

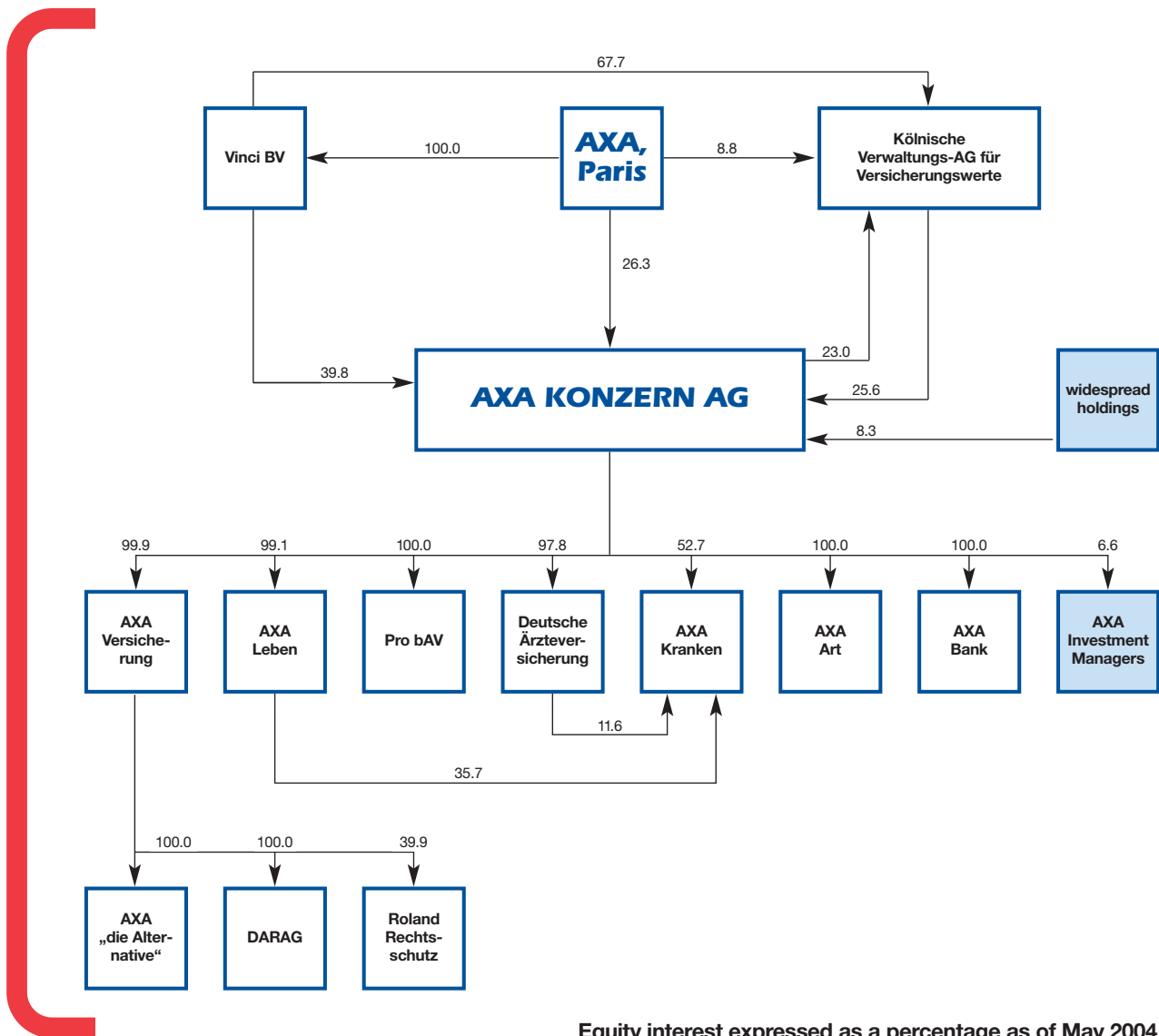


**2003** Annual Report  
AXA KONZERN AG



*be life confident*

# Equity interest structure of AXA Konzern AG



Equity interest expressed as a percentage as of May 2004

# The AXA Group in summary

		2003	2002*	+/- %
<b>Consolidated income</b>				
Total income	€ mill.	6,400	6,098	+5.0
Premiums written (gross)	€ mill.	6,264	5,963	+5.0
Property and casualty insurance	€ mill.	2,684	2,648	+1.4
Life insurance	€ mill.	2,645	2,458	+7.6
Health insurance	€ mill.	779	676	+15.2
Assumed	€ mill.	156	182	-14.3
Retention	%	94.1	89.9	+4.2
Income from financial services	€ mill.	136	135	+0.7
<b>Claims and benefits</b>				
Property and casualty insurance				
Claims expenses (net)	€ mill.	1,687	1,748	-3.5
Net combined ratio	%	95.2	105.7	-10.5
Life insurance				
Payments to policyholders	€ mill.	2,638	2,371	+11.3
Change in commitments to policyholders	€ mill.	805	909	-11.4
Health insurance				
Payments to policyholders	€ mill.	376	337	+11.6
<b>Underwriting provisions</b>				
Total (net)	€ mill.	30,511	29,125	+4.8
thereof:				
Property and casualty insurance	€ mill.	4,708	4,545	+3.6
Life insurance	€ mill.	23,431	22,485	+4.2
Health insurance	€ mill.	1,788	1,563	+14.4
Assumed	€ mill.	584	532	+9.8
<b>Bank and building savings business</b>				
Accounts receivable from borrowers	€ mill.	733	665	+10.2
thereof for property loans	€ mill.	467	418	+11.7
thereof for private loans	€ mill.	266	247	+7.7
New business (total value building savings)	€ mill.	496	457	+8.5
<b>Employees</b>				
Salaried employees (number of employment contracts, without trainees)		9,195	9,769	-5.9
Freelance sales staff (full time)		3,138	3,255	-3.6

		2003	2002*	+/- %
<b>Investments<sup>1)</sup></b>				
Portfolio	€ mill.	34,999	34,111	+2.6
Investment result	€ mill.	1,940	1,711	+13.4
<b>Group equity</b>				
	€ mill.	1,041	456	+128.3
<b>Consolidated result</b>				
Consolidated result before taxes on income	€ mill.	412	127	
Consolidated net profit for the year	€ mill.	571	4	
DVFA earnings per share		1.00	-0.50	
<b>Dividend of AXA Konzern AG<sup>2)</sup></b>				
Dividend per ordinary share	€	1.18	1.18	
Dividend per preferred share	€	1.24	1.24	
Total dividend	€ mill.	37.2	37.2	

<sup>1)</sup> portfolio and result including building saving loans and investments of unit-linked life insurance

<sup>2)</sup> 2003: recommendation

\* Where expedient, the 2002 figures were essentially adjusted by amounts referring to the subsidiaries sold in Austria and Hungary

## Recommendation on the appropriation of balance sheet profit

€

	2003
Payment of a dividend of € 1.18 per ordinary share, total	30,952,296.80
Payment of a dividend of € 1.24 per preferred share, total	6,200,000.00
Allocated to revenue reserves	261,000,000.00
Profit carried forward	66,789.40
Balance sheet profit	298,219,086.20



## AXA Financial highlights

### ■ 50 million

individuals and businesses have placed their trust in us:

- To insure their property (vehicles, housing, equipment),
- To provide health and personal protection coverage for their families or employees,
- To manage their personal or corporate assets.

### ■ 117,000

employees and distributors worldwide working to deliver the right solutions and top quality service to our customers.

### ■ 20,000

employees donating their time and skills to community organizations.

### ■ Revenues

**€ 71.6 billion**

(+5,3% on a comparable basis)

### ■ Underlying Earnings

**€ 2 billion**

(+30% at constant exchange rates)

### ■ Net Income

**€ 1 billion**

(+18% at constant exchange rates)

### ■ Assets Under Management

**€ 775 billion**

(+17% at constant exchange rates)

# AXA Vision

## Our Business: Financial Protection and Wealth Management

It's the vision we have of our business and how it should be done.

The business of Financial Protection and wealth management involves offering our customers – individuals as well as small, mid-sized and large businesses – a wide range of products and services that meet their insurance, protection, savings, retirement and financial planning needs throughout their lives.

Aware and proud of our industry's contribution to the economic and social development of the community, we seek to do business responsibly by living up to consistent values and stakeholder commitments throughout the world.

## Our Values:

Professionalism, Innovation, Realism, Team Spirit, Integrity.

## Our Ambition:

We are working toward the shared ambition of setting the standard worldwide in our core business of Financial Protection and wealth management.

# Our Commitments

## Customers

AXA seeks to build close and lasting relationship with its customers by offering expert advice and a full range of adapted solutions, and by adhering to the highest standard of professional ethics.

## Suppliers

AXA seeks to maintain quality relationships with its suppliers and other business partners by adhering to a clearly defined code of conduct, and by promoting ongoing dialogue.

## Community

AXA seeks to live up to its responsibilities by participating in the life of the community through acts of corporate philanthropy and prevention.

## Shareholders

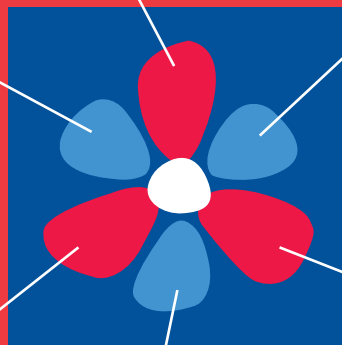
AXA seeks to satisfy its shareholders by achieving operating performance that ranks among the best in the industry, and by furnishing complete and accurate financial information.

## Environment

AXA also seeks to play an active role in protecting the environment by making available its environmental risk management capability, and by promoting environmentally sound practices in the workplace.

## Employees

AXA seeks to contribute to the satisfaction and fulfillment of its employees by promoting respect and empowerment in the workplace, and by providing regular training and development opportunities.



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**Dr. Claus-Michael Dill**  
*Chairman of the Board  
of AXA Konzern AG*

## Foreword by the Chairman of the Board

*Dear Shareholders and Business partners,*

2003 has seen a turning point in the development of the German AXA Group, following a year which had been definitely difficult for the branch as a whole. As you can see from the Annual Report you have in front of you, this development has been on a broad scale. Sales figures are definitely on the increase, underwriting results have improved drastically, costs continue to decrease and our profitability has increased overall.

Our company has proven that it is capable of taking a proactive approach to business even in difficult times, such as those we have lived through since 2001. We are now profiting from the fact that we kept consistently on course and upheld our corporate strategy for more earnings and growth. We have enjoyed profitable growth in 2003 – in nearly all business areas. Last year, AXA was one of the strongest growing motor-vehicle insurance companies in the retail insurance sector, with increased income of € 25 million. When it comes to financial retirement provisions, we managed to increase our share in the market for new life insurance by nearly a quarter. And as a sign of established continuity, our health insurance has once again grown at twice the rate of the market as a whole.

One important factor in this success was the concept of selling all our products on an integrated basis across all sales channels. According to experts, one of the key

tasks facing insurance companies through to 2006 at least will be to optimise their retail business support as well as sales through the internet. We shall be concentrating above all on further enhancing our consulting quality and raising this onto a national level which sets new standards. And as far as interlinking the various sales channels is concerned, our multi-channel strategy puts us a decisive step ahead of competitors. It is up to the client to decide which service he wants to use in which situation. Similarly, he can also select our products exactly to suit his needs. Thanks to AXA's modular principle, the individual insurance products and financial solutions can be combined individually and modified to take account of changed conditions and circumstances.

We were particularly pleased with the figures, indicating a clear improvement in the underwriting results for non-life insurance, particularly for industrial and corporate clients where for a long time business was in the red. The claims ratios have improved considerably in nearly all aspects of non-life insurance. We have achieved this on the basis of our underwriting policy, portfolio optimisation measures and innovative new products, all strictly aligned to earnings. Among others, we have continued to optimise claims management, for example by establishing partnerships with workshops, together with accelerated claim settlement procedures.

Similarly, the company has seen considerable further improvements in the pensions sector. The restructuring of this division, refocusing attention on sales and realigning the range of life insurance products has put us on the right path. This is also verified by the rapid developments in our Pro bAV Pensionskasse pension fund which started in 2002: the number of new contracts more than quadrupled last year. Both the unit-linked pension insurance with premium guarantee and also the conventional pension insurance launched in 2003 are a great success.

Our private health insurance once again saw above-average success last year. Following the changes to Germany's health system, an increasing number of people have become aware of the long-term advantages of using the savings method to make their own provisions in the case of illness. Naturally in this context they are looking for a reliable partner with lucrative, innovative products such as those available from our health insurance company for many years now.

On the investment side, last year we managed to work off most of the losses left by the shares crisis. Our strategy has proven to be correct. In view of the lasting doubts about the fiscal treatment of depreciation on investments of fixed assets, in recent years we have put aside depreciation which was not mandatory, in order to avoid fiscal disadvantages. It is only after clarification of the fiscal aspects that we have now proceeded with depreciation for 2003, using reserves from fixed interest securities and equity interests for counter-financing.

For several years now, there has been a trend for clients to feel less tied to "their" insurance, frequently changing the provider while at the same time longing for a qualified, stable partner. Together with excellent consulting and outstanding products, one of the key prerequisites for this is the financial strength that AXA can offer: in 2003 once again, the major rating agencies have confirmed our excellent prospects.

Yet another important aspect making us fit for the future is our responsible approach to our stakeholders – clients, shareholders, employees, suppliers and other business partners. You can find out more about how AXA Germany lives its commitments to these groups and also to society and the environment as a whole in a separate chapter in the second part of this Annual Report.

We have been following our basic corporate strategy for nearly four years now. Today we are in the happy position that we no longer need to debate about the fundamentals of which approach to take even when faced by major events on the market. We know our approach and are applying it consistently. So our motto is to continue along these same lines, and implement the things we have decided to do swiftly and thoroughly. Those aspects which we want to deal with in 2004 can be summarised in four points. We want to continue with further aggressive expansion of our market position, safeguard the achieved underwriting results for non-life insurance, enhance the profitability on the life insurance sector and achieve further improvements in our cost ratios. We are sure that we can achieve these objectives on the basis of the potential available in the company.



Dr. Claus-Michael Dill  
Chairman of the Board  
AXA Konzern AG

# Supervisory Board

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Chairman  
Cologne

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Deputy Chairman  
Company employee  
Overath

**Uwe Beckmann\***

Company employee  
Sarstedt

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Brussels

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Group Executive Vice President Operations of AXA  
Paris

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Chairman of the Management Board  
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Executive employee  
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Sal. Oppenheim jr. & Cie. KGaA  
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Company employee  
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Company employee  
Dormagen

\* Employee representative

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Chairman

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Group Project Management

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Group Development, Taxation

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**Dr. Heinz-Peter Roß**

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**Gernot Schlösser**

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**Andreas Torner**

Sales, Marketing

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Personally Liable Partner of Otto Fuchs KG  
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**Dr. Walter Wübben**

Managing shareholder of  
ABG Allgemeine Bauträgergesellschaft mbH & Co. KG  
Cologne

# Laying the Way for Further Growth in New Business

In the 2003 business year, the German AXA Group has consistently pursued its strategic alignment for more earnings and growth and has already enjoyed the fruits of this approach in several respects. This applies on the one hand to the underwriting results. Thanks to our underwriting policy aligned strictly to earnings prospects and a more favourable market environment, the underwriting results have seen considerable improvement in terms of non-life insurance, particularly with industrial and corporate clients. Moreover, we have also managed to take the turning point towards growth in new business.

Focal aspects of our activities in 2003 included the continuation and ongoing development of the client-oriented sales strategy, the realignment or review of our product range for financial retirement provisions and in the property and casualty insurance business, and finally further improvement of our internal procedures to the benefit of our clients. All measures are regularly reviewed to see whether they will continue to satisfy our strict internal demands for client orientation and profitability in a dynamic market environment, so that any necessary corrections can be introduced at an early stage. In the year under review, we have strictly abided by the measures introduced in previous years and added new ones to take account of market developments.

## Marketing strategy oriented to client benefit

The integrated marketing of our products through all sales channels is one of the core aspects of our corporate strategy. This multi-channel strategy is now beginning to bear fruit and we continue to implement the corresponding programme of initiatives step by step. On the basis of consulting, service and operative excellence, we shall take up an unequivocal position in the eyes of our clients, consumers and sales partners.

AXA's multi-channel strategy for interlinking the sales activities of exclusive and direct sales in a joint, exclusive clientele has already reached an advanced stage. Numerous additional business processes are now feasible through all contact channels since 2003, and additional products can now be brought to a conclusion using direct media. Our approach is confirmed by our success: in the year under review, we sold 290,000 non-life insurance policies through direct channels. In addition, further progress is also being made with interlinking

intermediary activities with the direct channels. In the interests of achieving greater consulting quality, we have also successfully continued the qualification courses for sales staff: by the end of 2003, 549 AXA exclusive intermediaries had become pensions consultants certified by the Chamber of Commerce and Industry.

As far as the free sales partners are concerned, we have continued to develop our integration capability in the business processes of sales partners. In combination with our traditional strengths in personnel consulting and support of broker partners, we have managed to increase business successfully in this dynamic growth market particularly with the major independent sales companies.

In the area of cooperative ventures, we have continued to expand our cooperation with Tchibo. The sales of motor-vehicle insurance policies saw considerable growth, particularly in the run up to the end of 2003. This success confirms our cooperation strategy, which we shall be pursuing consistently in 2004 both in the banking sector and also with other service providers.

## Pensions: re-aligned product range

In 2003, AXA Lebensversicherung realigned its product range in the retail business and now offers three product lines for capital-forming life insurance. The choice available depends on the client's needs. For clients concentrating on security aspects, we have considerably improved the guaranteed benefits of our conventional products. For clients who focus more on the rate of return but still want a "safety net", we have expanded our unit-linked products by adding flexible premium guarantees and a choice of top funds. Clients who concentrate purely on the rate of return are offered unit-linked products without premium guarantee. The client can choose from an extended range of top funds which offer additional chances of returns.

Together with the range of products, in the pensions business area we have also improved flexibility by fulfilling special requests from major sales partners. During the year under review, we have developed a new sales concept here which offers our sales partners varied scope for products, in sales support and on the service side, with optimised implementation times.

In the area of company pensions, in the year under review we have been very successful with our pension fund Pro bAV Pensionskasse set up in 2002. In this particular segment, we have supplemented the existing unit-linked annuity insurance with premium guarantee by adding an additional product: since mid June 2003, we offer a conventional annuity insurance which can be supplemented by integrating an occupational disability and surviving dependents insurance element.

Furthermore, in the year under review we have consistently continued to restructure the pensions division, following the activities started in 2002. Our activities were geared to creating profitable growth, i. e. underwriting more business while at the same time increasing the returns. The success of these activities is demonstrated by above average growth in new business and premiums while the cost ratio remains below the market average.

Another central objective of the restructuring work was to achieve a degree of operative excellence which matches up to the very best on the market. Along these lines, we have continued with consistent development of already implemented technical solutions, such as extensively paperless processing and workflow management, and also elaborated a concept for more efficient work organisation, which will be implemented during 2004.

### Non-life retail business: choice in nearly all lines

In the non-life retail business, sales figures for 2003 confirm that we were right to opt for the dual product world, which we had originally introduced just for motor-vehicle insurance and have now expanded to additional lines. The volume of new business in motor-vehicle insurance increased by around 180,000 policies in the year under review, which is altogether more than twice the volume of the previous year. The traditional, still successful AXA product line with its comprehensive, above-average cover has been joined by the second product line AXA "die Alternative", which supports our position on the growing market segment for price-oriented consumers. By refining the risk-compatible rates structure and further optimising standardised processing procedures, we have managed to achieve a position under the top 5 providers with our price level in numerous price/performance comparisons.

By introducing the dual product world also in the retail insurance lines of home and household contents, accident and third-party in the year under review we have taken another important step towards completing our strategy in the retail non-life business. The possibility of choosing between two different product philosophies has been welcomed by clients and our sales partners alike. In order to offer our clients even more comprehensive insurance protection, we are constantly expanding the existing range by adding special products, for example guarantee insurance for new and second-hand cars.

### Industrial and corporate client business: underwriting improved

In the difficult market of industrial insurance, AXA has reinforced its position in 2003 while other competitors have withdrawn from this market segment and the reinsurance market is concentrated increasingly on just a few providers.

In the year under review, the AXA Group has managed to achieve pleasing success rates in all three main business areas of the industrial and corporate client business: The claims ratios have improved with the continuance of our strict underwriting policy, while costs have decreased further and it has been possible to take selective profitable growth chances. With these achievements, the challenges for the coming year are clearly defined. The AXA Group intends to achieve further growth with new business in the industrial and corporate client business while gearing its approach strictly to earnings, and keep the claims ratio on the current level. Focus will also remain on continuing the cost optimisation measures.

In addition, the AXA Group will be reinforcing its product range by adding new services geared to client demands. These include special consulting services offered by the "Industrial Risk Service" or the "AXA Risk and Claims Services GmbH" with all-in risk management, fire and environment protection consulting together with other services based on product liability, contingency and quality management and other similar topics.

### Optimising claims management in retail business

Another important step towards implementing the corporate strategy consists of successive optimisation of our claims management. Accelerated claims settlement procedures can help to achieve savings in claims expenditure and demonstrate to clients how we keep to our performance promise.

As well as safeguarding availability in the event of a claim for our clients, the integration of our sales partners in the claims settlement procedures also enhances our positioning as service insurance company. In addition, by forming partnerships with service workshops, we can offer our customers top quality and service-oriented claims settlement.

## Changes in the scope of consolidated companies

Two main changes occurred with respect to the scope of consolidated companies within the AXA Group in the period under review by comparison with 2002. AXA Konzern AG Austria and its most important subsidiaries, namely AXA Versicherung AG, Vienna, and AXA Biztosító Rt., Budapest, were finally sold in June 2003. This sale reflected the systematic continuation of the strategy to focus the activities of AXA internationally on strategically important core markets with growth potential and to develop these activities in depth. General Re-CKAG Reinsurance and Investment S.à r.l. in Luxembourg left the group of associated companies in the period under review. At the end of March 2003 the U.S. insurer General Re made use of its contractual option of taking over the interest of 49.9% held by AXA Konzern AG and AXA Versicherung AG in General Re-CKAG Reinsurance and Investment S.à r.l. as at 1 July 2003. This company, which is not fully consolidated in our consolidated financial statements and accordingly has no influence on the income development, contrary to the Austrian and Hungarian companies, holds just under 60% of the shares in Kölnische Rückversicherungs-Gesellschaft AG, Cologne.

There were other changes in the first months of 2004. In order to simplify the equity interest structure within the scope of consolidated companies AXA Versicherung AG sold its interest of 51.3% in AXA Lebensversicherung AG to AXA Konzern AG as at 31 March 2004. This means that AXA Konzern AG now holds a direct interest of 99.1% in AXA Lebensversicherung AG. In April 2004 we also sold AXA Bausparkasse AG, Dortmund, up to then a 100% held subsidiary of AXA Konzern AG, to BHW Bausparkasse with a retrospective effect to 1 January 2004. At the same time the AXA Group entered into a cooperative selling venture with BHW with respect to the sale of building saving agreements. In addition BHW will become a product partner of AXA for property finance.

## Group capital now structured more efficiently

In 2003 the AXA Group structured its capital base in a more efficient manner. The proceeds from selling the share in General Re-CKAG Reinsurance and Investment S.à r.l. were therefore used for the part repayment of a loan of € 614 million taken out by AXA Konzern AG in 1999 to acquire Albingia. This enabled the level of liabilities to be reduced. In December 2003 AXA Konzern AG received a subordinated loan from its majority shareholder AXA, Paris, amounting to € 350 million. Of this figure, € 250 million was channelled to AXA Lebensversicherung and € 10 million to Deutsche Ärzteversicherung.

These measures enabled us to maintain the strong financial base of the AXA Group. At the same time this strengthened our life insurance and increased Group solvency because this loan can largely be attributed to capital resources.

## Financial strength confirmed by ratings

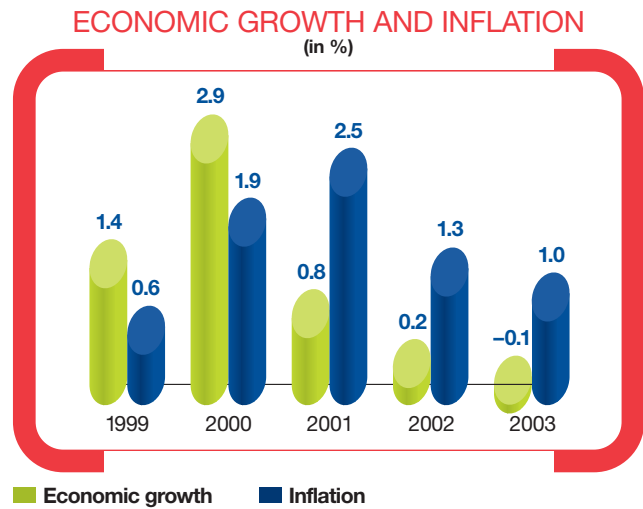
The ratings for the AXA Group have been confirmed in recent months. For example, Standard & Poor's confirmed its "AA-/stable" rating for the core companies within the Group in February 2004 following Fitch's "AA stable" in December 2003 and Moody's "Aa 3" in August 2003.

# Group Management Report

## Economy and Market in 2003

2003 was another difficult year for the German economy. The gross national product dropped by 0.1 %. The year under review was therefore the third year in succession of overall economic stagnation because at +0.2 % and +0.8 % the gross national product has hardly altered even in the two years previous. By contrast, following a similarly difficult first six months of 2003, the world economy would appear to be picking up with focal areas of growth in the USA and eastern Asia. In total global economic output for 2003 will have increased in real terms by just under 4 %, therefore performing slightly better than in 2002.

The reasons for the chronic growth deficits of the German economy are primarily seen in the difficulties associated with pushing through necessary economic and socio-political reforms, worries about employment, public sector debt and the risks presented by world politics. The weak productivity in Germany actually led to a steeper reduction in employment. As an annual average the number of citizens in employment dropped in 2003 to 38.3 million. This is some 420,000 people or 1.1 % less than in the year previous. A reduction in employment was associated with an increase in unemployment. The number of unemployed registered with the Federal Agency for Labour rose to an annual average of 4.4 million, representing some 315,000 people or 7.8 % more than in 2002.



In view of the moderate income trend the propensity of private households to consume remained weak in 2003. Net wages and salaries dropped by a total of 1 % primarily as a result of the renewed rise in the rates of contribution to social security insurance schemes. Since income for the self-employed and from wealth increased only slightly against the previous year's level, the nominal available income of private households rose by only 1 %, thus barely compensating for an inflation rate of 1 %. The formation of savings in private households increased from 10.5 % to 10.8 % of available income, certainly not least due to the concerns of the population about the sustained viability of the state pension system.

## GERMAN INSURANCE INDUSTRY: PREMIUM GROWTH (in %)

	2003	2002	2001	2000	1999
Total	+4.7	+4.5	+2.8	+3.0	+5.5
Property and casualty insurance	+3.1	+3.6	+2.9	+1.5	-0.3
Life insurance, pension schemes	+5.1	+4.2	+1.9	+3.7	+11.8
Health insurance	+7.2	+6.3	+4.8	+4.3	+3.1

Source: Gesamtverband der Deutschen Versicherungswirtschaft (Association of the German Insurance Industry)

### Insurance industry reports growth of 4.7% in 2003

The insurance industry defied the continuing general economic stagnation in 2003 and increased premium income by 4.7% to € 148.2 billion in a difficult environment. Our industry therefore remains one of the strongest growth branches in Germany. The generally favourable income development was accompanied by a broad-based easing of claims pressure. Total income is contrasted by claims and benefits as well as claims expenditure of almost € 142 billion (2002: € 144.4 billion).

At € 68.0 billion (+5.1%), the major portion of income was once again attributable to life insurance including pension schemes and pension funds. Some 9.5 million new policies were taken out in private and company pensions. This included some 8.6 million new life insurance policies. Particularly steep growth rates were recorded by the pension schemes and pension funds with some 900,000 new agreements (+130%). Total premium income from new business rose to over € 17.5 billion (+19%).

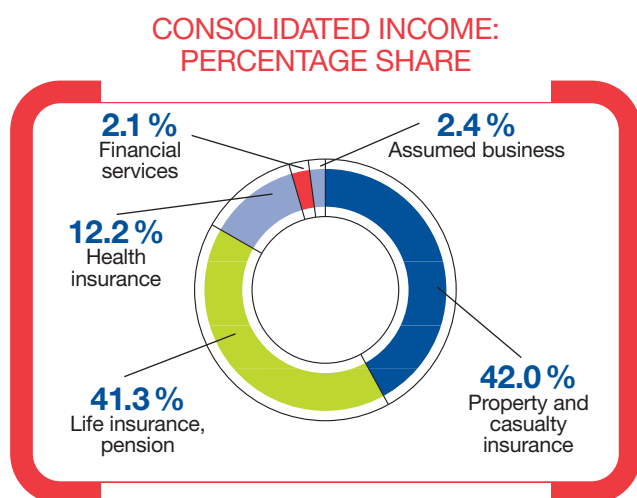
The property and casualty insurers recorded a 3.1% increase in premium income to € 53.1 billion in 2003 therefore operating in the black for the first time since 1998. This development was attributable to a whole number of reasons: fewer major claims, fewer traffic accidents, no floods and less severe spring and autumn storms enabled the net combined ratio to drop from 104% in the previous year to some 96%. German property and casualty insurers expended a total of almost € 40 billion on claims.

The private health insurance companies achieved an increase of 7.2% in the year under review following 6.3% in the year previous and representing strong premium growth once again. Of income totalling € 24.7 billion, € 22.8 billion was attributable to health insurance and € 1.9 billion to mandatory nursing insurance. Total payments did not rise quite as steeply as premiums, increasing by 4.0% to € 15.8 billion.

# Business Development of the AXA Group

## Income rises on a comparable basis by 5.0%

Total income of the AXA Group amounted to € 6.4 billion in 2003. This represented growth of 5.0% on a comparable basis with the previous year. In absolute terms the premium volume dropped by 2.3%. This decline is primarily attributable to the sale of the Austrian and Hungarian subsidiaries.



At +15.2%, the highest rate of increase in direct business was recorded by AXA Krankenversicherung, once again distinctly exceeding the market performance of 7.2%. The continuing success of the tariffs, marketing strength and the political decision to raise the obligatory insurance ceiling at year-end 2002 had a most pleasing effect on new business growth. In life insurance the premium volume of our direct

German business grew by 7.6%. This performance was primarily due to the rapid development of our Pro bAV pension scheme and the increasing tendency within the population to make private financial provision for old age, leading to a noticeable rise in demand particularly for traditional annuity insurance.

In property and casualty insurance premium income increased in direct German business by 2.4% on a comparable basis, i.e. excluding business with international major accounts no longer renewed and which has been underwritten by AXA Corporate Solutions Assurance since 2002. New and additional business in the industrial insurance segment was primarily responsible for growth. Without consideration of these special influences premium income remained virtually constant.

In direct foreign business premium volume amounted to € 94 million. This business is underwritten almost completely (€ 89 million) by the foreign branches and subsidiaries of AXA Art, our art insurance specialist. All in all premium income in direct foreign business dropped by 82.1% due to the sale of the Austrian and Hungarian subsidiaries (premium volume in the previous year of € 394 million) and the discontinuation of business operations in the Irish and Belgian branches (premium volume some € 40 million).

Income (in particular interest income and commission) of AXA Bank AG and AXA Bausparkasse AG increased by 0.7% to € 136 million primarily due to further development of the mortgage business.

## CONSOLIDATED GROSS PREMIUM INCOME (in € mill.)

	2003	2002	+/- (%)	+/- (%) on a comparable basis
German direct				
Property and casualty insurance	2,590	2,591	-0.0	+2.4
Life insurance	2,645	2,458	+7.6	+7.6
Health insurance	779	676	+15.2	+15.2
Foreign direct	94	525	-82.1	-27.1
of which Austria/Hungary	0	394	-100.0	
Assumed business	156	169	-7.7	-5.0
Financial services	136	135	+0.7	+0.7
<b>Total</b>	<b>6,400</b>	<b>6,554</b>	<b>-2.3</b>	<b>+5.0</b>

### Property and casualty insurance: claims expenditure drops distinctly

At € 1.7 billion, the net claims expenditure in property and casualty insurance for 2003 was 12.4 % (3.5 % without consideration of the Austrian and Hungarian subsidiaries sold in 2003 ) lower than in the previous year. This decline has two main causes: our profit orientated underwriting policy and the systematically pursued restructuring measures of the previous years improved the claims ratios, noticeably in part. The success of these measures is also reflected in a marked drop in the net combined ratio from 105.7 % in the year previous to 95.2 % in the year under review. The number of major claims in industrial, corporate and commercial business also dropped distinctly. Added to this was that contrary to the previous year, claims based on natural events such as storms and floods were minimal in 2003.

