

Insurance or investment contract liabilities where the financial risk is borne by the policyholders are presented in a separate caption of the balance sheet. The assets backing those liabilities are symmetrically presented in a specific caption on the asset side of the balance sheet. This presentation is relevant for the users and consistent with the increasing order of liquidity recommended by IAS 1 for financial institutions since the risks are borne by policyholders, whatever the nature of assets backing the liabilities, properties, fixed interest securities or equity securities. A breakdown by nature of assets is presented in the notes to the financial statements.

#### **Derivative financial instruments**

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The unrealized gains and losses are recognized in the profit and loss account unless they are in a qualifying hedge relationship further described below. FINAXA designates certain derivatives as either: (i) hedges of the fair value of recognized assets or liabilities or of a firm commitment (fair value



hedge); (ii) hedges of highly probable future transactions (cash flow hedges); or (iii) hedges of net investments in foreign operations.

FINAXA documents at inception the hedge relationship, as well as the asset management objectives and hedging strategy. FINAXA also documents its assessment of hedge effectiveness, both at hedge inception and on an ongoing basis, indicating whether the derivatives that are used in hedging transactions are expected to be and have been highly effective in offsetting changes in fair values or cash flows of hedged items.

#### **Fair value hedge**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities.

#### **Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in shareholders' equity. The gain or loss relating to any ineffective portion is recognized immediately in the income statement. Amounts accumulated in shareholders' equity are recycled to the income statement in the periods in which the hedged item affects profit or loss (for instance when the hedged future transaction takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in shareholders' equity at that time remains in shareholders' equity until the future transaction affects the income statement.

#### **Net investment hedge**

Accounting for net investment hedges is identical to the accounting for cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in shareholders' equity; the gain or loss relating to the ineffective portion is recognized immediately in the income statement. Gains and losses accumulated in shareholders' equity are included in the income statement on disposal of the net investment.

#### **Derivatives that do not qualify for hedge accounting**

Changes in the fair value of all other derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

FINAXA owns financial assets that include embedded derivatives. Such embedded derivatives are separately recorded and valued at fair value through profit or loss when appropriate and significant.

For balance sheet presentation, derivatives are netted against the assets or liabilities hedged, regardless of whether those derivatives meet the criteria for hedge accounting. Detailed amounts are disclosed in the notes to financial statements.

#### **Share capital and reserves**

##### **Share capital**

Ordinary shares are classified as shareholders' equity when there is no contractual obligation to transfer cash or other financial assets.

Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

##### **Deeply subordinated debts**

Deeply subordinated debts, plus related interest charges where appropriate, are classified as shareholders' equity ("other reserves") since, as for ordinary shares, they do not result in an obligation to transfer cash or other financial assets.

## Compound financial instruments

Any compound financial instrument issued by the Group with an equity component (i.e. an option to convert the debt instrument into an equity instrument of the company) and a debt component (contractual obligation to deliver cash) are classified separately on the liability side of the balance sheet with the equity component reported in shareholders' equity ("other reserves"). Gains and losses associated with redemptions or refinancing of the equity component are recognized as changes in shareholders' equity.

## Treasury shares

Treasury shares and any directly associated costs are recorded as a reduction of consolidated shareholders' equity. Where such shares are subsequently sold, or reissued, any consideration received is included in consolidated shareholders' equity, net of any directly attributable costs and tax.

## Insurance and investment contract liabilities

### Contract classification

The Group issues contracts that transfer insurance risk or financial risk or both.

**Insurance contracts**, including assumed reinsurance treaties, are those contracts that contain significant insurance risk. Such contracts may also transfer financial risk from the policyholders to the insurer. Investment contracts are those contracts that have financial risk with no significant insurance risk.

A number of insurance and investment contracts contain a **discretionary participating feature (DPF)**. This feature entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits
- whose amount or timing is contractually at the discretion of the Group
- and contractually based on performance of contracts, or return on assets, or profit or loss of the company, fund or other entity that issues the contract.

In some insurance or investment contracts, **the financial risk is borne by policyholders**. Such kind of contracts usually comprises unit-linked and separate accounts contracts.

The Group classifies its insurance and investments contracts into six categories:

- liabilities arising from insurance contracts
- liabilities arising from insurance contracts where the financial risk is borne by policyholders
- liabilities arising from investment contracts with discretionary participating feature
- liabilities arising from investment contracts with no discretionary participating feature
- liabilities arising from investment contracts where the financial risk is borne by policyholders and with discretionary participating feature, corresponding to unit linked funds of multi funds contracts containing a non unit linked fund with a discretionary participating feature
- liabilities arising from investment contracts where the financial risk is borne by policyholders and without participating feature.

The two last categories are presented on a single line on the face of the balance sheet: "Liabilities arising from investment contracts where the financial risk is borne by policyholders".

## **Insurance contracts and investment contracts with discretionary participating feature (DPF)**

According to IFRS 4, recognition and derecognition are based on the existing FINAXA accounting policies as follows except for the elimination of the equalization provisions and the selective changes as permitted by IFRS 4 (*see below on reserves for additional guarantees*).

### **Unearned premium reserves**

Unearned premium reserves represent the portion of gross premiums written which has not yet been earned in the period between recovery date and either the next contract maturity or its term, as appropriate, on a pro rata basis.

**For traditional life insurance contracts** (that is, those contracts with significant mortality risk), technical reserves are calculated in accordance with the applicable regulatory principles of each country on the basis of actuarial assumptions as to investment yields, mortality, morbidity and expenses, using a prospective approach.

An additional provision is fully recorded in the event of an adverse impact on the benefits in the event of a change in mortality tables, reflecting the gap between provisions calculated using the old and the new table.

Technical reserves for investment contracts with discretionary participation feature (previously named “savings contracts” under FINAXA accounting policies), in which there is minimal mortality or morbidity risk, are determined using the prospective method with locked-in discount rates which leads to similar results as the retrospective or account balance approach.

The discount rates used by FINAXA do not exceed the conservatively estimated future yield of the investments backing those liabilities.

Technical reserves include provisions for participation when life insurance contracts provide participation rights for policyholders arising from results generated by contracts.

The technical reserves on UK “With-Profit” contracts include 100% of the “Fund for Future Appropriation” (FFA), which principally covers the future terminal bonuses according to the terms of these contracts. The FFA and, therefore, the future policy benefits vary with the change in market value of the assets supporting the participating “With-Profit” funds.

For both traditional life insurance contracts and investment contracts with discretionary participation feature, if the contracts include a minimum guaranteed rate of return, the insurance liability will also include a provision necessary to cover the guarantee in the event that the future returns are insufficient.

**Reserves for additional guarantees** in respect of contracts where the financial risk is borne by policyholders and classified as insurance contracts because of these features are determined using a prospective approach except when those guarantees are subject to a risk management program based on futures (see below). The average current value of future benefit obligations to be paid to the policyholder in the event that the guarantee is triggered is estimated on the basis of reasonable scenarios. The main assumptions include an investment return and related volatility, surrender rates and mortality. This current value of future benefit obligations is set up as a provision such that the total average cost of the guarantees is recognized over the contract life.

Certain additional guarantees such as Guaranteed Minimum Death or Income Benefit (“GMDB” or “GMIB”) or some performance guarantees offered by reinsurance treaties are subject to a risk management program based on futures: in order to reduce the accounting mismatch between the valuation of liabilities and the valuation of the related derivatives, FINAXA has elected the option opened by IFRS 4.24 for selective re-measurement of the reserves at current market assumptions. This change in accounting policy has been applied for the first time adoption of IFRS as of the January 1, 2004 IFRS transition date for the blocks of contracts that were part of the risk management program at that date. Each block of contracts that are covered by this program at a later date is remeasured on a market conditions basis as from the date of the extension of the program.

### **Claims reserves (Non life insurance)**

The claims reserves are determined on a basis to cover the total cost of settling an insurance claim. With the exception of disability annuities, which are discounted, the claims reserves are not discounted.

The claims reserves include the claims incurred and reported in the accounting period, claims incurred but not reported (“IBNR”) in the accounting period and costs associated with the claims settlement management. The claims reserve is based upon historical figures and estimates of current claims trends, taking into consideration claims experience in all branches of insurance, as well as the anticipated level of inflation, regulatory risks and any other factor which might influence the amounts payable.

### **Unearned revenues reserves**

Revenues and fees representing up-front charges for future services are recognized as a liability and amortized into income using the same assumptions to amortize deferred acquisition costs (DAC).

### **Shadow accounting and Deferred Participating Liability (DPL) or Deferred Participating Asset (DPA)**

In compliance with the option offered by IFRS 4, the shadow accounting is applied for insurance and investment contracts with a discretionary participating feature. This shadow accounting affects technical provisions, deferred acquisition costs and value of business in force to reflect the direct impacts of unrealized gains or losses on the measurement of these insurance liabilities or assets in the same way that a realized gain or loss does.

When unrealized capital gains of the assets are recognized, a deferred participating liability (DPL) is recorded. The DPL corresponds to the discretionary participating features available for the policyholders and is fully classified as liabilities arising from policyholders’ participation, with no allocation to any equity component. Consequently, FINAXA does not need to check that the liability recognized for the whole contract is not less than the amount that would result from applying IAS 39 to the guaranteed element.

The DPL is calculated by applying a participation rate to the unrealized gains or losses. The participation rate considered is the best estimate based on constructive obligations.

In case of unrealized losses, a deferred participating asset (DPA) should be recognized only to the extent that its recoverability is highly probable. That could be the case if the DPA would be offset against future participating either directly through deduction of the DPA from future capital gains or indirectly through deduction of future loads on premiums or margins.

Unrealized gains & losses on assets classified as trading or fair value through profit or loss are accounted for in income statement with shadow accounting adjustment through income statement. On assets classified as available for sale accounted for at fair value with change in fair value in shareholders’ equity, they are booked through equity with shadow accounting adjustment through shareholders’ equity.

### **Liability adequacy test**

At balance sheet date, liability adequacy tests are performed at each consolidated entity level to ensure the adequacy of the contract liabilities net of related DAC and VBI assets. In performing these tests, entities group contracts together considering the manner in which they are acquired, serviced and have their profitability measured; besides, entities use current best estimates of all future contractual cash flows and claims handling and administration expenses, as well as those resulting from embedded options and guarantees and investment income from the assets backing such liabilities. Risks (insurance risk, asset return risk, inflation risk, persistency, adverse selection...) directly related to the contracts, that might mean the net liabilities are inadequate, are considered.

Any deficiency is immediately charged to profit or loss initially by writing off DAC or VBI and by subsequently establishing a provision for losses arising from the liability adequacy test. In the specific case of non life insurance contracts, an **unexpired risk provision** is established for

contracts on which the premiums are expected to be insufficient to cover expected future claims and claims expenses.

#### **Embedded derivatives in insurance and investment contracts with DPF**

Embedded derivatives that meet the definition of an insurance contract or options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate) are not separately measured. All other embedded derivatives are separated and carried at fair value if they are not closely related to the host insurance contract and meet the definition of an insurance contract.

#### **Investment contracts without discretionary participating feature (DPF)**

In accordance with IAS 39, these contracts are accounted for using the “deposit accounting” method, which mainly results in not recognizing in our P&L the corresponding premiums and benefits and claims (see Revenue recognition and Disclosures).

This category includes mainly unit-linked contracts that don’t meet the definition of insurance or investment contract with discretionary participation feature. For unit-linked contracts, the liabilities are valued in reference to the fair value of the assets linked to those contracts.

#### **Unearned fees reserves**

Origination fees representing up-front charges for future services are recognized as a liability and amortized into income using the same assumptions to amortize deferred origination costs (DOC).

#### **Reinsurance: Ceded Reinsurance**

##### **Ceded reinsurance through nonproportional treaties**

Balance sheet and income statement items relating to ceded (and retroceded) reinsurance treaties which qualify as insurance contracts are charged consistently to the relevant direct business (and on origination), taking contractual clauses into consideration.

#### **Other liabilities**

##### **Financing debts**

**The financing debts** which relate to funds used to finance the solvency margin of an operational entity or to acquire the shares of an entity or a portfolio of contracts are presented on the balance sheet separately from the other debts, liabilities and payables.

The exchange option attached to bonds issued by FINAXA and exchangeable into AXA shares have been valued as a separate liability on FINAXA’s balance sheet. The redemption premium is recognized over time at the effective interest rate over the lifetime of this bond. It has been amortized using the effective interest rate method. Finally, issue expenses must be charged to the recognized value of the relevant bond. Changes in the option’s fair value are charged to the income statement.

#### **Income taxes**

Current income tax expense (benefit) is recorded in earnings on the basis of amounts estimated to be payable or recoverable as a result of taxable operations for the current year based on the relevant local tax regulation.

Deferred income tax assets and liabilities are recorded on the basis of temporary differences between financial statement carrying amounts and income tax balances of assets and liabilities, and for net operating loss carry forwards, if any. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Therefore, valuation allowances are recorded for deferred tax assets that are not expected to be recovered.

### **Pensions and other post-retirement benefits**

Pension and other post-retirement benefits include the benefits payable to AXA Group employees when they retire (departure compensation, additional pension, medical cover). In order to meet pension liabilities, some regulations have allowed or imposed the establishment of dedicated funds (plan assets).

- Defined contribution plans are characterized by payments made by the employer to institutions (e.g. pension trusts). These payments free the employer of any further commitment; the institutions are responsible for paying acquired benefits to the employee. The contributions paid by the employer are recorded as an expense in the income statement and no liability needs to be recorded in FINAXA's financial statements.
- Defined benefit plans are characterized by an actuarial assessment of the commitments based on each plan's internal rules. The present value of the future benefits paid by the employer, known as the PBO (Projected Benefit Obligation), is calculated annually using the projected unit credit method. It is valued on the basis of long-term projections (salary increase rate, inflation rate, mortality, turnover, pension indexation and remaining service lifetime). The amount recorded in the balance sheet for employee benefits is the difference between the Projected Benefit Obligation and the market value at balance sheet date of the corresponding invested plan assets after adjustment for any unrecognized losses or gains and past service costs. If the net result is negative, a provision is recorded in the balance sheet under the provision for risks and charges. If the net result is positive, a prepaid asset is recorded in the balance sheet. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in equity in full in the period in which they occurred. Similarly, any adjustment arising from the asset ceiling is recognized in equity. Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

### **Share-based compensation**

Compensation plans based on FINAXA shares are predominantly equity-settled plans.

**All equity-settled stock-option plans** granted after November 7, 2002 and not fully vested as at January 1, 2004 are accounted for at fair value at the grant date and the fair value is accrued over the vesting period.

**Cash-settled plans** are valued at fair value re-measured at each balance sheet date with any change in fair value recognized in the Income Statement.

**AXA'S AXA Shareplan** issued under a specific French compensation scheme includes two options: a classic option and a leverage plan.

The cost of the classic plan is valued according to the specific guidance issued by the CNC ("Conseil National de la Comptabilité") The cost of the leverage plan is valued by taking into account the restriction over five years for the employee, as in the classic plan, but adding to this cost the opportunity gain implicitly provided by AXA by enabling its employees to benefit from an institutional pricing regime vs. retail pricing.