### Life insurance: payments to policyholders total € 3.4 billion

After adjustment for the subsidiaries sold in Austria and Hungary, payments to policyholders made by the life insurance companies within the Group increased once again. Payments for maturities, marriages and deaths, as well as pensions and repurchases increased by a total 11.3 % to € 2.6 billion. As in the year previous, the increase is based on a large number of mature policies taken out in the strong business years of the seventies and eighties. Provisions for payment commitments rose by 3.3 % to € 25.0 billion. All in all policyholder payments – benefits paid out plus a growth in pension commitments – increased by 5.0 % to € 3.4 billion.

### Health insurance: payments increase by +11.5 %

AXA Krankenversicherung made payments of € 428 million (+13.1 %) to its customers in 2003 including allocations to the provisions for outstanding claims. Payments to policyholders increased by 11.5 %. The actuarial reserve increased accordingly by € 245 million commensurate with the development of business volume to € 1.6 billion.

### Group costs without special effects reduced further

As a result of the systematic use of savings potential we were able to reduce the administrative costs of the Group in the 2003 business year adjusted for special effects by comparison with a corresponding cost base of the previous year by a further € 31 million or 3.6 % to € 841 million (excluding investment expenses after deconsolidation of the Austrian and Hungarian subsidiaries that have been sold).

As in the year previous the reduction in staff achieved without operational terminations through the “AXA Alliance” contributed decisively to further cost reductions. With a comparable scope of consolidated companies staff numbers dropped by 574 employees. Around two thirds of the savings could be achieved through this measure in addition to compensating for the effects of wage increases.

With respect to material costs, we were able to use synergy effects within the international AXA Group for procurement. In the area of information technology, for example, this happened through the conclusion of favourable global agreements. We also achieved further sustainable cost savings through the continued restrictive approach in the use of external business consultants, the optimised, selected implementation of marketing measures and the successful streamlining of processes.

Including commissions, which rose in total by 10,0% to € 836 million, total costs of € 2.0 billion (2002: € 1.9 billion with an adjusted scope of consolidated companies) were within expectations.

## UNDERWRITING RESULTS OF THE GROUP (in € mill.)

	2003	2002	+/-
Total	-177	-160	-17
Property and casualty insurance	-213	-273	+60
Life insurance	+21	+99	-78
Health insurance	+15	+14	+1

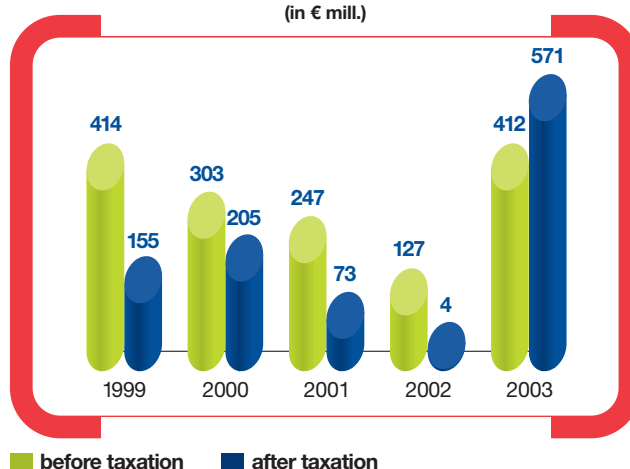
### Improved underwriting results in non-life insurance

The underwriting result of the AXA Group in the year under review dropped by € 17 million to € -177 million. With a comparable scope of consolidated companies the decline amounted to € 33 million. This poorer performance is essentially caused by the developments in the life insurance companies whose investment results were considerably lower due to depreciation of € 762 million (2002: € 118 million). By contrast, the underwriting result in property and casualty insurance improved by € 60 million and before allocation to the claims equalisation reserves even by € 308 million. This is the result of our profit orientated underwriting policy and the favourable claims situation in the year under review in the absence of any major national catastrophes. The underwriting result of AXA Krankenversicherung rose slightly to € 15 million.

### High rise in the consolidated net profit for the year

The consolidated net profit of the AXA Group after taxation for 2003 increased to € 571 million (2002: € 4 million) despite the substantial elimination of unrealised losses. This considerable rise was achieved essentially by gains of € 599 million from the sale of our 49.9% equity interest in General Re-CKAG Reinsurance and Investment S.à r.l. and the gains of € 111 million from the sale of AXA Konzern AG, Vienna. At the same time, the underwriting result in property and casualty insurance rose before allocation to the claims equalisation

## CONSOLIDATED NET PROFIT FOR THE YEAR (in € mill.)



reserves by € 308 million to € +121 million. An extraordinary tax income of € 126 million also arose for AXA Versicherung which is primarily attributable to the alignment of claims reserves in the tax and commercial balance sheet. The distinctly higher depreciation on investments had a contrary effect. Thus, for example, we wrote down € 654 million more in life and health insurance and € 153 million more in property and casualty insurance as well as other business than in 2002. Another negative effect on results was the distinctly increased allocation to the claims equalisation reserve totalling € 334 million (2002: € 86 million) which became necessary due to the substantial improvement in the underwriting result.

# The AXA Konzern AG Share

## AXA Konzern AG result rises distinctly to € 596 million

AXA Konzern AG as holding company recorded a result of € 596 million for the 2003 business year. This was € 23 million better than the previous year's performance. Of particular significance here was the investment result which rose to € 558 million and the simultaneous reduction of € 10 million in interest expenses. The distinctly higher investment result was primarily attributable to the income from the sale of the share in General Re-CKAG Reinsurance and Investment S.à r.l. as well as an improvement of € 109 million in the operating result. In its turn this is mainly due to a distinctly higher dividend income of AXA Versicherung AG.

## DVFA earnings per share positive again at € 1.00

As a result of the steep rise in the consolidated result the DVFA result, calculated according to the method applied by Deutsche Vereinigung für Finanzanalyse und Asset Management (DVFA) and the Gesamtverband der Deutschen Versicherungswirtschaft (GDV), improved from € -0.50 in the previous year to € 1.00. This is primarily a consequence of the substantially improved underwriting result in property and casualty insurance and the associated substantial allocation to the claims equalisation reserves. These effects alone caused the earnings per share to increase by € 6.70. By contrast, the lower underwriting result in life and health insurance business (€ 77 million) merely represented a reduction in the earnings per share by € 2.40.

Tax income of € 159 million (2002: tax expense of € 123 million) arose in the year under review due to the capitalisation of deferred taxes and the writing back of tax provisions. This improvement totalling € 282 million had a positive effect of € 9.10 on the earnings per share. The investment result, which rose by comparison with the previous year, caused the earnings per share to rise by € 5.90 and other relevant positive result components increased them by € 4.10. The special influences contained in the investment result arising from the sale of the share in General Re-CKAG Reinsurance and Investment S.à r.l. as well as AXA Austria (€ -29.10) were set to neutral for the calculation of the earnings per share.

### EARNINGS PER SHARE (in €)

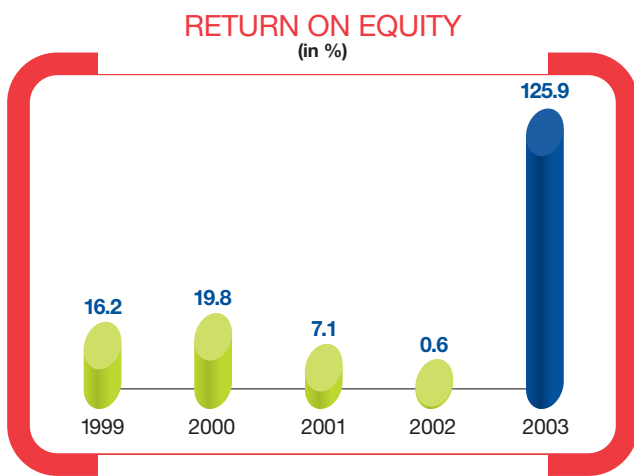
	excluding goodwill amortisation	including goodwill amortisation
2000	4.47	2.76
2001	2.28	0.55
2002	2.03	-0.50
<b>2003</b>	<b>2.55</b>	<b>1.00</b>

### EARNINGS PER SHARE (ACCORDING TO DVFA/GDV)

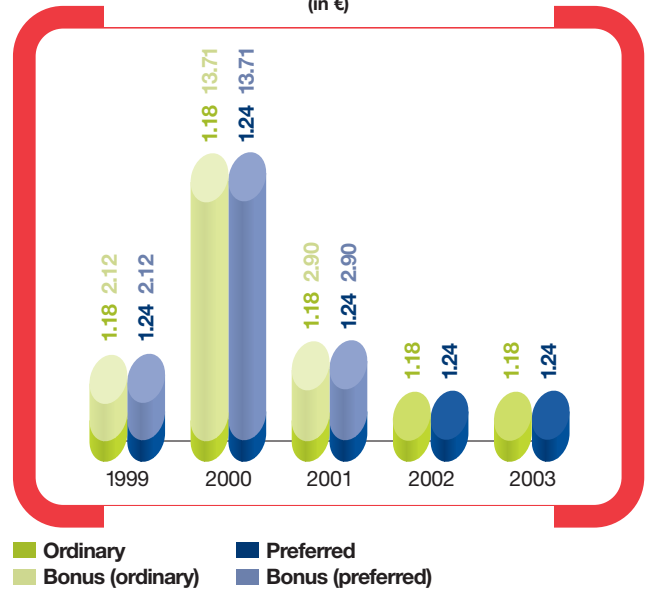
		2003	2002	2001
Consolidated net profit for the year	€ mill.	570.7	3.8	73.2
Goodwill amortisation	€ mill.	-48.4	-78.9	-54.2
Change in the claims equalisation reserve	€ mill.	200.2	51.6	-15.9
Income from the disposal of strategic equity interest	€ mill.	-677.7	0.0	0.0
Other extraordinary factors	€ mill.	-14.8	8.1	14.8
Adjusted result	€ mill.	30.0	-15.4	17.9
Number of shares	mill. units	31.2	31.2	31.2
Earnings per share	€	1.00	-0.50	0.55

### Return on equity rises to 125.9%

The distinct rise in the Group's net profit for the year after tax of € 4 million to € 571 million caused the return on equity (RoE) – the relationship of consolidated net profit for the year to equity – to rise considerably from 0.6% to 125.9%. This figure was calculated according the German Accounting Regulations. The equity base rose by € 585 million to more than € 1.0 billion due to the steep rise in the consolidated results.



### DIVIDEND DEVELOPMENT (in €)



### Dividend recommendation remains constant

Management Board and Supervisory Board of AXA Konzern AG recommend to the Annual General Meeting that an unaltered dividend of € 1.18 per ordinary share and € 1.24 per preferred share be paid for the 2003 business year and an additional € 261 million be allocated to other revenue reserves in order to strengthen the equity base.

## KEY FIGURES OF THE AXA KONZERN AG SHARE

			2003	2002
Dividend/ordinary		€	1.18	1.18
Dividend/preferred		€	1.24	1.24
Year-end prices	Ordinary	€	28.50	24.50
	Preferred	€	26.60	26.00
Highest stock market price	Ordinary	€	38.80	80.00
	Preferred	€	35.50	77.00
Lowest stock market price	Ordinary	€	11.40	23.02
	Preferred	€	13.40	24.80
Number of shares	Total	Mill. units	31.2	31.2
	Ordinary	Mill. units	26.2	26.2
	Preferred	Mill. units	5.0	5.0
Subscribed capital	Total	€ mill.	79.9	79.9
	Ordinary	€ mill.	67.1	67.1
	Preferred	€ mill.	12.8	12.8
Amount paid out		€ mill.	37.2	37.2

### Value of the AXA Konzern AG share rises by 16 %

The ordinary share of AXA Konzern AG was listed at year-end 2003 at € 28.50. This corresponds to an increase in value of 16.3 % during the course of the year. The year-end price of the preferred share was € 26.50 (+2.3%).

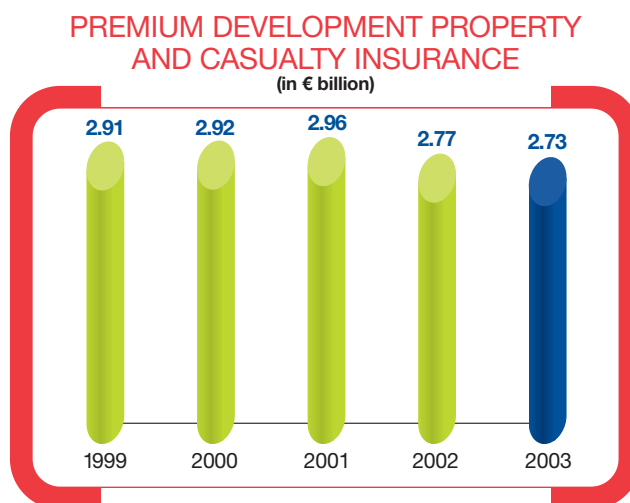
### AXA, Paris, holds 91.7 % of total capital

During the course of 2003 AXA, Paris, increased its directly and indirectly held share in the share capital of AXA Konzern AG by 0.5 percentage points to a total of 91.7%. 8.3% of the shares are widespread holdings. AXA, Paris, now holds 93.0% (2002: 92.5%) in the voting capital of AXA Konzern AG.

# Business Development of the Operative Companies

## Property and casualty: marked growth in motor-vehicle insurance

Consolidated premium income of the property and casualty insurance companies in the AXA Group dropped by 2.1% to € 2.8 billion in the period under review assuming a comparable basis of consolidation i. e. in particular excluding the Austrian and Hungarian subsidiaries sold in 2003. Of this figure, € 2.7 billion (-1.0%) was attributable to German companies. Primarily the relinquishment of business with nominated major accounts to AXA Corporate Solutions initiated at the beginning of 2002 once again had an impact on direct German business. Without consideration of this special influence premium income would have remained virtually constant by comparison with the year previous. The discontinuation of the active business activities of the foreign branches in Ireland and Belgium as a result of concentrating the AXA Group on the German market and on art insurance led to a decline in premium income of some € 26 million. By contrast, we were able to increase premium income in motor-vehicle insurance in retail in Germany by over € 25 million. This growth was primarily achieved by sale successes recorded by AXA "die Alternative" Versicherung. The new and extra business achieved in the year under review in industrial insurance of € 47 million also had a positive effect.



## AXA Versicherung: net profit for the year quadrupled

AXA Versicherung AG increased its premium income by 0.9 % on a basis comparable with the previous year. Viewed in absolute terms, it was reduced as planned by 4.1 % to € 2.6 billion due to several special and one-off effects. This decline primarily resulted from the relinquishment of business with nominated major clients to AXA Corporate Solutions Assurance initiated at the beginning of 2002 as well as the discontinuation of active business in Ireland and Belgium.

The gross claims ratio of the company improved distinctly by 9.4 percentage points to 64.4 %. This performance clearly shows the systematic implementation of business policy, the streamlining of high risk segments and the profit-orientated underwriting policy of the company. Fewer major claims and favourable weather conditions by comparison with the previous year also had a positive effect.

At the same time the cost reduction programme in operation throughout the Group brought distinct success also for AXA Versicherung AG. The reduction of gross operating expenses by 7.4 % enabled the cost ratio to be reduced to 28.4 % (2002: 29.5 %). The net combined ratio improved from 106.8 % in the previous year to a pleasing 95.8 %. Thanks to these positive developments the company was able to improve its underwriting result before allocation to the claims equalisation reserve by more than € 270 million to € +100 million. Even after the requisite allocation to the claims equalisation reserve the underwriting result improved to € -216 million (2002: € -251 million).

The extraordinary income from the sale of shares in General Re-CKAG Reinsurance and Investment S.à r.l. and AXA Versicherung AG, Vienna, were the main reasons for the investment results to increase by 30.5 % to € 520 million. Tax income of € 126 million also arose from the alignment of the claims reserves in the tax and commercial balance sheets. All in all the net profit for the year of the company improved by € 207 million to € 272 million as a result of all of these factors.

### AXA VERSICHERUNG AG

		2003	2002
Gross premiums	€ mill.	2,558	2,667
Change	%	-4.1	-9.2
Retention	%	92.8	84.4
Gross claims ratio	%	64.4	73.8
Gross cost ratio	%	28.4	29.5
Gross combined ratio	%	92.8	103.3
Net combined ratio	%	95.8	106.8
Underwriting result net of reinsurance	€ mill.	-216	-251
Net profit for the year	€ mill.	272	65
Claims equalisation reserve and similar reserves	€ mill.	779	462
Investments	€ mill.	6,191	6,070
Equity	€ mill.	1,152	945
Equity ratio	%	48.5	42.0

## PREMIUM INCOME OF THE ART INSURANCE BUSINESS THROUGHOUT THE WORLD (in € mill.)

	2003	2002	+/-
AXA Art, Cologne (including foreign branches)	38*	33*	+14.2
AXA Art, New York	21	25	-13.7
AXA Art, London	28	28	+2.5
AXA Art, Paris	16	14	+11.1
AXA Art, Zurich	7	8	-10.5
Art insurance business of AXA Versicherung AG, Vienna	-**	2	-
<b>Art insurance business throughout the world</b>	<b>110</b>	<b>110</b>	<b>+0.4</b>

\* After elimination of internal group premium income

\*\* AXA Versicherung AG, Vienna, was sold in December 2002 together with AXA Konzern AG, Austria

### AXA Art: profit-orientated growth strategy

The AXA Art Group, belonging to the German AXA Group and responsible for AXA's entire art insurance business worldwide, successfully continued its strategy of achieving profit-orientated growth in 2003. At € 110 million, premium income was above the previous year's performance despite substantial portfolio restructuring measures in Germany.

The core company, AXA Art Versicherung AG, was able to increase premium income by 2.2% to € 48 million in the period under review. It reviewed its "Casa Arte" multi-protection policy and subjected claims-critical segments of the portfolio to an in-depth examination. These measures and the absence of natural catastrophes which had substantially burdened the previous year also had a positive effect on the claims situation. The gross claims ratio dropped from 22.9% in the year previous to 18.6% and in direct German business even from 72.6% to 27.3%. Due to simultaneous cost reduction successes the net combined ratio improved distinctly by 42.6 percentage points to 84.6%.

In the period under review AXA Art Versicherung was able to stop the trend of underwriting losses recorded over several years and achieved a positive underwriting result for the first time since 1999. The company shows a net profit for the year of € 0.5 million for the 2003 business year following a net loss of almost € 3 million in the previous year.

### AXA „die Alternative“: premium income almost tripled

AXA "die Alternative" Versicherung AG, the company operating in the low price segment of the market, distinctly exceeded its ambitious targets for 2003. At € 70 million, premium income almost tripled in the period under review. As a result of increased expenditure on major claims the claims ratio rose from 80.1% to 89.3%. With the introduction of the dual product world also in non-life, third-party and casualty insurance, AXA "die Alternative" is now able to offer a complete range in the low price segment intended to guarantee further growth.

### DARAG: claims ratio further reduced

In the 2003 business year DARAG Deutsche Versicherungs- und Rückversicherungs-AG, Berlin, successfully continued its consolidation course taken as part of its restructuring concept. This positive development is also reflected in the net profit achieved for the year of € 0.3 million (2002: € -0.5 million).

Gross premium income dropped compared with the previous year by 7.5% to € 64.4 million due to the discontinuation of underwriting ship third-party risks and intensive portfolio streamlining measures primarily in the transport insurance lines. The pleasing development in claims expenditure in the entire insurance business led to a further reduction in the gross claims ratio to 71.0% (2002: 93.6%). As a result of the systematic continuation of cost management introduced in the previous year the company was able to reduce administrative costs by 7.1% or € 0.6 million.

## Associated companies

### Roland Rechtsschutz: premium growth of 6.8%

AXA Versicherung AG continues to hold a 39.9% direct participation in the share capital of Roland Rechtsschutz-Versicherungs-AG, Cologne. A further 1.3% is held indirectly by AXA Versicherung AG via Roland Rechtsschutz Beteiligung GmbH. Due to this Roland Rechtsschutz-Versicherungs-AG and subsidiary Roland Beteiligungsverwaltung GmbH are incorporated in our consolidated statements as associated companies. The subsidiaries of Roland Beteiligungsverwaltung GmbH comprise Roland Schutzbrief Versicherung AG, Jurpartner Rechtschutz-Versicherungs-AG, Roland Assistance GmbH, Roland ProzessFinanz AG, Roland Italia s.r.l. (Milan), Assistance Partner Services s.r.l. (Brixen) as well as Durendal Inkasso GmbH.

As in the year previous, Roland Rechtsschutz-Versicherung recorded premium growth of 6.8% which was thus above the expected industry average in the business year of 2003. New business increased from € 21.5 million to € 23 million. Due to the employment market and the economy claims expenditure in the business year increased as a result of a rise in claims payments (+8.1%) and the higher number of claims registered (+12.6%). The net claims ratio therefore rose by 11.8

percentage points to 62.4%. As a result of strict cost management the net cost ratio could be reduced to 39.3% (2002: 40.4%). This was particularly due to the successful reduction in administrative costs. The underwriting result dropped from € +5 million in the previous year to € -3 million as a result of the distinct increase in payments.

The net profit for the year dropped following the good previous year result characterised by special effects from € 15 million to € 11 million.

## Property and casualty insurance abroad

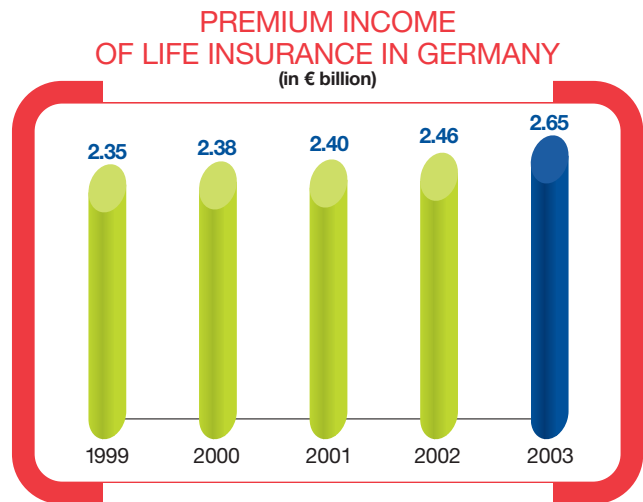
Following the sale of the companies in Austria and Hungary, the AXA Group will concentrate its activities on the core regions of Germany and art insurance in future. In the year under review a total of € 113 million or 1.8% of our total premium income was attributable to foreign business. In addition to art insurance, this income primarily originates from Ireland. The premium volume of Colonia Insurance (Ireland) Ltd., Dublin, currently in liquidation reduced from € 56 million to € 37 million. In the 2003 business year the company, that operates only in reinsurance, achieved a net profit for the year of € 6 million (2002: € 5 million).

### PREMIUM INCOME ABROAD

	Share in %	2003 € mill.	2002 € mill.	+/- %
Foreign in total	100.0	113	572	-80.2
Property and casualty insurance	100.0	113	449	-74.8
Life insurance	0.0	0	123	-100.0
European Economic Area (EEA states)	75.2	85	429	-80.2
Property and casualty insurance	75.2	85	333	-74.5
Life insurance	0.0	0	96	-100.0
Remaining Europe	6.2	7	118	-94.1
Property and casualty insurance	6.2	7	91	-92.3
Life insurance	0.0	0	27	-100.0
North America				
Property and casualty insurance	18.6	21	25	-16.0

## Life insurance: 7.6% premium growth

The Group is represented on the German life insurance market by AXA Lebensversicherung AG, Deutsche Ärzteversicherung AG, a special insurer for the healing profession, and Pro bAV Pensionskasse AG. The latter company started business operation in July 2002 and offers solutions in the area of company pension plans. Premium income in this segment rose by a total of 7.6% to € 2.6 billion. In addition to the noticeable increase from index-linked rises this distinct increase is primarily attributable to the effect from the positive new business development in traditional annuity insurance business, particularly in the area of single-premium business, and strong growth of Pro bAV Pensionskasse.



## AXA LEBENSVERSICHERUNG AG

		2003	2002
Total premiums*	€ mill.	2,122	1,981
Change	%	+7.1	+1.4
Cancellation rate	%	6.0	5.4
Administrative cost ratio	%	3.1	3.5
Net return on investment for the current year	%	3.9	5.1
Gross profit for the year	€ mill.	44	163
Allocation rate to provisions for premium refund	%	100.0	91.6
Net profit for the year	€ mill.	0	14
Investments (without deposits receivable)	€ mill.	19,780	19,722
Equity	€ mill.	104	118

\* Gross premiums written without premiums from provisions for premium refund

### AXA Lebensversicherung: +36.3% in new business

AXA Lebensversicherung recorded premium income of € 2.1 billion in 2003. This is equal to growth of 7.1%. This distinct rise results particularly from the growing recognition of the population that they must make their own financial provisions for old age and the associated strong demand for annuity insurance against a single premium. Accordingly, the single premiums rose at an above-average rate by 59.0% to € 244 million.

Ordinary annual premium from new business developed well with growth totalling 36.3% to € 275 million. This caused the market share of the company in this area to rise from 2.9% to 3.4%. The highest rate of increase was recorded for annuity insurance at 51.1%. The insurance portfolio measured in terms of sum insured, increased by 5.7% to € 58.4 billion. In terms of ordinary annual premium it increased to € 1.9 billion (+4.0%). The cancellation ratio increased from 5.4% to 6.0%.

In 2003 payments to policyholders for maturities, deaths and marriages as well as pensions amounted € 2.2 billion. This corresponds to an increase of 10.9%. The provisions for payment commitments totalled € 19.8 billion (+1.4%) in the year under review.

The administrative cost ratio improved distinctly from 3.5% to 3.1% as a result of cost reduction measures within the Group. This means that the company is once again far below the market average of 3.5% after the ratio had temporarily risen due to investments as part of the Group strategy.

Investments without deposits receivable rose in 2003 by 0.3% to € 19.8 billion. After clarifying fiscal issues the company applied depreciation on shares and share funds. Consequently, the investment result dropped by 22.5% to a total of € 767 million. The depreciation was noticeable primarily in the extraordinary investment result which dropped to € -224 million. By contrast, the ordinary result increased by € 77 million to € 990 million. The net return on investment dropped from 5.1% to 3.9%.

The high extraordinary depreciation in the investments area led to a reduction in the gross profit for the year from € 163 million in the previous year to € 44 million. Added to this was an income tax expense which has risen to € 30 million primarily as a result of altered tax legislation relating to life insurance policies. The gross profit for the year was entirely (2002: 91.6%) allocated to the provisions for premium refund in order to be able to use it in distribution of profits to customers.

## Deutsche Ärzteversicherung AG: Operative business remains stable

In the period under review Deutsche Ärzteversicherung AG recorded an overall pleasing business development. The portfolio, measured in terms of ordinary income, rose by 9.7 % to € 508.6 million and in terms of sum insured by 6.0 % to € 16.9 billion. These growth rates are considerably higher than those achieved on the market of 3.3 % and 3.9 % respectively. Premium income grew by 4.2 % to € 504 million. New business also showed growth of 17.7 % to € 68 million ordinary income.

A total of € 977 million (+30.2 %) was paid to policyholders on maturities, repurchases, death and marriages as well as for pensions including bonuses. The traditionally low cancellation rate remained distinctly below market average at 1.7 %. The administrative cost ratio was reduced from 3.0 % to 2.8 %.

Investments rose in the period under review by 7.7 % to € 5.1 billion. Due to the continuing low interest phase and the depreciation volume of € 37 million the total investment result dropped by 3.5 % to € 231 million. The net return on investment dropped from 5.2 % in the previous year to 4.7 %.

The gross profit for the year for Deutsche Ärzteversicherung AG increased to € 66 million due to tax income of € 21 million amongst other factors. Of this figure, 99.8 % were allocated to the provisions for the premium refund. The net profit for the year was € 0.1 million as in the year previous.

### DEUTSCHE ÄRZTEVERSICHERUNG AG

		2003	2002
Total premiums*	€ mill.	504	484
Change	%	+4.2	+8.6
Cancellation rate	%	1.7	1.6
Administrative cost ratio	%	2.8	3.0
Net return on investment for the current year	%	4.7	5.2
Gross profit for the year	€ mill.	66	21
Allocation rate to provisions for premium refund	%	99.8	99.5
Net profit for the year	€ mill.	0.1	0.1
Investments (without deposits receivable)	€ mill.	5,130	4,764
Equity	€ mill.	17	17

\* Gross premiums written without premiums from provisions for premium refund

## Pro bAV PENSIONSKASSE AG

		2003	2002
Total premiums*	€ mill.	29	2.6
Cancellation rate	%	0.5	0.0
Administrative cost ratio	%	3.2	2.7
Net return on investments for the current year	%	1.2	4.1
Result of normal business activities	€ mill.	-2.4	-0.2
Investments	€ mill.	18	11
Equity	€ mill.	12	12

\* Gross premiums written without premiums from provisions for premium refund

### Pro bAV Pensionskasse AG: tenfold increase in premium income

In 2003 Pro bAV Pensionskasse AG recorded very brisk business and at € 29 million (2002: € 2.6 million) was able to increase its premium income more than tenfold. Its share in new business in life insurance of the Group expressed in terms of ordinary premiums reached 12 % in the year under review. The company was launched in 2002 with a hybrid product, a unit-linked annuity insurance with premium guarantee, and in the year under review introduced a conventional annuity insurance policy as a second product. It also entered into a further cooperation with Bayrische Beamten Versicherung in addition to existing cooperative ventures with Deutscher Herold Lebensversicherung AG and Zürich Lebensversicherung AG (Germany).

The number of new policies grew by 342 % to 34,585 of which over 20 % were attributable to the conventional annuity insurance introduced in mid 2003. The portfolio, measured in terms of the insured sum, rose from € 182 million to € 1.4 billion and the company's market share rose by 2.0 percentage points to 5.3 %. At € 51 million, the portfolio premiums were almost eight times higher than in the year previous. At 0.5 %, the cancellation ratio was extremely low.

The administrative cost ratio was 3.2 % of premium income. Due to start up losses, particularly as a result of high commissions, which could be balanced out only partially by reinsurance and the activation of unearned commission, the result from normal business activities was negative at € -2.4 million. This loss was balanced out by AXA Konzern AG as parent company.

## Health insurance

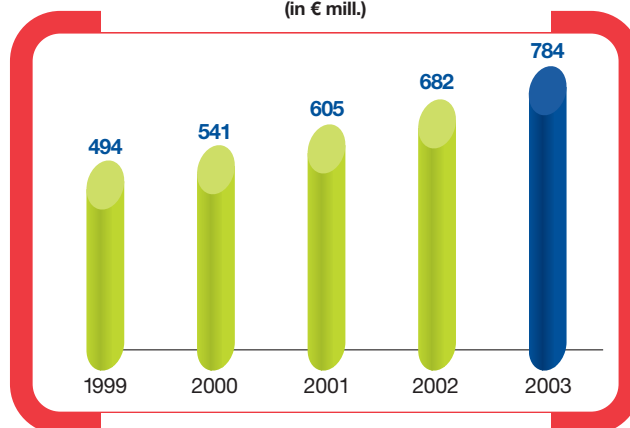
### Growth twice as high as the market average

With premium growth of 14.9% to € 784 million, AXA Krankenversicherung AG, a company which has been particularly successful on the market for years, recorded more than double market growth of 7.2% in the year under review. The company benefited once again from good ratings and front places in several product comparisons included those conducted by the renown economic journals Finanztest, Capital and Euro. The continuing success of its innovative tariffs and the strength of the selling units meant that the company was able to improve even on the high level of the previous year by a further 23.2%.

Payments to policyholders rose by 13.1% to € 428 million. The rise results in particular from considerably higher expenditure on medicinal products and dental treatment. Since premiums rose more steeply than payments to policyholders the claims ratio nevertheless increased by 1.8 percentage points to 74.8% calculated using the formula of the association of private health insurance companies.

The administrative costs showed a most pleasing development. Due to the measures initiated within the framework of the Group cost savings programme and improved productivity in the administrative areas, the rise of 6.7% was markedly below premium growth of 14.9%. Adjusted for portfolio-dependent administrative commissions the rise was only

### PREMIUM INCOME AXA KRANKENVERSICHERUNG (in € mill.)



1.1%. This caused the administrative cost ratio to be reduced by 0.3 percentage points to 3.4% and reflects the benefits derived from products to streamline processes and modernise portfolio control.

Investments rose by 17.4% to € 1.8 billion. Due to the development on the capital markets and the elimination of risks in the investment portfolio the investment result dropped by 61.5% to € 28 million. This caused the net profit for the year of the company to drop from € 7 million in the previous year to € 2 million.

### AXA KRANKENVERSICHERUNG AG

		2003	2002
Total premiums*	€ mill.	784	682
Change	%	+14.9	+12.8
Administrative cost ratio	%	3.4	3.7
Claims ratio	%	74.8	76.6
Investments	€ mill.	1,801	1,534
Net return on investments	%	1.7	4.9
Gross margin after taxation	€ mill.	11	52
Surplus appropriation ratio	%	80.1	85.9
Net profit for the year	€ mill.	2	7
Equity	€ mill.	46	47

\* Gross premiums written without premiums from provisions for premium refund

## Financial services

### AXA Bank: distinct rise in interest surplus

In 2003 as part of the pensions and asset management programme of the AXA Group the AXA Bank consolidated its position as a platform for the bank products offered by the German Group. It offers traditional bank products such as property loans and fully secured private loans (instalment and call loans) as well as savings and term deposit accounts, and unit-linked asset management for private clients.

At the end of 2003 loans to customers amounted to € 734 million (2002: € 665 million). They primarily consist of property

loans totalling for € 471 million. Consumer loans extended by the bank rose steeply from € 52 million to € 74 million; policy loans remained virtually constant compared with the previous year at € 193 million.

The profits situation of the bank was characterised in 2003 by a distinct rise in the interest surplus which could be increased by € 13 million to € 18 million. A positive result for the year could still not be achieved, however, as a result of one-off costs of some € 3 million for a project focussing on the complete restructuring of relevant credit extension and credit management processes in terms of a "credit factory". This investment will be paid back in subsequent years. The loss of € 3 million was balanced out by AXA Konzern AG.

### AXA BANK AG

		2003	2002
Balance sheet total	€ mill.	876	868
Change	%	+1.0	+104.7
Loans to customers	€ mill.	733	665
Change	%	+10.2	+148.1
Loans to credit institutions	€ mill.	99	147
Equity	€ mill.	65	55
Result from operative business	€ mill.	-2.8	-3.5

## AXA BAUSPARKASSE AG

		2003	2002
Net new business (total amount)	€ mill.	496	457
Change	%	8.5	-16.9
Agreements in force	€ mill.	4,577	4,794
Change	%	-4.5	-3.1
Building savings deposit	€ mill.	645	645
Building savings loans	€ mill.	256	287
Anticipatory and bridging loans	€ mill.	521	563
Equity	€ mill.	36	37
Net profit for the year	€ mill.	1.5	2.3

### AXA Bausparkasse: growth in new business

AXA Bausparkasse AG, which we have now sold with retrospective effect to 1 January 2004, recorded pleasing new business growth of 8.5 % to € 496 million in terms of total amount and 12.1 % in terms of the number of new agreements in 2003. By contrast, the portfolio of agreements dropped by 4.5 % to € 4.6 billion in terms of total amount due to a streamlining campaign run in the business year and aimed at accounts without savings.

Whilst building saving deposits reached the previous year's level of € 645 million, building loans dropped by 11.1 %. Due to the continuing low rate of interest many savers did not

make use of building saving loans. In addition, existing building saving loans were frequently repaid in special repayment amounts. The anticipatory and bridging loans declined by 7.4 % to € 521 million because the non-pooled lending business within the AXA Group has been concentrated in the AXA Bank.

At € 7 million, the operating result almost achieved the previous year's performance despite the decline in the interest result due to a markedly improved risk result and the continuing reduction in costs. The net profit for the year of € 1.5 million is burdened by provisions for restructuring expenses of € 2 million as well as an allocation to the technical security fund of over € 1 million.

# Investments: higher depreciation volume

After three years of downswing the stock markets reached a new low in March 2003. A good € 15,000 billion were lost to investors throughout the world in this period which economic scientists view to be the greatest share market disaster even ranking before the “Gründer” baisse from 1872 to 1877 and the world economic crisis from 1927 to 1931.

The stock markets have started to move upward again since the spring of 2003. Historically low stock prices attracted buyers once again during the course of the year. A brighter economic environment additionally contributed to recovery. The leading share index, the Dow Jones in New York, rose during the course of the year by 25.3% to 10,454 points. The European share index, EuroStoxx 50, which is particularly important for our investment policy, recovered by 15.7% and ended the year at 2,761 points.

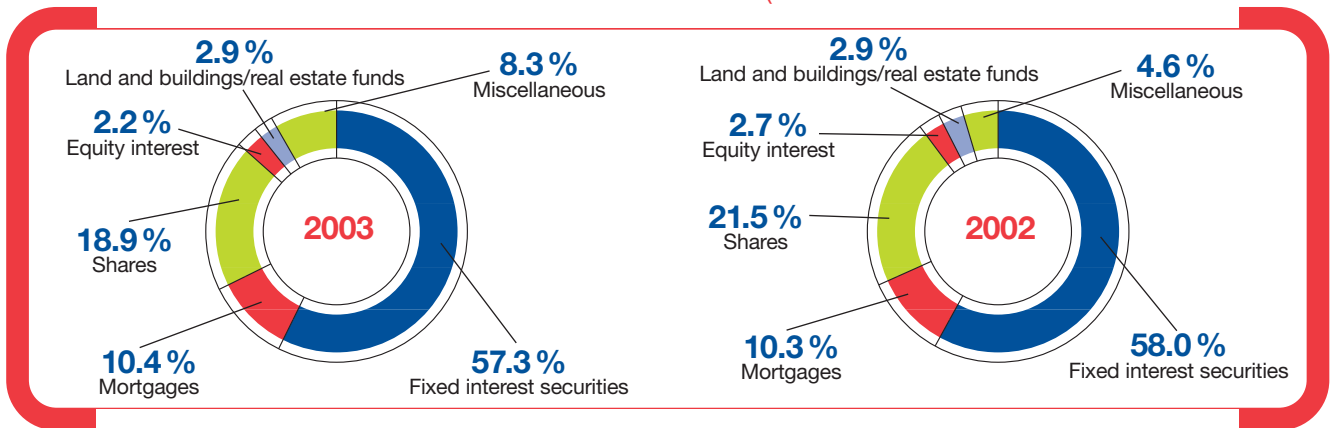
The German stock index (DAX) was subject to particularly steep fluctuations. Whilst in 2002 it performed worse by international comparison with a decline of 43.9%, it recovered with an above market average annual gain of 37.1% in the stock market year of 2003. At 3,965 points it only just missed the threshold 4,000 points at year-end 2003.

The annuity market, and thus the interest rates for fixed interest securities, was also highly volatile. The interest rate for 10 year government bonds dropped from 4.2% at the beginning of 2003 to 3.5% towards the middle of the year only to settle in at 4.3% at the end of the reporting year.

2003 was also the year of the euro. The European single currency rose during the course of the year from \$ 1.05 to \$ 1.26. By contrast with its lowest level of 0.82 in October 2000 the euro has therefore gained more than 50%.

Including the separately reported building saving loans (€ 256 million) and investments from unit-linked life insurance (€ 337 million), the consolidated book value of the investments held by the AXA Group remained stable at € 35.0 billion in 2003 despite the retirement of investments of the sold Austrian and Hungarian subsidiaries. Of this figure, € 25.1 billion were accounted for by the life insurance companies, € 6.1 billion by the property and casualty insurers, € 1.8 billion by AXA Krankenversicherung, € 1.8 billion by AXA Bausparkasse and AXA Bank and € 0.2 billion by the holding companies.

## INVESTMENTS: BREAKDOWN (BOOK VALUES)



## DEVELOPMENT OF INVESTMENTS (BOOK VALUES)

(in € mill.)

	2003	2002	+/- %
<b>Fixed interest securities and fixed interest securities funds</b>	<b>20,052</b>	<b>20,326</b>	<b>-1.4</b>
Fixed income securities/bearer bonds	3,733	1,802	+107.2
Loans to affiliated companies	580	122	+373.6
Loans to equity interests	16	13	+22.4
Loans and advance payments	23	24	-3.7
Other loans	218	222	-1.7
Fixed interest securities funds	5,491	5,008	+9.6
Registered bonds	5,464	6,893	-20.7
Borrowed note loans	4,526	6,242	-27.5
<b>Mortgages, claims secured by land charges and annuity land charges</b>	<b>3,651</b>	<b>3,596</b>	<b>+1.5</b>
<b>Shares</b>	<b>6,630</b>	<b>7,517</b>	<b>-11.8</b>
Shares	85	309	-72.5
Share funds	6,545	7,208	-9.2
<b>Equity interests</b>	<b>764</b>	<b>955</b>	<b>-20.0</b>
<b>Land and buildings</b>	<b>523</b>	<b>576</b>	<b>-9.1</b>
<b>Real estate funds</b>	<b>471</b>	<b>451</b>	<b>+4.6</b>
<b>Miscellaneous</b>	<b>2,908</b>	<b>1,601</b>	<b>+81.7</b>
Deposits with credit institutions	1,741	531	+227.9
Building saving loans	256	287	-11.1
Other shares	278	303	-8.1
Other investments	247	231	+6.1
Deposit receivables	49	49	-0.2
Unit-linked life insurance	337	198	+70.6
<b>Total</b>	<b>34,999</b>	<b>35,022</b>	<b>-0.1</b>

### Focal emphasis of investments

New investments in the period under review amounted to € 13.0 billion and were thus considerably higher than the previous year's figure of € 7.5 billion. The focal emphasis of new investments was placed on fixed interest securities totalling € 9.4 billion or 72 %. The major proportion of our shares is held in special funds geared to share investments but also a restricted amount to fixed interest securities investments. As a result of depreciation applied in this area our share ratio on a book value basis, which considers only pure shares and no fixed interest securities, dropped from 20.9 % to 17.4 %. By contrast, the share ratio in terms of market value rose from 14.5 % to 15.1 %. At 57.3 % (2002: 58.0 %), fixed interest securities continue to dominate the investment portfolio, however.

### Investment result

The overall investment result, i. e. revenue from all investments less expenses, rose in 2003 by 14.0 % to € 1.9 billion after adjustments for the subsidiaries in Austria and Hungary

which have since been sold. Of this figure, € 1.0 billion (2002: € 1.2 billion) were accounted for by the life and health insurance companies and € 0.9 billion (2002: € 0.5 billion) by the property and casualty insurers as well as other business.

The ordinary investment result improved slightly to € 1.7 billion due to the continuing low interest level. The extraordinary result increased to € 0.2 billion (2002: € 57 million) due amongst other things to disposal income which, however, was largely compensated by extraordinary depreciation.

The extraordinary result contained income from the disposal of investment totalling € 1.5 billion. We realised € 0.1 billion from the sale of property, € 0.5 billion from the disposal of fixed interest securities including fixed interest securities funds, € 0.1 billion from the sale of shares and investment stock as well € 0.7 billion from the sale of affiliated companies and equity interests.

These profits were contrasted with the disposal losses of € 0.3 billion. Depreciation on investments was made for the amount of € 1.0 billion. Of this figure, € 0.6 billion was attributable to the fixed interest securities including fixed interest securities funds and € 0.3 billion to shares and other investment stocks. A total of € 0.1 billion was written down on non-consolidated companies and financial interests – primarily private equities – due to the weakness of the dollar.

### Statutory unrealised values of investments

The statutory unrealised values, expressed as the difference between the current market value and the book value, amounted to € 0.7 billion at year end 2003 for consolidated investments. This was 2 % of the book values. Under consideration of the premiums and discounts paid with respect to the investments reported at face value, statutory unrealised

values of € 0.6 billion arise. The market value of the entire portfolio rose by € 1.0 billion to € 35.7 billion after adjustment for the disposal of investments for the subsidiaries sold in Austria and Hungary (portfolio € 1.1 billion).

Despite the higher realisation of reserves in the area of equity interests and the elimination of unrealised losses, the statutory unrealised values on the net asset values (shares, equity interests and land and building) amounted to € –0.1 billion (2002: € –0.5 billion). By contrast, we had interest rate instruments above the statutory unrealised values of € 0.1 billion (2002: € 1.0 billion) because the yield from the portfolio was above the market yield on the reporting date. The realisation of these statutory unrealised values is naturally subject to a reinvestment risk.

### INVESTMENT SEGMENTS: STATUTORY UNREALISED VALUES (in € mill.)

	Property/ casualty	Life	Health	Holding/ other	Total
Fixed interest securities	84	470	50	1	605
thereof shown at nominal value	88	459	51	1	599
Mortgages	4	215	0	0	219
Shares	-141	-523	-42	0	-706
Equity interests	92	14	3	241	350
Land and buildings/specialised real estate funds	97	122	5	16	240
Miscellaneous	4	30	3	0	37
<b>Total</b>	<b>140</b>	<b>328</b>	<b>19</b>	<b>258</b>	<b>745</b>

### INVESTMENTS: BOOK AND MARKET VALUES (in € billion)

	Book value	Market value	2003 statutory un- realised values	2002 statutory un- realised values
Fixed interest securities	20.1	20.7	0.6	1.0
Mortgages	3.7	3.9	0.2	0.2
Shares	6.6	5.9	-0.7	-2.0
Equity interests	0.7	1.1	0.4	1.1
Land and buildings	0.5	0.7	0.2	0.4
Real estate funds	0.5	0.5	0.0	0.0
Miscellaneous	2.9	2.9	0.0	0.0
<b>Total</b>	<b>35.0</b>	<b>35.7</b>	<b>0.7</b>	<b>0.7</b>

# Reorganisation of Social Benefits and Further Staff Qualification

## Reorganisation of social benefits

In order to enhance the competition situation, the AXA Group has defined clear cost targets for the business years through to 2005. Sustained cost improvements also entail a clear reduction in personnel costs, given their high share in the overall costs. This is achieved to a great extent by socially acceptable staff cutbacks, but additional measures will also be required.

In the year under review, the AXA Group has therefore introduced some restrictions in those salary components which are paid above and beyond the collective bargaining agreements. This refers to a special payment made in July amounting to 30% of a gross monthly salary. These payments will only be made if the cost saving targets, including the restrictions in certain salary components, are achieved in 2004 and 2005.

## Management renounces salary

The AXA Group has attached great value to all employees acting together in solidarity to reduce the personnel costs. Parallel to restructuring the special payments already explained above, the Board has already made its own commitment and at the same time asked all senior executives to manage without half a gross monthly salary for each year 2004 and 2005. All members of the Board and 99% of the senior executives have complied with this request. This ruling stated above, that the amounts will only be paid out if the cost savings targets of the corresponding years are achieved, also applies to the management's partial waiver of salary.

## Project leader qualification

Project management has acquired greater significance in recent years and become a crucial factor in successful company development. Professional project management helps to solve pending corporate issues more efficiently and effectively, as well as reducing costs and increasing earnings. Particularly in times of limited budgets, the prime aim must always be to put the available resources to the best possible use.

In order to meet these demands, the AXA Group has developed a structured project leader qualification programme which was established during the 2003 business year. The contents of the three different project leader qualification courses which follow on successively one after the other are based on the specific project classes defined for the AXA Group.

At the start of the 2004 business year, the Group will live by the rule that only staff with the corresponding qualification can lead a project with a certain degree of complexity. The new project leader qualification programme thus constitutes a corporate standard throughout the company which systematises project management in the AXA Group and guarantees that each project is provided with the necessary resources it requires to be successful. This applies both to the full-time project leaders and also to staff who only occasionally lead a project parallel to their line activities.

## Specialist career model

The goal of the AXA Group is to set standards in the financial services industry. In order to achieve this goal, excellent operative processes have to produce outstanding results. In turn, excellent operative processes are created by qualified, highly motivated people. Together with excellent management staff, the AXA Group thus also needs highly qualified specialists who offer in-depth specialist know-how, practical experience and extensive decision-making responsibility. For this reason, from the start of 2003 AXA has decided to offer these specialists a new "specialist career" model.

The specialist career is a model which concentrates in particular on expanding and developing specialist expertise and responsibility. Staff can develop their skills and abilities through different successive career stages. Every career stage is based on the fulfillment of core requirements together with a systematic qualifications programme. The specialist career model can help to support staff with excellent specialist capabilities in planning their individual development and career. As a genuine alternative to the management career, the specialist career helps to ensure that the specialist experts are motivated and kept with the company by showing them prospects for further development.

## Change management in the AXA Group

Implementation of the strategic realignment started in 2000 for more earnings and growth has resulted in considerable changes to the structures and processes in many parts of the company. This is accompanied by changed demands made of staff and management in the affected areas. These restructuring and process change phases cost the company a great deal of energy, and can place a considerable burden on staff and management under certain circumstances.

Frequently the affected individuals feel threatened and taken unawares by the changes. One possible consequence is that the staff and management concerned fail to accept the changes so that implementation grinds to a halt. This happens primarily when the staff and senior executives concerned are not adequately integrated in the change process.

To ensure that the changes which are so vital to implementation of the strategy are in fact successful, the AXA Group has "Change Management Specialists" to provide ongoing support for the change process. They advise the project leaders with regard to the necessary measures in order to achieve the greatest possible acceptance and motivation of all staff and senior executives involved in the change process.

For example, the Change Managers ensure that all staff and senior executives concerned are given an opportunity to contribute their own ideas and suggestions to the change process. Existing infrastructures such as department meetings, the intranet and management instruments are integrated in change management in such a way that synergetic energies are produced and change management does not become an additional burden in itself.

In the pensions division for example, the results of the annual staff survey ("Scope") were an important trigger for measures implemented as part of change management. An integrative change plan was drawn up and put across to the staff. The change plan and its measures accompany the whole change process in the pensions division.

## 9,195 employees and 495 trainees

In the financial year 2003, the AXA Group had a workforce of 9,195 (2002: 9,769) employees. As in the previous financial year, staffing levels were reduced in the year under review only by implementing socially acceptable measures, such as early retirement or natural fluctuation. During 2003 once again, the AXA Group lived up to its overall responsibility to society at large and provided training for 495 young trainees. The AXA Group offers its trainees good prospects by taking on about 75 % of each year group. In addition, in 2003 107 vocational and scholarship students were given an opportunity to acquire practical experience in the AXA Group.

## Thank you!

The contribution of every single member of staff plays a crucial role in safeguarding the success of our company. This is just one of the reasons why we would like to extend our sincere thanks to all members of staff, the Works Councils and Senior Executive Spokesman Committees for their outstanding commitment, for the motivated, constructive and trusting cooperation and for the understanding and acceptance of the necessary cost savings measures introduced in the company. It is only by continuing to show our willingness to help organise and accept changes that we will be able to distinguish ourselves from our competitors and assert our position in an increasingly difficult economic market environment.

# Risks of Future Developments

The German Act on Control and Transparency in the Corporate Area (KonTraG), which came into force in 1998, called upon public stock companies in particular to set up “a monitoring system so that any developments threatening to endanger the existence of the company can be recognised at any early date”. In the following we present our risk situation in accordance with the German Accounting Standards on risk reporting of insurance companies. We first deal with specific risks of individual Group companies and finally the overall risks from a Group view.

## AXA Versicherung AG

The claims ratio and the settlement results net of reinsurance developed as follows in the past ten years:

	Claims ratio per business year in % of premiums earned	Settlement result in % of provisions on 1 January
1994	75.8	4.7
1995	75.5	7.0
1996	77.4	7.7
1997	80.1	7.4
1998	84.1	9.1
1999	90.2	10.9
2000	89.9	4.8
2001	89.8	3.1
2002	86.0	7.9
<b>2003</b>	<b>74.4</b>	<b>6.0</b>

The continued improvement in the claims ratio results in the retail business primarily from the risk selection measures in motor-vehicle insurance as well as fewer elementary claims in non-life insurance lines. In industrial and corporate client business the claims ratio improved as a result of streamlining measures and a decline in major claims.

**Other risks:** Proceedings were initiated in 2002 against AXA Versicherung and other notable industrial insurers by the Federal Cartel Agency. The enterprises concerned are accused of concerted practices. We have presented our defence in this matter in great detail. As yet no response has been given. At the current time it cannot be ruled out that the Federal Cartel Agency will be issuing fines against the enterprises concerned even if it is unclear how these amounts can be justified. We have taken this risk into consideration by creating appropriate provisions in our annual financial statements.

## AXA Lebensversicherung AG Deutsche Ärzteversicherung AG Pro bAV Pensionskasse AG

**Biometric risks:** With the exception of the portfolio parts mentioned on page 68 with respect to occupational disability and occupational disability supplementary insurance for which suitable reserves have been made, the probability tables used are viewed by the Supervisory Authorities and the German Actuaries Association (DAV) as adequate for the calculation of the actuarial reserve. In the opinion of the responsible actuary, they contain appropriate safety margins for the company. There are currently no indications of the extent to which this basis of calculation could prove to be inadequate. Nevertheless, the development of mortality in annuity insurance and the development of invalidation probabilities must be analysed constantly. The ongoing examinations of mortality in annuity insurance are therefore currently updated at the DAV under consideration of new data because a trend towards rising life expectancy is recognisable. The DAV is currently working on a table which will also take this development into account. The impact of a new mortality table cannot yet be foreseen however. It must furthermore be remembered that the effects of terrorist attacks which could endanger the life and health of a large number of people cannot of course be given adequate consideration in the graduated life and mortality tables.

**Cancellation risk:** The determination of the underwriting reserves is made without consideration of the cancellation possibilities. Higher or lower cancellations in individual cases would have only a slight influence on the annual results. However, the business volume of Deutsche Ärzteversicherung is also characterised by a high proportion of collective business with pension schemes for doctors. Deutsche Ärzteversicherung is currently in negotiation with Berliner Ärzteversorgung for a gradual reduction of the reinsurance treaty. With respect to the syndicate reinsurance treaty with the Hamburg Medical Chamber pension scheme, Deutsche Ärzteversicherung agreed that starting on 1 January 2004 the entire reinsurance volume would gradually be reduced. A single reduction in the reinsurance quotas as at 1 January 2003 was agreed with the other pension organisations.

**Interest guarantee risk:** Both the current net return on investments and the anticipated yield for subsequent years within the framework of the actuarial reserve regulations exceed the currently applied technical interest rate. However, the remaining safety margin is lower than in previous years. It must be considered here that at the end of 2003 the capital markets were at a very low level both with respect to fixed interest securities and the share markets. In application of § 341 b of the German Commercial Code (HGB) investments contain unrealised losses which, however, were smaller than at the end of 2002. If the markets do not recover in the medium term or even deteriorate further these losses would have to be shown in part at least in the business result. In order to minimise the inherent reinvestment risk the average residual terms of fixed interest security papers were extended.

**Other risks:** Arbitration proceedings were brought before the International Chamber of Commerce in Paris by Nationwide Global Holdings Inc., an American insurance company, against AXA Lebensversicherung AG and other companies from the AXA Group in January 2002 due to the sale of PanEurolife, Luxembourg. The sale was made in January 1999. Our share in PanEurolife was 20 %. Damages are demanded in the proceedings. At this stage in the proceedings it is difficult to make a forecast about its outcome.

### AXA Krankenversicherung AG

The underwriting risks in health insurance are essentially given due consideration in the insurance cover reviews agreed with the policyholders, according to which a comparison of the calculated and the forecasted claims requirement must be made on an annual basis. If claims develop outside a narrow corridor, the premiums of all insured persons must be adjusted.

**Biometric risks:** The mortality tables used to calculate the actuarial reserve and other technical calculation factors have been inspected for all tariffs by an independent trustee and presented to the supervisory authorities.

**Cancellation risk:** The cancellation probabilities applied are based both on own experience and association experience and have been viewed to be adequately cautious by an actuary.

**Interest guarantee risk:** The technical interest rate of 3.5 % was above the current interest payable on the investment of 4.6 % in the 2003 business year. If the currently low interest rates fall further and foreseeably below the technical interest rate we will reduce the reinvestment risk by extending the average maturity of future cash-flows of fixed interest security papers.

**Other risks:** Due to a decision of the Federal Court of Justice against a competitor company, AXA Krankenversicherung AG amended its insurance terms as at 1 January 2004. Section 178 g (3) of the Insurance Policy Act applied here is interpreted differently in legal circles so that the amendment of terms may possibly need to be revoked.

### Remaining companies

Due to the measures taken with respect to the Casa Arte product in terms of underwriting policy and portfolio streamlining the AXA Art Group assumes that this factor of negative influence on the claims ratio will be extensively eliminated in the 2004 business year.

DARAG Deutsche Versicherungs- und Rückversicherungs-AG, Berlin, systematically applied its underwriting and reserve policy redefined in the previous year and has ensured that it will be observed by means of suitable measures. The continuation of selective individual policy streamlining in the portfolio had the expected success in the 2003 business year and led to a distinct reduction in claims expenditure. The necessity to adequately dimension reserves to secure against underwriting risks, particularly for unknown insurance claims from previous years, is given special attention. The company has secured against the risk of natural catastrophes in all lines by separate reinsurance cover.

We assume that typical bank risks for AXA Bank AG will continue to play a subordinate role. Precautions against exposure due to an extension of new business and a growing portfolio in the new business year will be increased appropriately. We will respond suitably to the risk of interest rate changes by strict use of the principle of concurrent refinancing.

## Risks from the loss of accounts receivable from insurance business

Due accounts receivable from policyholders and intermediaries (without commission not yet earned from unit-linked business) amounted to some € 403 million on the balance sheet date. Some € 71 million of this figure were attributable to accounts receivable which were older than 90 days. By way of risk precaution, accounts receivable from customers and intermediaries shown in the balance sheet were reduced by adjustments of some € 24 million.

The reinsurer for our most important mandatory reinsurance treaties is the French Group AXA Cessions, who retrocedes these treaties on the international reinsurance market for the most part. AXA Cessions assumes the delcredere risks for the "loss" of retrocedants. We work with first-class reinsurers only for the treaty reinsurance retroceded via our French Group company AXA Cessions and for directly ceded reinsurance. The foundation is provided by a security list checked by AXA Cessions.

## Risks from investments

Following a low in the spring of 2003 the share markets picked up during the course of the year due to a brighter economic environment and increasing buyer interest attributable to historically low prices. At the same time, the fixed interest securities market proved to be highly volatile in the year under review but closed the year at approximately the level of the previous year. The euro rose against the US dollar during the course of the year to its highest level since intro-

duction and improved by some 20% by year-end. Primarily the positive development on the share market but also the elimination of unrealised losses influenced our unrealised results in the area of shares and share funds which were € 1.3 billion higher than in the year previous. All in all our unrealised result is € 745 million.

Our strategy pursued in previous years of avoiding depreciation was therefore relinquished after clarifying tax questions. We aspire to further reducing the existing unrealised losses in shares and share funds in the coming business year.

The individual risks are defined as follows:

**Market risks:** The financial markets directly or indirectly determine the prices of investments. In order to determine a possible risk scenario, a drop in the price of shares (without equity interests and associated companies), interest rates and currencies is simulated. Risks and opportunities are presented in the same way, without the existing value securing concept, in order to demonstrate the sensitive nature of our investments. The effects of share market, yield (of the bond market) and currency price fluctuations are viewed. The German stock exchange index (DAX) closed 2003 at 3,965 points. The interest rate for 10-year government bonds was 4.3% and the euro was worth US dollar 1.26. The unrealised result at the end of 2003 of € 745 million would alter by the following amounts if the prices of shares, fixed interest securities and currencies were to move upwards or downwards to the extent specified.

### Share market change

Rise by 35 %
Rise by 20 %
Rise by 10 %
Drop by 10 %
Drop by 20 %
Drop by 35 %

### Change in the market value of investments

€ +2,235 mill.
€ +1,279 mill.
€ +639 mill.
€ -639 mill.
€ -1,279 mill.
€ -2,235 mill.

The above figures do not account for value-securing measures which are applied to the predominant portion of our share risk. This means that the above described risks have been eased in economic terms as at year-end 2003. However, the company does not then participate to the full extent in the few scenarios of positive market development.

**Change in yield on the fixed interest securities market**

Rise by 200 base points
Rise by 100 base points
Drop by 100 base points
Drop by 200 base points

**Change in the market value of investments**

€ -2,662 mill.
€ -1,331 mill.
€ +1,331 mill.
€ +2,662 mill.

**Currency price change**

Rise by 10 %
Rise by 5 %
Drop by 5 %
Drop by 10 %

**Change in the market value of investments\***

€ +562 mill.
€ +266 mill.
€ -238 mill.
€ -451 mill.

\* Unlike the previous year the currency investments in the investment funds were only taken into consideration if the fund was listed in euros

If the negative scenarios described above emerge in whole or in part or exist on the balance sheet key date we will take appropriate measures. It must also be considered here that investments contain unrealised losses under application of Section 341b (2) of the German Commercial Code (HGB) which are, however, distinctly lower than at the end of 2002. The possible measures will include depreciation on sustainable values of individual investments, the selective sale of individual titles and the option of use of further value-securing concepts in order to secure the share portfolio in the short term against further value losses.

**Credit standing risks:** The credit standing risk covers insolvency, payment default and the worsening of the credit standing of debtors or issuers. Credit standing is categorised either with the aid of external agencies or in accordance with uniform internal criteria and is checked by means of continuous control processes. Strict regulations also apply to the awarding of loans as far as credit standing is concerned. Credit risks are broadly spread, individual commitments are subject to regular monitoring. With the aid of our reminder procedure, a detailed overview of outstanding payments is produced.

**Liquidity risks:** The risk of inadequate liquidity is counteracted by multi-year planning of all payment flows. A monthly forecast is also made for a rolling 12-month period. Attention is paid to the fungibility of individual investments so that we are able to meet our commitments entered into with clients.

All risks described are a constituent element of risk management. The investment committee proposes the investment strategy and the management board decides on it. In addition, investment guidelines also apply to all investments. In order to recognise the effects of alternative scenarios, sensitivity and risk analyses are made on the basis of probability calculations. The interaction between origin and use of resources is taken into consideration and coordinated in asset/liability control. The supervisory regulations on mixing and spreading are observed exactly.

## Operational risks

The main process risks and the securities of internal control systems are regularly identified and assessed by our Group Accounts Controlling Department together with the responsible line managers. The resultant key figures provide an important basis for risk-orientated audit planning spanning several years. Our extensive project portfolio is coordinated by Group Project Management.

## Summarising presentation of the risk situation

With respect to major German companies in the Group, the existing equity of € 2.3 billion exceeds the equity necessary to satisfy solvency requirements by € 0.8 billion or 54 %. Only at Deutsche Ärzteversicherung AG does a slight shortfall exist. AXA Konzern AG resolved an immediate contribution to capital reserves in the 2004 business year in order to balance this out.

The so-called adjusted solvency (Group solvency) for 2003 calculated on the basis of the consolidated financial statements shows adequate cover according to the provisional calculations which do not yet need to be submitted. This is particularly due to the inclusion of a subordinated loan. Unlike the total equity from the solvency calculations of the individual companies, one factor to be considered in the calculation of Group solvency is that the equity interests of AXA Konzern AG have in part been financed by outside borrowing. Another aspect is that the goodwill from the purchase of former Albingia must be deducted as intangible asset from the consolidated equity.

At the current time no risks are known which could endanger the existence of the German AXA Group. Any loss shown by our Group of companies would be balanced out by AXA Konzern AG within the framework of the control agreements.

# Outlook for 2004: Profitable Growth, Lower Result

For the current year we anticipate a slight increase in the income of the AXA Group. We will continue to pay great attention to profitable growth. We expect the following developments with respect to the most important companies in our Group:

We expect the premium income from retail business for **AXA Versicherung AG** to stagnate due to the continuing unfavourable overall economic climate. In industrial and corporate client business we are expecting growth from the use of selective growth segments and the emerging withdrawal of some competitors from certain market segments. Cost optimisation measures will be further pursued in the same way as an underwriting policy aimed at stable claims ratios. On the condition that the financial markets continue to recover we anticipate a net profit for the year before taxation for our largest company that will be above the previous year's level.

**AXA Art Versicherung AG** also plans to continue the profit-orientated policy of sustainable growth on the German and foreign markets in 2004 and to take further efficiency-enhancing and market-related initiatives on the basis of successful restructuring measures. A satisfactory net profit for the year before tax is therefore expected.

**AXA "die Alternative" Versicherung AG** assumes continued strong growth that is to be based primarily on the most competitive motor-vehicle insurance tariff. The company also expects the remaining property and casualty insurance products to record distinct sales increases, leading to a drop in the claims ratios given strict adherence to the underwriting policy.

**AXA Lebensversicherung AG** plans a decent rise in premium income once again in 2004, but the volume of new business is expected to be below the previous year's level. However,

the possible effects of largely eliminating the favourable tax treatment of capital-forming life insurance policies starting in 2005 on the development of new business this year is not estimable. A main business focus of the company is placed on further improving work organisation and processes and continuing the qualification drive launched for intermediaries. Assuming a continuing friendly development on the financial markets, a further reduction of the unrealised losses with an appropriate gross margin would appear to be possible in the current year.

The rapid business development in 2003 shows that **Pro bAV Pensionskasse AG** entered the growth market of pensions with the right products which is why a distinct rise in business and a satisfactory, albeit negative, result is expected for 2004. The central goals for 2004 are the favourably priced access to larger business relationships via syndicate agreements with other pension schemes and the further adjustment to strong business growth in terms of personnel and organisation.

Despite the moderate reduction in ordinary interest surplus, **Deutsche Ärzteversicherung AG** expects continued good demand for life and annuity insurance in 2004. The emphasis on consolidating the company's position as a recognised specialised insurer in the healing professions market and winning new market shares by developing new sales partners in 2003 will be continued in the present year.

The products sold by **AXA Krankenversicherung AG** continue to be most successful. The company therefore expects to be able to continue its growth course in all probability at a level distinctly above the market average in the current year. However, new business is not expected to reach the level of previous years because the marked rise in the mandatory insurance ceiling will become increasingly noticeable.