### **Other provisions and liabilities**

#### **Other provisions and contingencies**

Provisions are recognized when FINAXA has a present obligation (legal or constructive) as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount of the provision has been reliably estimated.

Provisions are not recognized for future operating losses or associated with the on-going of activities of the company.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the balance sheet date, discounted at the market risk-free rate of return for long term provisions.

## **Revenue recognition**

### **Gross written premiums**

Gross written premiums correspond to the amount of **premiums written** on business inception in the year with respect to both **insurance contracts and investment contracts with discretionary participating feature** by insurance and reinsurance companies, net of policy cancellations and gross of reinsurance ceded. In the reinsurance sector, the premiums are recorded on the basis of declarations made by the ceding company and may include estimates of gross premiums written but not yet reported in the period.

### **Fees and revenues from investment contracts with no participating feature**

Amounts collected as premiums from investment contracts with no participating feature are reported as deposits net of any loadings and policy fees. Revenues from these contracts consist of loadings and policy fees for the cost of issuance, investment management, administration and surrender of the contract during the period. Front end fees collected corresponding to fees for future services, are recognized over the estimated life of the contract (see § Unearned fees reserves).

### **Change in unearned premiums reserves net of unearned revenues and fees**

Change in unearned premiums reserves net of unearned revenues and fees include the change in the unearned premium reserve reported as a liability (see “Unearned Premium Reserve” above) along with the change in unearned revenues and fees. Unearned revenues and fees correspond to up front charges for future services recognized over the estimated life of insurance and investment contracts with discretionary participating feature (see § Unearned revenues reserves) and investment contracts with no discretionary participating feature (see § Unearned fees reserves).

### **Net revenues from banking activities**

Net revenues from banking activities include all revenues and expenses from banking activities, including interest and banking fees.

They exclude bank operating expenses and change in provisions for bad debts, doubtful receivables or loans which are recorded in the item “Bank operating expenses”.

### **Revenues from other activities**

Revenues from other activities mainly include investment management fees recognized as earned as the service is provided. They mainly comprise:

- fees received by insurance companies for related activities, particularly commissions received on the sale or distribution of financial products
- commissions and fees received for services rendered in respect of asset management activities
- rental income received by real estate management companies
- sales proceeds received by real estate development companies.

### **Net investment result excluding financing expenses**

Net investment result excluding financing expenses includes:

- Investment income from the insurance or reinsurance-related invested assets, net of depreciation expense on real estate investments (depreciation expense on real estate not held for investment is included in administrative expenses); this item includes the interest calculated using the effective interest method for the assets with fixed maturity and dividends received on equity instruments,
- Financial charges and expenses

- Realized investment gains and losses net of valuation allowances for investment impairment
- Unrealized investment gains and losses on invested assets valued at fair value with change in fair value recognized through Profit or Loss.

In respect of banking activities, interest income and financial charges including interest expenses are included in net revenues from banking activities and bank operating expenses, respectively.

When a capital transaction (other than within the Group) leads to a reduction in the Group's ownership interest in a consolidated subsidiary, a dilution gain (or loss) arises. This gain or loss is recorded in the net investment result. This gain or loss corresponds to the variation of the equity portion of the subsidiary before and after the operation.

#### **Discontinuing operations/ assets held for sale**

These comprise assets held for sale and discontinued operations intended to be sold within twelve months. They are accounted for at the lower of carrying amount and fair value less selling costs to sell. They are presented separately on the face of balance sheet and in the income statement, net of tax for discontinued operations only.

#### **Note 5: Main changes in the scope of consolidation**

##### **Fully-consolidated companies**

<b>PARENT COMPANY &amp; INTERMEDIATE HOLDING COMPANIES</b>	<b>June 30, 2005</b>		<b>December 31, 2004</b>	
	<b>Voting rights</b>	<b>Shares</b>	<b>Voting rights</b>	<b>Shares</b>
FINAXA	parent	parent	parent	parent
Ateliers du Nord de la France	–	–	95.45%	95.45%
Compagnie Financière des Agents Généraux	48.25%	48.25%	48.25%	48.25%
Colisée Vendôme	100.00%	100.00%	100.00%	100.00%
FDR Participations	100.00%	100.00%	100.00%	100.00%
Oudinot Finance	100.00%	100.00%	100.00%	100.00%

On March 1, 2005, EURAZEO and FINAXA signed a sale contract covering 915,268 shares in Ateliers de Construction du Nord de la France (ANF), a company listed on the Paris Euronext Eurolist.

##### **Companies consolidated using the equity method**

<b>INSURANCE</b>	<b>June 30, 2005</b>		<b>December 31, 2004</b>	
	<b>Voting rights</b>	<b>Shares</b>	<b>Voting rights</b>	<b>Shares</b>
AXA (consolidated group)	27.82%	17.36%	27.98%	17.36%

Following the signature of the sale contract between EURAZO and FINAXA (see above), on the same date ANF then sold to a subsidiary of FINAXA, Oudinot Finance, the shares which that company owned in AXA, representing 0.29% of AXA's share capital and 0.48% of the voting rights. This transaction did not cause any material change in the size of FINAXA's stake in AXA.

#### **Note 6: Goodwill**

Because AXA is consolidated using the equity method, goodwill relating to AXA and its subsidiaries are recorded under the heading "Companies consolidated using the equity method".



**Note 7: Companies consolidated using the equity method**

Changes in “Investment in affiliated companies” are shown below:

(million euros)	Dec 31, 04	Acquisitions and disposals in period	Share of income	Share of revaluation by shareholders' equity	Other components by shareholders' equity	Translation change	Other changes	Jun 30, 05
AXA	5,304	(4)	401	299	0	199	(167)	6,030
– goodwill	247							247
<b>TOTAL</b>	<b>5,304</b>	<b>(4)</b>	<b>401</b>	<b>299</b>	<b>0</b>	<b>199</b>	<b>(167)</b>	<b>6,030</b>

The figure of –€167 million shown under “Other changes” mainly reflects FINAXA’s share of AXA’s capital increase and the dividends distributed by AXA, a net figure of –€200 million.

(million euros)	Jan 1, 04	Acquisitions and disposals in period	Share of income	Share of revaluation by shareholders' equity	Other components by shareholders' equity	Translation change	Other changes	Dec 31, 04
AXA	4,163	73	659	267	0	(127)	270	5,304
– goodwill	239	27	(20)					247
<b>TOTAL</b>	<b>4,163</b>	<b>73</b>	<b>659</b>	<b>267</b>	<b>0</b>	<b>(127)</b>	<b>270</b>	<b>5,304</b>

The figure of €73 million shown under “Acquisitions and disposals in the period” reflects the following:

- (i) The impact of the change in FINAXA’s ownership of shares in AXA (from 17.42% at January 1, 2004 to 17.62% at December 31, 2004 following the purchase of AXA shares by Oudinot Finance), amounting to €46 million.
- (ii) The goodwill recorded at December 31, 2004 following Oudinot Finance’s purchase of AXA shares, amounting to €27 million.

The figure of €270 million shown under “Other changes” mainly reflects FINAXA’s share of AXA’s capital increase and the dividends distributed by AXA, amounting to €176 million.

## Note 8: AXA consolidated financial statements

### AXA's consolidated balance sheet

#### ASSETS

Notes	(million euros)	IFRS		French GAAP(*)	
		Jun 30, 05	Dec 31, 04	Dec 31, 04	Dec 31, 03
	Goodwill	12,848	11,906	12,423	12,874
	Value of business in force resulting from acquisitions <sup>(1)</sup>	2,805	3,123	2,993	2,814
	Deferred acquisition costs and similar <sup>(2)</sup>	14,785	13,008	11,954	10,993
	Other intangible assets	622	597	629	556
	<b>Intangible assets</b>	<b>31,060</b>	<b>28,634</b>	<b>27,998</b>	<b>27,237</b>
	Investments in real estate properties	12,351	12,233	11,702	11,727
	Invested financial assets <sup>(3)</sup>	275,800	251,516	229,258	212,431
	Loans <sup>(4)</sup>	17,977	18,114	18,156	17,009
	Assets backing contracts where financial risk is borne by policyholders <sup>(5)</sup>	127,355	112,387	113,786	101,002
	<b>Investments by insurance companies<sup>(6)</sup></b>	<b>433,482</b>	<b>394,250</b>	<b>372,902</b>	<b>342,169</b>
	<b>Investments from non-insurance activities<sup>(6)</sup></b>	<b>10,233</b>	<b>11,336</b>	<b>8,962</b>	<b>8,100</b>
	<b>Investment in affiliated companies</b>	<b>175</b>	<b>330</b>	<b>871</b>	<b>1,254</b>
	<b>Reinsurance share of liabilities relating to insurance and investment contracts</b>	<b>8,716</b>	<b>7,898</b>	<b>7,897</b>	<b>8,489</b>
	Tangible assets	1,343	1,290	1,139	1,243
	Other long-term assets <sup>(7)</sup>	1,502	2,260	3,495	3,209
	Deferred profit-sharing asset	0	0	0	0
	Deferred tax asset	3,561	3,731	2,515	2,053
	<b>Other assets</b>	<b>6,406</b>	<b>7,281</b>	<b>7,148</b>	<b>6,504</b>
	Receivables arising from direct insurance and reinsurance accepted	9,872	8,167	10,318	11,372
	Receivables arising from reinsurance ceded	2,284	2,134	0	0
	Receivables arising from banking activities	11,651	11,481	11,417	10,956
	Receivables – current tax position	1,037	412	409	255
	Other receivables <sup>(8)</sup>	13,896	9,590	11,687	13,575
	<b>Receivables</b>	<b>38,741</b>	<b>31,784</b>	<b>33,831</b>	<b>36,158</b>
	<b>Assets available for sale and relating to discontinued activities</b>	<b>193</b>	<b>62</b>	<b>0</b>	<b>0</b>
	<b>Cash and cash equivalents</b>	<b>22,735</b>	<b>22,494</b>	<b>21,352</b>	<b>19,322</b>
	<b>TOTAL ASSETS</b>	<b>551,742</b>	<b>504,069</b>	<b>480,961</b>	<b>449,233</b>

(\*) Figures under French GAAP are presented in IFRS format

(1) Pre-tax

(2) Gross of unearned revenues and fees

(3) Invested financial assets other than loans and investments relating to contracts where the financial risk is borne by the policyholder  
Includes equities, bonds and mutual funds, both controlled and not controlled.

(4) Includes advances on policies

(5) Also includes assets relating to contracts with guaranteed minimum income benefits

(6) Includes trading securities, including unpaid accrued interest.

All figures for investments include effects of derivatives (see notes 1.2.16 and 10)

(7) Includes long-term assets, i.e. when maturity is greater than 1 year

(8) Includes short term assets, i.e. when maturity is below 1 year

## LIABILITIES

Notes	(million euros)	IFRS		French GAAP(*)	
		Jun 30, 05	Dec 31, 04	Dec 31, 04	Dec 31, 03
	Share capital and capital in excess of nominal value	19,397	19,385	19,719	18,056
	Reserves and retained earnings <sup>(7)</sup>	10,605	6,123	3,919	4,340
	Cumulative unrealized foreign exchange gains <sup>(7)</sup>	404	- 724		
	Consolidated income	2,274	3,738	2,519	1,005
	<b>SHAREHOLDERS' EQUITY</b>	<b>32,680</b>	<b>28,523</b>	<b>26,157</b>	<b>23,401</b>
	<b>Minority interests</b>	2,831	2,507	2,206	2,469
	<b>TOTAL MINORITY INTERESTS AND SHAREHOLDERS' EQUITY</b>	<b>35,511</b>	<b>31,030</b>	<b>28,363</b>	<b>25,870</b>
	Liabilities relating to insurance contracts	241,730	227,843	257,358	246,560
	Liabilities relating to insurance contracts where financial risk is borne by policyholder <sup>(1)(8)</sup>	83,632	73,578	113,929	101,004
	<b>Total liabilities relating to insurance contracts<sup>(2)</sup></b>	<b>325,361</b>	<b>301,421</b>	<b>371,287</b>	<b>347,564</b>
	Liabilities relating to investment contracts with discretionary participation	32,431	31,662	0	0
	Liabilities relating to investment contracts without discretionary participation	968	869	0	0
	Liabilities relating to investment contracts where financial risk is borne by policyholder <sup>(3)</sup>	44,007	39,127	0	0
	<b>Total liabilities relating to investment contracts<sup>(2)</sup></b>	<b>77,406</b>	<b>71,659</b>	<b>0</b>	<b>0</b>
	Liabilities relating to unearned revenues and fees	1,784	1,675	0	0
	Liabilities relating to profit-sharing <sup>(4)</sup>	24,632	19,798	14,871	13,037
	Derivatives relating to insurance and investment contracts	229	- 32	0	0
	<b>LIABILITIES RELATING TO INSURANCE AND INVESTMENT CONTRACTS</b>	<b>429,413</b>	<b>394,520</b>	<b>386,158</b>	<b>360,600</b>
	<b>Provisions for risks and charges</b>	<b>7,911</b>	<b>7,729</b>	<b>4,392</b>	<b>4,964</b>
	Subordinated debt	8,010	8,089	9,235	8,453
	Financing debt instruments issued	2,956	2,903	2,964	4,459
	Financing debt owed to financial institutions	17	17	17	29
	<b>Financing debt<sup>(5)</sup></b>	<b>10,983</b>	<b>11,009</b>	<b>12,216</b>	<b>12,941</b>
	<b>Deferred tax liability</b>	<b>7,331</b>	<b>6,895</b>	<b>2,805</b>	<b>1,954</b>
	Minority interests in controlled mutual funds	4,051	3,223	0	0
	Other debt instruments issued, notes and bank overdrafts <sup>(6)</sup>	8,215	7,784	5,830	4,518
	Payables arising from direct insurance and accepted reinsurance	4,090	3,863	6,062	6,714
	Payables arising from reinsurance ceded	4,304	3,588	1,376	1,598
	Payables arising from banking operations	11,783	12,285	12,220	11,563
	Payables - current tax position	1,372	954	975	388
	Derivatives relating to other financial liabilities	- 9	1	0	0
	Other payables	26,787	21,187	20,565	18,122
	<b>Payables</b>	<b>60,592</b>	<b>52,886</b>	<b>47,027</b>	<b>42,903</b>
	<b>Liabilities held for sale or relating to discontinued operations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>TOTAL LIABILITIES</b>	<b>551,742</b>	<b>504,069</b>	<b>480,961</b>	<b>449,233</b>

(\*) Figures under French GAAP are presented in IFRS format

(1) Also includes liabilities relating to insurance contracts with guaranteed minimum income benefit

(2) Gross of reinsurance share

(3) Liabilities relating to investment contracts with discretionary participation and investment contracts without discretionary participation where the financial risk is borne by the policyholder

(4) Includes liabilities relating to deferred profit-sharing

(5) Financing debts balances are shown net of effect of derivatives instruments (see 1.2.16 and 10)

(6) Includes effects of derivatives (see notes 1.2.16 and 10)

- (7) Under French GAAP, translation gains are presented under reserves and retained earnings
- (8) By convention, under French GAAP, liabilities relating to contracts where the financial risk is borne by the policyholder are presented under insurance contracts.

### AXA contingent assets and liabilities and unrecognized contractual commitments

<i>(million euros)</i>	Received		Given					
	Jun 30, 05	Dec 31, 04	Jun 30, 05				TOTAL	TOTAL
			Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years		
Financing commitments	7,882	7,821	3,943	195	0	236	4,374	2,559
* In respect of financial institutions	7,882	7,821	850	0	0	108	958	81
* In respect of customers	0	0	3,093	195	0	128	3,416	2,478
<b>Guarantee commitments</b>	<b>2,863</b>	<b>2,807</b>	<b>162</b>	<b>660</b>	<b>3,895</b>	<b>1,146</b>	<b>5,863</b>	<b>6,198</b>
* In respect of financial institutions	208	234	33	488	431	1,031	1,984	1,730
* In respect of customers	2,655	2,573	129	172	3,464	114	3,879	4,468
<b>Other commitments</b>	<b>15,631</b>	<b>13,749</b>	<b>4,832</b>	<b>365</b>	<b>59</b>	<b>4,333</b>	<b>9,588</b>	<b>10,193</b>
* Pledged assets / collateralized commitments	11,206	10,191	4,499	5	9	467	4,979	5,055
* Letters of credit	920	627	46	0	2	627	675	670
* Other commitments	3,491	2,931	246	313	46	3,238	3,843	4,316
* Commitments related to construction	0	0	42	47	1	0	90	152
* Commitments on sales currently processed	15	0	0	0	0	0	0	0
<b>Guaranteed value certificate</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>26,377</b>	<b>24,377</b>	<b>8,938</b>	<b>1,220</b>	<b>3,954</b>	<b>5,714</b>	<b>19,826</b>	<b>18,950</b>

**AXA consolidated income statement**

<i>million euro (EPS in euro)</i>	IFRS		French GAAP <sup>(*)</sup>	
	Jun 30, 05	Jun 30, 04	Jun 30, 04	Jun 30, 03
Gross premiums written	33,844	32,571	35,072	35,390
Fees on investment contracts without discretionary participation	237	216	–	–
<b>Revenues from insurance activities</b>	<b>34,082</b>	<b>32,786</b>	<b>35,072</b>	<b>35,390</b>
<b>Net revenues from banking activities</b>	<b>225</b>	<b>196</b>	<b>180</b>	<b>159</b>
<b>Revenues from other activities<sup>(1)</sup></b>	<b>2,192</b>	<b>1,900</b>	<b>1,848</b>	<b>1,647</b>
<b>Revenues</b>	<b>36,499</b>	<b>34,883</b>	<b>37,100</b>	<b>37,196</b>
<b>Changes in unearned premiums and unearned fees</b>	<b>(1,943)</b>	<b>(1,723)</b>	<b>(1,608)</b>	<b>(1,559)</b>
Net investment income <sup>(2)</sup>	7,259	6,605	6,530	6,130
Net realized investment gains and losses <sup>(3)</sup>	2,091	2,755	1,462	1,244
Change in fair value of financial instruments at fair value through P&L	4,354	1,873	2,743	6,637
Change in financial instruments impairment <sup>(4)</sup>	(104)	(168)	(218)	(2,217)
<b>Net investment result excluding financing expenses</b>	<b>13,600</b>	<b>11,065</b>	<b>10,518</b>	<b>11,794</b>
Technical expenses from insurance activities <sup>(5)</sup>	(36,951)	(33,683)	(35,595)	(39,387)
Net income from reinsurance ceded	(302)	(585)	(586)	(461)
Operating expenses from banking activities	(26)	(58)	(75)	(49)
Contract acquisition costs <sup>(6)</sup>	(3,153)	(2,757)	(2,807)	(2,645)
Amortization of value of business in force from acquisitions and other intangible assets	(364)	(238)	(137)	(117)
Administrative expenses	(3,932)	(3,627)	(3,644)	(3,579)
Change in tangible assets impairment	25	(18)	(18)	(1)
Other income and expenses <sup>(7)</sup>	(51)	(131)	(117)	(43)
<b>Other operating income and expenses</b>	<b>(44,754)</b>	<b>(41,097)</b>	<b>(42,978)</b>	<b>(46,282)</b>
<b>Net income from operating activities gross of tax</b>	<b>3,402</b>	<b>3,128</b>	<b>3,032</b>	<b>1,148</b>
<b>Income arising from investments in associates – equity method</b>	<b>9</b>	<b>40</b>	<b>33</b>	<b>54</b>
<b>Financing debts expenses<sup>(8)</sup></b>	<b>(305)</b>	<b>(291)</b>	<b>(99)</b>	<b>(134)</b>

<i>million euro (EPS in euro)</i>	IFRS		French GAAP <sup>(*)</sup>	
	Jun 30, 05	Jun 30, 04	Jun 30, 04	Jun 30, 03
<b>Net operating income gross of tax</b>	<b>3,106</b>	<b>2,877</b>	<b>2,966</b>	<b>1,068</b>
<b>Income tax</b>	<b>(627)</b>	<b>(864)</b>	<b>(823)</b>	<b>(285)</b>
<b>Net operating income</b>	<b>2,479</b>	<b>2,013</b>	<b>2,143</b>	<b>783</b>
<b>Change in goodwill impairment (9)</b>	<b>(0)</b>	<b>(37)</b>	<b>(526)</b>	<b>(443)</b>
<b>Result from discontinued operations net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net consolidated income</b>	<b>2,479</b>	<b>1,976</b>	<b>1,617</b>	<b>340</b>
<b>Minority interests in net consolidated income</b>	<b>205</b>	<b>243</b>	<b>173</b>	<b>131</b>
<b>Group share of consolidated income</b> Figures under French GAAP are presented in IFRS format	<b>2,274</b>	<b>1,733</b>	<b>1,444</b>	<b>209</b>
<b>Earnings per share</b>	<b>1.21</b>	<b>0.99</b>	<b>0.81</b>	<b>0.12</b>
<b>Fully-diluted earnings per share</b>	<b>1.19</b>	<b>0.94</b>	<b>0.78</b>	<b>0.12</b>
<b>Operating income group share<sup>(10)</sup></b>	<b>1,761</b>	<b>1,398</b>	<b>1,436</b>	<b>1,085</b>
<b>Operating income per share group share</b>	<b>0.93</b>	<b>0.80</b>	<b>0.81</b>	<b>0.62</b>
<b>Fully-diluted operating income per share group share</b>	<b>0.93</b>	<b>0.77</b>	<b>0.77</b>	<b>0.61</b>
<b>Net operating income group share<sup>(11)</sup></b>	<b>2,132</b>	<b>1,661</b>	<b>1,590</b>	<b>363</b>
<b>Net operating income per share group share</b>	<b>1.13</b>	<b>0.95</b>	<b>0.89</b>	<b>0.21</b>
<b>Fully-diluted net operating income per share group share</b>	<b>1.12</b>	<b>0.90</b>	<b>0.85</b>	<b>0.21</b>

(\*) Note 1 to the financial statements shows the impact of the transition to IFRS

(1) Excluding insurance and banking activities

(2) Net of investment management costs

(3) Includes reversal of provisions for investments following disposal

(4) Excludes reversal of provisions for investments following disposal

(5) Includes changes in liabilities relating to insurance and investment contracts (with or without discretionary participation) where financial risk is borne by the policyholder

(6) Includes deferred acquisition costs and changes in deferred acquisition costs relating to insurance and investment contracts with discretionary participation as well as changes in net rights to future management fees relating to investment contracts without discretionary participation

(7) Includes financing expenses relating to other debt instruments issued, notes and bank overdrafts

(8) Balance net of income and expenses in relation to derivatives relating to financing debt (however excludes change in fair value of these derivatives)

(9) Includes impairment of intangible assets and negative goodwill

(10) Operating income equates to net operating income, except for net realized gains or losses reverting to shareholder. Net realized gains or losses reverting to shareholder include:

- i) realized gains or losses (on assets not carried at fair value through P&L or not for trading); ii) movement in the period in provisions for impairment of investments; iii) currency fluctuations and changes in fair value net of income tax on related derivatives (excluding those described below)
- impact of profit-sharing net of income tax on items described above (Life business)
- reaction of deferred acquisition costs and value of business in force to items described above (Life business), where applicable.

(11) Net operating income is group share of consolidated income before:

- exceptional items (mainly changes in scope, including restructuring costs relating to companies newly-acquired during the period)
- net charges against goodwill and other intangible assets
- gains and losses on investments recorded at fair value through P&L (except for assets backing contracts where the financial risk is borne by policyholders) and related derivatives (excluding i) exchange rate derivatives except for exchange rate options hedging earnings in foreign currencies and ii) those relating to hedging of insurance contracts valued under the "ordinary assumptions" policy).

## AXA income statement by division

<b>Operating income, net operating income and net income</b>		
<i>million euros</i>	<b>June 2005</b>	<b>June 2004</b>
Life, Savings & Pensions	972	815
Property & Casualty	695	577
International insurance	103	138
Asset management	154	123
Other financial services	42	8
Holdings	- 205	- 265
<b>OPERATING INCOME</b>	<b>1,761</b>	<b>1,398</b>
Share of net realized gains reverting to shareholders	370	263
<b>NET OPERATING INCOME</b>	<b>2,132</b>	<b>1,661</b>
Gain or loss (before exchange rates) on investments recorded at fair value through P&L and on derivatives	119	- 16
Impact of exceptional transactions (including discontinued activities)	27	126
Net charges against goodwill and other similar intangible assets	- 4	- 38
<b>NET INCOME GROUP SHARE</b>	<b>2,274</b>	<b>1,733</b>

- (a) *Net operating income is net income group share before gains and losses on investments using the fair value option and derivatives, exceptional transactions and net charges against goodwill. Net operating income is not a standardised figure (defined by French accounting regulations) and, as a result, it is not necessarily comparable with similarly-named indicators presented by other companies.*

## AXA breakdown of invested assets

Jun 30, 05															
Breakdown of invested financial assets	Insurance					Other activities					Total				
	Cost or amortized cost <sup>(1)</sup>	Fair value	Carrying value <sup>(2)</sup>	Unrealized gains	Unrealized losses	Cost or amortized cost <sup>(1)</sup>	Fair value	Carrying value <sup>(2)</sup>	Unrealized gains	Unrealized losses	Cost or amortized cost <sup>(1)</sup>	Fair value	Carrying value <sup>(2)</sup>	Unrealized gains	Unrealized losses
Bonds held to maturity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonds available for sale	166,689	182,891	182,891	17,785	1,584	5,857	5,925	5,925	70	1	172,545	188,816	188,816	17,855	1,584
Bonds carried at fair value through P&L		42,623	42,623				1,137	1,137				43,760	43,760		
Bonds held for trading		4	4				1,551	1,551				1,555	1,555		
Unlisted bonds (amortized cost)	22	22	22	-	-	2	2	2	0	-	24	24	24	0	-
<b>Bonds</b>		<b>225,539</b>	<b>225,539</b>				<b>8,616</b>	<b>8,616</b>				<b>234,155</b>	<b>234,155</b>		
Equities available for sale	19,037	24,644	24,644	5,741	136	615	781	781	167	0	19,652	25,425	25,425	5,908	136
Equities carried at fair value through P&L		18,238	18,238				8	8				18,246	18,246		
Equities held for trading		226	226				265	265				491	491		
<b>Equities</b>		<b>43,107</b>	<b>43,107</b>				<b>1,055</b>	<b>1,055</b>				<b>44,162</b>	<b>44,162</b>		
Non-controlled mutual funds available for sale	2,567	2,923	2,923	360	4	158	159	159	1	0	2,725	3,081	3,081	361	4
Non-controlled mutual funds carried at fair value through P&L		2,186	2,186				27	27				2,213	2,213		
Non-controlled mutual funds held for trading		251	251				-	-				251	251		
<b>Non-controlled mutual funds</b>		<b>5,359</b>	<b>5,359</b>				<b>186</b>	<b>186</b>				<b>5,545</b>	<b>5,545</b>		
<b>Other investments held through controlled mutual funds, carried at fair value through P&amp;L</b>		1,792	1,792				-	-				1,792	1,792		
<b>Macro hedging derivatives and speculative derivatives</b>		1	1				(79)	(79)				(77)	(77)		
<b>Total insurance company invested financial assets</b>		<b>275,800</b>	<b>275,800</b>				<b>9,778</b>	<b>9,778</b>				<b>285,577</b>	<b>285,577</b>		

(1) Gross of impairment – including premium/discount and cumulative amortization

(2) Net of impairment

Dec 31, 05															
Breakdown of invested financial assets	Insurance					Other activities					Total				
	Cost or amortized cost <sup>(1)</sup>	Fair value	Carrying value <sup>(2)</sup>	Unrealized gains	Unrealized losses	Cost or amortized cost <sup>(1)</sup>	Fair value	Carrying value <sup>(2)</sup>	Unrealized gains	Unrealized losses	Cost or amortized cost <sup>(1)</sup>	Fair value	Carrying value <sup>(2)</sup>	Unrealized gains	Unrealized losses
Bonds held to maturity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonds available for sale	152,552	164,650	164,650	13,025	928	6,525	6,577	6,577	52	1	159,077	171,227	171,227	13,078	928
Bonds carried at fair value through P&L		41,886	41,886				1,197	1,197				43,083	43,083		
Bonds held for trading		4	4				1,620	1,620				1,624	1,624		
Unlisted bonds (amortized cost)	23	26	23	3	-	2	2	2	-	-	26	29	26	3	-
<b>Bonds</b>		<b>206,566</b>	<b>206,563</b>				<b>9,396</b>	<b>9,396</b>				<b>215,959</b>	<b>215,962</b>		
Equities available for sale	17,913	22,249	22,249	4,583	247	553	642	642	90	1	18,466	22,891	22,891	4,673	248
Equities carried at fair value through P&L		16,847	16,847				39	39				16,886	16,886		
Equities held for trading		258	258				96	96				354	354		
<b>Equities</b>		<b>39,354</b>	<b>39,354</b>				<b>777</b>	<b>777</b>				<b>40,131</b>	<b>40,131</b>		
Non-controlled mutual funds available for sale	2,640	2,920	2,920	288	8	62	65	65	3	0	2,703	2,985	2,985	291	8
Non-controlled mutual funds carried at fair value through P&L		2,093	2,093				45	45				2,138	2,138		
Non-controlled mutual funds held for trading		232	232				-	-				232	232		
<b>Non-controlled mutual funds</b>		<b>5,245</b>	<b>5,245</b>				<b>110</b>	<b>110</b>				<b>5,355</b>	<b>5,355</b>		
<b>Other investments held through controlled mutual funds, carried at fair value through P&amp;L</b>		596	596				-	-				596	596		
<b>Macro hedging derivatives and speculative derivatives</b>		(242)	(242)				536	536				294	294		
<b>Total insurance company invested financial assets</b>		<b>251,519</b>	<b>251,516</b>				<b>10,820</b>	<b>10,820</b>				<b>262,336</b>	<b>262,339</b>		