Together with other Group companies **AXA Bank AG** will continue to strengthen the business field of financial services as one of the columns of pensions and wealth management of the AXA Group. The implementation of the new IT platform for the processing of client transactions in addition to a more efficient customer service promises considerable cost savings after a period of initiation in the new systems and optimisation of work flows.

In 2004 we will continue to place our focus on safeguarding the marked improvements achieved in recent years in the underwriting results. We will also be continuing our strict cost management in the current year.

In this year too, the consolidated result will greatly depend on the developments of the financial markets. Due to the extraordinary revenues from the sale of our share in General Re-CKAG Reinsurance and Investment S.à r.l. and AXA Konzern AG, Vienna, it will be considerably lower than in 2003, however.

Cologne, 23 April 2004

The Management Board

# Report of the Supervisory Board

In 2003 the Supervisory Board monitored the Management Board in accordance with the tasks bestowed upon it by virtue of the law and articles of the company and accompanied management in an advisory function. It convinced itself on a continuous basis of the correctness of management and was involved in important decisions.

The Supervisory Board was informed verbally and in writing by the Management Board by means of quarterly reports and in four meetings of the general business developments of the Group, including those of the important operative companies and of fundamental questions of management in accordance with Section 90 of the German Company Act. The business policy aspired to by the Management Board as well as the business and financial situation, the staffing situation as well as the course of business within the Group were discussed in detail during sessions of the Supervisory Board. The Management Board reported to the Supervisory Board on a regular basis on the achievement of plans and objectives of the current business year and the forecast for the future periods.

The measures and alterations as part of the reorientation process initiated by the Management Board towards more profit and growth occupied a central position in reporting and deliberations in the Supervisory Board. Detailed reports were given to the Supervisory Board on the development of the investment results and the effects on solvency. Additional points of focus included measures to improve the underwriting result, the cost-reduction measures and questions of corporate management and control ("corporate governance").

The Supervisory Board also discussed other important processes as well as the respective business and measures which require the consent of the Supervisory Board by virtue of the articles of association or statutory provisions. The chairman of the Supervisory Board was in close contact with the Management Board in the period between the Supervisory Board meetings and in numerous individual discussions with the Management Board and addressed business policy questions as well as the situation and development of the Group and of the operative companies. The Supervisory Board was informed of important matters coming to the knowledge of its chairman in the next meeting.

In addition to the statutory Mediation Committee in accordance with Section 27 (3) of the German Codetermination Act, the Supervisory Board also set up another two committees. The Presidium, consisting of three members, primarily

addresses the contractual employment relationships of the members of the Board. The Audit Committee, consisting of five members, is essentially devoted to monitoring the risk management of the Management Board and the control mechanisms of the company, questions concerning the annual financial statements, auditing, as well as the report of the Management Board on the relationships with affiliated companies and lays down the focal areas of emphasis for auditing during the business year. The Presidium of the Supervisory Board held three meetings in 2003; the Audit Committee met twice in the 2003 business year and reported back to the Supervisory Board on this. The Mediation Committee did not need to be convened.

PwC Deutsche Revision AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, audited the annual financial statements and the management report drawn up by the Management Board for the 2003 business year as well as the consolidated annual financial statements and the management report of the Group for the 2003 business year. The auditor gave an unqualified certification. The auditor's reports were available to all members of the Supervisory Board in good time. The auditor discussed the audit results with the Audit Committee and explained them to the Supervisory Board during the meeting to approve the balance sheet and answered questions of the Supervisory Board on 19 May 2004. The instruments developed for the risk management monitoring system and the supplementary measures planned by the Management Board are appropriate in view of the auditor and comply with the statutory requirements pursuant to Section 91 (2) of the German Company Act. The Supervisory Board acknowledged the reports and the additional notes of the auditor.

The Supervisory Board examined the annual financial statements and the report of the Management Board as well as the Management Board's recommendation on the appropriation of profit. The examination provided no reason for objection. The Supervisory Board approves the annual financial statements which thereby become final in accordance with Section 172 of the German Company Act, and concurs with the recommendation on the appropriation of profit. The Supervisory Board similarly examined and approved the consolidated annual financial statements and the management report of the Group. There was no reason for objection. The Supervisory Board approves the consolidated annual financial statements.

The Supervisory Board similarly inspected the report on the relationships to affiliated companies drawn up by the Management Board pursuant to Section 312 of the German Company Act. The report was available to all members in good time. The Supervisory Board raised no objections to this report.

After inspection of the report of the Management Board on the relationships to affiliated companies in the 2003 business year, the auditor gave the following certification:

“In accordance with our due audit and assessment we hereby certify that

1. the actual statements made in the report are correct,
2. in the legal transactions listed in the report, the performance of the companies was not inappropriately high or disadvantages were compensated,
3. the measures listed in the report provide no reason for any assessment other than that provided by the Management Board.”

The Supervisory Board agrees with the assessment of the auditor and in view of the final results of his inspection, raises no objections to the statements of the Management Board made at the end of the report on the relationships to affiliated companies.

In the year under review there were no personnel changes either to the Management Board or to the Supervisory Board. Almost all of the members of the Supervisory Board participated in the four meetings of the Supervisory Board. In accordance with the recommendations of the German Corporate Governance Code we report that Claude Brunet and Henri de Castries were prevented from taking part in three meetings of the Supervisory Board in 2003.

The Supervisory Board continues to follow the effects of the still highly volatile financial markets on the company and the entire industry as well as the process of systematic further development of the AXA Group with great interest. The continued successful implementation of the strategy is attributed decisive importance for the future positioning on the German market and the position of the German Group within the international AXA Group.

The Supervisory Board would like to thank the Management Board and all employees of the holding company, all employees working in the offices and in the sales units of the Group companies, our intermediaries and works councils for their work and commitment in an extraordinarily difficult business year.

Cologne, 19 May 2004

For the Supervisory Board

Claas Kleyboldt  
Chairman

# Report on Corporate Governance

The German Corporate Governance Code was published for the first time in February 2002. Adjustments were made in November 2002 and in May 2003. The Code contains standards for good and responsible corporate management and supervision. Management Board and Supervisory Board have directed much attention to implementing this Code in the enterprise. Management Board and Supervisory Board welcomed the objectives pursued by the Code from the very beginning and acknowledge the recommendations of the Code in principle. During the course of examining observance of the recommendations, Management Board and Supervisory Board ascertained that the majority of the recommendations in the Code are already being applied as part of responsible corporate management and supervision. In addition different measures were taken in the year under review to implement further recommendations of the Code.

In December 2002 and April 2003 we published the first declarations of compliance with the German Corporate Governance Code. Our current declaration of compliance of April 2004 is as follows:

1. The recommendations of the German Corporate Governance Code are observed by AXA Konzern AG with the exception of the recommendations listed in point 2.
2. The following recommendations of the German Corporate Governance Code are not applied by the AXA Konzern AG:

a) Code, point 3.8:

The agreement on a retention for the members of the Management Board and of the Supervisory Board does not contain the D & O insurance taken out by AXA, Paris, for all AXA Group companies throughout the world. The company believes the agreement of a retention of this nature as an exceptional ruling for the German AXA Group to be neither appropriate nor necessary.

b) Code, point 4.2.4:

The specification of the total remuneration to the Management Board does better justice to the overall responsibility of the executive body. Also, specifying individual remuneration does not contain more information relevant to the capital market than specifying total remuneration.

c) Code, point 5.4.5 (1):

AXA Konzern AG does not believe an additional financial consideration of the membership and the chairmanship in supervisory board committees to be necessary in the remuneration of Supervisory Board members. The remuneration of the Supervisory Board provided for in the articles of association is appropriate in the view of Management Board and Supervisory Board.

d) Code, point 5.4.5 (3):

The specification of total remuneration of the Supervisory Board does better justice to the overall responsibility of the executive body. The structure of the remuneration for members of the Supervisory Board is disclosed in the articles of association and in the Annual Report. Specifying the amounts of individual remuneration does not provide any additional information of relevance to the capital market.

e) Code, point 7.1.1:

AXA Konzern AG draws up a semi-annual report pursuant to Section 40 of the German Stock Exchange Act, but no other interim reports. Management Board and Supervisory Board of AXA Konzern AG are of the opinion that an additional interim report is disproportionate to the organisational and financial expenditure involved. AXA Konzern AG draws up its consolidated financial statements and interim report in accordance with national requirements (German Commercial Code). These also provide the foundation for taxation. Management Board and Supervisory Board of AXA Konzern AG do not therefore follow the recommendation of the Corporate Governance Code in this respect that requires the consolidated financial statements and the interim report to be drawn up under consideration of internationally recognised accounting principles.

f) Code, point 7.1.2:  
Management Board and Supervisory Board of AXA Konzern AG believe that the periods recommended by the German Corporate Governance Code of 90 days for the publication of the consolidated annual financial statements and of 45 days for the publication of the interim report to be too short to draw up informative consolidated financial statements and the interim report. The interim reports of AXA Konzern AG will therefore continue to be published within the statutory period of 60 days. The consolidated financial statements of AXA Konzern AG will be drawn up within the statutory period of five months.

3. In addition Management Board and Supervisory Board of AXA Konzern AG declare that since making last year's statement under Section 161 of the German Company Act in April 2003 the Company has complied with the recommendations of the "Government Committee on the German Corporate Governance Code" (version dated 7 November 2002) published in the electronic Federal Gazette on 26 November 2002 with the exception of the deviations specified in this declaration.

The complete wording of our statement of compliance is to be found at [www.axa.de](http://www.axa.de).

Cologne, 19 May 2004

The Management Board

The Supervisory Board



# Annual Financial Statements

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# Consolidated Annual Financial Statements

## Consolidated Balance Sheet at 31 December 2003

in € '000s

Assets	Notes	2003	2002
<b>A. Subscribed capital unpaid</b>		–	–
<b>B. Intangible assets</b>	1		
I. Goodwill		577,145	596,877
II. Miscellaneous intangible assets		<u>12,088</u>	<u>25,943</u>
		589,233	622,820
<b>C. Investments</b>			
I. Land, titles to land and buildings including buildings on leased land	2	523,320	576,005
II. Investments in affiliated companies and equity interests	3		
1. Shares in affiliated companies		312,857	373,697
2. Loans to affiliated companies		580,191	122,496
3. Equity interests in associated companies		23,153	101,130
4. Equity interests		428,139	479,859
5. Loans to companies in which an equity interest is held		<u>16,225</u>	<u>13,258</u>
		1,360,565	1,090,440
III. Other investments	4		
1. Shares, investment fund shares and other non-fixed interest securities		12,870,130	13,278,841
2. Bearer bonds and other fixed interest securities		3,732,904	1,801,654
3. Mortgage, land charge and annuity charge loans		3,650,580	3,596,343
4. Other loans			
a) Registered bonds		5,464,360	6,893,097
b) Debentures and loans		4,526,149	6,241,592
c) Loans and advance payments on policies		23,108	24,002
d) Other loans		218,234	221,962
5. Bank deposits		1,740,582	530,872
6. Other investments		<u>246,570</u>	<u>232,447</u>
		32,472,617	32,820,810
IV. Deposits in assumed reinsurance business	5	<u>49,117</u>	<u>49,209</u>
		34,405,619	34,536,464
<b>D. Investments for the account and risk of holders of life insurance policies</b>		337,422	197,811
<b>E. Building society loans</b>	6	255,562	287,493
<b>F. Accounts receivable</b>	26		
I. Accounts receivable on direct business from			
1. Policyholders	7		
a) with claims due		174,847	208,761
b) with claims not yet due		154,760	136,933
2. Agents	7	<u>251,811</u>	<u>295,036</u>
		581,418	640,730
II. Accounts receivable on reinsurance business		163,024	221,328
III. Other accounts receivable	8	<u>845,992</u>	<u>593,055</u>
		1,590,434	1,455,113
<b>G. Other assets</b>			
I. Tangible assets and inventories	9	15,366	53,774
II. Current accounts with banks, cheques and cash at hand		342,361	491,147
III. Other assets		<u>256,403</u>	<u>249,674</u>
		614,130	794,595
<b>H. Trust assets</b>	10	89,984	92,248
<b>I. Accruals</b>			
I. Accrued interest and rent	11	407,729	415,565
II. Other accruals	12	<u>147,443</u>	<u>13,894</u>
		555,172	429,459
<b>J. Projected tax relief in subsequent business years under Sections 274/306 of the German Commercial Code (HGB)</b>	13	111,850	0
		38,549,406	38,416,003

in € '000s

Shareholders' equity and liability	Notes	2003	2002
<b>A. Shareholders' equity</b>			
I. Subscribed capital	14	79,840	79,840
II. Capital reserves		264,199	264,199
III. Revenue reserves	15		
1. Statutory revenue reserves		25	25
2. Other revenue reserves including amount of difference on the assets side: € 40,305,000 (2002: € 55,171,000) and amount of difference on the shareholders' equity and liabilities side: € 35,025,000 (2002: € 0)		<u>123,182</u>	105,554
IV. Consolidated net profit for the year	16	570,672	3,775
V. Adjustment item for minority shareholders	17	<u>3,124</u>	<u>3,011</u>
		1,041,042	456,404
<b>B. Subordinated liabilities</b>	18	365,339	273,604
<b>C. Special reserves</b>	19		
1. Special reserves – Section 6b of the German Income Tax Act (EStG)		–	23,026
2. Investment allowance – Section 10 of the Income Tax Act under Austrian Law		<u>–</u>	<u>4,448</u>
		–	27,474
<b>D. Underwriting provisions</b>	20		
I. Unearned premiums			
1. Gross		657,461	720,530
2. Less reinsurance ceded		<u>47,613</u>	<u>68,920</u>
		609,848	651,610
II. Actuarial reserve			
1. Gross		24,084,191	23,502,929
2. Less reinsurance ceded		<u>802,946</u>	<u>831,681</u>
		23,281,245	22,671,248
III. Provisions for outstanding claims			
1. Gross		4,779,002	5,305,093
2. Less reinsurance ceded		<u>952,762</u>	<u>1,248,102</u>
		3,826,240	4,056,991
IV. Provisions for premium refunds			
1. Profit-linked			
a) Gross		1,579,874	1,850,812
b) Less reinsurance ceded		0	0
2. Non-profit-linked			
a) Gross		27,520	57,185
b) Less reinsurance ceded		<u>0</u>	<u>44</u>
		1,607,394	1,907,953
V. Claims equalisation reserve and similar		809,850	504,992
VI. Other underwriting provisions			
1. Gross		35,897	47,173
2. Less reinsurance ceded		<u>-2,676</u>	<u>-3,939</u>
		38,573	51,112
		30,173,150	29,843,906
<b>E. Underwriting reserves and provisions of life insurance if investment risk covered by policyholders</b>			
Actuarial reserve		337,422	197,736
<b>F. Building society deposits</b>		644,937	645,231
<b>G. Other provisions</b>			
I. Provisions for pensions and similar liabilities		926,177	905,877
II. Tax provisions		298,478	443,734
III. Provisions for tax payments of subsequent business years	21	18,362	2,607
IV. Miscellaneous provisions	22	568,510	431,504
		1,811,527	1,783,722

in € '000s

	Notes	2003	2002
<b>H. Deposits in reinsurance business ceded</b>		884,690	924,628
<b>I. Other liabilities</b>	27		
I. Accounts payable on direct insurance business with	23		
1. Policyholders		1,813,597	1,806,143
2. Agents		<u>47,476</u>	<u>77,297</u>
		1,861,073	1,883,440
II. Accounts payable on reinsurance business		57,425	95,008
III. Accounts payable to banks	24	464,103	591,303
IV. Other accounts payable	25	<u>796,589</u>	<u>1,568,541</u>
		3,179,190	4,138,292
<b>J. Trust liabilities</b>	10	89,984	92,248
<b>K. Accruals and deferred income</b>	12	22,125	32,758
		38,549,406	38,416,003

# Consolidated Profit and Loss Account

## 1 January to 31 December 2003

in € '000s

Items	Notes	2003		2002	
<b>I. Property and casualty underwriting business</b>					
1. Premiums earned net of reinsurance					
a) Gross premiums written	28	2,834,020		3,155,028	
b) Reinsurance premiums ceded		<u>261,616</u>	2,572,404	<u>501,683</u>	2,653,345
c) Change in gross unearned premiums		20,842		7,879	
d) Change in reinsurance share of gross unearned premiums		<u>-14,225</u>	<u>6,617</u>	<u>-3,067</u>	<u>4,812</u>
			2,579,021		2,658,157
2. Interest income from operating business	29		44,104		41,318
3. Other underwriting income net of reinsurance			4,613		4,036
4. Expenses on claims net of reinsurance					
a) Payment on claims					
aa) Gross amount		2,090,272		2,429,445	
ab) Reinsurance quota		<u>365,550</u>	1,724,722	<u>425,791</u>	2,003,654
b) Change in provisions for claims outstanding					
ba) Gross amount		-280,092		-101,499	
bb) Reinsurance quota		<u>-241,891</u>	<u>-38,201</u>	<u>-22,614</u>	<u>-78,885</u>
			1,686,521		1,924,769
5. Change in other underwriting provisions net of reinsurance					
a) Net actuarial reserve			-22,053	-22,314	
b) Other net underwriting provisions			<u>13,627</u>	<u>-8,873</u>	-31,187
6. Expenses on profit-linked and non-profit-linked premium refunds net of reinsurance			24,720		32,005
7. Expenses on underwriting operations net of reinsurance					
a) Gross operating expenses	30		808,690	959,183	
b) Less commissions and bonuses received from reinsurance ceded			<u>40,880</u>	<u>74,938</u>	884,245
8. Other expenses on underwriting operations net of reinsurance			19,313		18,523
9. Subtotal			120,948		-187,218
10. Change in claims equalisation reserve and similar provisions			-333,929		-86,070
11. Property and casualty underwriting result net of reinsurance			-212,981		-273,288

in € '000s

	Notes	2003		2002	
<b>II. Life and health underwriting business</b>					
1. Premiums earned net of reinsurance					
a) Gross premiums written	28	3,429,542		3,262,831	
b) Reinsurance premiums ceded		<u>119,962</u>	3,309,580	<u>121,869</u>	3,140,962
c) Change in net unearned premiums			<u>833</u>		<u>3,420</u>
			3,310,413		3,144,382
2. Premiums from gross provisions for premium refunds			150,090		252,862
3. Allocated interest from non-underwriting account	34		1,002,981		1,304,451
4. Non-realised gains from investments			28,926		295
5. Other underwriting income net of reinsurance			26,112		13,121
6. Expenses on claims net of reinsurance					
a) Payment on claims					
aa) Gross amount		2,642,003		2,407,362	
ab) Reinsurer quota		<u>122,587</u>	2,519,416	<u>127,084</u>	2,280,278
b) Change in provisions for claims outstanding					
ba) Gross amount		45,019		9,155	
bb) Reinsurer quota		<u>-1,343</u>	<u>46,362</u>	<u>3,369</u>	<u>5,786</u>
			2,565,778		2,286,064
7. Change in other underwriting provisions net of reinsurance					
a) Net actuarial reserve					
aa) Gross amount		-1,080,828		-1,325,228	
ab) Reinsurer quota		<u>-527</u>	-1,081,355	<u>7,404</u>	-1,317,824
b) Other underwriting provisions net of reinsurance			<u>-6,316</u>		<u>-1,654</u>
			-1,087,671		-1,319,478
8. Expenses on profit-linked and non-profit-linked premium refunds net of reinsurance			119,430		210,939
9. Expenses on underwriting operations net of reinsurance					
a) Operating expenses		529,065		454,383	
b) Administrative expenses		<u>107,216</u>	636,281	<u>133,943</u>	588,326
c) Less commissions and bonuses received from reinsurance ceded			<u>70,998</u>		<u>63,521</u>
			565,283		524,805
10. Non-realised losses from investments			331		46,949
11. Other underwriting expenditure net of reinsurance			144,550		213,832
12. Life and health underwriting result net of reinsurance			35,479		113,044

in € '000s

	Notes	2003	2002
<b>III. Non-underwriting business</b>			
1. Underwriting result net of reinsurance			
a) in property and casualty insurance business		-212,981	-273,288
b) in life and health insurance business		<u>35,479</u>	<u>113,044</u>
		-177,502	-160,244
2. Income from investments	31	3,401,193	2,314,746
3. Interest income from building society loans	32	12,847	14,517
4. Expenses on investments	33	1,502,543	550,538
5. Interest charges on building society deposits and savings deposits		19,653	18,943
6. Interest from underwriting account for property and casualty insurance business		-45,406	-42,767
7. Interest from underwriting account for life and health insurance business		-1,002,981	-1,304,451
8. Other income	35	176,166	275,489
9. Other expenses			
a) from building society and bank business		88,861	88,110
b) miscellaneous	36	<u>338,475</u>	<u>300,560</u>
		427,336	388,670
<b>IV. Consolidated result</b>			
1. Results of ordinary business operations		414,785	139,139
2. Extraordinary income		2	0
3. Extraordinary expenses			7,900
4. Extraordinary results		2	-7,900
5. Tax on income and profit		-158,960	122,903
6. Other tax		<u>2,724</u>	<u>4,378</u>
7. Net profit for the year		571,023	3,958
8. Profits owing to minority shareholders		409	240
9. Losses attributable to minority shareholders		58	57
10. Consolidated net profit for the year	16	570,672	3,775

# Notes to the Consolidated Financial Statements

## Cash flow analysis of the AXA Group

in € mill.

	2003	2002
<b>1. Operating activities</b>		
<b>Consolidated net profit for the year</b>	571	4
Depreciation/reinstated depreciation	993	229
Non-realised gains and losses from investments	-29	47
Profit from the disposal of investments	-1,468	-421
Losses from the disposal of investments	325	189
Increase/reduction in underwriting provisions	1,419	1,099
Change in accounts receivable/accounts payable on re-insurance business	22	-67
Change in deposits/liabilities	-20	-52
Increase/reduction of remaining assets and shareholders' equity and liabilities	-526	405
<b>Inflow of funds from ordinary business activities</b>	<b>1,287</b>	<b>1,432</b>
<b>2. Investment activities</b>		
Incoming payments from the sale of branches/consolidated companies	147	-51
Incoming payments from the disposal or from mature investments	12,039	5,569
Payments from the acquisition of other investments	-11,634	-7,535
Payments from the acquisition of unit-linked life insurance policies	-140	-53
Other incoming payments and payments	47	-8
<b>Outflow/Inflow of funds from investment activities</b>	<b>459</b>	<b>-2,077</b>
<b>3. Finance activities</b>		
Inflow of funds from loans	350	0
Outflow of funds from loans	-872	0
Dividends of AXA Konzern AG	-37	-128
of subsidiaries to shareholders outside the Group	-1	-1
<b>Inflow/outflow of funds resulting from finance activities</b>	<b>-560</b>	<b>-129</b>
<b>4. Cash and equivalent at the beginning of the business year</b>	<b>431</b>	<b>1,204</b>
<b>5. Change in cash and equivalent having an effect on liquidity</b>	<b>1,188</b>	<b>-771</b>
<b>6. Exchange-rate related changes in cash</b>	<b>-1</b>	<b>-2</b>
<b>7. Cash and equivalent at the end of the business year</b>	<b>1,619</b>	<b>431</b>

The cash flow analysis of the AXA Group explains the status of cash (deposits as well as credits at banks, cheques and cash in hand less liabilities due to credit institutions) at the beginning and the end of the business year.

The inflow of funds resulting from operating activities **(1)** decreased by only € 0.1 billion to € 1.3 billion although an inflow of income from equity interest and funds amounting to € 0.3 billion was recorded only at the beginning of 2004 due to matching recognition. This positive development could be achieved particularly due to a marked improvement in the cost and claims situation.

There is an inflow of funds **(2)** of € 0.5 billion in 2003 arising from investment activities.

The inflow of funds totalling € 1.7 billion was initially used to improve the equity structure by repaying loans to an amount of € 0.9 billion. However, in order to take account not only of an adequate equity base but also Group solvency requirements, AXA, Paris, extended a subordinated loan of € 350 million. An outflow of funds from finance activities **(3)** of total € 0.6 billion was recorded.

Cash and equivalent **(4)** increased by € 1.2 billion. At yearend funds of € 1.6 billion were therefore available for reinvestment.



## Segment report Profit and loss account

in € mill.

	Property/ casualty	Life	Health	Holding/ financial service providers	Consoli- dations	2003	2002
<b>Gross premiums written</b>							
– direct	2,683	2,645	779			6,107	6,249
– assumed	156		5		–4	157	169
– from premium refund		115	35			150	253
<b>Total gross premiums</b>	<b>2,839</b>	<b>2,760</b>	<b>819</b>		<b>–4</b>	<b>6,414</b>	<b>6,671</b>
<b>Retention</b>	<b>91 %</b>	<b>95 %</b>	<b>100 %</b>			<b>92 %</b>	<b>91 %</b>
<b>Profit and loss account</b>							
<b>1. Underwriting result</b>							
– Premiums earned net of reinsurance	2,584	2,522	783			5,889	5,802
– Premiums from the gross provisions for premium refund		115	35			150	253
– from the interest extracted from the non-underwriting account	44	990	27		–11	1,050	1,346
– Expenses on claims	–1,697	–2,128	–427			–4,252	–4,211
– Change in other net underwriting provisions	–6	–839	–251			–1,096	–1,351
– Expenses on premium refund	–25	–111	–8			–144	–243
– Operating expenses	–770	–421	–142			–1,333	–1,409
– Non-realised gains/losses from investments		29				29	–47
– Balance of other operating expenses/income net of reinsurance	–15	–120	–2			–137	–217
Subtotal	115	37	15		–11	156	–77
– Change in claims equalisation reserve and other provisions	–334					–334	–86
<b>Underwriting result net of reinsurance</b>	<b>–219</b>	<b>37</b>	<b>15</b>		<b>–11</b>	<b>–178</b>	<b>–163</b>
<b>2. Investment result without non-realised gains/losses</b>	<b>392</b>	<b>990</b>	<b>27</b>	<b>602</b>	<b>–97</b>	<b>1,914</b>	<b>1,779</b>
<b>3. Interest allocated to underwriting business</b>	<b>–45</b>	<b>–990</b>	<b>–27</b>		<b>11</b>	<b>–1,051</b>	<b>–1,348</b>
<b>4. Other expenses/income</b>	<b>–87</b>	<b>–36</b>	<b>–2</b>	<b>–158</b>	<b>10</b>	<b>–273</b>	<b>–133</b>
<b>5. Extraordinary expense</b>							<b>–8</b>
<b>6. Result before tax</b>	<b>41</b>	<b>1</b>	<b>13</b>	<b>444</b>	<b>–87</b>	<b>412</b>	<b>127</b>
<b>7. Tax on income and profit</b>	<b>169</b>	<b>–10</b>	<b>–11</b>	<b>11</b>		<b>159</b>	<b>–123</b>
<b>8. Consolidated net profit for the year</b>	<b>210</b>	<b>–9</b>	<b>2</b>	<b>455</b>	<b>–87</b>	<b>571</b>	<b>4</b>
<b>Net return on investments</b>	<b>5.6 %</b>	<b>3.9 %</b>	<b>1.7 %</b>			<b>5.5 %</b>	<b>5.2 %</b>
<b>Operating expenses as % of gross premiums</b>	<b>28.6 %</b>	<b>18.7 %</b>	<b>18.2 %</b>				
<b>Net combined ratio</b>	<b>95.5 %</b>						

A report was not prepared according to geographical regions because after consolidation reversals of the Austrian and Hungarian companies foreign business has only little impact on the figures.

# Principles of Financial Statement Preparation and Statutory Requirements

The consolidated financial statements and the consolidated management report are based on the provisions of the Insurance Company Balance Sheet Act of 24 June 1994 and have therefore been compiled in accordance with the provisions of the German Commercial Code, the German Company Act, the Ordinance on the Rendering of Accounts of Insurance Companies and directives relating to the rendering of accounts of group companies issued by the Federal Insurance Supervisory Agency (now Federal Agency for Financial Services Supervision).

The financial statements also comply with the prevailing transformation law provided for in EC Directives relating to insurance companies.

The layout of the consolidated financial statements has been extended to include items arising from the special nature of

building society business with the objective of facilitating a view of the net worth, financial position and results of the Group. The income and expenses on investments of the consolidated life and health insurance companies are shown in the non-underwriting account. Detailed information is provided in the notes. This statement provides greater transparency in segment reporting.

Any divergent evaluations based on special provisions for insurance companies abroad have been maintained pursuant to Section 308 (2) sentence 2 of the German Commercial Code (HGB). The consolidations comply with the provisions contained in Sections 341 (i) and 341 (j), 300 et seq. of the German Commercial Code (HGB) and with Sections 58 et seq. of the Ordinance on the Rendering of Accounts of Insurance Companies.

# Principles of Consolidation

The annual financial statements of the German and foreign subsidiaries included in the consolidated financial statements have been uniformly compiled on the reporting date of AXA Konzern AG's annual financial statements and transformed into financial statements which comply with the methods of presentation and valuation of the Group.

Equity has been consolidated using the book value method by charging the historical costs against the percentage equity of the subsidiaries at the time of acquisition or on the date of initial consolidation. Differences resulting from purchases of shares in AXA Versicherung AG or AXA Lebensversicherung AG have been offset against revenue reserves with no effect on results.

The amounts of difference calculated for the former Albingia Group acquired in 1999 are shown on the assets side of the balance sheet as goodwill owing to their substantial size and will be offset in principle against revenue reserves gradually over the next 30 years with no effect on results. The value of goodwill will be checked on an annual basis and possibly written down off-schedule or offset with no effect on results.

The profit payable to and losses attributable to the minority shareholders are shown separately on the balance sheet after the consolidated net profit for the year, leaving the net profits

for the year attributable to the Group. The profit payable to and losses attributable to the minority shareholders have been determined in accordance with the relative size of their equity interest in respect of the respective result shown on the restated commercial balance sheet after consolidation measures.

Accounts receivable and payable, inter-company interim results as well as earnings, income and expenses have been eliminated where this had not already been done owing to the insignificance of the business transactions. Interim profits were not eliminated pursuant to Section 341j (2) of the German Commercial Code insofar as these profits led to policyholder claims.

Interim results from associated companies (Section 340 (1) of the German Commercial Code) were not eliminated in accordance with Section 312 (5) of the German Commercial Code since the facts required for an assessment were neither known nor accessible.

All foreign currencies for the foreign subsidiaries incorporated in the consolidated financial statements were translated into euros uniformly at the average exchange rate prevailing on the balance sheet reporting date.

# Scope of Consolidated Companies

In addition to AXA Konzern AG, the consolidated annual financial statements include all affiliated subsidiaries which have a noticeable influence on the net worth and profit situation. In accordance with the principle of materiality, smaller insurance and intermediary companies have not been consolidated. Similarly, smaller management and asset management companies have also not been incorporated in the scope of consolidated companies insofar as they have no mentionable influence on the balance sheet figures. Non-affiliated companies, in respect of which the AXA Konzern AG or an affiliated consolidated subsidiary exercise a considerable influence, have been incorporated in the consolidated annual financial statements using the equity method insofar as they were not of subordinate significance for the assessment of the net worth and profit situation.

The scope of consolidated companies changed in 2003 as follows: taking effect on 1.1.2003 the consolidation of the Austrian and Hungarian companies was reversed by virtue of sale. These companies include **AXA Konzern AG, Vienna, AXA Biztosító Rt., Budapest, AXA Versicherung AG, Vienna, and AXA Pénztárszolgáltató Kft., Budapest.**

## Material information on the disposal of the subsidiary AXA Konzern AG, Vienna (Austria/Hungary)

The figures of the previous year were influenced by the following amounts in the balance sheet and profit and loss account by the sale of the Austrian/Hungarian group:

### Subgroup AXA Austria/Hungary 2002

in € mill.

	of which property/casualty	of which life	of which other	subgroup total
<b>Gross premiums</b>	<b>277</b>	<b>123</b>	<b>0</b>	<b>400</b>
Premiums earned net of reinsurance	248	119	0	367
Claims expenditure net of reinsurance	-177	-58	0	-235
Other underwriting expenses/income	-89	-59	0	-148
<b>Underwriting result net of reinsurance</b>	<b>-18</b>	<b>2</b>	<b>0</b>	<b>-16</b>
Investment result	4	17	0	21
Interest rate applied to the underwriting account	0	-17	0	-17
Other expenses/income	6	1	-2	5
Taxes on income	-1	-1	0	-2
<b>Net profit for the year after tax</b>	<b>-9</b>	<b>2</b>	<b>-2</b>	<b>-9</b>
Investments	300	675	23	998
Underwriting provisions	263	655	0	918

The income from disposal under consideration of consolidation reversal effects was € 88 million in 2003. These are non-consolidated figures

On 16.12.2003 **Ganymed 1. and Ganymed 2. Beteiligungsverwaltungs-Gesellschaft mbH & Co. KG**, Cologne, were established and incorporated in the scope of consolidated companies as 100 % held subsidiaries of AXA Konzern AG. According to the articles of association, the purpose of the companies is to manage own land and buildings located in a country of the European Economic Area. They are entitled to engage in business transactions exclusively associated with this purpose. Transactions requiring approval under Section 34c of the German Trade Regulation Act (Gewerbeordnung) are not included.