(1) Gross of impairment – including premium/discount and cumulative amortization

(2) Net of impairment



**Note 9 : Consolidated shareholders' equity**

CHANGE IN SHAREHOLDERS' EQUITY	Attributable to equity holders of the parent											
	Share capital				Other reserves				Translation reserve	Undistributed profits and other reserves	Shareholders' equity	Minority interests
	Number of shares	Nominal value (euros)	Share Capital	Capital in excess of nominal value	Reserves relating to the change in FV of financial instruments available for sale	Reserves relating to the change in FV of hedge accounting derivatives (cash flow hedge)	Others	Translation reserve				
<b>Shareholders' equity opening Jan 1, 2004</b>	68,383	3.05	209	1,224	730	8	32	0	730	2,934	66	
Share capital	7,208	0	22							22		
Capital in excess of nominal value				306						306		
<i>Including proceeds from shares issued</i>				-						0		
Equity – share based compensation				(1)						(1)		
Change in scope of consolidation					-	0	0		0	0		
Treasury shares										0		
Equity component of compound financial instruments							0			0		
Super subordinated debt										0		
Accrued interest – Super subordinated debt										0		
Dividends paid FINAXA									(104)	(104)	(1)	
<i>Impact of transactions with shareholders'</i>	7,208	0	22	305	0	0	0	-	(104)	(223)	(1)	
Reserves relating to changes in fair value through shareholders' equity						1			-	1		
Other									5	5		
Reserves relating to hedging of net investment abroad							0		0	0		
Translation for variance period										0		
Translation reserve	0	0	0	0	0	0	0		0	0	0	
Group share of net assets of affiliates	0	0	0	0	261	0	96	(126)		231	(4)	
Employee benefits actuarial gains and losses through OCI										0		
Income allocation										0	0	
Net income of the period										621	621	16
<i>Total recognized income and expense for the period (SORIE)</i>	0	0	0	0	0	0	0	0	621	621	16	
<b>Shareholders' equity closing Dec 31, 2004</b>	75,592	3.05	231	1,529	992	8	129	(126)	1,252	4,015	77	

CHANGE IN SHAREHOLDERS' EQUITY	Attributable to equity holders of the parent										
	Share capital				Other reserves			Translation reserve	Undistributed profits and other reserves	Shareholders' equity	Minority interests
	Number of shares	Nominal value (euros)	Share Capital	Capital in excess of nominal value	Reserves relating to the change in FV of financial instruments available for sale	Reserves relating to the change in FV of hedge accounting derivatives (cash flow hedge)	Others	Translation reserve			
<b>Shareholders' equity opening Jan 1, 2005</b>	75,592	3.05	231	1,529	992	8	129	(126)	1,252	4,015	77
Share capital	12	0	0							0	
Capital in excess of nominal value				1						1	
<i>Including proceeds from shares issued</i>										0	
Equity – share based compensation										0	
Change in scope of consolidation					–	0	0		0	0	
Treasury shares										0	
Equity component of compound financial instruments							0			0	
Super subordinated debt										0	
Accrued interest – Super subordinated debt										0	
Dividends paid FINAXA									(178)	(178)	(3)
Dividend paid									0	0	0
<i>Impact of transactions with shareholders'</i>	12	0	0	1	0	0	0	–	(178)	(177)	(3)
Reserves relating to changes in fair value through shareholders' Equity					1	1			–	1	
Other										0	
Reserves relating to hedging of net investment abroad							0		0	0	
Translation variance for period										0	
Translation reserve	0	0	0	0	0	0	0		0	0	0
Group share of net assets of affiliates	0	0	0	0	294	0	35	196	(3)	522	5
Employee benefits actuarial gains and losses through OCI									–	0	
Income allocation									0	0	
Net income of the period									356	356	5
<i>Total recognized income and expense for the period (SORIE)</i>	0	0	0	0	0	0	0	0	356	356	5
<b>Shareholders' equity closing Jun 30, 2005</b>	75,604	3.05	231	1,530	1,285	8	163	70	1,427	4,715	84

**Note 10 : Debt represented by securities**

	June 30, 2005	December 31, 2004
<b>Financing debt</b>	<b>Balance sheet value</b>	<b>Balance sheet value</b>
Subordinated debt at cost		
Subordinated debt trading		
Subordinated debt designated as at fair value through P&L		
Derivatives on subordinated debt		
<b>Subordinated debt</b>	<b>0</b>	<b>0</b>
Financing debt instruments issued at cost	1,193	1,189
Financing debt instruments issued trading		
Financing debt instruments issued designated as at fair value through P&L		
Derivatives on financing debt instruments issued	40	41
<b>Financing debt instruments issued</b>	<b>1,233</b>	<b>1,230</b>
Financing debts owed to financial institutions at cost	1	0
Financing debts owed to financial institutions trading		
Financing debts owed to financial institutions designated as at fair value through P&L		
Derivatives on financing debt owed to financial institutions		
<b>Financing debt owed to financial institutions</b>	<b>1</b>	<b>0</b>
<b>FINANCING DEBT</b>	<b>1,234</b>	<b>1,231</b>
<i>Including financing debts designated as at fair value through P&amp;L</i>		

**Note 11 : Contingent assets and liabilities and unrecognized contractual commitments**

At June 30, 2005 FINAXA had €1,870 million in unused lines of credit.

<i>(million euros)</i>	Received		Given					
	June 30, 2005	December 31, 2004	June 30, 2005				December 31, 2004	
			Due in one year or less	Due after one year through three years	Due after three year through five years	Due after five years	TOTAL	TOTAL
<b>Commitments to finance</b>	<b>1,870</b>	<b>919</b>	0	0	0	0	0	0
* Financial institutions of which lines of credit	1,870	919					0	0
* Customers	0	0					0	0
<b>Guarantees</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
* Financial institutions							0	0
* Customers	0	0						
<b>Other</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
* Pledged assets and collateralized commitments							0	0
* Letters of credit							0	0
* Other commitments							0	0
* Commitments related to construction							0	0
* Commitments on sales currently processed							0	0
<b>Guaranteed value certificate</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>1,870</b>	<b>919</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**4.3****AUDITORS' REPORT ON FINAXA'S INTERIM FINANCIAL STATEMENTS****Auditors' report on Finaxa's interim report and consolidated financial statements for the period January 1 to June 30, 2005.**

To the shareholders of Finaxa

In our capacity as auditors of Finaxa, and in compliance with article L. 232-7 of the Commercial Code, we have:

- conducted a limited examination of the business activity report and results presented in the form of Finaxa's interim consolidated financial statements for the period January 1 to June 30, 2005, as attached to this report
- verified the information presented in this interim report.

It is the responsibility of the Chairman of the Board of Directors to prepare these interim consolidated financial statements. It is our role, on the basis of our limited examination, to express an opinion on these financial statements.

In the light of the transition to IFRS accounting standards, as adopted in the European Union, for preparation of the 2005 consolidated financial statements, the consolidated interim financial statements have been prepared for the first time under two sets of standards: IFRS reporting and valuation principles which are due to apply in the European Union and have been applied by your company in preparing the consolidated financial statements for 2005, as described in notes 1 and 4 to the financial statements; and the regulations covering presentation and information applicable to interim financial statements as defined by the AMF's general regulations. These include figures relating to financial year 2004 and the first half of 2004 restated using the same rules for purposes of comparison.

We conducted our limited examination in accordance with professional guidelines applicable in France. These require us to perform limited procedures leading to an assurance, which is less exacting than that arising from an audit, that the consolidated financial statements do not contain any material anomalies. An examination of this kind does not include all the procedures performed in an audit, being limited to applying analytical procedures and obtaining from management and any other competent persons the information which we deemed necessary.

On the basis of our limited examination, we did not identify any material anomalies that would cause us to doubt that the consolidated financial statements comply in all material respects with reporting and valuation principles due to apply in the European Union and applied by companies in preparing consolidated financial statements for 2005, as described in notes 1 and 4 to the financial statements, and with regulations applying to presentation and information of interim financial statements, as defined by the AMF's general regulations.

Without in any way calling into question the opinion expressed above, we would draw your attention to the following :

- Note 4.1 which presents the options selected in presenting the consolidated interim financial statements. While complying with the rules on presentation and information laid down in CNC recommendation 2001-01.R.01 and the AMF's general regulations, the financial statements do not include in the notes all the information required by IFRS as adopted in the European Union.
- Note 1.1.1 which presents reasons why the comparative information which will be presented in the consolidated financial statements as of December 31, 2005 and the interim consolidated financial statements as of June 30, 2006 might differ from the information in this report.
- Note 4.1.1 which describes the IASB standards not yet adopted in the European Union but applied in anticipation as of June 30, 2005, with a view to being consistent with the accounting standards which your company plans to use for the full financial year.
- Note 4.1.1 which discloses that, in accordance with the option offered by the AMF to insurance companies which have opted to apply CNC (Conseil National de la Comptabilité) recommendation 2001-01.R.01, Finaxa has not presented a statement of cash flow.

In accordance with French accounting principles, we have also verified the comments presented in the interim report on the consolidated interim financial statements, on which we have conducted a limited examination.

We offer no opinion on whether they are a true and fair reflection of the consolidated interim financial statements.

Paris, October 18, 2005

Auditors

PRICEWATERHOUSECOOPERS  
MAZARS & GUERARD

Eric Dupont  
Patrick De Cambourg

Yves Nicolas  
Jean-Pierre Lassus

**APPENDIX 1**

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**Report of the merger Appraisers on the contributions consideration**

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## MERGER OF FINAXA WITH AND INTO AXA

### MERGER AUDITORS' REPORT ON CONSIDERATION OFFERED FOR CONTRIBUTIONS

(Extraordinary Meeting of the Shareholders, December 16, 2005)

To the Shareholders,

We have performed the audits assigned to us by the President of the *Tribunal de Commerce de Paris* (Paris Commercial Court) on May 12, 2005 in connection with the proposed merger of FINAXA with and into AXA. We have drawn up this report in accordance with the terms of Article L.236-10 of the *Code du Commerce* (French Commercial Code). Our assessment of the value of contributions is contained in a separate report.

Consideration for contributions is established on the basis of an exchange ratio that was agreed to in the draft merger agreement entered into by and between the representatives of the two companies on June 29, 2005, and in an additional clause dated and signed on October 18, 2005. Our role is to express our opinion on the fairness of this exchange ratio. To this end, we have conducted our due diligences in accordance with the standards issued by the *Compagnie Nationale des Commissaires aux Comptes* and relevant to this type of audit. These standards require that we conduct the due diligences intended to (i) verify that the relative values assigned to the shares of the companies that are party to this merger are fair, and (ii) analyze the positioning of the exchange ratio with respect to the values deemed relevant to this transaction.

We ask that you consider our observations and conclusion, presented in the following pages, in the following order:

- 1 – Presentation of the transaction
- 2 – Verification of the appropriateness of the values assigned to the shares of the companies that are party to the transaction
- 3 – Assessment of the fairness of the proposed exchange ratio.

#### **1. PRESENTATION OF THE TRANSACTION**

##### **1.1. Nature of the transaction and parties thereto**

###### **1.1.1. Nature of the transaction**

The proposed transaction consists of merging FINAXA with and into AXA.

It should be noted that the draft merger agreement related to this transaction (referred to hereinafter as the “merger agreement”) also stipulates the procedures governing the merger of SGCI with and into AXA, a transaction that was ultimately cancelled via an additional clause to the merger treaty, dated and signed on October 18, 2005.

Note in addition that, prior to this transaction, the mergers of OUDINOT FINANCE, COLISEE VENDOME, FDR PARTICIPATIONS and COMPAGNIE FINANCIERE DES AGENTS GENERAUX D'AXA with and into FINAXA (referred to hereinafter as “preliminary mergers”) are planned. These mergers are discussed in reports issued by the merger auditors appointed by the President of the Paris Commercial Court.

### 1.1.2. Companies involved in the merger

#### a) FINAXA

FINAXA is a French *société anonyme* (a type of corporation) with registered capital stock of 239,591,276.85<sup>(1)</sup> euros divided into 78,554,517 shares with a par value of 3.05 euros, all of the same rank and all fully paid up. Shares in FINAXA are traded on Eurolist Compartment A of Euronext Paris S.A.

In addition to these shares, FINAXA has issued other securities with or without a claim on its capital. These are options to purchase equities, bonds convertible into equities and bonds redeemable for shares, whose principal features are described in schedules 1, 2 and 3 of the merger agreement. For the sake of the transaction described in this report, the exercise of the rights attached to these securities and claims has been suspended since October 1, 2005.

FINAXA is a holding company whose principal asset is 262,138,751<sup>(2)</sup> shares of stock in AXA (which is equal to a direct interest of approximately 13.72%<sup>(2)</sup> of AXA's equity capital), it being specified that once the preliminary mergers have been completed, this interest will be raised to 336,338,096 shares (equal to around 17.60% of equity capital). FINAXA also owns the AXA trademark.

Mutuelles AXA owns around 72% of FINAXA. Other shareholders include BNP Paribas (21%) and individuals.

#### b) AXA

AXA is a *société anonyme* with registered capital stock of 4,375,603,269.94 euros divided into 1,910,743,786 shares with a par value of 2.29 euros, all of the same rank and fully paid up. AXA stock is traded on the following markets: Eurolist Compartment A of Euronext Paris S.A. and the New York Stock Exchange in the form of American Depositary Shares (ADS).

In addition to these shares, AXA has issued other securities or claims on its equity capital. These are mainly options to purchase shares and subordinated bonds convertible into shares, the principal features of which are described in schedule 4 of the merger agreement.

AXA is the holding company of the AXA Group, whose core business is financial protection in general and insurance in particular.

Nearly three-fourths of AXA's equity capital is held by individual shareholders, while FINAXA or its subsidiaries own 17.60%.<sup>(2)</sup>

### 1.1.3. Purpose of the transaction

The merger of AXA and FINAXA is being carried out to simplify the capital ownership structure of the AXA Group. It is intended, in particular, to:

- Improve the stock market status of the AXA share and increase the percentage of AXA shares owned by individual shareholders;
- Enable AXA to acquire direct ownership of the AXA trademark;
- Enhance the liquidity of the shares held by current FINAXA shareholders by eliminating the holding discount observed on the price of their shares.

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(1) Information on the number of shares and the capital stock of AXA and FINAXA indicated in this report is taken from the draft extraordinary resolutions submitted to the shareholders of AXA and FINAXA on December 16, 2005. It is valid as of September 30, 2005, the date after which the capacity to exercise, purchase, convert or exchange securities or claims on the capital of FINAXA has been suspended. It results from the data indicated for this purpose in the merger agreement, in light of the adjustment variables – set forth in schedule 10 to this agreement – related to the issuance of shares effected between the date on which the merger agreement was entered into and September 30, 2005 by the use of securities which entitle bearers to access to the capital of AXA and FINAXA.

(2) Data as of September 30, 2005.



## 1.2. Legal, accounting and tax aspects

The principal terms of the merger agreement are as follows:

The terms and conditions of the merger were established on the basis of the financial statements of AXA and FINAXA for the year ended December 31, 2004.

The transaction will be legal binding only on December 31, 2005 and pending:

- The completion of the preliminary mergers;
- AXA and FINAXA shareholder approval of the extraordinary resolutions pertaining to this transaction.

From an accounting and tax perspective, the merger will go into effect retroactively, as of January 1, 2005.

With respect to corporate income tax, the merger qualifies for the preferential tax treatment described in Article 210 A of the *Code Général des Impôts* (French Tax Code).

With respect to registration and filing fees, the merger is subject to the fixed fee (*droit fixe*) mentioned in Article 816 of the French Tax Code.

## 1.3. Description of the contributions

Pursuant to the terms of the merger agreement, the transaction will be effected by contributing to AXA all of the assets and liabilities of FINAXA that comprise its net worth at December 31, 2004. These contributions are listed below.

### ASSETS CONTRIBUTED

Intangible assets	307,300,000
Long-term investments	6,126,416,403
<u>Total fixed assets</u>	<u>6,433,716,403</u>
Receivables	7,069,278
Marketable investment securities	5,047,861
Cash and equivalent	12,204,107
<u>Total current assets</u>	<u>24,321,246</u>
<b>TOTAL ASSETS CONTRIBUTED (A)</b>	<b>6,458,037,649</b>

### LIABILITIES ASSUMED

Loans and financing debt	1,272,833,958
Bank borrowings	378,602
Tax and social payables	2,795,856
Other liabilities	11,319,782
Dividend payout for fiscal year 2004	177,602,554
<b>TOTAL LIABILITIES ASSUMED (B)</b>	<b>1,464,930,741</b>
<b>Net worth contributed (A) – (B)</b>	<b>4,993,106,908</b>

## 1.4. Valuation of the contributions

Under the terms of the merger agreement and in accordance with Regulation 2004-01 of the *Comité de la Réglementation Comptable* (Accounting Regulations Committee), as of May 4, 2004 the assets contributed and liabilities assumed in connection with this merger were valued on the basis of their real value, to the extent that FINAXA and AXA are placed under separate control in the sense intended by the aforementioned regulation, and insofar as the merger is being completed “à l’endroit,” as that concept is defined under the same regulation.

Information on our assessment is provided in a separate report.

## **1.5. Consideration for contributions**

Under the terms of the merger agreement, the exchange ratio calculated for the purpose of this transaction is 15 AXA shares for 4 FINAXA shares.

On June 29, 2005 and on October 17, 2005, respectively, the AXA Management Board and the FINAXA Board of Directors (referred to hereinafter as the “corporate officers”) approved the definitive method for establishing due consideration for FINAXA shareholders, in accordance with the proportions and limits set forth in Article 10 of the merger agreement.

Once the preliminary mergers have been completed, FINAXA will raise new equity, issuing 1,190,024 shares in consideration for the merger of CFGA with and into FINAXA.

In addition, by virtue of the terms of Article L.236-3 of the French Commercial Code, the 7,913 shares of FINAXA held by the latter as treasury shares will not be tendered.

Consequently, the other shareholders of FINAXA will receive, pending completion of the transaction, and pursuant to the aforementioned exchange ratio, 299,012,355 shares of AXA stock with a par value of 2.29 euros, resulting in a capital increase of 684,738,292.95 euros.

The difference between:

- Global net worth contributed by FINAXA to AXA, i.e. 4,993,106,908 euros and
- The capital increase effected by AXA, i.e. 684,738,292.95 euros

will constitute the merger premium of 4,308,368,615.05 euros.

The shareholders of AXA will be asked to approve the cancellation of all of the 336,338,096 AXA shares held by FINAXA that AXA would receive in connection with this transaction, as well as 1,152,720 AXA shares that AXA repurchased from AXA PARTICIPATIONS 2, i.e. a total of 337,490,816 AXA shares to be cancelled. This will decrease AXA’s equity capital by 772,853,968.64 euros. The shareholders will be asked to attribute the difference between the contribution or acquisition value of these shares and their nominal value:

- To the merger premium account, up to the maximum amount available and
- To the share premium account for the remainder.

Once this transaction has been completed and taking into account the cancellation of shares described above, AXA’s equity capital will be comprised of 1,872,265,325 shares with a nominal value of 2.29 euros, with the understanding that the number of shares indicated results from the draft extraordinary resolutions approved by the corporate officers and submitted to a vote the shareholders of AXA and FINAXA, calculated on the basis of the number of AXA and FINAXA shares outstanding on September 30, 2005, date after which the capacity to exercise, purchase, convert or exchange securities or claims on the capital of FINAXA is suspended.

This number of shares indicated results from the data provided in the merger agreement, in light of the adjustment variables (set forth in schedule 10 of this agreement) related to the issuance of new shares between the date of effect of the merger agreement and September 30, 2005 by use of the securities providing access to the equity capital of AXA and FINAXA.

## **2. VERIFICATION OF THE APPROPRIATENESS OF THE RELATIVE VALUES ATTRIBUTED TO THE SHARES OF THE PARTIES TO THE TRANSACTION**

### **2.1. Presentation of relative values used for the transaction**

To determine the exchange ratio for AXA and FINAXA shares, the corporate officers established the estimated relative value of AXA and FINAXA shares by comparing the value of each share. The corporate officers corroborated this approach by comparing the relative weight of adjusted earnings per share and the two companies’ observed net dividends per share.

### 2.1.1. Relative value attributed to the AXA share

In order to determine the value of the AXA share, the corporate officers used the two methods described below.

#### *Intrinsic value method*

The intrinsic value method (also called the “appraisal value”) consists of estimating the value of AXA the company and then its share on the basis of:

- The real value of its assets
- The discounted future cash flows generated by the company on the basis of:
  - Its inforce portfolio on the date of the valuation,
  - New business that it can reasonably expect to write in the future.

The intrinsic value method was applied at December 31, 2004, to which was added an estimate of earnings for the first six months of 2005, less the dividend paid out in 2005 in respect of 2004.

Using this method, the corporate officers established a value of 24.79 euros for the AXA share.

#### Share price method

The corporate officers also used the average AXA share price observed over the three months prior to May 10, 2005.

Based on this method, the corporate officers appraised the AXA share at 19.67 euros.

### 2.1.2. Value attributed to the FINAXA share

In order to assess the value of FINAXA's stock, the corporate officers used the adjusted net asset (ANA) method. ANA was calculated using the estimated net worth of FINAXA at June 30, 2005, adjusted to reflect the following items:

- The real value of bonds convertible into shares and stock options was used.
- The value attributed to the AXA share in connection with this merger, as determined using the methods described in the preceding paragraph, was used for AXA securities held by FINAXA:
  - On the basis of the intrinsic value of the AXA share;
  - Or on the value obtained using the share price method.
  - The AXA trademark was appraised on the basis of the discounted cash flows it may reasonably be expected to generate based on revenue forecasts calculated by the AXA Group and royalties on the use of the brand.

Based on the adjusted net asset method, corporate officers determined the following values for the FINAXA share at June 30, 2005:

- 93.18 euros if AXA shares held by FINAXA are appraised using the intrinsic value method;
- 72.47 euros if the AXA shares held by FINAXA are appraised using the share price method.

### 2.1.3. Relative weight of financial aggregates

In order to corroborate the relative value as determined using the AXA and FINAXA share price valuations presented above, the corporate officers used the relative weight of financial aggregates observed in both companies:

- Consolidated adjusted earnings for 2004 per share;
- The dividend per share paid out in respect of 2004.

#### 2.1.4. Recap of relative values attributed to AXA and FINAXA shares

This recap is presented below.

##### Relative value derived from the share value of the merging companies

	FINAXA share value	AXA share value	Relative value obtained
AXA share valuation using the intrinsic value method	93.18	24.79	3.76
AXA share valuation using the market method	72.47	19.67	3.68

##### Corroboration based on the relative weighting of the merging companies' financial aggregates

	At FINAXA	At AXA	Relative value obtained
Operating income per share – 2004	5.68	1.52	3.85
Dividend per share distributed for FY 2003	2.35	0.61	3.85

## **2.2. Diligence accomplished and assessment of the merger auditors on the relevance of the relative values attributed to the shares**

### **2.2.1. Due diligence**

We have completed the due diligence that we deemed necessary to assess the relevance of the relative values assigned to the shares in question. This due diligence was defined on the basis of the standards issued by the *Compagnie Nationale des Commissaires aux Comptes* (French National Auditors Association) for this type of audit.

In particular, we met with the officers of the companies involved, in order to gain a full understanding of the proposed transaction and the context in which it is situated, and to analyze the legal, accounting and tax ramifications.

We carried out the work that we deemed necessary to assess the relevance of the method and criteria used by the corporate officers to determine relative values.

We reviewed the merger agreement and the schedules thereto and read the draft information memorandum (document E) describing the transaction and its consequences.

We examined the working documents of the statutory auditors who certified the annual and consolidated financial statements of AXA and FINAXA for the year ended December 31, 2004 in order to ensure the

reliability of the financial statements submitted to us. After completing this review, we concluded that their audits served as a reliable basis for our own work. We verified that these financial statements had been certified without qualification.

We also examined the working documents of the statutory auditors who audited the consolidated financial statements of AXA and FINAXA for the six months ended June 30, 2005.

We read the report compiled by the independent actuary who, at the request of the AXA Group, reviewed the methodology and economic assumptions used by AXA to calculate the primary components that contribute to the calculation of AXA's intrinsic value at the December 31, 2004 reporting date.

We read the certificates of equity and the valuation reports drawn up by independent appraisers at the request of the parties to the transaction.

We have verified the mathematical accuracy of the calculations of the relative values resulting from the values used for the shares of the companies that are party to this transaction.

We have simulated and measured the sensitivity of the relative value to changes in the share price of the companies that are party to this transaction.

We also used the findings of our own work as the merger auditors charged with assessing the value of the contributions being brought to the merger.

We sought confirmation from company executives that the events occurring during the period of retroactivity were not such that they would call into question the proposed exchange ratio.

It should be noted that the relative values of FINAXA shares (with respect to the value of the AXA trademark) and AXA shares (with respect to the value of profits that emerge from the sale of new contracts) used depend in part on estimates and forecasts made by the corporate officers who approved the terms and conditions of the merger. As for the estimates and forecasts, which by nature are uncertain, actual outcomes may differ from the forecasts used, in some cases significantly.

The analysis that we conducted has led us to formulate the comments that follow.

#### 2.2.2. Assessment of the merger auditors of the relevance of the value attributed to the FINAXA share

##### 2.2.2.1. Valuation methods ruled out by the corporate officers

###### Share price method

The corporate officers did not opt to use the share price method to derive a value for the FINAXA share. They felt that the FINAXA share was not sufficiently liquid (0.3% of FINAXA's equity capital was traded in 2004) and its use would require the application of a discount for illiquidity.

We observed that, in the last three years the annual trading volume on FINAXA securities has never surpassed 1% of the total number of securities that comprise the share capital of the company. We also observed that the public owns less than 5% of FINAXA's share capital.

In addition, we compared:

- The market capitalization of FINAXA before the transaction covered in this report was made public;
- To FINAXA's shareholders' equity per share, adjusted to reflect the stock price of the AXA share, which is FINAXA's primary asset, on the same date.

We observed that FINAXA's stock price was significantly lower than the adjusted shareholders' equity derived, leading to an economically unwarranted discount.

Consequently, we felt that FINAXA share price is not a relevant indicator of value given the narrow market. Use of the share price method to appraise the value of FINAXA is therefore unwarranted.

###### Discounted cash flow method

This method was ruled out by the corporate officers because FINAXA is a holding company.

Since the corporate purpose of FINAXA is to hold stock in a company that itself is traded on the public stock market, we felt that it was not relevant to use the DCF method in connection with this valuation.

#### Discounted dividend method

This method was not used as such by the corporate officers.

However, the level of dividends paid out by FINAXA was implicitly taken into account to determine the exchange ratio since dividends per share was analyzed (see paragraph 2.1.3).

#### Multiples of comparable companies method

This method was not used by the corporate officers.

Holding companies are generally appraised on the basis of the value of the assets they hold. Given the diversity of these underlying assets, holding companies are rarely comparable. This, in our opinion, justifies the decision not to use the multiples of comparable companies method to appraise the FINAXA share.

#### Financial analysts' target share price method

This method was not used by the corporate officers, which we feel is warranted given that the FINAXA share price is not a particularly salient criterion (for the reasons indicated above) and that the FINAXA share is not generally followed by financial analysts.

#### 2.2.2.2. The valuation method used by the corporate officers – adjusted net assets

The ANA method appears to us to be the most appropriate for appraising the value of a holding company like FINAXA.

We analyzed the items used by the corporate officers to assess the adjusted net asset value of FINAXA.

In particular, we verified that the value of the AXA shares held by FINAXA was adjusted in accordance with the value attributed to the AXA share that was determined for the purpose of this merger.

We also verified the relevance of the appraised values of the bonds redeemable into shares and stock options.

We analyzed the appraised value of the AXA trademark held by FINAXA, which was calculated by the corporate officers using the DCF method. We verified that the cash flows used were based on the conditions stipulated in the licensing agreements entered into by FINAXA and that they were based on a consistent set of business forecasts and financial assumptions.

#### 2.2.3. Assessment of the merger auditors of the relevance of the value attributed to the AXA share

It should be noted at the outset that:

- The principal asset held, directly or indirectly, by FINAXA is a portfolio of AXA shares that represents nearly 18% of the latter's equity capital.
- For the sake of determining the relative values of the shares involved in this transaction, the value attributed to the AXA share is directly used to calculate the value of the FINAXA share, as explained in the preceding paragraph.

As a result, the sensitivity of the relative value of shares of the companies that are party to the transaction to the value of the AXA share is relatively limited.

#### 2.2.3.1. Valuation methods that were ruled out by the corporate officers

##### Discounted cash flow method

This method was not used by the corporate officers, which in our view is warranted. The intrinsic value method, which is a derivative of the DCF method, is particularly appropriate for companies in the insurance industry, and was used.

#### Discounted dividend method

This method was not used as such by the corporate officers.

However, the level of dividends paid by AXA implicitly influenced the determination of the exchange ratio, since one of the criterion analyzed was dividends per share, as indicated in paragraph 2.1.3.

#### Multiples of comparable companies method

This method was not used by the corporate officers.

Using this method, we sought to corroborate the appraised values for AXA that were used by the corporate officers. To do so, we selected those insurance companies we felt were the most comparable with AXA based on their size and their business lines, and determined average financial aggregate multiples on the basis of their stock prices. We then applied these average financial aggregate multiples to AXA.

We observed that the ranges of value that emerged were consistent with the AXA share values used by the corporate officers, and that the use of these ranges did not call into question the relative values for the shares of AXA and FINAXA as determined by the corporate officers.

#### Financial analysts' target share price method

This method was not used by the corporate officers.

Using this method, we sought to corroborate the appraised values for AXA that were used by the corporate officers. To do so, we observed the target values for the AXA share as presented by around 20 financial analysts.

We observed that the target values were consistent with the AXA share values used by the corporate officers and that the use of these targets did not call into question the relative values for the shares of AXA and FINAXA as determined by the corporate officers.

#### 2.2.3.2. The valuation methods used by the corporate officers

##### Intrinsic value method

The intrinsic value method appears particularly appropriate for the insurance business.