**General Re-CKAG Reinsurance and Investment S.à r.l., Luxembourg**, left the group of associated companies by virtue of sale as at the second half of 2003.

Of those companies incorporated at equity via the Roland group, **Durendal Inkasso GmbH** domiciled in **Cologne** was added.

A summarising list of shareholdings and the complete scope of consolidated companies is given on the following pages. The complete list of shareholdings in accordance with Section 313 (2) of the German Commercial Code (HGB) is deposited at the Commercial Register of the Local Court of Cologne under registration number 672.

# Shareholdings and Scope of Consolidated Companies

## 1a) Consolidated affiliated companies

	Gross premium income <sup>1)</sup> in € mill.	Equity <sup>2)</sup> in € '000s	Profit for the year <sup>2)</sup> in € '000s	Percentage share capital <sup>3)</sup> in %
<b>Parent company</b>				
AXA Konzern AG, Cologne		1,175,359	566,005	
<b>Property and casualty insurance companies Germany</b>				
AXA Versicherung AG, Cologne	2,558	1,151,623	272,029	99.90
AXA Art Versicherung AG, Cologne	48	55,386	474	100.00
DARAG Deutsche Versicherungs- und Rückversicherungs-AG, Berlin	64	17,962	267	100.00
AXA „die Alternative“-Versicherung AG, Cologne	70	14,563	-15,182	100.00
<b>Property and casualty insurance companies abroad</b>				
Colonia Insurance (Ireland) Ltd., Dublin	37	72,712	5,992	100.00
AXA Art Insurance Corp., New York	21	15,373	1,404	100.00
AXA Art Insurance Ltd., London	29	14,383	1,744	100.00
AXA Art S.A., Paris	16	9,837	2,240	99.99
AXA Art Versicherung AG, Zurich	7	11,249	1,627	100.00
<b>Life insurance companies Germany</b>				
AXA Lebensversicherung AG, Cologne	2,122	104,127	0	99.14
Deutsche Ärzteversicherung AG, Cologne	504	17,065	100	97.87
Pro bAV Pensionskasse AG, Cologne	29	12,050	0 <sup>4)</sup>	100.00
<b>Health insurance company, Germany</b>				
AXA Krankenversicherung AG, Cologne	784	45,584	2,074	100.00

## 1b) Consolidated affiliated companies

<b>Financial service providers, service and holding companies</b>				
AXA Bank AG, Cologne		64,477	0	100.00
AXA Bausparkasse AG, Dortmund		36,030	1,492	100.00
AXA Customer Care GmbH, Cologne		560	15	100.00
AXA Art Services Ltd., London		36	-62	100.00
AXA France S.A., Paris		3,342	11	100.00
AXA Art Holdings Incorporated, New York		18,418	2	100.00
CIMAG-Colonia Immobilien AG, Cologne		1,016	-110	100.00
AXA Service AG, Cologne		3,248	0 <sup>4)</sup>	100.00
Ganymed 1. Beteiligungsverwaltungs-Gesellschaft mbH & Co. KG, Cologne		91,311	-7	100.00
Ganymed 2. Beteiligungsverwaltungs-Gesellschaft mbH & Co. KG, Cologne		62,462	-3	100.00
GRE Continental Europe Holding GmbH, Hamburg		709,920	62,018	100.00
Nordstern Grundbesitz-, Vermietungs- und Verwaltungsgesellschaft GbR, Cologne		2,322	2,742	100.00

<sup>1)</sup> Direct and assumed business excluding one-off premiums from the provisions for premium refund

<sup>2)</sup> In accordance with individual balance sheets drawn up under commercial law and converted using the average rates of exchange on the balance sheet reporting date

<sup>3)</sup> Directly and indirectly held by AXA Konzern AG before consideration of shares of other shareholders

<sup>4)</sup> No net loss for the year stated because control agreement exists

## 2. Associated companies

	Gross premium income <sup>1)</sup> in € mill.	Equity <sup>2)</sup> in € '000s	Profit for the year <sup>2)</sup> in € '000s	Percentage share capital <sup>3)</sup> in %
<b>Roland group:</b>				
Roland Rechtsschutz-Versicherungs-AG, Cologne	204	61,608	10,790	39.88
Roland Schutzbrief-Versicherung AG, Cologne	15	5,875	0	39.88
Roland Beteiligungsverwaltung GmbH, Cologne		18,602	395	39.88
Roland Assistance GmbH, Cologne		2,418	371	20.34
Roland ProzessFinanz AG, Cologne		2,423	0	39.88
Roland Italia s.r.l., Milan		166	6	39.88
Assistance Partner Services s.r.l., Milan and Sterzing		14	-118	39.88
Durendal Inkasso GmbH, Cologne		100	0	39.88
Jurpartner Rechtsschutz-Versicherungs-AG, Hamburg	1	5,344	0 <sup>4)</sup>	39.88
Truck Assistance International S.A., Lyons		1,767	515	39.88
Roland Partner Beteiligungsverwaltung GmbH, Cologne		918	47	39.88

## 3. Non-consolidated companies

<b>Insurance companies</b>				
Deutsche Ärzteversicherung				
Allgemeine Versicherungs-AG, Cologne <sup>5)</sup>	9	2,727	-139	100.00
<b>Other companies</b>				
AXA eSolutions GmbH, Cologne <sup>5)</sup>		238	140	100.00
SVD Versicherungs-Dienst GmbH, Cologne <sup>5)</sup>		653	298	100.00

## 4. Other important equity interests held indirectly via Group companies

Direct or indirect interest in	Corporate purpose	Equity <sup>2)</sup> in € '000s	Profit for the year <sup>2)</sup> in € '000s	Percentage share capital <sup>3)</sup> in %
Bruckner GmbH & Co. Projektentwicklungs-KG, Augsburg <sup>5)</sup>	Real estate company	49,238	2,036	100.00
Phoebus Beteiligungsverwaltungsgesellschaft mbH, Cologne	Holding company	81,937	2,826	100.00
RWE AG, Essen	Energy and environment company	4,440,000	883,023	0.59
Pluto Gesellschaft für Beteiligungswerte mbH, Cologne	Holding company	306,064	203,185	100.00

<sup>1)</sup> Direct and assumed business excluding one-off premiums from the provisions for premium refund

<sup>2)</sup> In accordance with individual balance sheets drawn up under commercial law and converted using the average rates of exchange on the balance sheet reporting date

<sup>3)</sup> Directly and indirectly held by AXA Konzern AG before consideration of shares of other shareholders

<sup>4)</sup> No net profit for the year stated because a profit transfer agreement exists

<sup>5)</sup> Equity and net profit for the year as of 31 December 2002, 2003 not yet available

# Methods of Presentation and Valuation

## Assets

The annual financial statements of the AXA Konzern AG and its consolidated German and foreign subsidiaries upon which the consolidated financial statements are based, have been drawn up uniformly in accordance with the methods of presentation and valuation used by AXA Konzern AG.

The **miscellaneous intangible assets** refer to computer software, which, if acquired against payment, is shown on the balance sheet at its purchase cost less scheduled depreciation in line with its normal serviceable life.

The item also contains an amount of difference from capital consolidation which is shown as goodwill and depreciated over a serviceable life of 30 years without having an effect on results.

**Land, titles to land, including buildings on leased land** are valued at their acquisition or production cost plus dormant reserves allocated within the framework of the initial consolidation and less scheduled and non-scheduled depreciation.

**Shares in affiliated companies (not consolidated) and equity interests** are shown at their cost of acquisition plus dormant reserves allocated within the framework of the initial consolidation and less necessary depreciation. A lower recognition from the past was written up to the cost of acquisition or the lower fair value if the requirements of Section 280 (1) Sentence 1 of the German Commercial Code were satisfied.

**Loans to affiliated companies and companies in which an equity interest is held** are carried at their nominal values.

**Equity interests in associated companies** are shown at equity using the book-value method whereby the uniform valuation methods of AXA Konzern AG were not applied here.

**Shares, investment fund shares and other non-fixed interest securities** attributable to **fixed assets** are shown in accordance with the regulations governing fixed assets. These regulations state that assets must be written down if a sustained decrease in value is to be expected. In order to assess whether a sustained decrease in value exists two alternative methods may be used:

- the current market value of a security is either permanently more than 20 % below the book value in the six months before the reporting date, or
- if the current market value is below the book value for longer than a business year, it must be determined whether the average price of a security is more than 10 % below the book value during the past twelve months.

As in the year previous, we drew up the balance sheet using the first method. Investment shares have been viewed and appropriately valued as independent securities.

**Shares, investment fund shares and other non-fixed interest securities** attributable to **current assets** are shown at their purchase price plus dormant reserves allocated within the framework of the initial consolidation or at lower stock market prices; lower valuations from the past were always written up to the purchase price or lower stock market price. Where necessary, valuation units were created between securities in the portfolio and corresponding derivative financial instruments.

**Bearer bonds and other fixed interest securities** attributable to **fixed assets** are shown in accordance with the principle of the lower of cost or market at their purchase price plus dormant reserves allocated within the framework of the initial consolidation.

We assumed a permanent reduction in value of a security if the current market value of a security dropped steeply within the six-month period before year-end, or the rating/financial standing of an issuer worsened considerably.

**Bearer bonds and other fixed interest securities** attributable to **current assets** are shown at their purchase price plus dormant reserves allocated within the framework of the initial consolidation or at lower stock market prices; lower valuations from the past were always written up to the purchase price or lower stock market price. Where necessary, valuation units were created between securities in the portfolio and corresponding derivative financial instruments.

**Mortgage, land charge and annuity charge loans** as well as **registered bonds, debentures and loans** are shown at their redemption value or nominal value less repayments except in individual cases in which value adjustments have been made. Premiums and discounts are shown as deferred income and charges respectively and distributed over the term.

**Loans and advanced payments on policies and other loans** are shown at their nominal value.

**Bank deposits and deposits in assumed reinsurance business** are shown at their nominal value.

**Investments for the account and risk of holders of life insurance policies** are shown at their current value applying the principle of prudence.

The **building society loans** are shown at their nominal value under consideration of individual adjustments on recognisable risks.

**Accounts receivable on direct business** as well as **accounts receivable on reinsurance business** and **other accounts receivable** are shown at their nominal value. Individual sum and lump sum adjustments are carried as assets.

**Tangible assets** are shown at the cost of acquisition less necessary depreciation in line with their normal serviceable life.

**Minor assets** are written off in full in the year of purchase.

**Inventories** are shown at the cost of acquisition less necessary depreciation.

**Current accounts with banks, cheques and cash at hand, other assets and accrued interest and rents** are shown at their nominal value except in individual cases in which value adjustments on interest and rental receivables were necessary.

The **projected tax relief in subsequent business years** was formed for the amounts of difference arising from the uniform valuation within the Group, the consolidation affecting profits and the differences between commercial balance sheet and tax balance sheet.

In accordance with the German Accounting Standard No. 10 of the German Standardisation Council (DSR), amounts on the assets and liabilities side of the balance sheet are no longer offset against each other.

#### **Shareholders' equity and liabilities**

**Subordinated liabilities** are shown at the repayment amount.

**Special reserves** have been created according to the provisions of Section 6 b of the German Income Tax Act and Section 10 of the Austrian income tax legislation, as in the previous year. Due to the elimination of Section 308 (3) of the German Commercial Code (HGB), the special reserves are reallocated to revenue reserves under consideration of deferred taxes.

**Unearned premiums** for direct business are determined on an accrual basis. The portions ceded to reinsurers are calculated from gross unearned premiums using the tasks of the reinsurer under consideration of a deduction for non-transferable premium parts. The shares of the reinsurer in the unearned premiums have been determined from the gross figures.

The **actuarial reserve** for life, health and casualty insurance business is calculated on an actuarial basis in accordance with individual agreements with the exception of unit-linked life insurance in accordance with the prospective method and for insurance subject to premium with implied consideration of future costs. Unit-linked life insurance is calculated according to the retrospective method. In respect of the portfolio of occupational disability and occupational disability add-on insurance of the German life insurance companies which were not calculated according to the current tables DAV 1997 I, TI and RI, a comparison is made for the actuarial reserve under consideration of graduated life tables DAV 1997 I, TI and RI. An adjustment requirement for the new business was immediately taken into consideration in the actuarial reserve. As far as the annuity insurance policies of German life insurance companies is concerned which were not calculated according to the graduated life table DAV 1994 R, the actuarial reserve was determined under application of the DAV 1994 R graduated life table. The top-up resulting from the comparison with the original accounting base is made in accordance with the recommendations of the Federal Supervisory Authority for Insurance Business, now Federal Agency for Financial Services Supervision, (VerBAV 11/1995) and the supplementary business plan approved by the Federal Supervisory Authority. Acquisition costs covered in accounting terms which have not yet been repaid are allocated to the individual actuarial reserves only insofar as this practice does not produce negative results for the life insurance companies. In the health insurance segment, negative reserves are netted against positive reserves. The actuarial reserve in the life insurance business assumed in reinsurance was created in accordance with the instructions of the reinsurer.

**Provisions for outstanding claims** entail provisions for known claims, claims incurred but not reported, the annuity reserve and the provisions for claim settlement expenses as well as repurchases and guarantee amounts from accident insurance with premium reimbursement guarantee. Whilst maintaining principles of prudence these reserves will be valued as realistically as possible. The adequacy of these reserves will be checked by regular actuarial inspections.

When calculating the individual **claim reserves**, claims from recoveries and prevenues were deducted where it was certain that they would be realised or could be determined without doubt.

The **provisions for claims incurred but not reported** on the date the Claim Register had closed are determined on the basis of empirical values of the previous years. The **annuity reserve** is calculated on an actuarial basis.

The **portions ceded to reinsurers** in the **provisions for outstanding claims** are calculated in accordance with contractual agreements. In underwriting business accepted in reinsurance we followed the instructions of the ceding company.

The **provisions for premium refund** created by the German life insurers are determined in accordance with the provisions of Section 28 (7) of the RechVerV. In this respect term-independent final profit shares for insurance policies not expiring in the subsequent year, as well as term-dependent final profit shares, insofar as dependent on the insured sum entitled to profit-sharing, were determined individually and prospectively. The former were discounted at an interest rate of 7.5 % and the latter at an interest rate of 7.0 %. These interest rates contain appropriate surcharges by way of correction for final profit shares expiring as a result of premature maturities and death. In casualty insurance, provisions for premium refund were formed in accordance with the contractual agreements. The allocation to the provisions for premium refund in health insurance are determined in accordance with the legal ordinance issued pursuant to Section 12c VAG (surplus ordinance). The appropriation of these resources has been permitted by the independent trustee and the appropriation was made according to contractual agreement.

The **claims equalisation reserve and similar reserves** are determined in accordance with Section 341h of the German Commercial Code (HGB) in connection with Section 29, Section 30 and the Annex in respect of Section 29 RechVersV.

The calculation of the **reserve for imminent losses** in underwriting business is made on the basis of average underwriting losses over a three-year period under consideration of interest income, residual terms and claims equalisation reserve.

**Other underwriting provisions** are created in accordance with the statutory provisions, contractual agreements and empirical values from the past.

In the case of the **actuarial reserve in the area of life insurance if investment risk covered by policyholders**, the actuarial capital of each individual unit-linked life insurance is determined according to the principles notified to the Federal Insurance Supervisory Agency (now Federal Agency for Financial Services Supervision) in accordance with Section 13d No. 6 VAG.

The **underwriting provisions of foreign subsidiaries** were taken over in an unaltered form provided that these were based on local insurance-related valuations.

The **building society deposits** are shown at their repayment amounts.

The **pension provisions** are calculated on the basis of the applicable principles of the subsidiaries under consideration of statutory regulations and transferred to the consolidated financial statements unchanged. The new "reference tables of Dr. Klaus Heubeck 1998" provided the basis of calculation for the consolidated German companies.

**Reserves for anniversary bonuses** are formed promised in writing provided that the applicable rights were acquired after 31 December 1992. They are valued in accordance with the partial value method provided for by Section 5 (4) of the German Income Tax Act (EStG) in connection with Section 52 (6) of the German Income Tax Act (EStG) under consideration of a letter written by the Federal Minister of Finance dated 29 October 1993. Other amounts under commercial law principles are allocated to the reserves as determined according to taxation regulations.

**Other provisions** are valued according to foreseeable requirements.

**Deposit liabilities** are carried at nominal amount.

All **other liabilities** are carried at their redemption values.

### **Methods of determining current market value of investments**

The disclosure of current market values of investments is made in the consolidated annual financial statements analogous to the provisions of Sections 54 et seq. RechVersV, whereby we additionally publish the current market values of investments which were shown at nominal value. The current market values are basically determined in accordance with the circular M-Tgb. no. 95/96 dated 24 October 1996 of the Federal Association of the German Insurance Industry (Gesamtverband der deutschen Versicherungswirtschaft e.V). The information is provided as of balance sheet reporting date. The following individual calculation procedures were used.

The **current market values for land, titles to land and buildings including buildings on leased land** were determined in 2003 according to the Valuation Directive and Valuation Ordinance (part of the Federal Building Code, 11 June 1991) and the Valuation Ordinance (dated 6 December 1988).

In the case of **investments in affiliated companies and equity interests**, the financial interests were shown at stock exchange value as of 31 December 2003 less an appropriate deduction. In respect of companies not listed on the stock exchange, the current values were determined on the basis of the discounted cash flow and appraisal value method. In the case of equity interests acquired in the year under review, the purchase costs were taken as current market value. For all remaining equity interests, the total of proportionate equity and, insofar as calculable and recognisable, the portion of statutory unrealised values on capital investments were used as current market value.

The **current market values of shares, investment fund shares and other non-fixed income securities** were determined on the basis of stock exchange prices or repurchase prices as of 31 December 2003 (key date valuation).

In respect of **current market values of bearer bonds and other fixed-interest securities**, the stock exchange prices as of 31 December 2003 were used.

The current market values of **mortgage, land charge and annuity charge loans** were determined in accordance with the yield calculation according to Moosmüller (interest curve as of 31 December 2003).

Owing to the short-term nature of **bank deposits** the current market value corresponds to the book value.

# Notes to the Consolidated Balance Sheet

## Assets

in € '000s

	2002 balance sheet values	Exchange rate fluc- tuations	Addi- tions <sup>1)</sup>	Trans- fers	Dispos- als <sup>1)</sup>	Write- ups	Depre- ciation	2003 balance sheet values
<b>1 B. Intangible assets</b>								
<b>I. Goodwill</b>	596,877						-19,732	577,145
<b>II. Miscellaneous intangible assets</b>	25,943		10,360		-21,074		-3,141	12,088
<b>Subtotal</b>	622,820		10,360		-21,074		-22,873	589,233
<b>C. Investments</b>								
<b>2 I. Land, titles to land and buildings including buildings on leased land</b>	576,005		132,291		-164,769		-20,207	523,320
<b>3 II. Investments in affiliated companies and equity interests</b>								
1. Shares in affiliated companies	373,697	-25	91,937	14,277	-175,672	1,148	7,495	312,857
2. Loans to affiliated companies	122,496	-12,740	76,077	439,299	-44,941			580,191
3. Equity interests in associated companies	101,130		3,485	-77,374	-4,088			23,153
4. Equity interests	479,859		104,892	63,097	-144,976	15,587	-90,320	428,139
5. Loans to companies in which an equity interest is held	13,258		6,800		-3,833			16,225
<b>Subtotal II.</b>	1,090,440	-12,765	283,191	439,299	-373,510	16,735	-82,825	1,360,565
<b>4 III. Other investments</b>								
1. Shares, investment fund shares and other non-fixed interest securities	13,278,841	-1,238	2,381,852		-2,003,891	10,837	-796,271	12,870,130
2. Bearer bonds and other fixed-interest securities	1,801,654	-12,361	4,518,317		-2,572,366	72	-2,412	3,732,904
3. Mortgage, land charge and annuity charge loans	3,596,343		435,619		-379,295	1,969	-4,056	3,650,580
4. Other loans								
a) Registered bonds	6,893,097		1,821,526	-48,154	-3,202,109			5,464,360
b) Debentures and loans	6,241,592	-5,415	1,798,794	-391,145	-3,010,766	1,480	-108,391	4,526,149
c) Loans and advance payments on policies	24,002		8,079		-8,973			23,108
d) Other loans	221,962		112,566		-116,294			218,234
5. Bank deposits	530,872	-528	1,367,963		-157,725			1,740,582
6. Other investments	232,447		152,841		-138,718			246,570
<b>Subtotal III.</b>	32,820,810	-19,542	12,597,557	-439,299	-11,590,137	14,358	-911,130	32,472,617
<b>5 IV. Deposits in assumed reinsurance business</b>	49,209		828		-920			49,117
<b>Total</b>	<b>34,536,464</b>	<b>-32,307</b>	<b>13,013,867</b>		<b>-12,129,336</b>	<b>31,093</b>	<b>-1,014,162</b>	<b>34,405,619</b>

<sup>1)</sup> Including additions and disposals through changes in the scope of consolidated companies

Of the total depreciation of € 1,014,162,000, € 995,438,000 are non-scheduled. Disposals of special reserves having an effect on results and based purely on tax provisions were not

made. There were no write-downs on investments pursuant to Section 281 (2) of the German Commercial Code (HGB).

## 2-5 C. Investments

in € '000s					
	of which life/ health	of which property/ casualty	of which holding/ other	Total 2003	Total 2002
I. Land, titles to land and buildings including buildings on leased land	434,664	81,504	7,152	523,320	576,005
II. Investments in affiliated companies and equity interests	824,345	455,270	80,950	1,360,565	1,090,440
III. 1. Shares, investment fund shares and other non-fixed interest securities	10,013,630	2,850,791	5,709	12,870,130	13,278,841
2. Bearer bonds and other non-fixed interest securities	2,926,896	780,677	25,331	3,732,904	1,801,654
3. Mortgage, land charge and annuity-charge loans	2,434,718	61,767	1,154,095	3,650,580	3,596,343
4. a) Registered bonds	4,489,534	883,398	91,428	5,464,360	6,893,097
b) Debentures and loans	3,887,676	482,772	155,701	4,526,149	6,241,592
c) Loans and advance payments on policies	22,006	1,102	0	23,108	24,002
d) Other loans	214,389	3,845	0	218,234	221,962
5. Bank deposits	1,085,329	419,444	235,809	1,740,582	530,872
6. Other investments	246,570	0	0	246,570	232,447
IV. Deposits receivable	-1,019	50,136	0	49,117	49,209
<b>Total</b>	<b>26,578,738</b>	<b>6,070,706</b>	<b>1,756,175</b>	<b>34,405,619</b>	<b>34,536,464</b>

The balance sheet value of the land and buildings used wholly or predominantly by insurance companies themselves amounts to € 5,511,000.

### Investments not valued according to the principle of the lower of cost or market analogous to Section 35 (1) No. 2 of the RechKredV (fixed assets)

in € '000s						
	Life/health		Property/casualty		Total	
	Balance sheet values	Current market values	Balance sheet values	Current market values	Balance sheet values	current market values
Shares, investment shares and other non-fixed interest bearing securities	9,280,609	8,758,707	2,865,314	2,730,347	12,145,923	11,489,055
Bearer bonds and other fixed-interest bearing securities	2,894,866	2,908,846	623,511	623,885	3,518,377	3,532,731
<b>Total securities</b>	<b>12,175,475</b>	<b>11,667,554</b>	<b>3,488,825</b>	<b>3,354,232</b>	<b>15,664,300</b>	<b>15,021,786</b>
Amount of difference compared with balance sheet value		-507,921		-134,592		-642,514

As of 31 December 2003 investments were allocated to fixed assets whose current market values in property and casualty insurance were € 176.9 million below book value and in life and health insurance € 665.5 million below book value.

## 6 E. Building society loans

The building society loans of AXA Bausparkasse of € 255,562,000 are largely secured by encumbrance on real property.

## 7 F.I. Accounts receivable on direct insurance business

in € '000s

	Life/ health	Property/ casualty	Total 2003	Total 2002
Policyholders	271,272	58,335	329,607	345,694
Agents	70,402	181,409	251,811	295,036
<b>Total</b>	<b>341,674</b>	<b>239,744</b>	<b>581,418</b>	<b>640,730</b>

## 8 F.III. Other accounts receivable

in € '000s

	Total 2003	Total 2002
Accrued interest and rents receivable	24,538	21,407
Tax receivable	222,759	126,362
Accounts receivable from other claims settlements	47,557	29,698
Accounts receivable from investments	160,171	84,238
Accounts receivable from disposals	6,277	75,678
Payment transactions still to be allocated owing to advance account closing dates	53,081	90,181
Accounts receivable from external business	55,533	44,746
Extraordinary fund dividends	90,477	0
Accounts receivable from associated companies	62,570	24,356
Accounts receivable from clearing account with reinsurers	60,630	40,850
Remaining other accounts receivable	62,399	55,539
<b>Total</b>	<b>845,992</b>	<b>593,055</b>

## 9 G. I. Tangible assets and inventories

This item comprises technical equipment and machinery (computer), operating and business fittings, inventories and office material.

## 10 H. Trust assets

The trust assets from accounts receivable from customers are directly related to the trust liabilities towards banks. Of the total amount of € 89,984,000, € 87,860,000 are attributable to AXA Bausparkasse and € 2,124,000 to AXA Bank.

## 11 I. I. Accrued interest and rent

This includes all interest and rents receivable arising within the period under review but not yet due for payment.

## 12 I. II. Other accruals/

### K. Accruals and deferred income

These items on the assets side contain premiums on other loans attributable to subsequent years amounting to € 143,609,000.

The accruals on the shareholders' equity and liabilities' side contain bonuses attributable to subsequent years arising from mortgages and other loans of € 12,978,000.

**13 J. Projected tax burden in subsequent business years in accordance with Section 274/306 of the German Commercial Code (HGB)**

**21 G. III. Provisions for tax burden in subsequent years in accordance with Section 306 of the German Commercial Code (HGB)**

According to DRS (German Accounting Standards), deferred taxes are to be carried in the consolidated balance sheet without being balanced out. Deferred taxes result from the uniform measurement throughout the Group and from consolidation processes.

The deferred taxes on the assets side of € 112 million result from the discounting of the claims reserves pursuant to the Tax Relief Act of 1999 (€ 64 million).

A further € 31 million of this figure refers to internal transfers (interim profits) and the ban on showing software produced within the Group on the assets side of the balance sheet (€ 7 million).

The deferred taxes on the liabilities side of the balance sheet result from a reallocation of special reserves to the revenue reserves (€ 10 million). According to the DSRS 10 tax deferrals are to be made.

An additional € 4.5 million refers to the disclosure of undisclosed reserves from initial consolidation processes.

# Notes to the Consolidated Balance Sheet

## Shareholders' equity and liability

### A. Shareholders' equity

#### 14 I. Subscribed capital of AXA Konzern AG

##### II. Capital reserves of AXA Konzern AG

#### 15 III. Revenue reserves

##### 1. Statutory revenue reserves of AXA Konzern AG

2. Other revenue reserves including profits carried forward of AXA Konzern AG and Group companies as well as amounts of difference on the assets and liabilities side netted against each other resulting from capital consolidation and netted goodwill.

### Group equity developed as follows for 2002/2003

in € '000s

	Subscribed capital	Capital reserves	Revenue reserves	Consolidated profit	Minority shares	Equity total
<b>Status at 31 December 2001</b>	<b>79,840</b>	<b>264,199</b>	<b>218,338</b>	<b>73,168</b>	<b>4,662</b>	<b>640,207</b>
Allocation to the reserves	-	-	73,168	-73,168	-	-
Dividend paid	-	-	-127,721	-	-998	-128,719
Exchange rate fluctuations	-	-	-3,040	-	3	-3,037
Consolidation reversals	-	-	-965	-	-	-965
Netting of goodwill	-	-	-19,731	-	-	-19,731
Special goodwill netting	-	-	-30,491	-	-	-30,491
Unrealised profits from securities	-	-	-456	-	-	-456
Acquisition of majority equity interests	-	-	-3,523	-	-839	-4,362
Net profit for the year	-	-	-	3,775	183	3,958
<b>Status at 31 December 2002</b>	<b>79,840</b>	<b>264,199</b>	<b>105,579</b>	<b>3,775</b>	<b>3,011</b>	<b>456,404</b>
Allocation to the reserves	-	-	3,775	-3,775	-	-
Dividend paid	-	-	-37,152	-	-537	-37,689
Exchange rate fluctuations	-	-	-4,666	-	13	-4,653
First-time consolidations	-	-	-	-	-	-
Consolidation reversals	-	-	12,291	-	80	12,371
Netting of goodwill	-	-	-19,731	-	-	-19,731
Unrealised profits from securities	-	-	2,980	-	-	2,980
Capitalisation of deferred taxes	-	-	47,040	-	-	47,040
Restructuring of special reserves	-	-	13,816	-	-	13,816
Acquisition of majority equity interests	-	-	-725	-	206	-519
Net profit for the year	-	-	-	570,672	351	571,023
<b>Status at 31 December 2003</b>	<b>79,840</b>	<b>264,199</b>	<b>123,207</b>	<b>570,672</b>	<b>3,124</b>	<b>1,041,042</b>

#### 16 IV. The consolidated net profit for the year of

€ 570,672,000 equals the sum total of the results from the individual restated consolidated financial statements including consolidation measures having an effect on results, less profits payable and plus losses attributable to minority shareholders.

17 V. The adjustment item for minority shareholders contains minority interests in the equity of subsidiaries.

#### 18 B. Subordinated liabilities

The loan extended by the AXA Colonia Konzern Finance Luxembourg S.A., in 1998 for € 258.3 million was repaid to schedule in 2003. In order to strengthen Group solvency AXA, Paris, extended an interest-bearing subordinated loan of € 350 million to AXA Konzern AG at the end of 2003. A further subordinated loan also exists for AXA Bausparkasse amounting to € 15 million.

## 19 C. Special reserves

The special reserves comprise reserves formed in Germany pursuant to Section 6b of the German Income Tax Act and pursuant to Section 10 of the Austrian Income Tax Act.

Due to the elimination of Section 308 (3) of the German Commercial Code (HGB), the special reserves were reallocated to the revenue reserves for the first time starting in 2003 after deduction of deferred taxes and therefore carried in equity.

## 20 D. Underwriting provisions

in € '000s

	Direct insurance business Life/ health	Property/ casualty	Business assumed	Total 2003	Total 2002
<b>I. Unearned premiums</b>					
Gross	301,794	349,593	6,074	657,461	720,530
Portion ceded in reinsurance	43,861	2,929	823	47,613	68,920
	257,933	346,664	5,251	609,848	651,610
<b>II. Actuarial reserve</b>					
Gross	23,558,775	517,016	8,400	24,084,191	23,502,929
Portion ceded in reinsurance	778,500	-430	24,876	802,946	831,681
	22,780,275	517,446	-16,476	23,281,245	22,671,248
<b>III. Provisions for outstanding claims</b>					
Gross	285,476	3,705,613	787,913	4,779,002	5,305,093
Portion ceded in reinsurance	8,045	690,811	253,906	952,762	1,248,102
	277,431	3,014,802	534,007	3,826,240	4,056,991
<b>IV. Provisions for premium refunds (profit and non-profit-linked)</b>					
Gross	1,550,262	57,132	0	1,607,394	1,907,997
Portion ceded in reinsurance	0	0	0	0	44
	1,550,262	57,132	0	1,607,394	1,907,953
<b>V. Claims equalisation reserve and similar</b>					
Gross		748,830	61,020	809,850	504,992
<b>VI. Other underwriting provisions</b>					
Gross	15,481	20,483	-67	35,897	47,173
Portion ceded in reinsurance	0	-2,710	34	-2,676	-3,939
	15,481	23,193	-101	38,573	51,112
<b>2003</b>					
Gross	25,711,788	5,398,667	863,340	31,973,795	31,988,714
Portion ceded in reinsurance	830,406	690,600	279,639	1,800,645	2,144,808
Total	24,881,382	4,708,067	583,701	30,173,150	29,843,906
<b>2002</b>					
Gross	25,394,383	5,754,536	839,795	31,988,714	31,988,714
Portion ceded in reinsurance	889,217	947,863	307,728	2,144,808	2,144,808
Total	24,505,166	4,806,673	532,067	29,843,906	29,843,906

## 22 G. IV. Other provisions

in € '000s

	2003	2002
Holiday pay, management bonuses, profit participation	34,423	42,009
Anniversary payments	19,871	22,138
Early retirement payments	3,773	2,850
Social plan provisions	93,922	106,329
Commission claims, compensation, competitions	52,975	31,412
Guarantee provisions	66,213	21,014
Funds for building society collateral	17,882	18,136
Special risks from pending and forthcoming disputes	82,468	14,018
Interest pursuant to Section 233 AO	38,902	34,177
Payment received but not yet accounted for	30,571	26,002
Reinstatement premium reinsurance	0	38,173
Reduction purchase price General Re	33,974	0
Miscellaneous	93,536	75,246
<b>Total</b>	<b>568,510</b>	<b>431,504</b>

## 23 I. I. Accounts payable on direct insurance business

in € '000s

	Life/ health	Property/ casualty	Total 2003	Total 2002
Policyholders	1,732,283	81,314	1,813,597	1,806,143
Agents	15,030	32,446	47,476	77,297
<b>Total</b>	<b>1,747,313</b>	<b>113,760</b>	<b>1,861,073</b>	<b>1,883,440</b>

## 24 I. III. Accounts payable to banks

Accounts payable to banks primarily include liabilities towards AXA Bausparkasse of € 189,996,000 and AXA Bank of € 274,007,000. The other amounts relate to temporary transactions as of the balance sheet reporting date.

Accounts payable with a residual term of more than five years exist amounting to € 48,665,000 (AXA Bausparkasse) and € 46,764,000 (AXA Bank).

## 25 I. IV. Other accounts payable

in € '000s

	2003	2002
Payment transactions not yet allocated as a result of advance accounting dates	94,194	104,362
Social security contributions still to be made	10,845	11,975
Taxes still to be paid	33,828	39,556
Accounts payable – trade	10,179	21,112
Accounts payable from investments/savings deposits	18,118	6,586
Accounts payable for purchase price and settlement liabilities on investments	27,224	0
Other deposit liabilities	23,115	108,922
Accounts payable to other insurance companies/policyholders	24,882	5,532
Accounts payable from loans and mortgages	503,508	1,154,921
Advanced receipts from sale of AXA Konzern AG, Vienna	0	100,000
Accounts payable to affiliated companies	18,555	13,679
Miscellaneous	32,141	1,896
<b>Total</b>	<b>796,589</b>	<b>1,568,541</b>

Except the accounts payable from loans and mortgages all accounts payable have a residual term of less than one year.

### Other information to be provided in accordance with Section 4 of the Ordinance on Rendering of Accounts of Insurance Companies

#### Accounts receivable and other accounts payable vis-à-vis affiliated companies or companies in which an equity interest is held

in € '000s

	thereof: to affiliated companies		thereof: to companies in which an equity interest is held	
	2003	2002	2003	2002
<b>26 Assets</b>				
Accounts receivable from direct insurance business	–	–	–	–
Accounts receivable from reinsurance business	54,818	4,163	255	7,564
Other accounts receivable	62,570	24,356	5,052	22,635
<b>27 Shareholders' equity and liabilities</b>				
Accounts payable on direct insurance business	–	–	–	–
Accounts payable on reinsurance business	10,274	3,693	1,238	17
Accounts payable to banks	–	–	–	–
Other liabilities	18,555	13,679	26	1,406

# Notes to the Consolidated Profit and Loss Account

## I. and II. Underwriting account

in € '000s

### 28 1. Gross premiums written

#### a) Breakdown by class of business

##### Direct business

	2003	2002
Life	2,645,275	2,579,717
Health	779,176	676,162
Property and casualty		
Motor vehicle	914,324	1,028,452
Casualty	220,628	248,959
Liability	505,327	522,901
Transport and aviation	128,268	192,506
Fire	153,281	156,767
Other	760,599	843,707
<b>Total direct business</b>	<b>6,106,878</b>	<b>6,249,171</b>
Business assumed	156,684	168,688

##### Total business

**6,263,562**      **6,417,859**

in € '000s

#### b) Breakdown by origin

	Germany	Other EEA states	Direct business Non-EEA states	Business assumed	Total 2003	Total 2002
Life	2,645,275			251	2,645,526	2,580,740
Health	779,176			4,839	784,015	682,092
Property and casualty	2,593,226	61,334	27,867	151,594	2,834,021	3,155,027
<b>Total business</b>	<b>6,017,677</b>	<b>61,334</b>	<b>27,867</b>	<b>156,684</b>	<b>6,263,562</b>	<b>6,417,859</b>

### 29 I. 2. Interest income from operating business

In gross direct underwriting business, interest income from operating business was calculated on the bond reserves, premium reserves and provisions for premium refunds. The income from the bond reserves was calculated at 4 % for bonds registered by 30 June 2000 and at 3.25 % for bonds registered from 1 July 2000 from the arithmetic mean of the starting and closing amount of the reserves. In casualty insurance with guaranteed premium refunds, interest income from operating business was calculated on the premium reserve and the provisions for premium refunds on the basis of the average projected yield on the companies' investments.

### 30 I. 7. a) Gross operating expenses

Of the gross operating expenses in property and casualty insurance in the business year, operating expenses accounted for € 394,679,000 and administrative expenses for € 414,011,000.

### III. Non-underwriting business

in € '000s

	Life/health		Property/casualty Other business		Total	
	2003	2002	2003	2002	2003	2002
<b>31 III. 2. Income from investments</b>						
a) Income from equity interests						
aa) in non-consolidated companies	65,541	8,281	185,693	55,305	251,234	63,586
ab) in associated companies	0	0	3,347	23,308	3,347	23,308
b) Income from other investments						
ba) Income from land, titles to land and buildings including buildings on leased land	48,654	57,350	28,076	41,944	76,730	99,294
bb) Income from other investments	1,258,711	1,250,140	312,526	394,491	1,571,237	1,644,631
c) Income from reinstated depreciation	21,862	8,382	9,231	1,747	31,093	10,129
d) Profits from the disposal of investments	693,481	273,255	774,071	148,145	1,467,552	421,400
e) Income from the writing back of special reserves	0	50,333	0	2,065	0	52,398
<b>Total of income from investments</b>	<b>2,088,249</b>	<b>1,647,741</b>	<b>1,312,944</b>	<b>667,005</b>	<b>3,401,193</b>	<b>2,314,746</b>
<b>32 III. 3. Interest income from building society loans</b>						
	–	–	12,847	14,517	12,847	14,517
<b>33 III. 4. Expenses on investments</b>						
a) Expenses on the management of investments, interest expenses and other expenses on investments	65,093	66,559	98,455	82,488	163,548	149,047
b) Amortisation on investments	775,229	121,401	238,933	86,445	1,014,162	207,846
c) Loss from the disposal of investments	244,946	155,330	79,887	33,278	324,833	188,608
d) Expenses on absorption of losses from associated companies	0	0	0	0	0	0
e) Allocation to the special reserves	0	0	0	5,037	0	5,037
<b>Total expenses on investments</b>	<b>1,085,268</b>	<b>343,290</b>	<b>417,275</b>	<b>207,248</b>	<b>1,502,543</b>	<b>550,538</b>
<b>34 Subtotal</b>	<b>1,002,981</b>	<b>1,304,451</b>	<b>908,516</b>	<b>474,274</b>	<b>1,911,497</b>	<b>1,778,725</b>
<b>Non-realised profits/losses from investments<sup>1)</sup></b>	<b>28,595</b>	<b>–46,654</b>			<b>28,595</b>	<b>–46,654</b>
<b>Investment result</b>	<b>1,031,576</b>	<b>1,257,797</b>	<b>908,516</b>	<b>474,274</b>	<b>1,940,092</b>	<b>1,732,071</b>
<b>33 III. 4. Expenses on investments</b>						
<b>b) Amortisation on investments</b>						
Amortisation on real property	14,970	18,298	5,236	5,246	20,207	23,544
Amortisation on equity interests	44,598	40,065	38,227	49,537	82,825	89,602
Amortisation on fixed-interest securities including mortgages	95,543	31,532	19,316	2,350	114,859	33,882
Amortisation on shares, investment shares and other non-fixed-interest investments	620,118	31,506	176,153	29,312	796,271	60,818
	<b>775,229</b>	<b>121,401</b>	<b>238,933</b>	<b>86,445</b>	<b>1,014,162</b>	<b>207,846</b>

<sup>1)</sup> for account and risk of life insurance policyholders

**Information in accordance with Section 4 of the Ordinance on the Rendering of Accounts of Insurance Companies**

in € '000s

	thereof: from affiliated companies		thereof: from equity interests	
	2003	2002	2003	2002
<b>Profit and loss account</b>				
<b>Life/health</b>				
Income from equity interests in non-consolidated companies	64,625	6,457	916	13,098
Income from other investments	0	0	0	0
<b>Property and casualty</b>				
Income from equity interests in non-consolidated companies	166,961	13,783	7,771	1,824
Income from other investments	0	0	0	0

**35 III. 8. Other income**

in € '000s

	2003	2002
Income from the writing back of reserves	19,580	15,378
Exchange rate profits	8,247	26,259
Other interest and similar income not originating from investments	36,341	6,318
Income from services for other companies	23,380	44,960
Commission for the negotiation of insurance business	28,256	63,966
Income from the writing back of adjustments	1,922	3,937
Income from the sale of the Strasbourg branch	0	27,384
Compensation AXA Corporate Solutions	0	25,000
Commission revenue – financial service providers	33,213	29,968
Miscellaneous other income	25,227	32,319
<b>Total</b>	<b>176,166</b>	<b>275,489</b>

### 36 III. 9. Other expenses

in € '000s

	2003	2002
<b>b) Miscellaneous</b>		
Interest and similar expenses	57,299	66,932
Redemption of AXA Colonia US Holdings Inc. commitment	0	22,400
Transfer of interest to pension provisions	46,095	42,385
Other depreciation and adjustments	28,637	23,208
Exchange rate losses	6,794	1,253
Other expenses including on the rendering of services	56,652	132,616
Allocation to provisions for the risk of vacant buildings	53,917	0
Foundation Initiative of German Industry	106	1,526
Miscellaneous expenses	88,975	10,240
<b>Total</b>	<b>338,475</b>	<b>300,560</b>

# Other Notes and Information

## Average number of employees

	2003	2002
Salaried employees	9,221	10,621
of which: office staff	8,270	9,545
sales staff	951	1,076
Average number of employees in associated companies	490	487
Personnel costs		
Wages and salaries	483,359	597,094
Social security payments	81,084	90,207
Expenses for old-age pensions and assistance	50,409	89,336
<b>Total</b>	<b>614,852</b>	<b>776,637</b>

As member of the Pharmaceutical Reinsurance Association, companies within the Group are obliged to assume, proportionate to their share, the payment obligation of any member no longer participating in the pool. There are similar obligations attached to membership in the German Nuclear Reactor Insurance Association and the German Aviation Pool.

The guarantee provided by AXA Konzern AG to the Deutsche Bank AG in February 2000 for the liabilities of Campus Financial Consulting AG, Düsseldorf, amounted to € 1.8 million.

Pursuant to Section 5 (10) of the statutes of the deposit guarantee fund, AXA Konzern AG as well as AXA, Paris, provided an indemnity declaration to the Bundesverband deutscher Banken e.V., Berlin, for the AXA Bank AG, Cologne. The indemnity declaration serves to secure against any case of assistance in favour of the Bank if this should prove necessary due to losses incurred.

With respect to AXA Bausparkasse there are liability relationships within the framework of the articles of the Entschädigungseinrichtung deutscher Banken GmbH and within the scope of the articles of the Bausparkassen-Einlagensicherungsfonds e.V.

Subsequent commitments also exist with respect to equity interests and affiliated companies amounting to € 421 million. Of this figure, € 168 million refers to investments in Private Equity funds in which primarily interests in companies not listed on the stock exchange are held and € 225 million to Protektor Lebensversicherungs-AG.

As part of the sale of AXA Immobilien AG in 2001/2002, AXA Konzern AG gave AXA Merckens Fonds GmbH a so-called placement guarantee. This amounts to a maximum of € 250 million and extends beyond the closing date of 31 December 2003 to two fund projects with a guarantee to take over non-placed fund shares of some € 102 million. The fee for this placement guarantee is € 255,000 per year. With respect to the fund shares already placed, the transfer agreements contain further guarantee commitments inter alia for taxes, prospectuses, claims of former employees, intermediaries and suppliers. The claims have not been asserted to date.

Since mid 2002 investigations have been in progress against leading industrial insurers in Germany initiated by the Federal Cartel Authority due to alleged concerted practices. The proceedings are pending, the outcome uncertain. The company has made appropriate provisions for the associated legal expenses.

In addition to providing a non-repayable and non-interest-bearing organisation fund totalling € 50,000 for Pro bAV Pensionskasse, AXA Konzern AG has undertaken to provide the amounts necessary for any annual losses occurring in the first seven business years and not covered by withdrawals from the organisational fund. AXA Konzern AG has also undertaken to provide contributions having an effect on liquidity during any year at the request of the Federal Financial Supervisory Authority (BaFin) or Pro bAV, in order in particular to guarantee the solvency of the company, to cover underwriting liabilities and to satisfy solvency requirements at all times.

As part of the take-over of the share in Deutsche Ärzteversicherung Finanz Beratungs- und Vermittlungs-AG from Deutsche Ärzteversicherung AG a subsequent payment or purchase price reimbursement was agreed after the 2007 business financial year depending on the results achieved by Deutsche Ärzteversicherung Finanz Beratungs- und Vermittlungs-AG.

There were further contingency liabilities of € 832 million, of which € 378 million refer to rental commitments, € 172 million to a deposit with respect to the World Trade Center claim, € 23 million to leases and € 105 million to irrevocable credit commitments of AXA Bank AG and AXA Bausparkasse AG, Dortmund.

The remuneration of the members of the Boards of AXA Konzern AG consists of a fixed and a variable portion. The amount of the fixed portion is below market average. To balance out the below average fixed salaries the bonuses, i.e. the variable portion of the remuneration are above market average. There are no guaranteed bonuses. The variable pay component is intended to create an appropriate performance incentive. This also creates a relationship with the German insurance market and with the philosophy of the AXA Group. The bonus targets are composed of global AXA objectives (10 %), AXA Group objectives (40 %) and personal targets (50 %). In their turn the personal targets consist of quantitative business goals (80 %) and qualitative business and management goals (20 %).

In addition the members of the Boards participate in a global "Long Term Incentive Plan" of AXA S.A. The details of its programme have been disclosed by AXA S.A. Since this is a programme of the AXA S.A. no expense is incurred for AXA Konzern AG.

For the 2003 business year the members of the Management Board of AXA Konzern AG received remuneration totalling € 5,112,000 (2002: € 5,917,000) for their work in the parent company and in the subsidiaries, of which € 2,529,000 (2002: € 4,006,000) was fixed and € 2,583,000 (2002: € 1,911,000) variable pay. The share of variable pay in the total remuneration of the Management Board was therefore 50.5 %.

Former members of the Management Board and their surviving dependants received payments totalling € 2,165,000 (2002: € 1,809,000). A total of € 22,428,000 (2002: € 21,315,000) is shown on the shareholders' equity and liabilities side of the balance sheet as at 31 December 2003 for these persons in the form of provisions for old-age pensions and pension rights.

Remuneration for members of the Supervisory Board totalled € 2,368,000 (2002: € 2,473,000) of which € 145,000 (2002: € 174,000) was non-performance related and € 2,223,000 (2002: € 2,299,000) performance-related.

Supervisory Board members have loans totalling € 918,000 with interest rates of between 3.2 % and 7.1 %. A total of € 7,000 was repaid in the 2003 business year with repayment rates between 0 % and 1 % plus accrued interest. The terms of the loans are fixed for 5 and 10 years and expire between 2004 and 2010. At year-end loans to members of the Management Board totalled € 1,579,000. A total of € 151,000 was repaid in the 2003 business year. The interest rates ranged from 5.27 % to 6.64 % with repayment rates of between 4.1 % and 8.5 % plus accrued interest. No liability relations were entered into.

Business with derivative financial instruments, structured investments and pre-purchases were made only within the framework of supervisory law provisions (BAV circular R 3/2000).

## Relationships with related companies

in € '000s

	2003	2002
Subordinated loans	350,000	0
Loans	0	613,550
Services used	11,949	10,397

The related company with which AXA Konzern AG had business relationships in 2003 and 2002 refers to our prime parent company AXA, Paris.

In addition to the subordinated loan extended to us (€ 350 million), we made use of various services which were paid for at usual market conditions.

AXA, Paris, acquired a total of 226,594 ordinary and 33,540 preferred shares in AXA Konzern AG in 2003.

As already reported in previous years, together with numerous European insurance companies, action was also taken against several companies of our Group in the USA through collective action and requests by the US authorities for compensation for unpaid insurance claims to the victims of the Holocaust. The court dismissed these actions on 8 December 2000.

As part of our social duty we recognise our moral obligations to the Holocaust victims arising from the past. Compensation will be made through the foundation initiative of the German industry "Remembrance, Responsibility and Future" which the AXA Group has joined with the intention to express the requisite respect for the injustice done to the victims and to restore legal peace.

Management Board and Supervisory Board submitted the declaration of compliance with the recommendations of the German Corporate Governance Code under Section 161 of the German Company Act (AktG) and made this permanently accessible to shareholders in the Internet.

Cologne, 23 April 2004

AXA Konzern Aktiengesellschaft

The Management Board

Dr. Dill, Heberger, Dr. Hofmann, Dr. Keuper, Richardson, Rohrig, Dr. Roß, Schlösser, Torner

# Auditor's Opinion<sup>1)</sup> for the Consolidated Financial Statements

We have audited the consolidated financial statements (consisting of balance sheet, profit and loss account, notes, cash-flow analysis, segment report and equity analysis) and the group management report prepared by AXA Konzern Aktiengesellschaft, Cologne, which is combined with the management report of the company, for the business year from 1 January to 31 December 2003. The preparation of the consolidated financial statements and group management report in accordance with German commercial law, in particular § 341 et seq. HGB (German Commercial Code) and the RechVersV (special regulations for insurance companies) and supplementary provisions in the articles of incorporation agreement are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report combined with the management report of the company based on our audit.

We conducted our audit of the consolidated annual financial statements in accordance with § 317 HGB in connection with § 341 k HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined

primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report combined with the management report of the company. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the consolidated financial statements give a true and fair review of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. On a whole the combined management report provides a suitable understanding of the Group's position and suitably presents the risks of future development.

Düsseldorf, 5 May 2004

PwC Deutsche Revision  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

D. Fassott  
Auditor

ppa. L. Koslowski  
Auditor

<sup>1)</sup> Voluntary translation. It should be noted that only the German auditor's opinion, which is based on the audit of the German version of the company's annual financial statements, is authoritative.

# Annual Financial Statements of AXA Konzern AG

## Management Report

AXA Konzern AG performs management and control functions within the German AXA Group. It holds direct and indirect majority interests in the following companies in particular:

- AXA Versicherung AG
- AXA Lebensversicherung AG
- Deutsche Ärzteversicherung AG
- Pro bAV Pensionskasse AG
- AXA Krankenversicherung AG
- AXA Art Versicherung AG
- AXA Bank AG

The US reinsurer General Re exercised a contractually agreed call option taking effect on 1 July 2003 in order to take over the shares in General Re-CKAG Reinsurance and Investment S.à r.l. in Luxembourg. The disposal gains, amounting to € 463 million for AXA Konzern AG, were used to repay a loan extended by AXA in connection with the acquisition of the Albingia Group amounting to € 614 million. Of the € 350 million subordinated loan extended by AXA, Paris, at year-end 2003, € 260 million was extended to AXA Lebensversicherung AG and Deutsche Ärzteversicherung AG on identical terms, similarly as subordinated loans. This loan served to strengthen equity and meet solvency requirements.

### Net profit for the year of € 596 million

The investment result of AXA Konzern AG increased in the 2003 business year by € 558 million to € 647 million. The ordinary investment result of some € 220 million was mainly

characterised by the dividend from AXA Versicherung AG of € 202 million. The extraordinary result of € 427 million was determined by gains of € 468 million particularly from gains from the disposal of the joint venture General Re-CKAG Reinsurance and Investment S.à r.l. as well as loss absorption of € 41 million. The absorption of losses of AXA Service AG due to the creation of impending loss provisions for € 31 million in rent guarantees had a particular impact here.

Interest expenditure dropped by € 10 million to € 52 million. This is essentially attributable to the repayment of the loan in mid 2003 for € 614 million extended by AXA, Paris.

### 2004 a year of consolidation

Assuming that the financial markets will continue to recover we expect solid operating results in the 2004 financial year at least for our property and casualty companies due to the sustained success of the cost reduction measures and a further safeguarding of the underwriting results. Income on equity interests should then be sufficient to achieve a net profit for the year also in AXA Konzern AG which guarantees an appropriate dividend under consideration of the solvency requirements in the Group, particularly amongst the life insurers. The special income achieved in 2003 primarily from the sale of the subsidiaries in Austria and Hungary as well as of our equity interest in the joint venture General Re-CKAG Reinsurance and Investment S.à r.l, Luxembourg, cannot, of course, be repeated to this extent.

If subsidiaries of the AXA Konzern AG record losses for the year, for example, due to difficult financial market developments, these would have to be balanced out by AXA Konzern AG within the scope of the control agreements. We refer to the details in the Group management report with respect to the presentation of the company's risk situation.

In connection with the acquisition of the Albingia Group AXA Konzern AG held all shares in Guardian Royal Exchange Continental Europe Holding GmbH. This company was merged with AXA Konzern AG on 1 January 2004 in order to streamline the equity interest structure. The corresponding merger agreement was concluded on 18 December 2003. The undisclosed reserves in this interim holding of some € 27 million resulting from the profit carried forward will be carried in 2004 with an effect on income in the form of merger gains.

With a view to streamlining the equity interest structure AXA Konzern AG also took over 51.3% of the shares in AXA Lebensversicherung AG, i.e. all shares so far held by AXA Versicherung AG, taking effect on 1 January 2004.

By virtue of the purchase agreement on 20 April 2004 AXA Konzern AG sold its 66.7% equity interest and AXA Lebensversicherung its 33.3% equity interest in AXA Bausparkasse AG with retrospective effect to 1 January 2004.

## Relationships with affiliated companies

According to the circumstances known to us at the time legal transactions were made with affiliated companies, and measures taken or not taken by arrangement of or in the interest of these companies, the company received an appropriate counterperformance for every legal transaction and was not disadvantaged by measures taken or not taken.

Cologne, 23 April 2004

AXA Konzern AG

The Management Board

# Annual Financial Statements of AXA Konzern AG

## Balance Sheet at 31 December 2003

in € '000s

Assets	2003	2002
<b>A. Fixed assets</b>		
I. Intangible assets		
1. Software	744	1,445
II. Tangible assets		
1. Land, titles to land and buildings including buildings on leased land	5,204	5,736
2. Office equipment	220	334
	5,424	6,070
III. Financial assets		
1. Shares in affiliated companies	1,802,209	1,786,831
2. Loans to affiliated companies	303,462	27,411
3. Equity interests	20,632	70,637
4. Investments held as fixed assets	5,170	2,632
5. Other loans	2,761	7,874
	2,134,234	1,895,385
	2,140,402	1,902,900
<b>B. Current assets</b>		
I. Accounts receivable and other assets: and other assets:		
1. Due from affiliated companies	213,013	191,305
2. Due from companies in which an equity interest is held	6,963	13,926
3. Other assets	14,179	9,614
	234,155	214,845
II. Cash in bank accounts	90,959	19,277
	325,114	234,122
<b>C. Accruals</b>	495	2,070
<b>D. Projected tax relief in subsequent business years under Section 274 (2) of the German Commercial Code</b>	2,793	-
	2,468,804	2,139,092

in € '000s

<b>Shareholders' equity and liability</b>	<b>2003</b>	<b>2002</b>
<b>A. Shareholders' equity:</b>		
I. Subscribed capital	79,840	79,840
II. Capital reserves	264,199	264,199
III. Revenue reserves		
1. Statutory reserves	25	25
2. Other revenue reserves (Allocation in 2003: € 298,200,000, Withdrawal in 2002: € 14,600,000)	563,473	265,273
IV. Balance sheet profit	298,219	37,169
	<b>1,205,756</b>	<b>646,506</b>
<b>B. Provisions:</b>		
1. Provisions for pensions and similar liabilities	130,942	136,397
2. Tax provisions	95,075	164,397
3. Miscellaneous provisions	48,456	19,062
	<b>274,473</b>	<b>319,856</b>
<b>C. Accounts payable:</b>		
1. Accounts payable to affiliated companies	976,607	1,161,856
2. Accounts payable to companies in which an equity interest is held	–	–
3. Other accounts payable thereof resulting from taxes: € 3,516,000 (2002: € 425,000) within the framework of social security: € 250,000 (2002: € 302,000)	4,740	2,750
	<b>981,347</b>	<b>1,164,606</b>
<b>D. Accruals and deferred income</b>	<b>7,228</b>	<b>8,124</b>
	<b>2,468,804</b>	<b>2,139,092</b>

# Profit and Loss Account

## 1 January to 31 December 2003

in € '000s

Items	2003	2002
1. Income from equity interests including € 216,493,000 (2002: € 89,208,000) from affiliated companies	216,493	104,656
2. Income from other securities and loans forming part of financial assets including € 1,963,000 (2002: 1,562,000) from affiliated companies	2,587	2,177
3. Other interest and similar income including € 70,000 (2002: € 955,000) from affiliated companies	4,706	2,976
4. Other operating income	525,519	65,554
5. Personnel expenses		
a) Salaries	13,735	15,866
b) Social security and expenditure on old- age pensions and support including € 6,994,000 (2002: € 11,335,000) for old-age pensions plus group allocation (net of group allocation in previous year):	9,154	13,483
	<u>1,595</u>	<u>176</u>
	10,749	13,307
	24,484	29,173
6. Depreciation on intangible assets and fixed tangible assets	1,347	1,383
7. Other operating expenses	36,462	36,641
8. Depreciation on financial investments and securities in current assets	497	19,673
9. Interest and similar expenses including € 42,167,000 (2002: € 53,037,000) to affiliated companies	48,982	54,386
10. Expenses from loss absorption including € 41,025,000 (2002: € 4,898,000) from affiliated companies	41,025	4,898
11. Result from ordinary activities	596,508	29,209
12. Taxes on income and profit plus group allocation:	-56,865	18,598
	<u>56,890</u>	<u>11,947</u>
13. Other taxes	25	6,651
14. Net profit for the year	81	67
15. Profit brought forward from the previous year	596,402	22,491
16. Withdrawal from other revenue reserves	17	78
17. Allocations to other revenue reserves	-	14,600
18. Balance sheet profit	298,200	-
	298,219	37,169

# Notes

## Methods of Balance Sheet Presentation and Valuation

### Assets

The annual financial statements and the management report have been compiled in accordance with the regulations contained in the German Commercial Code (HGB) and the German Company Act (AktG). The balance sheet has been drawn up making partial use of the annual results. The object of the reporting company has been taken into consideration in the layout of the annual financial statements. For this reason, and in derogation of Section 275 (2) of the German Commercial Code, income from equity interests is shown as Item 1, income from other securities and loans forming part of financial assets as Item 2, and other interest and similar income as Item 3 of the profit and loss account.

The intangible assets consisted entirely of computer software. They are shown at historical cost less scheduled depreciation in accordance with the usual duration of use.

Land, titles to land and buildings including buildings on leased land are valued at the cost of acquisition or production and depreciated at the rates permitted by taxation law.

Office equipment was valued at acquisition cost less depreciation for usual duration of use. Minor assets are written off in full in the year of their acquisition.

Shares in affiliated companies and equity interests are shown at their cost of acquisition less unscheduled depreciation in accordance with Section 253 (2) 3 of the German Commercial Code.

Loans to affiliated companies and loans to companies in which an equity interest is held are shown at nominal value.

Securities held as fixed assets are shown at the cost of acquisition, although the lower valuations of the past have been maintained.

Other loans are shown at their nominal value.

Accounts receivable and other assets are shown at their nominal value.

Cash in bank accounts is shown at nominal value.

Accruals are shown on the assets side of the balance sheet at nominal value.

The tax relief for subsequent business years was created to the amount of the projected tax relief.

### Shareholders' equity and liabilities

Provisions for pensions are calculated using the partial value method pursuant to Section 6a of the German Income Tax Act at an interest rate of 6 % on the basis of the tables laid down by Dr. Klaus Heubeck, making allowance for operation-related modifications of the probability of invalidity.

Provisions have been formed for anniversary bonuses using the partial value method provided for by Section 5 (4) of the German Income Tax Act (EStG) in connection with Section 52 (6) of the German Income Tax Act. In calculating the value only those commitments were included to employees who had worked for the company for at least ten years on the balance sheet date. The provisions of the previous year were modified by the commitments transferred to other companies during the year under review.

Tax provisions and other provisions have been created in accordance with projected requirements.

Liabilities are shown at their repayment amount.

All foreign currency assets and liabilities are subject to the principle of individual valuation. Foreign currency accounts receivable and payable are valued at the exchange rate prevailing on the balance sheet closing date.

# Development of Fixed Assets in the 2003 business year

in € '000s

	Acquisition and production costs				31.12.2003
	1.1.2003	Additions	Disposals	Transfers	
<b>I. Intangible assets</b>					
1. Software	3,552	-	-	-	3,552
	3,552	-	-	-	3,552
<b>II. Tangible assets</b>					
1. Land and buildings	18,363	-	-	-	18,363
2. Office equipment	1,919	-	-	-	1,919
	20,282	-	-	-	20,282
<b>III. Financial assets:</b>					
1. Shares in affiliated companies	1,827,246	15,773	187	10,767	1,853,599
2. Loans to affiliated companies	27,411	302,080	26,029	-	303,462
3. Equity interests	83,093	-	51,698	-10,763	20,632
4. Investments held as fixed assets	2,632	2,793	41	-	5,384
5. Other loans	7,874	-	5,113	-	2,761
	1,948,256	320,646	83,068	4	2,185,838
<b>Total fixed assets</b>	<b>1,972,090</b>	<b>320,646</b>	<b>83,068</b>	<b>4</b>	<b>2,209,672</b>

1.1.2003	in business year	Depreciation			Book value 31.12.2003	Book value 1.1.2003
		Disposals	Additions	Transfers		
2,107	701	-	-	-	744	1,445
2,107	701	-	-	-	744	1,445
12,627	532	-	-	-	5,204	5,736
1,585	114	-	-	-	220	334
14,212	646	-	-	-	5,424	6,070
40,415	208	-	-	10,767	1,802,209	1,786,831
-	-	-	-	-	303,462	27,411
12,456	-	-1,693	-	-10,763	20,632	70,637
-	214	-	-	-	5,170	2,632
-	-	-	-	-	2,761	7,874
52,871	422	-1,693	-	4	2,134,234	1,895,385
<b>69,190</b>	<b>1,769</b>	<b>-1,693</b>	<b>-</b>	<b>4</b>	<b>2,140,402</b>	<b>1,902,900</b>

# Notes to the Balance Sheet

## Assets

The book value of the **land and buildings** dropped from € 5,736,000 in the previous year to € 5,204,000. Straight-line depreciation totalling € 532,000 (2002: € 548,000) was made in the period under review.

The additions in **shares in affiliated companies** totalled € 15,773,000 in the period under review. Of this figure, € 10,000 were attributable to the increase in the book value of the equity interest in AXA Bank AG, Cologne. A purchase price of € 5,200,000 to take over a 13 % share in Deutsche Ärzteversicherung Finanz Beratungs- und Vermittlungs-AG, Cologne, was agreed with Deutsche Ärzte-Versicherung Allgemeine Versicherungs-AG, Cologne. Further additions referred to AXA Versicherung AG, Cologne (€ 519,000), Campus Financial Consulting AG, Cologne (€ 29,000), and Société d'Investissement à Capital Variable, Luxembourg (SICAV I and II) (€ 12,500 each).

The disposals in shares in affiliated companies in the 2003 business year totalled € 187,000, of which € 134,000 referred to AXA Colonia Konzern Finance (Luxembourg) S.A., € 51,000 AC Beteiligungsverwaltungs GmbH, Cologne, and € 2,000 AXA Versicherung AG, Cologne.

**Loans to affiliated companies** increased by comparison with the previous year by € 276,051,000 to € 303,462,000. The following payments were made in the period under review: AXA Lebensversicherung AG, Cologne (€ 250,000,000), Pro baV Pensionskasse AG, Cologne (€ 16,000,000), and Deutsche Ärzteversicherung AG, Cologne (€ 10,000,000).

The company had **equity interests** totalling € 20,632,000 in the year under review. The disposals of € 50,000 referred to the sale of the equity interest General Re-CKAG Reinsurance and Investment S.à r.l., Luxembourg (€ 49,084,000), and Web.de AG, Karlsruhe (€ 921,000).

The notes to the consolidated annual financial statements contain a list of the companies in which major **shares are held**. The complete list of shareholdings in accordance with Section 285 (11) of the German Commercial Code (HGB) is deposited at the Commercial Register of the Local Court of Cologne under registration no. 672.

**Accounts receivable** from affiliated companies primarily result from an amount of € 213,013,000 (2002: € 191,305,000) from income from equity interests recorded at the same time but not yet due for payment in the 2003 business year. Of this figure, an amount of € 202,202,000 was attributable to AXA Versicherung AG, Cologne, and an amount of € 779,000 to AXA Bausparkasse AG, Dortmund. The remaining accounts receivable referred to amounts still to be settled from transfer business including an amount of € 9,374,000 with AXA Lebensversicherung AG, Cologne.