It allows us to ascertain:

- the real value of assets held and liabilities carried by the company on the day of the appraisal;
- the value likely to be created in the future from insurance contracts that are already in the company's portfolio, with the sum of these two items representing embedded value;
- the company's ability to develop its own business by selling new contracts and thereby generating new profits.

We have reviewed the processes for assessing the value of the AXA share using the intrinsic value method.

In particular, we have verified that the report of the independent actuaries commissioned by AXA to review the methodology and economic assumptions used for the primary components of embedded value as of December 31, 2004 and the value added by new business concluded in 2004 for the AXA Group's principal life insurance operating units did not call into question the intrinsic value used by AXA.

With respect in particular to the profits likely to be generated by the sale of new contracts, we verified that the multiples used to assess these values were consistent and not in contradiction with those generally used by financial analysts.

In our opinion, these values are globally consistent, and the assumptions used to carry out this method are plausible.

### Share price method

The share price method appears to us to be particularly relevant to the extent that the AXA share is highly liquid:

- the trading volume in 2004 was equal to more than 100% of all AXA shares in existence;
- more than two-thirds of AXA's shares are publicly owned.

We have verified the calculations effected by the corporate officers to establish an average share price for the AXA stock between February 10, 2005 and May 10, 2005.

In addition, we have verified that the AXA stock price trend since May 10, 2005 does not call into question the validity of the value that was used.

#### 2.2.4. Merger auditors' assessment of the relevance of the relative weighting of adjusted earnings per share and dividend per share

Consolidated adjusted earnings per share correspond to consolidated net earnings, group share, with the impact of one-off transactions and goodwill amortization eliminated. This criterion is used to assess the recurring earnings capability of the companies that are party to this transaction.

The dividend criterion is used to assess the distribution capacity of each share.

The relative weightings of consolidated adjusted earnings per share and dividend per share appear to us to be relevant criteria for determining the relative value of the shares of the companies that are party to this merger.

We have verified the calculations made by the corporate officers, which concern data relative to fiscal 2004.

We note that the 2004 net earnings per share calculated for FINAXA (5.86 euros) was made on the basis of the number of shares outstanding at the end of 2004, due to the capital increase that the company completed in 2004, which led to a relative value of 3.85. We made this calculation on the basis of the average number of shares outstanding in 2004, and calculated earnings per share of 6.10 euros (a relative value of 4.01).

We enlarged the period of reference to include the years 2002 and 2003, as well as the first six months of 2005. Given that FINAXA is not regularly followed by the financial analysts, we did not deem it useful to make use of estimates and forecasts.

We also referred to the criterion of 2004 net income group share per share and shareholders' equity group share at December 31, 2004.

The results of our own analysis do not call into question the relative value of AXA and FINAXA shares.

#### 2.2.5. Sensitivity tests

In addition to representing the value of the share of one of the two companies that are party to this transaction, the value of the AXA share is also the principal asset held the other party to the merger.

In order to assess the sensitivity of the relative value of the shares of the companies that are party to this transaction, we measured the impact of changes in the value of the AXA share.

Given the influence of the value of the AXA share on the value of the FINAXA share, it appears that the relative value of the two shares is only marginally impacted by changes in the value of the AXA share.

### **3. ASSESSMENT AS TO THE FAIRNESS OF THE PROPOSED EXCHANGE RATIO**

The corporate officers have recommended a **3.75** exchange ratio, or 15 AXA shares for 4 FINAXA shares.

We have performed our work on the basis of the standards set forth by the French National Auditors Association (*Compagnie Nationale des Commissaires aux Comptes*) for this type of audit to assess the fairness of the proposed exchange ratio.



We would note that the exchange ratio used is extremely close to the relative values assigned to the shares of the parties, which in our opinion were measured in a relevant fashion, based on the stock market valuation of AXA and FINAXA.

This exchange ratio is also quite close to the relative values derived by weighting the consolidated operating income per share and dividends per share observed in 2004 for AXA and FINAXA stock.

The following table summarizes these various points.

Relative value derived from the share value of the merging companies

	FINAXA share value	AXA share value	Relative value obtained
AXA share valuation using the intrinsic value method	93.18	24.79	3.76
AXA share valuation using the market method	72.47	19.67	3.68

Corroboration based on the relative weighting of the merging companies' financial aggregates

	At FINAXA	At AXA	Relative value obtained
Operating income per share – 2004	5.68	1.52	3.85
Dividend per share distributed for FY 2003	2.35	0.61	3.85
<b><u>Exchange ratio chosen</u></b>			<b><u>3,75</u></b>

Last of all, we would note that the exchange ratio used shows limited sensitivity to the intrinsic value assigned to AXA shares, due to the preponderant weight of this value in the value of FINAXA shares.

In conclusion, it is our opinion that the exchange ratio of 15 AXA shares for 4 FINAXA shares is fair.

Executed in Paris, November 9, 2005

**The Merger Auditors**

**Stéphane Lipski**

**Bernard Lelarge**

**René Ricol**

## **APPENDIX 2**

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### **Report of the merger Appraisers on the value of the contributions**

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**MERGER OF FINAXA WITH AND INTO AXA,  
WITH AXA AS THE SURVIVING COMPANY**

**MERGER AUDITORS REPORT ON CONSIDERATION OFFERED FOR CONTRIBUTIONS**

**(Extraordinary Meeting of Shareholders held on December 16, 2005)**

To the Shareholders,

We have performed the audits assigned to us by order of the President of the *Tribunal de Commerce de Paris* (Paris Commercial Court) on May 12, 2005 in connection with the proposed merger of FINAXA with and into AXA. This report concerns due consideration offered for the merger contributions, as provided for by Articles L.236-10 and L.225-147 of the French Commercial Code. It should be duly noted that our observations and conclusion as to the valuation of the aforementioned contributions are presented in a separate report.

The amount of the net assets to be contributed was specified in the draft merger agreement signed by the representatives of the two companies on June 29, 2005 and again in the amended agreement signed on October 18, 2005.

It is our responsibility to express an opinion on whether the specified contributions have been overvalued. To this effect, we conducted due diligence reviews on the basis of the standards set forth by the French National Auditors Association (*Compagnie Nationale des Commissaires aux Comptes*) for this type of audit to assess the value of the contributions, to ensure that they were not overvalued and to verify that they correspond at least to the nominal value of the shares to be issued by the surviving company, plus the merger premium.

In accordance with Article L.228-101 of the French Commercial Code, it is also our responsibility to express an opinion on the number of shares of the surviving company's share capital to be offered for the securities granting access to the share capital of the non-surviving company.

We further request that you duly note our observations and conclusion presented as follows:

- 1 – General presentation of the transaction and description of the contributions
- 2 – Diligences performed and assessment of the value of the contributions

**1. GENERAL PRESENTATION OF THE TRANSACTION AND DESCRIPTION OF THE CONTRIBUTIONS**

The proposed transaction consists of the merger of FINAXA with and into AXA, with AXA as the surviving company, as part of a move to simplify the ownership structure of the AXA Group.

**1.1. General background to the transaction**

This transaction may be seen as part of a broader effort to reorganize the ownership structure of the AXA Group. It involves two companies – AXA and FINAXA – listed on the Paris stock market.

The transaction is to serve the following purposes:

- AXA shareholders will get the benefit of enhanced stock market status and a larger float for AXA stock. In addition, AXA will become the direct owner of the AXA brand previously owned by FINAXA.

- FINAXA shareholders will benefit from the increased liquidity of the shares they own, and they will no longer be subject to the holding company discount affecting FINAXA's share price.

Under the terms of the draft agreement and plan of merger, SGCI, the company holding all the shares in the company that owns part of the property at the Group's registered principal offices, was also to merge with and into AXA concomitantly with the merger of FINAXA with and into AXA. This latter transaction was ultimately cancelled by the amended merger agreement dated October 18, 2005.

Prior to the present merger transaction, the following internal reorganization transactions (the "Preliminary Mergers") were carried out:

- merger of Oudinot Finance with and into FINAXA,
- merger of Colisée Vendôme with and into FINAXA,
- merger of FDR Participations with and into FINAXA,
- merger of Compagnie Financière des Agents Généraux d'AXA ("CFG") with and into FINAXA.

The rationale behind these transactions is that the companies involved have no significant assets other than AXA stock. The effect of the FINAXA-AXA merger would therefore be to create direct cross-shareholdings between AXA and these companies (unless their shares were reclassified as third-party property), a situation prohibited by Article L.233-29 of the French Commercial Code.

The "Preliminary Mergers" are described in special reports by the Merger Auditors appointed by order of the President of the *Tribunal de Commerce de Paris* (Paris Commercial Court).

## 1.2. Companies involved

### 1.2.1. AXA (*surviving company*)

AXA is a French corporation (*société anonyme*) with registered share capital of 4,375,603,269,94<sup>(1)</sup> euros, consisting of 1,910,743,786 shares with a nominal value of 2.29 euros, all of the same type and fully paid. Its registered principal offices are located at 25, avenue Matignon – 75008 Paris. It is registered under No. 572.093.920 in the Paris Trade and Company Register.

AXA stock is listed and traded on the Eurolist market, Compartment A, of Euronext Paris SA, under ISIN code FR 0000120628, and is also available in the form of American Depositary Shares (ADS) on the New York Stock Exchange (NYSE).

In addition to these shares, AXA has issued other securities and rights granting possible access to its capital. The main items involved are options to subscribe for shares and subordinated convertible bonds, whose most important features are described in Appendix 4 to the draft agreement and plan of merger.

AXA's corporate purpose, both in France and abroad, is as follows:

- *to acquire, manage and/or dispose of equity interests in French or foreign companies or businesses, regardless of their legal form, and to perform any and all transactions directly or indirectly related to the foregoing or in furtherance thereof;*
- *in particular, to acquire and manage equity interests in any form, directly or indirectly, in any French or foreign company engaged in the insurance business;*
- *to acquire, manage and realize all listed and unlisted securities, as well as all personal and real property and all rights and all listed and unlisted securities related to said property;*

(1) The data in this report on the number of shares and the capital of AXA and FINAXA has been taken from the draft resolutions submitted to the Extraordinary General Meetings of AXA and FINAXA shareholders on December 16, 2005, and remains valid until September 30, 2005, after which date all exercise, subscription, conversion and exchange rights with respect to securities or rights granting or not granting access to the capital of FINAXA are suspended. The data is derived from data presented for this purpose in the draft agreement and plan of merger. Possible adjustment variables – provided for in Appendix 10 to the agreement – that may result from the issuance of new shares between the date on which the merger agreement was signed and September 30, 2005 through the use of securities granting access to the capital of AXA and FINAXA have also been taken into account.

- *in general, to perform any and all industrial, commercial, financial, personal property and real property transactions directly or indirectly related to the foregoing or to any similar or associated purpose, or in furtherance thereof.*

AXA is one of the world's leading players in the field of financial protection. For the year ended December 31, 2004, the company booked consolidated revenues of 72.2 billion euros and consolidated net income (Group share) of 2.5 billion euros.

#### 1.2.2. FINAXA (non-surviving company)

FINAXA is a French corporation (*société anonyme*) with registered share capital of 239,591,276.85 euros, consisting of 78,554,517 shares with a nominal value of 3.05 euros, all of the same type and fully paid. Its registered principal offices are located at 23, avenue Matignon – 75008 Paris. It is registered under No. 302.995.998 in the Paris Trade and Company Register.

FINAXA stock is listed on the Eurolist market, Compartment A, of Euronext Paris SA under ISIN code FR 0000033136.

In addition to these shares, FINAXA has issued other securities and rights that may or may not grant access to its capital. They include options to subscribe for shares and for convertible bonds and exchangeable notes, whose most important features are described respectively in Appendices 1, 2 and 3 to the draft agreement and plan of merger. To ensure the completion of the transaction described in this report, all exercise, subscription, conversion and exchange rights with respect to the aforementioned securities and rights to the capital of FINAXA have been suspended as of October 1, 2005.

FINAXA's corporate purpose, both in France and abroad, is as follows:

- *to acquire, manage and/or dispose of equity interests in French or foreign companies or businesses, regardless of their legal form or purpose, chiefly in the insurance and related businesses, and to perform any and all transactions directly or indirectly related to the foregoing or in furtherance thereof;*
- *to acquire, manage and realize all listed and unlisted securities, as well as all personal and real property and all rights and all listed and unlisted securities related to said property;*
- *in this connection, to exercise direct or indirect control over AXA insurance companies by acquiring equity interests in French or foreign companies or businesses, regardless of their legal form or purpose, managing and/or disposing of one or more of the foregoing, and performing any and all transactions directly or indirectly related to the foregoing or in furtherance thereof;*
- *in general, to perform any and all industrial, commercial, financial, personal property and real property transactions, particularly those furthering the protection of AXA brands and acronyms, directly or indirectly related to the foregoing or to any similar or associated purpose, or in furtherance thereof.*

FINAXA is a holding company that participates in the AXA Group's system of control. As such, it directly or indirectly held a 17.6 percent stake in AXA (controlling interest) at December 31, 2004. In addition, FINAXA owns the AXA brand.

### 1.3. **Description and valuation of the contributions**

#### 1.3.1. Description of the contributions

Under the terms of the draft agreement and plan of merger, the assets contributed and the liabilities assumed encompass all rights, property and obligations of FINAXA existing on the completion date of the merger.

Based on FINAXA's annual financial statements for the fiscal year ended December 31, 2004, the items that make up the net assets contributed may be summarized as follows:

<b>Assets contributed</b>	<b>€6,458,037,649</b>
Receivables	€7,069,278
Marketable securities	€5,047,861
Cash and cash equivalents	€12,204,107
<b>Liabilities assumed</b>	<b>€1,464,930,741</b>
Borrowings and other debt obligations	€1,272,833,958
Borrowings and debt obligations to credit institutions	€378,602
Income and Social Security tax liabilities	€2,795,856
Other liabilities	€11,319,782
Dividends paid for fiscal year 2004	€177,602,554

### 1.3.2. Valuation of the contributions

In accordance with the accounting treatment of mergers and similar transactions prescribed by the French Accounting Regulation Committee (*Comité de la Réglementation Comptable*) in Regulation No. 2004-01, the merger of FINAXA with and into AXA is conducted on the basis of the real value of the assets and liabilities reported by FINAXA, given that the AXA mutual companies do not exercise joint control over FINAXA and AXA in the sense defined by the aforementioned rule, and that the transaction is structured as a forward merger.

The value of net assets contributed is **4,993,106,908 euros**.

### 1.4. **Consideration for the contributions**

The AXA Management Board and the FINAXA Board of Directors moved, respectively, on October 17, 2005 and on October 18, 2005 to set the final terms and conditions governing consideration to be awarded to FINAXA shareholders, pursuant to the proportions and thresholds specified in Article 10 of the draft agreement and plan of merger.

Thus, on the basis of the exchange ratio agreed upon by the parties – 15 AXA shares for 4 FINAXA shares – AXA shall carry out a capital increase of 684,738,292.95 euros by issuing 299,012,355 new shares with a nominal value of 2.29 euros.

The difference between the net asset value contributed by FINAXA, amounting to 4,993,106,908 euros, and the amount of the capital increase carried out by AXA, amounting to 684,738,292.95 euros, shall constitute the merger premium, amounting to 4,308,368,615.05 euros.

Pursuant to Article L.228-101 of the French Commercial Code, AXA shall succeed, as of right, to the obligations of FINAXA toward its stock and convertible bond subscription option holders. Consequently, the number of AXA shares for which stock and convertible bond subscription option holders are entitled to subscribe shall be determined by applying the 3.75 exchange ratio to the number of FINAXA shares for which said option holders were entitled to subscribe.

As regards exchangeable bonds issued by FINAXA, the authorized management bodies decided to make use of the “substitution clause” in the bond contract, which stipulates that, subject to the approval of AXA shareholders, exchangeable bond holders may be awarded bonds convertible into newly issued AXA shares and offering substantially the same terms and conditions as the exchangeable bonds.

### 1.5. **Legal and tax aspects of the transaction**

#### Ownership, entitlement to contributed assets and terms and conditions of the transaction

The terms and conditions of the merger were set on the basis of the two companies' financial statements at December 31, 2004, the closing date of their last fiscal year.

AXA shall have ownership of and entitlement to all assets and rights contributed by FINAXA as of the merger completion date.

For accounting and tax purposes, the merger shall have retroactive effect as of January 1, 2005.

#### Tax treatment

With respect to corporate income tax, the mergers qualify for the preferential tax treatment provided for in Article 210 A of the French General Tax Code (*Code Général des Impôts*).

With respect to filing and registration fees, the merger will be subject to a fixed fee of 230 euros, in accordance with Article 816 of the French General Tax Code (*Code Général des Impôts*).

#### Conditions precedent

The completion of the merger is subject to the following conditions precedent:

- completion of the Preliminary Merger transactions;
- approval by the FINAXA shareholders at their Extraordinary General Meeting of the draft agreement and plan of merger and of the agreed upon merger contribution, as well as of the dissolution of FINAXA without liquidation and the transfer of its entire estate to AXA;
- approval by the AXA shareholders at their Extraordinary General Meeting of the draft agreement and plan of merger and of the agreed upon merger contribution, of the capital increase carried out as consideration for the FINAXA shareholders; the AXA shareholders shall formally acknowledge the completion of the merger and the dissolution of FINAXA at their Meeting, which will take place subsequently to the FINAXA Meeting.

Absent the fulfillment of the conditions precedent by December 31, 2005, the draft agreement and plan of merger shall be considered null and void unless otherwise agreed by AXA and FINAXA.

We have no further remarks to make on the merger costs and conditions set forth in the draft agreement and plan of merger.

## **2. DUE DILIGENCE AND ASSESSMENT OF THE VALUE OF THE CONTRIBUTIONS**

### **2.1 Due diligence**

We performed the due diligence reviews that we deemed necessary in accordance with the standards set forth by the French National Auditors Association (*Compagnie Nationale des Commissaires aux Comptes*) to achieve the following:

- verify that the contributions were effectively made and that the liabilities of FINAXA were transferred in full;
- analyze the individual asset and liability amounts proposed in the draft agreement and plan of merger;
- verify the overall value of the proposed contributions;
- verify that, as of the completion date of this report, there are no facts or events likely to call into question the value of the contributions.

The purpose of our audit report is to inform the shareholders of AXA as to the value of FINAXA's contribution to the merger. It should not be confused with a due diligence review performed for a lender or purchaser and does not include the various items required by such an assignment. Our audit report can therefore not be used in such a context.

In particular, we accomplished the following:

- (i) we met with the relevant officers of the companies involved in this transaction in order to gain a full understanding of the proposed transaction and the context in which it is to be effected, and to analyze its business, accounting, legal and tax aspects;
- (ii) we examined the draft agreement and plan of merger and its appendices;
- (iii) we duly noted the draft document E filed with the *Autorité des Marchés Financiers* describing the transaction and its consequences;

- (iv) to verify the reliability of the financial data transmitted to us, we contacted the independent auditors of FINAXA and, in accordance with the aims of our audit, we reviewed their working papers on the financial statements for the fiscal year ended December 31, 2004; we made sure that the auditors expressed an unqualified opinion on said financial statements;
- (v) we also reviewed the independent auditors' working papers on the interim consolidated financial statements of AXA of FINAXA for the period ended June 30, 2005;
- (vi) we duly noted the fairness opinions and valuation reports issued by independent experts as requested by the companies involved in the transaction;
- (vii) we reviewed and analyzed the different components of the net assets contributed, particularly the valuation of AXA securities held by FINAXA and the valuation of the AXA brand;
- (viii) we verified, and obtained confirmation from the officers of the non-surviving company, that the events which occurred in the interim period were not such as to call into question the value of the contributions.

## 2.2. Assessment of the value of the contributions

### 2.2.1. Assessment of the valuation principle adopted

Pursuant to the terms and conditions of the draft agreement and plan of merger, and in light of the fact that FINAXA and AXA are controlled separately and that the transaction is structured as a forward merger, the corporate officers decided, in accordance with Regulation No. 2004-01 of the French Accounting Regulation Committee (*Comité de la Réglementation Comptable*) dated May 4, 2004, to value all assets contributed and liabilities assumed at their real value.

This approach is in keeping with the approach adopted by the corporate officers in preparing the consolidated financial statements of FINAXA and the combined financial statements of Mutuelles AXA, under the supervision of the independent auditors. Because FINAXA does not control AXA yet has long-term, significant influence over it, it uses the equity method to account for its stake in AXA.

We have no further remarks to make on the valuation principle adopted.

### 2.2.2. Valuation method applied by the parties

The method used to value FINAXA's contribution is adjusted net assets at December 31, 2004. Adjusted net assets are calculated on the basis of net book value at December 31, 200, adjusted to reflect the following items:

- an unrealized gain on AXA securities held by FINAXA;
- AXA brand value;
- a gain on disposal of ANF shares;<sup>(2)</sup>
- various assets and liabilities subject to revaluation.

At December 31, 2004, adjusted net assets for FINAXA were as follows (in millions of euros):

<b>Net book value at December 31, 2004</b>	<b>€1,986.3</b>
Unrealized gain on AXA securities	€3,114.5
Re-evaluation of "AXA" trademark	€307.3
Cash dividends distributed by FINAXA in 2005	(€177.6)
Balance sheet write-offs	(€316.9)
Gain on ANF securities	€18.2
Revaluation of marketable securities	€1.2
Impact of the Preliminary Mergers	€60.2
<b>Adjusted net assets at December 31, 2004, after rounding</b>	<b>€4,993.1</b>

(2) Ateliers de Construction du Nord de la France, a company whose shares were sold by FINAXA to Immobilière Bingen on March 24, 2005.



### Unrealized gain on AXA securities

At December 31, 2004, after the impact of the Preliminary Mergers, FINAXA held 330,835,692 AXA shares. The share price used to calculate adjusted net assets was the market price on December 31, 2004, i.e. 18.18 euros.

In addition, no taxes will be levied on this unrealized gain, since the AXA shares will be cancelled by AXA once the present merger has been completed.

### Valuation of the AXA brand

The AXA trademark was valued on the basis of discounted future cash flows from brand licensing fees, calculated using sales forecasts and brand awareness rates. The licensing fee arrangements adopted inside the AXA Group include the following:

- Fees paid to FINAXA by AXA and the AXA mutual companies comprising:
  - a fixed portion set by contract;
  - a variable portion that depends on revenues, in the case of the Mutuelles AXA, and the amount of brand licensing fees billed by AXA to its subsidiaries.
- Fees paid to AXA by AXA subsidiaries comprising:
  - a fixed portion set by contract and varying from country and country;
  - a variable portion that depends on the revenues earned by the specific subsidiary and the AXA brand awareness rate in the specific country.

The valuation of brand licensing fees used in calculating adjusted net assets rests on the following assumptions:

- The fixed portion of the licensing fees was capitalized at 4.3 percent, which is the coupon rate on AA – long-term corporate bonds. (It should be recalled that in terms of financial solidity, the AXA Group was rated AA – /Stable in April 2005 by Standard & Poor's).
- Future cash flows from the variable portion have been discounted using the following principles:
  - a sequence of cash flows was obtained by applying the licensing fee and brand awareness rates to revenue forecasts for the period from 2005 to 2012;
  - the exit value was calculated on the basis of 5 percent growth to infinity;
  - the discounted present value of the variable portion was calculated using a 7 percent discount rate.
- Moreover, since FINAXA runs a structural tax deficit, no taxes were levied on the brand licensing fees.

Thus, the AXA brand was ultimately valued at 307.3 million euros.

### Cash dividends distributed by FINAXA in 2005

On May 16, 2005, FINAXA distributed dividends totaling 177.6 million euros for fiscal year 2004, an item included in the calculation of net assets contributed at December 31, 2004.

### Gain on disposal of ANF securities

As part of the internal reorganization of FINAXA conducted prior to the present FINAXA/AXA merger, the company sold all its ANF securities on March 24, 2005 to Immobilière Bingen (Eurazeo Group). On this same date, and after the deed of assignation between Eurazeo and FINAXA had been signed, ANF sold Oudinot Finance its equity interest in AXA, representing 0.29 percent of the share capital and 0.48 percent of the voting rights, for 20.38 euros per share.

The disposal of ANF securities generated a gain of 18.2 million euros.

### Balance sheet write-offs

This line item corresponds to the book value of the following:

- accruals on the asset side of the FINAXA balance sheet at December 31, 2004, totaling 269 million euros;
- debt issuance costs and bond redemption premiums accounted for as accruals on the asset side of the FINAXA balance sheet at December 31, 2004, totaling 48 million euros.

Both of these asset accounts have been written off and restated in the adjusted net assets, given that they may be deemed worthless.

### Revaluation of marketable securities

The net assets contributed by FINAXA reflect the revaluation of marketable securities, based on their fair value at December 31, 2004.

### Impact of the Preliminary Merger transactions

The Preliminary Merger transactions were part of the internal reorganization carried out at FINAXA prior to the present transaction. This reorganization had the following impact on the net assets contributed by FINAXA:

- equity increased by 59.7 million euros as a result of the merger of CFGA with and into FINAXA (a capital increase of 3.6 million euros, plus a merger premium of 56.1 million euros);
- various merger deficits and surpluses on the mergers of Oudinot Finance, Colisée Vendôme and FDR Participations with and into FINAXA were accounted for.

#### 2.2.3. Assessment of the valuation method adopted by the parties

The net assets contributed by FINAXA were assessed on the basis of their adjusted net value at December 31, 2004. This assumption calls for the following comments:

- in principle, it seems relevant to us to use the adjusted net asset method, given that FINAXA has holding company status, that its main assets are its significant equity stake in AXA and its ownership of the AXA brand;
- in addition, the other valuation methods cannot be used in this case, given the low liquidity of FINAXA stock (*share price*), the lack of comparable companies (*comparable transactions/comparable market conditions*) and the non-operating nature of the company (*no business plan*);
- for these reasons, adjusted net assets constitute an appropriate method for calculating the value of FINAXA's contribution; we therefore have no further remarks to make on this point.

#### 2.2.4. Assessment of the individual and overall value of the assets contributed

##### Valuation of the AXA brand

Because the merger is being carried out on a real value basis, valuing the AXA brand is justified. In principle, the method adopted, which consists of valuing the cash flows from brand licensing fees, seems appropriate to us.

Given the choice of valuation methods and their implementation, based on discounted brand licensing fee cash flows, we have the following remarks to make:

- The brand licensing fees are expressed as a percentage of revenues, it being understood that any expenses related to the AXA brand are borne by AXA and its subsidiaries. We obtained confirmation of the fact that this rate has not been challenged by the tax authorities. Moreover, since there are few brand licensing arrangements in the financial industry, we have been unable to identify any comparable items elsewhere.
- The forecast average annual growth in revenues, the basis to which the licensing fee rate is applied and which determines the cash flow sequence, seems to us to be relatively ambitious, given the

maturity of the financial protection market and the consensus among financial analysts. We therefore conducted a sensitivity analysis to make sure that the figures obtained were consistent.

- We performed a sensitivity analysis of AXA brand value by testing variable assumptions (revenue growth and tax expense) and parameters (growth rate to infinity and discount rates). What emerges from our analysis is that the valuation chosen is located near the upper end of the value range. In the case of the present transaction, however, sensitivity analysis brings to light only relatively insignificant effects, given the value of the net assets contributed, and in no way calls this value into question.

It should be emphasized that AXA brand value determined in this fashion is contingent on business forecasts established by the relevant corporate officers. And since we are dealing with forecasts necessarily surrounded by a high degree of uncertainty, actual results may differ, sometimes materially, from the information initially used to make the forecasts.

#### Unrealized gain on AXA securities

In principle, we have no particular remarks to make on the decision to include an unrealized gain on AXA securities in the calculation of adjusted net assets of FINAXA.

As regards the methods used to value this gain, the following comments may be made:

- The gain on AXA shares has been calculated on the basis of the AXA share price at December 31, 2004, i.e. 18.18 euros. This assumption seems appropriate to us, and we have no further remarks to make on this point.
- In light of AXA's share price over the period after December 31, 2004, this assumption has proved to be a fairly conservative one. As of September 29, 2005, the average market prices over the preceding 6 months and 1 year, respectively 21.0 euros and 19.7 euros (*source: Datastream*), confirm the relevance of this choice.
- Moreover, the exchange ratio between AXA and FINAXA, calculated on the basis of the adjusted net assets of FINAXA at June 30, 2005, assumes that AXA's share price may range from 19.67 to 24.79 euros, providing further justification for the assumptions used to value the assets contributed.

#### Balance sheet write-offs

The adjusted net value of FINAXA reflects the elimination of two FINAXA asset items.

The reason for this elimination is that these assets have no economic value, since they correspond to accruals, debt issuance costs and redemption premiums on bonds issued by FINAXA. This elimination therefore seems justified to us, and we have no further remarks to make on this point.

#### Other assets and liabilities

The net assets contributed also reflect the mechanical effect of internal reorganization at FINAXA carried out prior to the present transaction (Preliminary Mergers). These mergers are discussed in separate reports drawn up by the Merger Auditors appointed by order of the President of the Commercial Court (*Tribunal de Commerce*).

We have no other remarks to make on any of the other revalued assets and liabilities.

#### Summary statement on the overall value of the contributions

The valuation of the net assets contributed, based on the adjusted net assets of FINAXA at December 31, 2004, reflects the following:

- It includes a valuation of the AXA brand that we would situate near the upper end of the range of values identified, one that assumes that the AXA Group business plan will achieve early, medium-term success.
- It assumes a gain on AXA securities held by FINAXA based on AXA's share price at December 31, 2004. This assumption reflects a fairly conservative approach in light of the upward trend in the company's market price since that time.

- It is chiefly composed of the value of the AXA shares, which at December 31, 2004 represents 93.1 percent of the assets contributed by FINAXA.

The remarks presented above should in no way be interpreted as challenging the overall value of the contributions to be made by FINAXA.