Accounts receivable from the equity interest General Re-CKAG Reinsurance and Investment S.à r.l., Luxembourg, result from income of € 6,963,000 recorded at the same time but not yet due for payment.

All receivables have a residual term of less than one year.

**Other assets** contain accounts receivable of € 5,200,000 for the sale of AXA Colonia Konzern Finance (Luxembourg) S.A.

**Accruals** essentially refer to consulting expenses for AXA Private Equity Germany GmbH, Frankfurt.

The projected tax relief in subsequent years under Section 274 (2) of the German Commercial Code (HGB) of € 2,793,000 refers to the different measurements of pre-retirement part-time employment provisions and social plan provisions compared with the tax balance sheet.

### **Shareholders' equity and liabilities**

At the end of 2003 the **subscribed capital** remained unaltered at € 79,840,000, divided into 26,230,760 for ordinary shares with no nominal value and 5,000,000 for preferred shares with no voting right and with no nominal value.

An amount of € 298,200,000 was allocated to **other revenue reserves**.

Profit carried forward from the previous year of € 17,000 is included in the balance sheet profit for 2003.

The **pension provisions and similar liabilities** shown on the balance sheet show a minus of € 153,000 owing to the fiscal ban as of 31 December 2003.

**Miscellaneous provisions** include the interest-bearing amount of difference between the provisional purchase price and the minimum purchase price from the sale of the equity interest General Re-CKAG Reinsurance and Investment S.à r.l, Luxembourg, amounting to € 25,704,000. Added to this is a provisions requirement for the acceptance of rent commitments of Campus Financial Consulting AG, Cologne, of € 1,886,000. Further provisions essentially refer to € 8,898,000 for legal proceedings, € 3,668,000 for the interest on possible back tax arising from external audits, € 2,949,000 for personnel-related provisions and bonuses, € 1,630,000 for remuneration of the Supervisory Board, € 1,479,000 for contributions to the Chamber of Commerce as well as to € 986,000 for provisions for outstanding benefits.

Group companies granted **interest-bearing loans** totalling € 132,425,000 (2002: € 132,425,000) to finance the shares in Nordstern Allgemeine Versicherungs-AG, Cologne, taken over from UAP in 1995.

The interest-bearing loan totalling € 613,550,000 extended by the international AXA Group was repaid in the year under review. On 19 December 2003 a new interest-bearing **subordinated loan** totalling € 350,000,000 was extended by AXA, Paris, in order to strengthen Group solvency and the solvency of the life insurance companies. The loan falls due on 22 December 2018. Of this amount, subordinated loans were granted to the following companies: AXA Lebensversicherung AG, Cologne, (€ 250,000,000), Pro bAV Pensionskasse AG, Cologne, (€ 16,000,000) and Deutsche Ärzteversicherung AG, Cologne (€ 10,000,000).

**Accounts payable** arising from the acceptance of liabilities for service companies' pension provisions and for the Deutsche Ärzteversicherung AG, Cologne, came to € 449,242,000 (2002: € 402,777,000). Our company has taken on the pension obligations of these companies by way of the liability acceptance scheme. In order to cover the resultant obligations, our company received funds to the value of the pension provisions for the above mentioned companies. Loan agreements were entered into for an indeterminate period. All other accounts payable to affiliated companies and third parties have a residual term of less than one year.

**Accruals and deferred** income of € 7,228,000 essentially referred to the purchase of accounts payable of CKA Unternehmensverwaltung und Beteiligungs-GmbH, Cologne.

# Notes to the Profit and Loss Account

In 2003, **income from equity interests** increased by € 111,837,000 to € 216,493,000. This was achieved with affiliated companies, including an amount of € 202,204,000 with AXA Versicherung AG, € 5,366,000 with Kölnische Verwaltungs-AG für Versicherungswerte, Cologne, € 2,790,000 with Phoebus Beteiligungsverwaltung, Cologne, € 2,745,000 with AXA Investment Managers, Frankfurt, € 2,401,000 with AXA Service AG, Cologne, and € 987,000 with AXA Bausparkasse AG, Dortmund.

**Income from other securities and loans forming part of financial assets** increased in the business year by € 410,000 to € 2,587,000. The following interest income was achieved with affiliated companies: € 1,471,000 with CKA Unternehmensverwaltung und Beteiligungs-GmbH, Cologne, € 307,000 with AXA Lebensversicherung AG, Cologne, € 172,000 with Kölnische Verwaltungs-AG für Versicherungswerte, Cologne, and € 12,000 with Deutsche Ärzteversicherung AG, Cologne. As in the year previous, the remaining interest of € 625,000 referred to fixed interest securities and borrower's note loans.

The **miscellaneous other operating income** item essentially refers to income from service agreements of € 54,010,000 (2002: € 58,242,000). The position further contains income from the disposal of investments. This refers to the sale of General Re-CKAG Reinsurance and Investment S.à r.l., Luxembourg, with a sum of € 463,079,00, of AXA Colonia Konzern Finance (Luxembourg) with a sum of € 4,990,000 and of web.de AG, Karlsruhe for an amount of € 196,000 (2002: € 3,369,000). Rental income in the year under review totalled € 1,419,000 (2002: € 1,609,000).

Personnel expenses amounted to € 24,484,000 (2002: € 29,173,000) in 2003.

**Expenditure on old-age pensions** refers to current pension payments and allocations to the pension provisions.

**Depreciation on intangible and fixed tangible assets** based on purely fiscal provisions was not made in the period under review. The net profit for the year was not affected by fiscal depreciation.

The services booked under **other operating expenses** amounted to € 28,423,000 (2002: € 26,391,000) in the period under review.

Remuneration for members of the Supervisory Board amounted to € 1,746,000 (2002 € 1,781,000). Further expenses referred to business and legal consulting fees of € 887,000 (2002: € 2,342,000), travel expenses of € 634,000 (2002: € 657,000) and to the management of property totalling € 597,000 (2002: € 1,947,000). This figure contains expenses unrelated to the accounting period of € 87,000 (2002: € 569,000). Extraneous services within the Group also arose in the business year of € 331,000 (2002: € 468,000).

**Depreciation on financial investments** was made to the amount of € 497,000. Of this figure, € 103,000 referred to Campus Financial Consulting AG, Cologne, and € 179,000 to AXA Service AG, Cologne.

At € 42,167,000 (2002: € 53,037,000), **interest expenses** refer to loans received from Group and parent companies. The reduction in interest by € 10,870,000 was achieved by the repayment of the loan from the international AXA Group.

Expenses from loss absorption of € 41,025,000 referred to payments to AXA Service AG, Cologne, amounting to € 31,008,000 (Hamburg property, Berliner Tor-Center, rent guarantee), to Campus Financial Consulting AG, Cologne, amounting to € 3,400,000, to AXA Bank AG, Cologne, amounting to € 2,757,000, to Pro bAV Pensionskasse AG, Cologne, of € 2,402,000 and to Deutsche Proventus AG, Bremen, totalling € 1,458,000.

No corporate income taxes were paid in the business year because the tax income was negative.

# Compulsory Information to be provided in accordance with Section 285 No. 10 of the German Commercial Code

## Supervisory Board

### **Claas Kleyboldt**

Chairman

Former Chairman of the Management Board of AXA Konzern AG

#### **Supervisory Board mandates:**

- AXA Versicherung AG (Chairman)
- AXA Lebensversicherung AG (Chairman)
- Kölnische Rückversicherungs-Gesellschaft AG
- Hapag-Lloyd AG
- Maxdata AG
- DIC Deutsche Investor Capital Holding AG
- Köln Messe GmbH
- AXA Art Insurance Corporation, USA
- AXA Art Insurance Limited, United Kingdom
- AXA Konzern AG, Austria (until 4 June 2003)
- AXA Versicherung AG, Austria (until 4 June 2003)
- WestLB International Luxembourg, Luxembourg
- Blue Flame Data Inc., USA

### **Manfred Weyrich**

Deputy Chairman

Company employee

#### **Supervisory Board mandate:**

- AXA Lebensversicherung AG

### **Uwe Beckmann**

Company employee

#### **Supervisory Board mandate:**

- AXA Versicherung AG

### **Alfred Bouckaert**

Managing Director of AXA Belgium S.A.

#### **Supervisory Board mandates:**

- AXA Holdings Belgium, Belgium
- AXA Banque, France
- L'ardenne Prévoyante, Belgium
- UAB, Belgium
- AXA Luxembourg S.A., Luxembourg
- AXA Assurance Luxembourg S.A., Luxembourg
- AXA Assurances Vie Luxembourg, Luxembourg
- R.B. Investissements S.A. Luxembourg, Luxembourg
- Union des Entreprises de Bruxelles, Belgium
- Banque Nationale de Grèce, Greece
- De Waere N.V., Netherlands
- AXA Nederland B.V., Netherlands
- AXA Verzekeringen B.V., Netherlands
- Unirobe Groep B.V., Netherlands (up to 2 January 2004)
- Viaxis, Belgium
- Royale Belge International à Utrecht, Belgium
- C.F.C.I.B., Belgium
- Entraide Francaise, Belgium

### **Claude Brunet**

Group Executive Vice President Operations of AXA GIE

#### **Supervisory Board mandate:**

- GIE AXA Group Solutions, France

### **Henri de Castries**

Chairman of the Management Board of AXA

#### **Supervisory Board mandates:**

- FINAXA, France
- AXA Assurances IARD Mutuelle, France
- AXA Assurances Vie Mutuelle, France
- AXA Courtage Assurance Mutuelle, France
- AXA France IARD, France
- AXA France Vie, France
- AXA UK Plc., United Kingdom
- AXA Belgium S.A., Belgium
- AXA Holdings Belgium, Belgium
- Alliance Capital Management Corp., USA
- The Equitable Life Assurance Society of the United States, USA
- AXA Financial Inc., USA

### **Harry Clemens**

Executive employee

**No mandates requiring disclosure**

### **Dr. Michael Frenzel**

Chairman of the Board of TUI AG

**Supervisory Board mandates:**

- Continental AG
- Deutsche Bahn AG  
(Chairman)
- E.ON Energie AG
- Hapag-Lloyd AG  
(Chairman)
- Hapag-Lloyd Flug GmbH  
(Chairman)
- ING BHF Bank AG
- ING BHF Holding AG
- Norddeutsche Landesbank
- TUI Deutschland GmbH  
(Chairman)
- Volkswagen AG
- Preussag North America Inc., USA

### **Christof W. Göldi**

Directeur International of AXA

**Supervisory Board mandates:**

- AXA Bank AG  
(up to 31 January 2003)
- AXA Lebensversicherung AG
- AXA Versicherung AG
- AXA Re, France
- AXA Cessions, France
- AXA Liabilities Managers, France  
(since 7 May 2003)
- Saint Georges Re, France
- AXA Corporate Solutions Assurance, France  
(up to 5 May 2003)
- AXA Re Finance, France
- Inter Partner Assistance S.A., Belgium
- AXA Konzern AG, Austria  
(up to 4 June 2003)
- AXA Versicherung AG, Austria  
(up to 4 June 2003)
- AXA Compagnie d'Assurances, Switzerland
- AXA Compagnie d'Assurances sur la Vie, Switzerland

### **Pia Heller**

Trade union secretary of ver.di

**No mandates requiring disclosure**

### **Herbert Mayer**

Company employee

**Supervisory Board mandates:**

- AXA Service AG
- AXA Versicherung AG

### **Dr. Dieter Murmann**

Managing Shareholder of J.P. Sauer & Sohn  
Maschinenbau Beteiligungsgesellschaft mbH

**Supervisory Board mandates:**

- Sauer Zandov a.s., Czech Republic

### **Dr. h. c. Alfred Freiherr von Oppenheim**

Chairman of the Supervisory Board of  
Sal. Oppenheim jr. & Cie. KGaA

**Supervisory Board mandates:**

- Bankhaus Sal. Oppenheim jr. & Cie. KGaA  
(Chairman)
- Kölnische Rückversicherungs-Gesellschaft AG
- RWE Power AG
- Köln Messe GmbH
- Verlag M. DuMont Schauberg
- AXA, France
- Bankhaus Sal. Oppenheim jr. & Cie. AG, Switzerland
- Sal. Oppenheim jr. & Cie Luxembourg S.A., Luxembourg
- Sal. Oppenheim International S.A., Luxembourg

### **Prof. Dr. Ekkehard Schulz**

Chairman of the Board of ThyssenKrupp AG

**Supervisory Board mandates:**

- Commerzbank AG
- Deutsche Bahn AG
- MAN AG
- RAG AG
- RWE Plus AG  
(up to 30 September 2003)
- ThyssenKrupp Automotive AG  
(Chairman)
- ThyssenKrupp Services AG  
(Chairman)
- ThyssenKrupp Steel AG  
(Chairman)
- ThyssenKrupp Budd Company, USA
- TUI AG

### **Klaus Schütze**

Company employee

**Supervisory Board mandate:**

- AXA Lebensversicherung AG

### Jürgen Sengera

Former Chairman of the Board of WestLB AG

#### Supervisory Board mandates:

- Deutsche Post AG
- Ford-Werke AG
- TUI AG  
(from 18 June 2003 to 21 August 2003)
- HSH Nordbank AG  
(from 2 June 2003 to 6 August 2003)
- Ford Deutschland Holding GmbH
- WestLB Systems GmbH  
(up to 5 February 2003)
- Deutsche Anlagen-Leasing GmbH  
(up to 30 September 2003)
- DekaBank Deutsche Girozentrale  
(up to 2 July 2003)
- Landesbank Rheinland-Pfalz Girozentrale  
(up to 31 July 2003)
- Landesbank Schleswig-Holstein Girozentrale  
(up to 2 June 2003)
- Rockwool Beteiligungs GmbH
- Liquiditäts- und Konsortialbank GmbH  
(up to 12 October 2003)
- Westdeutsche ImmobilienBank  
(up to 31 July 2003)
- Rockwool International A/S, Denmark

### Jürgen Stachan

Trade union secretary of ver.di

#### Supervisory Board mandate:

- AXA Service AG

### Andreas Thomsen

Employee

#### No mandates requiring disclosure

### Christian Zahn

Member of the National Board of ver.di

#### Supervisory Board mandates:

- Wüstenrot & Württembergische Versicherung AG
- GAGFAH  
(Chairman since 22 August 2003)

### Matthias Zils

Company employee

#### No mandates requiring disclosure

## Management Board

### Dr. Claus-Michael Dill

Chairman

#### Supervisory Board mandates:

- AXA Krankenversicherung AG\*  
(Chairman)
- AXA Art Versicherung AG\*  
(Chairman)
- Deutsche Ärzteversicherung AG\*  
(Chairman)
- AXA Bank AG\*  
(up to 15 June 2003)
- Babcock Borsig AG  
(up to 25 March 2003)
- Kölnische Rückversicherungs-Gesellschaft AG
- Roland Rechtsschutz-Versicherungs-AG  
(Chairman)
- TÜV Rheinland Holding AG  
(Chairman)
- Bertelsmann AG  
(from 17 May 2004)
- AXA Konzern AG, Austria  
(up to 4 June 2003)
- AXA Financial Inc., USA
- The Equitable Life Assurance Society of the United States, USA

### Frank J. Heberger

#### Supervisory Board mandate:

- AXA „die Alternative“ Versicherung AG\*
- moderne stadt GmbH
- modernes köln GmbH

### Dr. Markus Hofmann

#### Supervisory Board mandate:

- AXA Cessions S.A., France

### Dr. Frank W. Keuper

#### Supervisory Board mandates:

- AXA „die Alternative“ Versicherung AG\*  
(Chairman)
- Deutsche Ärzteversicherung  
Allgemeine Versicherungs-AG\*  
(Chairman)

### **Noel Richardson**

#### **Supervisory Board mandates:**

- CIMAG-Colonia Immobilien Gesellschaft\*
- Campus Financial Consulting AG\*
- Kölnische Verwaltungs-AG für Versicherungswerte (up to 31 December 2003)
- West LB RW Holding GmbH
- Westdeutsche Immobilienbank (up to 31 July 2003)
- AXA Investment Managers, France (up to 30 June 2003)
- AXA Colonia Insurance Ltd., Ireland
- AXA Konzern AG, Austria (up to 4 June 2003)
- AXA Versicherung AG, Austria (up to 4 June 2003)
- Artemis Fine Arts S.A., Belgium
- Millenium Partners, USA

### **Norbert Rohrig**

#### **Supervisory Board mandate:**

- Plenum AG

### **Dr. Heinz-Peter Roß**

#### **Supervisory Board mandates:**

- AXA Bausparkasse AG\* (Chairman)
- AXA Bank AG\* (since 1 July 2003, Chairman)
- Pro bAV Pensionskasse AG\* (Chairman)
- AXA Banque, Belgium (since 27 June 2003)

### **Gernot Schlösser**

#### **Supervisory Board mandates:**

- Deutsche Ärzte Finanz Beratungs- und Vermittlungs-AG\* (Chairman)
- Pro bAV Pensionskasse AG\* (up to 19 April 2004)
- Deutsche Proventus AG (Chairman)
- Lucramount AG\* (Chairman)
- Roland Schutzbrief Versicherung AG
- Damp Holding AG (since 29 August 2003)
- APO Asset Management GmbH

### **Andreas M. Torner**

#### **Supervisory Board mandates:**

- AXA Bank AG\*
- Campus Financial Consulting AG\* (Chairman)

\* Companies of the AXA Group within the meaning of Section 100 (2) of the German Company Act

## Other Notes and Information

An average of 231 (2002: 265) employees were on the company's payroll in the year under review. The members of the Supervisory Board and of the Management Board are listed on pages 6 and 7 and on pages 97 to 100 of this Report.

The Management Board drew remuneration in 2003 of € 1,576,000 (2002: € 1,014,000) of which € 698,000 (2002: € 609,000) was non-performance related and € 878,000 (2002: € 405,000) was performance related. The total remuneration for former members of the Board and surviving dependants came to € 1,901,000 (2002: € 1,605,000). As of 31 December 2003, there were provisions for current pensions and pension rights for this group of people amounting to € 19,748,000 (2002: € 19,548,000).

The remuneration for the Supervisory Board totalled € 1,679,000 (2002: € 1,734,000) of which € 95,000 (2002: € 95,000) was non-performance related and € 1,584,000 (2002: 1,639,000) was performance related.

There was a control agreement dating back to 1994 with Nordstern Allgemeine Versicherungs-AG which dissolved in 1999 as a result of the merger into AXA Versicherung AG. The appropriateness of compensation and settlement to be paid to the external shareholders of Nordstern Allgemeine Versicherungs-AG is being examined in arbitration proceedings pursuant to Section 306 of the German Company Act. These proceedings are now pending at the Higher Regional Court of Düsseldorf. In additional proceedings several external shareholders have applied for the examination of the appropriateness of the compensation and settlements to be paid to external shareholders of Deutsche Ärzteversicherung AG in accordance with the control agreement signed in 1997 before the Regional Court of Cologne pursuant to Section 306 of the German Company Act. In November 1999 several external shareholders of former Albingia Versicherungs-AG filed proceedings with regard to the appropriateness of compensation and settlement to be paid to the external shareholders before the Regional Court of Hamburg pursuant to Section 306 of the German Company Act. In 2002 additional proceedings were filed by several external shareholders of AXA Versicherung AG before the Regional Court of Cologne pursuant to Section 306 of the German Company Act with regard to the

appropriateness of compensation and settlement to be paid to the external shareholders according to the control agreement concluded in 2000.

The guarantee provided by AXA Konzern AG to the Deutsche Bank AG in February 2000 for the liabilities of Campus Financial Consulting AG, Düsseldorf, amounts to € 1.8 million.

Shares in Deutsche Ärzteversicherung Finanz Beratungs- und Vermittlungs-AG, Cologne, were taken over from Deutsche Ärzteversicherung AG, Cologne. Within the framework of this transaction the possibility of reimbursing the purchase price or subsequent payment after the 2007 business year was agreed as dependent on profits achieved.

Pursuant to Section 5 (10) of the statutes of the deposit guarantee fund, AXA Konzern AG as well as AXA, Paris, provided an indemnity declaration to the Bundesverband deutscher Banken e.V., Berlin, for the AXA Bank AG, Cologne. The indemnity declaration serves to secure against any case of assistance in favour of the Bank if this should prove necessary due to losses incurred.

As part of the sale of AXA Immobilien AG in 2001/2002, AXA Konzern AG gave Merckens Fonds GmbH a so-called placement guarantee. This amounts to a maximum of € 250 million and extends beyond the closing date of 31 December 2003 to two fund projects with a guarantee to take over non-placed fund shares of some € 102 million. The fee for this placement guarantee is € 255,000. With respect to the fund shares already placed, the agreements contain further guarantee commitments inter alia for taxes, prospectuses, claims of former employees, intermediaries and suppliers. Claims have not been filed to date.

On 15 May 2003 AXA Konzern AG entered into a control agreement with Pro bAV Pensionskasse AG in which AXA Konzern AG, as 100 % parent company of Pro bAV Pensionskasse AG, undertakes to absorb losses under Section 302 (1) of the German Company Act (AktG). The start-up losses of Pro bAV Pensionskasse AG in the first business years are therefore secured.

As a company in majority ownership, AXA Konzern AG is obliged to draw up a report on the relationship with affiliated companies in accordance with Section 312 of the German Company Act (AktG) for the 2003 business year. In this report the Management Board conclusively states that according to the circumstances known at the time legal transactions were made with affiliated companies, the company received an appropriate counter-performance for every legal transaction and was not disadvantaged by any measures taken. Reference is made to page 87 of the management report in this respect.

AXA, Paris, holds majority shares directly and indirectly via Vinci B.V., Utrecht, in the share capital of our company. Kölnische Verwaltungs-Aktiengesellschaft für Versicherungswerte, Cologne, similarly holds indirect shares in the share capital of our company. AXA Konzern AG is therefore a company in majority ownership of AXA within the meaning of Section 16 (1) of the German Company Act (AktG).

AXA Konzern AG and its subsidiaries have been included in the consolidated financial statements of AXA, Paris, drawn up for the largest group of companies and deposited at the "Registre du commerce et des sociétés" in Paris under R.C.S. 572 093 920.

Our company's consolidated financial statements are deposited at the Commercial Register of the Local Court of Cologne under the registration no. 672.

Management Board and Supervisory Board submitted the declaration of compliance with the recommendations of the German Corporate Governance Code under Section 161 of the German Company Act (AktG) in April 2004 and made this permanently accessible to shareholders in the Internet.

Cologne, 23 April 2004

AXA Konzern AG

The Management Board

Dr. Dill, Heberger, Dr. Hofmann, Dr. Keuper, Richardson, Rohrig, Dr. Roß, Schlösser, Torner

# Auditor's Opinion<sup>1)</sup>

We have audited the annual financial statements, together with the bookkeeping system, and the management report of AXA Konzern Aktiengesellschaft, Cologne, for the business year from 1 January to 31 December 2003. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions in the articles of incorporation agreement are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB ("Handelsgesetzbuch", German Commercial Code) and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the

framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the consolidated financial statements give a true and fair review of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. On a whole the combined management report provides a suitable understanding of the Company's position and suitably presents the risks of future development.

Düsseldorf, 5 May 2003

PwC Deutsche Revision  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

D. Fassott  
Auditor

ppa. L. Koslowski  
Auditor

<sup>1)</sup> Voluntary translation. It should be noted that only the German auditor's opinion, which is based on the audit of the German version of the company's annual financial statements, is authoritative.

# Glossary

## Technical Terms and Definitions

### Acquisition costs

Costs incurred by the insurer which arise in the negotiation of new insurance policies or extension of existing insurance policies, in particular selling commission and costs of proposal processing. **The acquisition costs ratio of the life insurers** is the relationship of acquisition costs to total new business premium.

### Actuarial reserve

In the case of life and health insurance as well as property and casualty insurance which is operated in the same way as a life insurance, the actuarial reserve represents the cash value of future commitments arising from insurance policies less the cash value of future premium payments.

### Adjustment items for the shares of other shareholders

This item covers minority shareholdings in Group equity of shareholders who do not belong to the parent company.

### Administrative cost ratio

Relationship between administrative costs and premiums earned.

### Allocation rate to the provisions for premium refund

Allocation to the provisions for premium refund in relationship to the gross profit after taxes and before allocation to the provision for premium refund.

**Associated companies** are equity interests in companies which are associated with a decisive influence on the business and financial policy of the company. It is assumed that a decisive influence is exercised with a minimum voting right of 20%. These equity interests are consolidated using the equity method whereby the equity interest book value is updated according to the equity development – also over and above the purchase costs.

### Assumed business

Business assumed in reinsurance (active reinsurance).

### Cancellation rate

Term applied predominantly in life insurance. It describes the relationship between prematurely terminated policies and average policy portfolio measured in terms of ordinary and annual premium and is an indication of the portfolio resilience and the quality of insurance mediation.

### Claims and benefits

Payments from the insurance business in favour of policyholders (life/health).

### Claims equalisation reserve

Reserve per insurance line which is only created in property and casualty insurance. It serves to balance out fluctuations in the claims situation in future years. In years with below average claims, amounts are allocated to it which can be taken out in years with above-average claims (period of observation generally 15 years).

### Claims expenditure

→ Claims incurred.

### Claims incurred

These contain expenses for claims incurred during the business year including costs of claims settlement of previous years as well as the result from the settlement of claims. Added to these is the change in the provisions for claims incurred by the key date but not yet notified (late claims provisions).

**Claims ratio**

Underwriting term in property and casualty insurance to describe the relationship between claims incurred and gross premiums earned.

**Claims reserve**

Reserve for commitments from claims already made on the reporting date but not yet settled or not yet registered.

**Consolidated income**

is composed of the premium income and the income from financial services of the Group.

**Consolidated net profit for the year**

Net profit for the year of the Group after revaluation and capital consolidation as well as under consideration of other profits owing to and losses attributable to minority shareholders.

**Consolidated premium income**

Premium income of the Group after elimination of inter-Group reinsurance.

**Cost ratio/rate**

The cost ratio describes the relationship between gross operating expenses and gross premium earned; the cost rate describes the relationship between gross operating expenses and gross premiums written.

**Deferred taxes**

Taxes from temporal differences between valuations in commercial and tax balance sheets and due to differences in revaluation during consolidation with an effect on results. These also include deferred tax on tax loss carried forward if it can be used in future.

**Deposits in assumed reinsurance**

Accounts receivable from assumed reinsurance business. The accounts receivable of the reinsurer from the ceding company from the cash or security deposits are shown here.

**Deposits in reinsurance business ceded**

Accounts payable from the reinsurance business ceded by an insurance company. They are formed from the cash and security deposits provided by the reinsurer.

**Earnings per share (DVFA/GDV result)**

Consolidated result per share corrected by special influences which has been determined in accordance with the recommendations of the DVFA Deutsche Vereinigung für Finanzanalyse und Asset Management (German Association for Financial Analysis and Asset Management) and the GDV Gesamtverband der Deutschen Versicherungswirtschaft (National Federation of the German Insurance Industry).

**Equity method**

Valuation of equity interests in associated companies in the consolidated balance sheet. The equity value is stipulated according to the profit situation and profit appropriation policy of the associated company.

**Equity ratio**

Equity in relationship to net premiums.

**Goodwill**

The amount of difference between the purchase price of a company and the value of the individual assets taken over less debts.

**Group equity**

Equity of all companies in the Group after capital consolidation. This includes subscribed capital, capital and revenue reserves as well as consolidated net profit for the year.

**Gross/net in underwriting terminology**

Gross means before deduction of reinsurance and net after deduction of reinsurance. Net is a synonym for net of reinsurance. In reinsurance an insurance company (ceding company) passes insurance cover for parts of a risk to a reinsurance company (reinsurer).

**Gross profit**

Profit for the year of any insurance company before allocations to the provisions for premium refund.

**Interest rate for accounting purposes  
(interest income from underwriting business)**

Statutory interest rate to be applied to the actuarial reserve; also applies to provisions for pensions in property and casualty insurance.

**Net combined ratio**

Total of → claims ratio as percentage of the premiums earned net of reinsurance plus operating expenses net of reinsurance as a percentage of the premiums earned in total in relationship to the premium income net of reinsurance.

**Net of reinsurance**

After deduction of reinsurance (= net).

**Operating expenses**

Expenses for the conclusion and administration of insurance policies.

**Payment commitments**

In life and health insurance, payment commitments are the future payments to policyholders. They contain the actuarial reserve, a reserve for claims outstanding, the accumulated surplus as well as a reserve for premium refund.

**Payments**

→ Payments to policyholders.

**Pensions actuarial reserve**

Reserves which property and casualty insurers must form for future liabilities and pensions not yet claimed.

**Premiums/premium income**

**Gross premiums written.** All premiums collected in the business year from insurance policies of direct business including subsidiary payments (such as insurance policy fees) and from the business assumed in reinsurance.

**Premiums earned.** The premiums attributable to the business year under consideration of the change in unearned premiums.

**Unearned premiums.** These contain that part of premium income which is paid and collected in the business year but refers to the subsequent period.

**Ceded reinsurance premiums.** Share of premiums received by the reinsurer for the risks assumed in reinsurance. The premiums written net of reinsurance are the result of gross premiums written and premiums ceded in reinsurance.

**Provisions for premium refund**

Reserve from which a part of profits is paid out to policyholders at a later date.

**Provisions for unsettled claims**

→ Claims reserve

**Retention**

Relationship between net premiums written and gross premiums written.

**Return on equity**

Consolidated net profit for the year in relationship to the Group equity (without shares of outside parties) at the beginning of the business year.

**Surplus appropriation ratio**

Allocation to the provisions for premium refund and direct credit in relationship to the gross margin after taxation (in health insurance).

**Subordinated liabilities**

This item contains liabilities (subordinated loans) which, in the case of liquidation or bankruptcy, are only met after the claims of other creditors.

**Underwriting account**

Part of the profit and loss account of the insurance companies to be classified according to statutory requirements. In the case of composite insurers and reinsurers it must be drawn up for the entire portfolio and for individual insurance branches and classes.

**Underwriting provisions/reserves**

Summarising term for reserves which directly refer to insurance business or are to be created to safeguard permanent satisfaction of obligations arising from insurance policies. The most important underwriting reserves are → actuarial reserves → provisions for premium refund → claims equalisation reserve and reserve for unsettled claims.

**Underwriting result**

Balance from income and expenditure in property and casualty insurance which can be allocated to the insurance business (subtotal) plus the change in the claims equalisation reserve and similar reserves. In life and health insurance it also contains the entire investment result.

**Unit-linked life insurance**

In this particular form of life insurance the amount of payment/benefit depends on the development of the value of the assets in a special fund. The investment risk is borne by the investor who has the opportunity to directly participate in the increase in value of the fund, whilst bearing the risk of losses in value.



## AXA's commitment

### ■ Laying the way for tomorrow today


Survey results show that two thirds of the German population have little idea what sustainable really means. But an overwhelming majority feels that the corresponding idea is right and important – that of combining economic, ecological and social aims. This refers equally to society, politics and industry. AXA Germany faces up to its responsibility and has committed itself to contributing to sustainable development over and beyond its core business. Since 2003, mandatory guidelines have been introduced throughout the whole AXA Group for all kinds of interaction with partners, society and the environment.

## Sustainable development

According to the World Wide Fund For Nature (WWF), 26 hectares of forests disappear from the surface of the earth every minute – mounting up to an area the size of Greece every year. Current estimates indicate that crude oil as an energy source will have dried up within around 40 years, while calculations by the UN expect the world population to grow from today's 6.3 billion to around 9 billion people by 2050. So it's understandable that sustainable development has acquired such international priority. Companies are also aligning their strategies and values along these lines. Corporate Social Responsibility, Corporate Citizenship or Ecological Investment have increasingly become benchmarks for the acceptance and success of a company.

## AXA assumes responsibility

AXA contributes to the sustainable development of our society – above all by pioneering commitment in its core business of insurance, pensions and asset management. Given the high rate of unemployment, together with reforms in the pension and health systems, many people are extremely worried about the future. At the moment, only one thing seems certain: the state is being forced to restrict its benefits to an increasing extent, and people will have to take far greater responsibility for their own financial provisions for pensions and health care. AXA is their strong reliable partner along this new path, offering top quality consulting combined with an innovative range of products.

With its financial security products, AXA accompanies people on their way into the future. AXA's non-life, life, health insurance and other pension products are tailor-made to the needs of the individual. They ensure that in spite of the general existential risks, retail, industry and corporate clients reach their objectives and feel secure at least in financial terms. Thanks to the modular principle, the various AXA insurance products can be supplemented and modified according to the changing situations in a person's life. Further individual scope is added by the dual product lines, which were introduced initially for motor-vehicle insurance and then also for retail non-life, accident and liability insurance: these are the AXA Line with comprehensive service benefits, and the Alternative Line for price-conscious consumers. 



## “The history of the modern expression”

1713 sees sustainable development cropping up for the first time in “*Sylvicultura oeconomica: Instructions for breeding wild trees*”. Hans Carl von Carlowitz, senior mines inspector in Saxony, uses it to refer to the forestry principle of not felling more trees than can grow in a certain period.