### **2.3. CONCLUSION**

In conclusion,

- It is our opinion that the amount of the contributions, i.e. **4,993,106,908 euros**, is not overvalued, and that it is therefore equal at least to the amount of the capital increase carried out by the surviving company, increased by the merger premium;
- we have no remarks to make concerning the number of AXA shares for which the convertible bonds issued by the non-surviving company may be exchanged.

Executed in Paris, November 9, 2005

#### **The Merger Auditors**

**Stéphane Lipski**

**René Ricol**

**Bernard Lelarge**

## **APPENDIX 3**

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### **Special report of the statutory Auditors on the capital decrease**

**SPECIAL REPORT OF THE INDEPENDENT AUDITORS ON A SHARE CAPITAL  
DECREASE**

**(Meeting of Shareholders held on December 16, 2005 – 3<sup>rd</sup> resolution)**

To the Shareholders of AXA  
25, avenue Matignon  
75008 Paris

*This is a free translation into English of the special report of auditors on a share capital reduction issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

In our capacity as the Independent Auditors of AXA, and in compliance with the assignments set forth in Article L.225-204 of the Commercial Code, in the event of a share capital reduction, we hereby submit our report containing our assessment on the reasons for, and the terms and conditions of, the proposed capital decrease transaction.

This capital decrease, which is not justified by losses, shall be realized through the cancellation:

- of all the 336,338,096 AXA shares that will be acquired through the merger of FINAXA with and into AXA;
- of the 1,152,720 AXA shares obtained by purchasing FINAXA shares from AXA Participations 2;

i.e. a total of 337,490,816 shares with a nominal value of 772,853,968.64 euros. It is understood that the difference between the contribution or acquisition value of these shares and their nominal value, i.e. 5,379,990,856.76 euros, shall be credited to the merger premium account up to the maximum amount available and to the share premium account for the remaining amount.

We remind you that the approval of this transaction is subject to the condition precedent of the completion of the merger of FINAXA with and into AXA mentioned in the First Resolution.

We conducted our audit in accordance with the professional standards applicable in France. Those standards require us to carry out the tests we deem appropriate to assess whether the reasons for, and the terms and procedures of, the proposed capital decrease transaction are fair.

Our work consisted in particular of verifying that the proposed capital decrease does not bring total share capital below the legal threshold or undermine the principle of equal rights for shareholders.

We have no matter to report on the reasons for, or the terms and conditions of, the aforementioned proposed transaction, which will reduce the share capital of your Company from 5,060,341,562.89 euros to 4,287,487,594.25 euros.

Paris, November 16, 2005

The Independent Auditors

PricewaterhouseCoopers Audit  
Yves Nicolas – Eric Dupont

Mazars & Guérard  
Patrick de Cambourg – Jean-Claude Pauly

## **APPENDIX 4**

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**Fairness opinions issued by UBS and HSBC CCF**

FINAXA  
23, avenue Matignon  
75008 Paris  
France

June 29, 2005

For the attention of:  
The Board of Directors

Dear Sirs,

You have informed UBS Limited (“UBS”) of a proposed merger between FINAXA S.A. (“the Company” or “FINAXA”) and AXA through the acquisition of the Company by AXA (“the Transaction”). The merger proposal was announced in a joint press release dated April 19, 2005.

In the light of this proposal, you have asked UBS to provide an opinion for FINAXA shareholders on the fairness, from a financial point of view, of the exchange ratio being proposed to them by FINAXA to exchange their shares for new AXA shares. FINAXA’s Board of Directors has informed UBS that it proposes to offer an exchange ratio of 3.75 AXA shares for each FINAXA shares, and the Board has asked UBS to express an opinion on this ratio for FINAXA shareholders from a financial point of view.

You have also informed us that, following the Transaction, certain convertible and exchangeable bonds issued by FINAXA will be replaced by new convertible bonds to be issued by AXA (on substantially the same terms and conditions as those applying to the convertible and exchangeable bonds issued by FINAXA), and that, similarly, stock options issued by FINAXA will be replaced with new stock options to be issued by AXA, also on comparable terms and conditions.

You have also informed us that FINAXA intends to merge with certain of its subsidiaries and affiliates (including FDR Participations, Colisée Vendôme, CFGA and Oudinot Finance) (“prior mergers”) before the Transaction is completed.

For the purposes of our analysis, we have deployed usual valuation methods which we considered necessary or appropriate to form our opinion.

We have formed our opinion on the basis of, and after examination of, certain information including in particular:

- A press release issued by FINAXA and AXA on April 19, 2005, announcing their intention to merge;
- The preliminary version of the merger agreement dated June 21, 2005, prepared for the purpose of carrying out the Transaction;
- AXA and FINAXA’s statutes;
- AXA and FINAXA’s audited financial statements for the year ending December 31, 2004;
- The financial statements of certain of FINAXA’s subsidiaries and affiliates (CFGA, Oudinot Finance, Colisée Vendôme and FDR Participations) for the year ending December 31, 2004;
- The licence agreement covering the AXA brands and derivatives between the Company and AXA, dated May 21, 1996;



- A supplementary agreement to the licence agreement covering AXA brands and derivatives, dated May 3, 2005;
- A report on valuation of the AXA brand by Interbrand, dated September 28, 2001.
- AXA's internal audit report on the AXA brand and royalties, dated April 20, 2005.
- A report from AXA's tax affairs department regarding royalties from the licence agreement covering AXA brands, dated December 2, 2003;
- A proposed amended return from the *Direction Générale des Impôts* (Tax Office) following a tax inspection of FINAXA in respect of financial years 2001 and 2002, dated December 20, 2004;
- FINAXA and AXA's historical and current share price performance;
- Internal information prepared by AXA and FINAXA which has been supplied to us by GIE AXA for the purposes of preparing our opinion, including the number of AXA shares owned by the Company, its subsidiaries and affiliates at April 30, 2005;
- An internal working paper prepared by GIE AXA for the attention of FINAXA and AXA's committees of independent directors, dated May 2005;
- A letter from FINAXA's independent directors to the Chairman of the Board of Directors, including a technical report prepared by BNP Paribas, the Company's banking adviser, on fixing the exchange ratio, dated June 13, 2005;
- Publicly-available information on companies with activities comparable to AXA's, together with their share prices;
- Publicly-available information on comparable business combinations (takeover of a holding company by its subsidiary).

The list of documents detailed above is not exhaustive and only includes the main documents reviewed.

We have also held several discussions with GIE AXA, FINAXA and its adviser, BNP Paribas, on questions arising from our analysis of the information described above. We have formed our opinion on the basis of the answers to these questions and other information given to us during these discussions.

We have assumed, and we have formed our opinion on the basis of the assumption, that the publicly-available information or information supplied to us by GIE AXA, the Company, its adviser BNP Paribas, and the information we have reviewed for the purposes of this opinion is accurate, full and exhaustive (such information includes, but is not limited to, the information and documents listed above and the responses and additional information obtained during the discussions mentioned in the preceding paragraph). We have not independently verified such information. Under no circumstances can we be held liable or accept any obligation in this respect.

We have assumed, and we have formed our opinion on the basis of the assumption, that the Company and GIE AXA did not fail to give us any important information in their possession or under their control which might be such as to influence the opinion contained in this letter. We have not independently valued FINAXA or AXA's tangible fixed assets.

Our opinion is based on the economic, market, regulatory and other conditions in existence at the date of this letter, together with the information which has been communicated to us as of this date. It should be noted that any future development may affect this opinion and that there is no obligation on us to update it, revise it or repeat it.

In forming our opinion on the basis of the financial forecasts published by various research analysts, we have assumed that those forecasts were prepared reasonably and on the basis of assumptions reflecting the best estimates and opinions of the analysts in respect of AXA's expected future results and financial position.

We do not offer any opinion on the strategic opportunity and advantages offered by the Transaction, as presented to us by FINAXA, GIE AXA or their advisers, and we have relied on them in respect of these matters. In forming our opinion on the basis of the financial and operating forecasts supplied to us by GIE AXA, we believed and have assumed, with the Company's agreement, that these forecasts (and the assumptions underlying them) are reasonable and realistic, that they have been properly prepared and that they reflect the most developed estimates and opinions currently available to AXA management, and that these forecasts are expected to be achieved in terms of both the amounts and deadlines predicted. We have relied on GIE AXA in respect of these matters.

On the basis of the above, we believe that, as of the date of this letter, the exchange ratio of 3.75 is fair for FINAXA's shareholders from a financial point of view.

In its investment banking business, UBS is involved with the valuation of companies and their securities during mergers and acquisitions, issues of securities and other events.

The preparation of this opinion for this Transaction is the only mandate given to UBS in the context of this Transaction.

UBS AG and its subsidiaries may in the past have had banking relationships with and provided investment services to FINAXA, AXA or its subsidiaries, and may continue to do so both as of the date of this letter and in the future. UBS and its subsidiaries may hold covered or uncovered positions in FINAXA or AXA securities.

This letter and the opinion in it are presented for the sole benefit of the Company's Board of Directors for the purpose of agreeing with AXA the exchange ratio to be submitted to shareholders. They have not been prepared on behalf of, and do not nor may not (under any circumstances whatsoever, including by virtue of reproduction of this letter in whole or in part) confer any right to, nor constitute any recommendation by UBS for shareholders or holders of securities issued by the Company or any other person whatsoever other than the Company's Board of Directors. This letter may not be used for any other purpose whatsoever and may not be reproduced (in whole or in part) other than for the Board of Directors and its advisers, or distributed or quoted at any time or in any manner whatsoever without our prior written consent. This letter is not addressed to and may not be used by any third party for any reason whatsoever.

Yours sincerely,

Edouard de Vitry  
Managing Director

Jérôme Claeys  
Executive Director

**Strictly private and confidential**

29 June 2005

The Supervisory Board of AXA  
c/o AXA SA  
21, Avenue Matignon  
75008 Paris  
France

For the attention of:  
David Dautresme  
Anthony Hamilton  
Ezra Suleiman

Dear Sirs,

In relation to the Transaction (as defined below), the Supervisory Board of AXA (the “**Company**”) has requested the opinion of HSBC as to whether the Consideration (as defined below) in the proposed Transaction, is fair, from a financial point of view, to the Company and the shareholders of the Company.

We understand that pursuant to a merger agreement to be prepared, and in accordance with the terms and conditions thereof, (i) the shareholders of FINAXA will receive 3.75 AXA shares for 1 FINAXA share (the “**Consideration**”) and (ii) following receipt by the shareholders of FINAXA of the Consideration, FINAXA shall be dissolved and liquidated ((i) and (ii) together, the “**Transaction**”).

This opinion letter shall be governed by and construed in accordance with French law.

In arriving at the opinion set out below, we have:

1. examined the financial terms of the Transaction;
2. examined AXA’s financial analysis of the transaction (working paper, dated May 2005);
3. examined the Company’s press announcement related to the Transaction, released on April 19th, 2005;
4. examined the audited 2004 annual financial statements of the Company, FINAXA and FINAXA’s subsidiaries;
5. examined FINAXA’s fiscal documents for the years 2002, 2003, 2004;
6. examined the AXA trademark licensing agreements between FINAXA and the Company and between the Company and its affiliated companies and validated with AXA the amounts of the royalty paid in 2004;
7. examined the Gfk report on AXA brand awareness and the Interbrand report on AXA trademark;
8. examined certain internal financial analyses and forecasts relating to the business and prospects of the Company prepared and provided to us by the Company on 27/05/2005, including forecasts of turnover and internal targets for AXA brand awareness;
9. examined the reported price and trading activity for ordinary shares and debt instruments of FINAXA and the Company;
10. examined FINAXA’s holding in AXA (number, book value) provided by AXA on 10/06/2005;
11. examined details of FINAXA’s treasury shares provided by AXA on 16/06/2005;
12. examined the information provided by the Company on the stock options plans of FINAXA and the Company;
13. examined the following analysis prepared by the Company for the purpose of the Transaction: the valuation of stock option plans of FINAXA and the Company, the valuation of AXA trademark, the tax implication of a conversion of FINAXA’s outstanding convertible securities and the FINAXA’s

pro-format financial statements integrating the impact of business combinations to occur prior to the Transaction;

14. compared the financial terms of the Transaction with those, to the extent publicly available, of certain comparable transactions.

In giving this opinion:

1. We have relied without independent verification, upon the accuracy and completeness of all of the information that was publicly available or was discussed with or prepared by the Company and have assumed such accuracy and completeness for the purpose of providing this opinion;
2. We have assumed that the forecasts provided by the Company (including forecasts of turnover and internal targets for AXA brand awareness) have been reasonably prepared on bases reflecting the best available estimates and judgements of the future performance of the Company by its senior management team and we have not independently verified these forecasts and express no opinion on the fairness of such estimates and judgements;
3. We have assumed that all governmental, regulatory and other consents and approvals necessary for the Transaction will be obtained in a timely manner without any adverse effect on the Company;
4. We have not made any independent evaluation or appraisal of the assets and liabilities of the Company;
5. We have not conducted any independent legal or tax analysis of the Company or of the Transaction. We have not included the legal and tax effects of any reorganisation or transaction costs that may arise as a result of the Transaction in our analysis. In addition, we have not performed any independent analysis of the situation of individual shareholders of the Company, including with respect to taxation or related withholding, with regards to the Transaction and express no opinion thereon;
6. We have had no access to the draft merger agreement and therefore rely on the management of the Company for the Consideration informed to us in relation to this Transaction.

Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion and that we do not have any obligation to update, revise or reaffirm this opinion.

We have acted only to the supervisory board for the purposes of rendering this opinion and will receive a fee from the Company for our services. In addition, the Company has agreed to indemnify us in relation to certain liabilities incurred within the scope of our engagement. In the past, HSBC and its affiliates have provided financial advisory and financing services for the Company and have received fees for the rendering of these services, and may continue to provide such services for the Company and receive fees in relation to thereto, HSBC is not currently engaged on any investment banking advisory mandate or any equity capital markets or debt capital markets mandate (excluding the provision of lending or related services) with the Company. In the ordinary course of their businesses, affiliates of HSBC may actively trade in the debt and equity securities or senior loans of the Company, for their own accounts, or for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities or loans.

**Based upon and subject to the foregoing, we are of the opinion that, as of the date of this letter, the Consideration is fair, from a financial point of view, to the Company and the shareholders of the Company.**

This letter is confidential to, and for use only by, the Supervisory Board of the Company in connection with and for the purposes of its evaluation of the Transaction, and may not be used or relied on for any other purpose by any other person. Neither the existence of this letter nor its contents may be copied in whole or in part, or discussed with any other parties, or published or made public or referred to in any way, without our prior written consent; provided, however that this letter may be described in (subject to our prior review) and included in its entirety in the Company's shareholders' circular to be distributed to holders of the Company's ordinary shares, if any, filed in connection with the Transaction.

Specifically, this opinion does not address the merits of the underlying decision by the Company to proceed with the Transaction nor does it constitute a recommendation to the Company (including its Supervisory Board, as a whole, and Management Board) or any shareholder of the Company in respect of the Transaction or any other matter.

Yours sincerely,

For and on behalf of HSBC

Philippe Diers  
Managing Director

CCF

Matthieu Kiss  
Managing Director

CCF

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