1987: the Brundtland Report of the World Commission of Environment and Development creates a set of basic rules for sustainable development “which corresponds to the needs of current generations, without jeopardising the chances of future generations of satisfying their own needs”.

1992: the participants at the World Conference for the Environment and Development in Rio de Janeiro no longer limit sustainable development just to protecting the environment and its resources. One of the key causes for the over-exploitation of nature is the increasing rift between rich and poor. In economic terms, sustainable development means considering environmental factors on equal terms with social and economic aspects.

2002: the UN World Summit for Sustainable Development meets in Johannesburg/South Africa. The delegates from 190 countries agree on a programme of action to implement the environment and development targets agreed ten years before in Rio de Janeiro.

2004: more than 1,000 experts at the “renewables” in Bonn from 1 to 4 June discuss how sustainable development can be implemented in political and economic practice. At the initiative of the Federal Republic of Germany, the international conference sketches out the way to global expansion of renewable energy.



## The commitments – paying more than just lip service

Creating a sustainable future: this is part of our daily work, but also part of AXA’s claim and the way the company sees itself over and beyond its core business. Numerous examples show the extent to which a responsible approach to various different partners has become “lived” corporate culture. Values such as professionalism, innovation, pragmatism, team spirit and integrity are reflected in the quality of the company’s customer service to just the same degree as the joint endeavour to enhance the value of the company in the interests of the shareholders. Staff benefit from measures such as the Scope opinion survey or the AXA Alliance for Job Security. Our company also contributes to solidarity in the community, with its commitment to the health care system through AXA Krankenversicherung and Deutsche Ärzteversicherung. And with social activities, above all through the staff’s non-profit making organisation “AXA from Heart to Heart”.

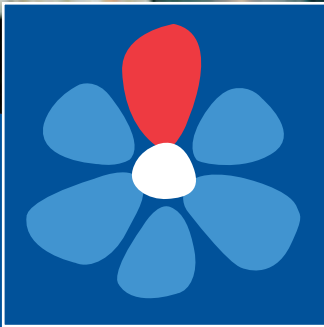
We're even taking things a step forward: in order to clearly underline the priority given to sustainable development as a corner stone of corporate culture, the AXA Group has decided to make mandatory commitments to all key stakeholders – these are customers, shareholders, staff, suppliers, the society and the environment. These obligations are embedded in the development plans of the individual national companies. Projects in business areas with the greatest need for improvement serve to come closer step by step to the targets of the international Group. The following chapters show what AXA did in Germany in 2003 to fulfill its obligations to customers, shareholders, business partners and staff, as well as society and the environment. Already now we can say that there's more to AXA's commitments than mere lip service. They act as a mandatory set of guidelines on the way to sustainable corporate success, combining economic efficiency with active commitment to a community built on mutual solidarity which is capable of surviving whatever the future brings.



## “ Success with responsibility ”

*Industry bosses are coming round to the same conclusions as stock market brokers: socially and environmentally compatible management, such as anchored firmly in AXA's future strategy, result in sustainable corporate success. A current study by the World Bank shows that an increasing number of multi-national companies are implementing the concept of Corporate Social Responsibility (CSR) in practice. In a survey of 100 managers, 88 % indicated that CSR plays a greater role in investment decisions today than in 1999. Four out of five companies get involved in social projects.*

*In competition for the best staff, CSR has also become an effective loyalty instrument, and in the end, consumers also reward the values pursued by a company. In 2003, the Institute for Business Ethics in St. Gallen examined the Germans' expectations of the role of business in society. According to the survey, 86 % were of the opinion that companies who take a proactive approach to their social responsibility will be more successful in the long term. 77 % consider that industry has a responsibility and commitment to future generations.*



## For the customers

### ■ Individual consulting, flexible insurance

Furniture made-to-measure, customised computers, and new cars with specs frequently as individual as the drivers. Modern consumers do not simply consume: instead, their ideas and needs influence product development. Experts therefore speak of “prosumers”. Flexible products are all the rage for insurance and financial service providers too. The AXA Group has pioneered these trends, always offering its customers the ideal solution for every phase of life.

## Consulting based on the modular principle

A young man meets the woman of his dreams, a young couple looks forward to their first baby, a businessman dreams of the holidays he will enjoy in his well-deserved retirement: "Life means change", says the current AXA advertising. And the demands made on insurance, pensions and asset management change with every new personal situation. How can all these highly varied needs be satisfied from one single source in the long term? The answer is in AXA's modular principle: based on individual, expert consulting, we work hand-in-hand with the customer to develop a tailor-made offer. Life, health, household, motor-vehicle or pension insurance – the products can be adjusted as required and combined with each other, like individual modules. Our message to our customers: "You can build on your insurance in every phase of your life, regardless of standards and statistics."

## In dialogue with the customer

AXA attaches great importance to customer confidence. Enthusiasm is another important aspect. Not an easy task, because many people associate insurance with emergencies and frustrating experiences. AXA on the other hand gives people confidence in the future. With AXA products they can plan their future and risk investments which would scarcely be possible without financial security. AXA wants to keep in dialogue with its customers, and takes both their wishes and their objections seriously. In the spring of 2003,

we asked 70,000 customers of all branches how satisfied they were with the service. The results prove that we are heading in the right direction: 96 % would recommend AXA to others, with excellent marks for the conduct shown by staff and intermediaries.

AXA takes its customers' opinions seriously. This is why it systematically registers the results of market research and customer surveys, updating these all the time and using them to improve all processes. "We have to know what the needs of our customers are, in order to align our sales strategy to the targets", says Werner Becker, Marketing Director. "This means we know that good advice and support are by far the most important decision-making criteria." Knowledge which is consistently implemented – in advertising and in reality. The AXA intermediary functions not only as a product salesman. He also offers the customer excellent all-round advice; thanks to his thorough training and specially developed programmes, this is then geared specifically to the individual needs.

## Quality in variation

AXA's special consulting expertise is an important differentiation feature over the company's competitors. At the same time, the Group is working consistently at optimising its products in order to fulfill the wish for individual modular solutions. The dual product range has become a real success story. Since autumn 2002, certain products are now available in two different versions: the AXA Line addresses service-conscious customers and the Alternative Line addresses price-conscious customers. This has resulted in a boom in AXA's motor-vehicle insurance business. In 2003, around 360,000 new motor-vehicle insurance policies were taken out with AXA – more than twice as many as in the previous year. Top marks in value-for-money studies are making consumers aware of AXA. In November 2003 AXA, with its alternative tariff, was once again ranked among the top five lowest-price providers by the magazine "Finanztest". We are also aiming for similar results in the other sectors, where this product line has meanwhile been extended to include accident insurance, retail property and liability insurance.





## Saving for old age is in

AXA also offers flexible pension products to meet increasingly differentiated customer requests for financial retirement provisions. There is great demand here, because it is obvious that state pensions will continue to decrease. According to an Emnid survey in 2003, financial retirement provisions are meanwhile the prime saving target in Germany: way ahead of buying cars, furniture or property. 62 % of savers are creating assets for their retirement, either through life and private pension insurance or through funds savings. More and more people are using the opportunities offered by company pension schemes which since 2002 are now made available to every employee by law. Here the pension fund model offers particularly favourable conditions. As one of the first providers, in 2002 the AXA Group launched its Pro bAV pension fund. Together with a unit-linked pension, since July 2003 it also offers a conventional pension. In the growth market for company pension schemes, these products have a safe future: in 2003 Pro bAV Pensionskasse AG recorded nearly five times as many new policies than in the previous year.

## Every generation makes its own provisions

Together with pension reforms, health care is another topic close to the heart of consumers and insurance companies. More and more benefits are being deleted by the state health insurance, which is meanwhile comparatively expensive. "Many people who are in a position to take out full private health insurance will be looking now to see whether the time has come to make a move towards private health insurance", is how Gernot Schlösser, Chairman of the Board of AXA Krankenversicherung, explains the medium-term prospects. Sustainable development in terms of health insurance would only appear to have one possible solution: every generation makes its own provisions. This includes forming capital reserves for old-age, an element already contained in private health insurance, as well as a more conscious approach to one's own health provisions. This is why several years ago, AXA Krankenversicherung already introduced its very successful Vital tariff which promotes health-conscious behaviour with a special system of bonuses.

## Many ways to the customer

AXA has many different products, and also many ways of introducing them to its customers. Parallel to the classic sales method through exclusive intermediaries and insurance brokers, AXA also uses the direct wire to the customer – either by phone or through the internet. It has also introduced unconventional sales



### **www.axa.de: Best marks for online consulting**

Customer service at a mouse-click: AXA's website is among the best that German insurance companies have to offer on the internet, according to the study "Insurance on the Internet" in October 2003. For the seventh time, the agency "itm Ideas to Market GmbH" has worked together with AMC Assekuranz Marketing Circle GmbH to test and evaluate the websites of German insurance companies. AXA was among the top ten in the ranking of 130 companies.

AXA gained points particularly with its high consulting level throughout and its consistent service alignment. Together with extensive information, the AXA website also offers useful tools, such as provisions gap and subsidy calculator, as well as the possibility of contacting personal consultants. The interactive platform "My AXA" offers customers various possibilities, including managing their own policies and accessing their personal details directly. Positive emphasis was also given to the new AXA Autoforum with value analysis for second hand cars, tips for selling and purchasing, and information about registering and re-registering a vehicle. Quick and easy for internet users: the tariff calculator and the possibility of taking out insurance policies online. This applies for example to motor-vehicle insurance and travel health insurance, and more recently also to liability insurance and household and personal effects insurance.

Alongside traditional sales activities, this direct wire to the consumer is also becoming an increasingly significant part of the multi-channel strategy: AXA's customers decide for themselves how much consulting they need and which means of communication they would like to use.

cooperation methods, for example with the coffee and retail company Tchibo. The aim here is to create a network which combines the strengths of one sales channel with those of another, and offers the customer his own particular choice of service and access at any time. Together with innovative products and consistent customer orientation, the on-going development of this multi-channel strategy is one of the crucial competitive factors for the future.

## Consumers trust the AXA brand

Our company wants to establish close, long-term relationships with its customers on the basis of mutual trust. The trustworthiness of the AXA brand is demonstrated by the "Trusted Brand Seal": in 2003, 31,000 Reader's Digest readers, including 5,600 in Germany, took part in the largest European survey on brand trust. AXA was right up front when it comes to image, value for money and quality. But one particular result of the study demonstrated just how successfully the group's sales strategy is working: when it comes to "knowledge of customer needs", AXA is the unchallenged Number One.

Customers also welcome the realignment of the AXA brand. A survey by the public opinion research institute GfK Sofema in 2003 revealed a clear change of image compared to the "old" brands Colonia, Nordstern and Albingia. Among AXA's premium target group – decision-makers when it comes to purchasing insurance policies and capital investment in private households of the upper social class – AXA came fourth in Germany in terms of spontaneous familiarity with the company, and third in terms of brand appeal. AXA's business areas were also correctly allocated.



## “We want to become unmistakable”

Here in Germany AXA looks after around 4.5 million customers with altogether 10 million agreements. **Andreas Torner, Sales and Marketing Director, would like to expand these relationships in the long term.**

### Consumers are increasingly demanding and competition is getting tougher. How is AXA facing up to the future?

*We know from customer surveys that superior consulting and support are the key criteria for deciding to take out an insurance policy. And consulting, service and operative excellence are just where our strengths are. In addition, we offer products based on the modular principle with the best possible means of covering customer needs.*

### Which sales channels will customers use in future?

*Together with the two main pillars of our business – exclusive intermediaries and insurance brokers – I see great potential when it comes to direct phone sales and the internet. Our multi-channel strategy means that customers can contact us by all means – putting us a step ahead of the competition. In addition, increasing significance is being attached to cooperation projects, such as the one we have implemented with Tchibo.*

### Will the classic insurance representative soon be obsolete?

*Absolutely not. This sales channel offers the advantage of immediate customer proximity. We must make sure that these personal contacts are embedded even more in all-round consulting and support services. This is why we are investing so much in training our intermediaries to become pension and financial consultants.*



## For the shareholders

### ■ **Convincing performance**

Around eleven million people in Germany hold share certificates or shares in equity funds. Increasingly investors no longer base their choice of securities on the short-term financial success of a company. On the contrary, they also look at aspects such as customer satisfaction, customer loyalty, safe jobs and staff commitment. They want to invest in companies which are going to see a growth in value in the long term. Experts talk of a multi-dimensional concept of success. A claim which the AXA Group has made its own on an international scale.

## AXA convinces the rating experts

AXA has one clear competitive advantage through the excellent, long-term stable evaluations given to the company by all major rating agencies. The Group's financial strength is confirmed time and again. Standard & Poor's have renewed their AA-rating with stable prospects in February 2004. In November 2003, Moody's Investor Service gave AXA an Aa3, again an excellent rating. In December 2003, Fitch Ratings gave AXA an AA grade, which is the second highest possible level. This kind of generally acknowledged appraisal by major agencies is based on extensive analyses. This not only includes the many years of know-how accumulated by experienced rating experts: the companies involved also have a contribution to make by disclosing relevant company data.

## Employees as shareholders

Trust is placed in the AXA share, also by the Group's employees. One in four AXA employees throughout the world uses the possibility of becoming a shareholder in the parent company. In Germany, more than 1,000 employees held shares in AXA Paris in 2003 – about 16 % more than in the previous year. Direct staff participation in the company's success is one of the key principles of the AXA Group.

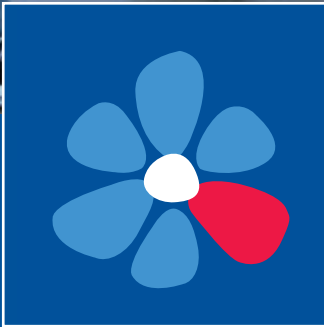
## Profiting from the success

The AXA Shareplan offers a choice between two different employee holding funds. In the Classic Plan for example, up to a quarter of the gross annual income can be used to acquire shares with a discount of 20 %. Another possibility is the Leveraged Plan. Here staff can invest up to 2 % of their annual income, with a greater than average share in the appreciation of the AXA share. Both models motivate staff to devote all their skills and abilities to the success of the company, and they also enhance employee loyalty to the company.



### What is a rating?

A rating is a method by which neutral experts evaluate a company in terms of its success and risk factors. A rating scale allows for comparisons on an international scale. The rating scale at Standard & Poor's, for example, goes from AAA to D. The best marks AAA are given to "extremely safe" companies; groups with AA- are considered "very safe". A D is given to companies which have already defaulted on payments. Many investors use such ratings as a guide because they express financial power and safety in concise terms. A company also profits from a good rating, for example, when concluding contracts with business partners. Given the fact that AXA always has a good rating, it can negotiate favourable conditions with reinsurance companies, for example, and pass these on to its customers in turn.



## For the staff

### ■ **Creating joint perspectives**

Today many demands are made of employees. They are expected to have excellent technical qualifications and at the same time have organisational skills and demonstrate their stress resistance levels. Ongoing further training is not only wishful thinking; it is a vital prerequisite to keep prepared for the changes taking place in the working world. AXA therefore offers its staff many different possibilities for constantly extending their knowledge. When all is said and done, top-rate achievements can only be produced in an environment where skills and capabilities can be put to the best possible use.

## Job security through to 2006

People who are afraid of losing their job will not be fully committed. A study recently published in the British Medical Journal even indicated that employees in companies faced by redundancies were exposed to an increased risk of illness. Certainly the quality of work suffers – with consequences. Where there is no commitment, no creative or innovative ideas, the company's success is at stake.

AXA therefore already concluded an alliance with its Works Council for its staff back in 2002. According to this alliance, the company will waive operative redundancies through to 2006. Any necessary staffing cut-backs will be achieved using early retirement solutions and other socially acceptable measures. In return, AXA expects its staff to be highly flexible. For example, this includes the willingness to accept another job within the company, so that vacancies are filled primarily from within the company. External recruitment is only used if the vacancy cannot be filled, on condition that the specially set up clearing unit approves. Last year, this was only the case when looking for staff with special know-how.

## Living solidarity

AXA's job guarantee depends on all levels getting involved when an employee changes job in the company: the line managers, old and new colleagues, and the Works Council. The central instrument for internal recruitment is the so-called change pool. Employees who are willing to work in another location or another department can be registered here through the intranet and join the internal job market.

With this model, AXA has succeeded in combining the economic interests of the company and the employees' need for job safety. "The bottom line looks really good", says Frank J. Heberger, Personnel Director at AXA, looking back over the first two years. "Here we are all living a piece of real solidarity." Since the alliance was formed, nearly 350 employees have used the change pool.





## Support and challenge

Even those employees at AXA who stay in the same job must be prepared to make adjustments. It is part of the corporate philosophy to ensure that staff undergo continuous further training and qualification in order to offer customers the best possible service and excellent products. Staff can benefit from the wide range of training courses and seminars offered by AXA. The programme extends from courses to help internal and field sales staff to improve their communication abilities or train their personal skills, right through to international management training.

This also applies to special programmes offered by the Group to highly qualified staff. People with corresponding potential who have not had any opportunity to gain management experience can attend courses for up-and-coming management executives. Staff with HR responsibility can attend the Group support course, and there is also a PA programme specially for assistants to the Board. Participants have an opportunity to get to know each other and start networking; they also attend workshops and work together to solve joint project tasks.

Staff with excellent specialist know-how who do not necessarily want to take on management tasks can take up a special training opportunity offered by AXA: the specialist career. In this model the employee works through certain stages, each associated with a specific set of requirements. Gradually they assume an increasing degree of specialist responsibility. Up to now, AXA has offered the specialist career for actuaries and project leaders. But from 2004 on, the Group plans to extend the model progressively to other groups of experts to ensure that as many highly qualified specialists as possible are kept with the company.

## A Staff mouthpiece

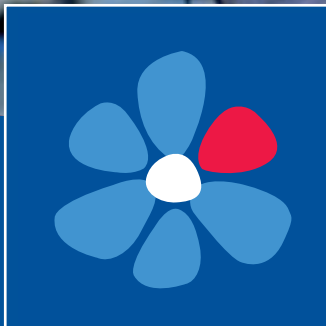
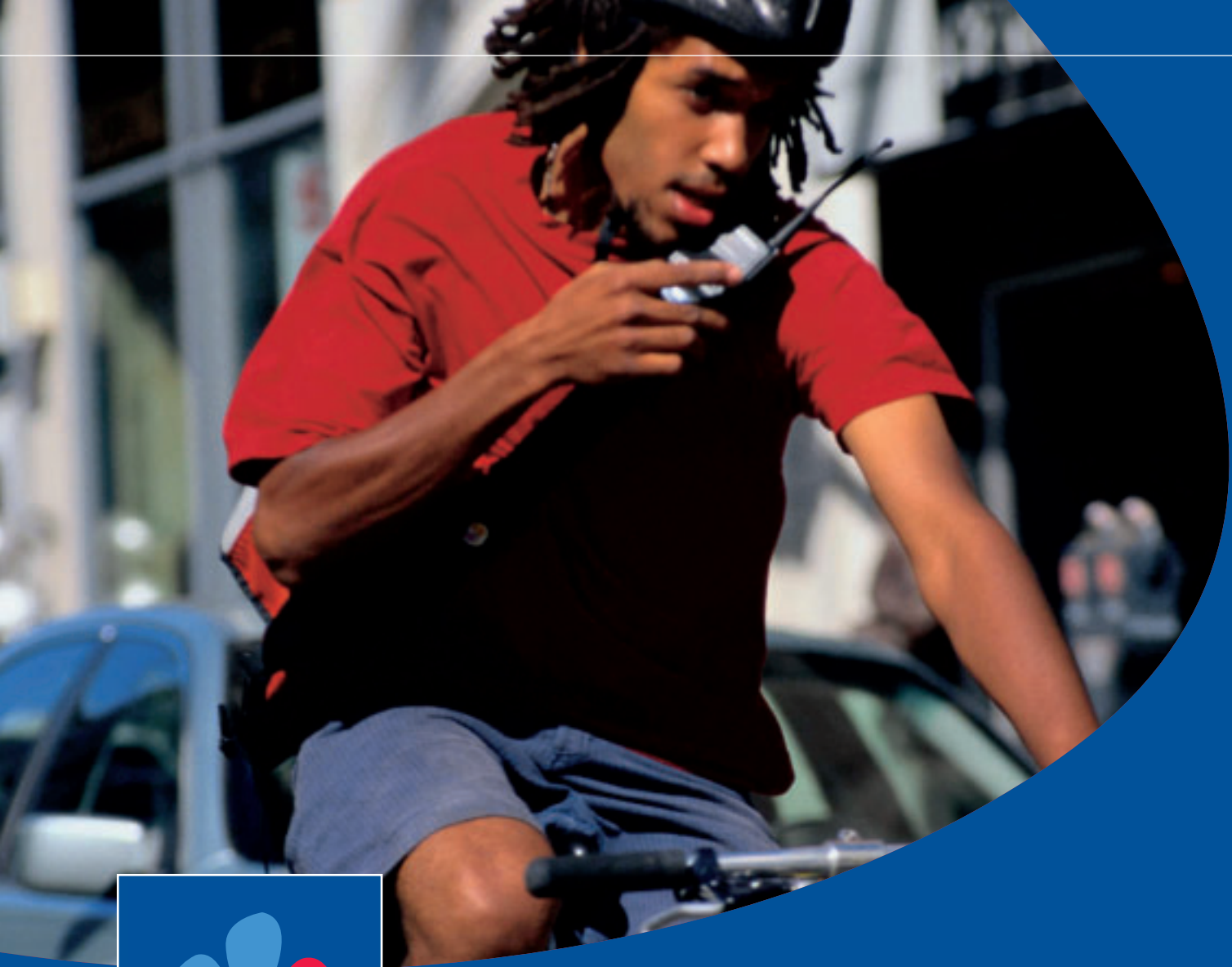
AXA's key goal with regard to its workforce is for the employees to be satisfied with their job. One indicator used to this end is Scope, the regular staff survey. On the basis of these results, the employees make their own contribution to implementing improvements in their working environment. The process is coordinated by so-called "scopers". These are employees who have assumed this role in addition to their other work and who support management in the Scope process. In dialogue with colleagues and managers they consider how improvements can be achieved. The change projects within the company can also be integrated into the scope work very well. "For us, the 'scopers' are an important mouthpiece for the staff. They provide feedback on topics of current importance to the employees, thereby supporting dialogue and open communication between employees and management in processes of change", says Katrin Oeljeklaus, responsible for Scope in Germany. AXA is one of the few companies to hold such regular surveys and work consistently at the resulting improvements. Because the Group knows that a well functioning business depends above all on motivated staff.



### “A good experience”

*“Twelve months ago, I used the change pool for a transfer within AXA in order to further my own personal development. At that point I was working for the text service in Cologne, where I was responsible for example for correspondence and claim reports for other departments. The change took place very quickly with little red tape: after only just a few days, the personnel department suggested various jobs. I then applied for my current job in sales controlling in a different location still within Cologne. Shortly after that I had an interview with my new boss. And we pushed ahead with the change. The colleagues made it very easy for me to get used to the new tasks step by step. For example, I put together information material for the field staff, or plan our sales congresses together with other colleagues. Certainly for me the change was a good experience.”*

*Melanie Beiden,  
24 years old, sales controlling AXA Cologne*



## For the suppliers

### ■ Seeing cooperation as a dialogue

The producer manufactures the goods, the logistics expert is responsible for transport and the dealer finalises the sale: rarely are business processes so one-sided. Thanks to modern communications, ideally everyone involved in the process is in close contact with everyone else. This is the only way to be able to react to the constantly changing demands in next-to-no time. But it all depends on external partners being included in the business early enough to guarantee uniform quality standards and troublefree procedures, and in the end to save costs. This is why AXA attaches such importance to a constant exchange with its business partners.

## Simplified processes

For a long time, the service sector in particular neglected the importance of purchasing, although experts estimate that the operative results of a company can be improved by percentage rates going into double-figures if a company saves just 1 % in purchasing. Last year, AXA started to optimise cooperation with its suppliers and business partners. "The focus is on simplifying processes, reducing administration workload and supply costs, and at the same time safeguarding quality standards", says Dr. Heinz Schäffer, Procurement Director at AXA.

## Open for ideas

Main prerequisite: the suppliers are prepared to adjust to the needs and philosophy of AXA. On the other hand, AXA must ensure that its processes are as transparent as possible in order to define scope for improvement together with the partners. One example: in the past, AXA Germany's main building complex in Cologne-Holweide used the services of several different electrical contractors. To simplify this situation, a general contractor concept was drawn up with the main partners in this area. Now AXA has only one central contact partner – making cooperation far less complicated.

Another example is the development of a credit card for employees – the AXA Corporate Card. It was developed on the basis of a set of requirements drawn up beforehand by the various departments for this kind of instrument. Staff can use this card, for example, on business trips to pay for hotel accommodation, rental cars and air travel.

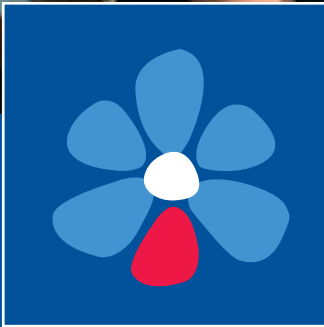
AXA understands professional partner management not only as cooperation on individual projects but also as a continuous dialogue – in mutual interest. In the end, it's the customer who benefits. By tying the best know-how to the company, AXA can provide the best quality. And also pass optimum conditions on to its customers. Two key prerequisites for safeguarding the companies competitive ability for the future.



## Products and services from one source

"Corporate Express has been AXA's partner in Germany since 2002. Our company supplies the Group with office supplies, computer accessories and office furniture on a nationwide basis. As a system service provider, we offer products and services from one source, for example, for room planning, office furnishings, removals and repairs. This reduces the workload involved for AXA: the Group has one partner to cover its entire office and furnishing needs. At the same time, the large order volume means that we can offer AXA particularly favourable purchasing conditions. And AXA's independent intermediaries are also given the opportunity to purchase products at the same conditions as the company. And we are working together with AXA at improving the purchasing process even further: from mid 2004, our catalogue will be made available to employees on the intranet."

Volker Eisenhardt, management of Corporate Express Germany



## For society and the environment

### ■ **Assuming active responsibility**

We are convinced that companies should not only strive for commercial success but also live up to their responsibility for society and for the social and cultural environment. Companies also have a responsibility to protect the environment. But given the difficult economic situation, can we really afford any additional commitment? Successful AXA projects show that in fact we can: solidarity is fun and, in the long term, it is worthwhile for everyone involved.

## Staff help “from Heart to Heart”

“The most valuable contribution that AXA staff can make is their personal commitment.” In 1991, it was this conviction which prompted Claude Bébéar, former President and Chairman of the Supervisory Board today, to set up the association “AXA Atout Coeur” in Paris. Since June 2002, the German counterpart “AXA von Herz zu Herz e. V.” has been active in Germany too. Since then, the idea of making a voluntary social commitment for others at least once a year has been taken up with great enthusiasm. “The fun of helping would appear to be infectious”, says Marita Hillbrenner, managing director of the nonprofit organisation. “2003 saw an increasing degree of creativity in the various projects and in collecting donations for the association’s activities.” For example, employees decided not to collect money to give presents to each other on their birthdays and donated the money to “AXA from Heart to Heart” instead, or donated fees received for giving lectures. And during the Cologne Marathon on 5 October 2003, AXA employees sponsored the kilometres run by their colleagues with a sum of altogether € 5,800. Among others, the money went to a children’s hospice, and to the children of parents suffering from addictions.

But what counts more than financial support at “AXA from Heart to Heart” is the direct contact and personal help. Together with more than 100 individual projects which take place spread out among all AXA locations all year long, on the “National Day” in September 2003 alone, around 700 AXA employees and members of their families joined forces throughout the whole country under the motto “Hearts in Action”: from summer parties in children’s and asylum-seeker homes, via excursions with disabled and socially deprived youngsters and adults, meals for the homeless, toy repairs and the construction of a large wooden pavilion for a children’s home, installation of 12 computers in a children’s village through to a flea market for children suffering from leukaemia: all this was the wonderful contribution made by AXA employees on a voluntary basis in their own free time. Really a great social commitment!

## In health matters: make aware, motivate and provide support and assistance

Assuming active responsibility for oneself and also for others: this is a demand that is not new when it comes to health care. But discussions about the current reforms have made the topic quite explosive. “Patients are having to foot the bill.” “What is ailing our health system?” “The end of the generations contract?” – headlines like these in 2003 made it dramatically clear that health insurance companies and also their customers are going to have to find new solutions for putting the brakes on the costs and making corresponding provisions to ensure that health remains affordable in future. AXA Krankenversicherung supports the emancipation of its policyholders and provides practical assistance. Incentives to a healthy way of life characterise the products for full and supplementary health insurance: starting with the primary doctor rate “EL” which refers to the GP as a “pilot” in the health system, via a special dental rate including prophylactic treatment of the teeth, the tooth bed and the oral cavity along the lines recommended by the World Health Organisation, through to bonuses for non-smokers and for compliance with a healthy body-mass index. Pilot projects illustrating how to improve the quality of life and reduce treatment costs later on round off the product strategy. For example, AXA customers can take a special “back fitness” programme in a gymnasium at special conditions, or kick the smoking habit with media support: in January 2004, AXA sponsored the TV seminar “Non-smoker at last”.

“We not only refund costs, we also provide our customers with help and support in all health matters. For years we have been developing programmes to help policyholders stay fit”, says Gernot Schlösser, Chairman of the Board at AXA Krankenversicherung. Information and increased awareness play a central role. As part of the active health service, the health hotline “medi service” is available 24 hours for questions on health and prevention. Since mid 2003, AXA Krankenversicherung mails the brochure “Breast cancer – early detection is the chance” to all fully insured female policyholders. An advance survey indicated that 83% of the women receiving the brochure were given the incentive to come to terms with early detection. At the same time a programme was launched to support AXA policyholders with breast cancer and supplement the already existing support programmes for the severely ill and for people suffering from chronic diabetes and asthma.





## Hearing test for the youngest

AXA also promotes early detection and preventive medicine along traditional lines with the Hufeland Prize. In 2003 the award, which is worth € 20,000 went to the Hamburg hearing screening project. Since 2002, all new-born babies in Hamburg – around 18,000 children a year – are examined for hearing defects before they leave the maternity clinic. The background to this project is that in Germany every year, between 1,000 and 2,000 children are born with congenital hearing defects in both ears. Frequently this is not discovered until months or years later – with severe consequences for the linguistic, intellectual, emotional and social development of the children. The Hamburg concept also includes subsequent diagnosis and therapy for babies with hearing defects. The Hufeland Prize which was accepted by the two doctors Professor Dr. Markus Hess and Dr. Thomas Wiesner in March 2004 is thus breaking new ground and setting a signal for the wide-spread introduction of infant screening.

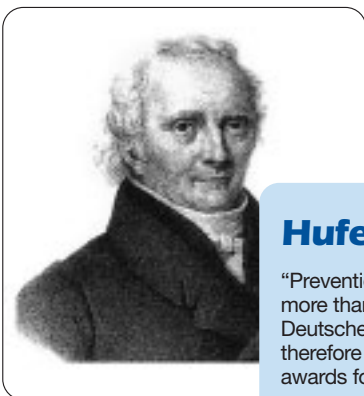
## Helping the environment and saving costs

An exemplary recycling project at AXA shows one example of active environment protection. If an agency closes or moves location, the illuminated advertising, signs and window decoration materials are not simply thrown away. Since 2003, all reusable parts of the

advertising are kept in a central warehouse. Here they are cleaned, repaired as necessary and repainted. Freshly reconditioned, they can then be used directly for decorating new offices. This saves time, is kind to the environment and saves costs. The recycling elements are up to 36% cheaper than the standard decorations. This means savings of around € 2,500 for every new agency that opens.

## Very green in Holweide

Economic efficiency and ecological benefits go hand in hand in the extension being built for the AXA Group in Cologne-Holweide. As from 2005, 4,500 members of staff – about twice the previous staffing level – will be working in the building complex. They used to be spread out over more than 10 locations in Cologne. “Maintenance will then cost us € 5 million p.a. less than for today’s satellite environment”, says project leader Werner Flocke, “with one million of this just for the infrastructure that won’t be needed in future”. Attractive and environment-friendly: generous green verges and water features together with vegetation on the car park roofs compensate for the areas of ground sealed in by the new building. A pleasant climate in the building is produced by the so-called concrete core activation. This innovative system conveys the cooler outside air into the concrete core during the night, whence it is emitted into the rooms. This reduces the need for additional refrigeration energy.



### Hufeland Prize: Health pioneers

“Prevention is better than cure.” This was the principle with which doctor Christoph Wilhelm Hufeland worked more than 200 years ago to encourage people to avoid illness by taking up a healthy way of life. When the Deutsche Ärzteversicherung set up a prize for outstanding scientific work in preventive medicine in 1960, it therefore chose the name Hufeland. Today the annual award is considered to be one of the most renowned awards for doctors in Germany. The prize is worth € 20,000.

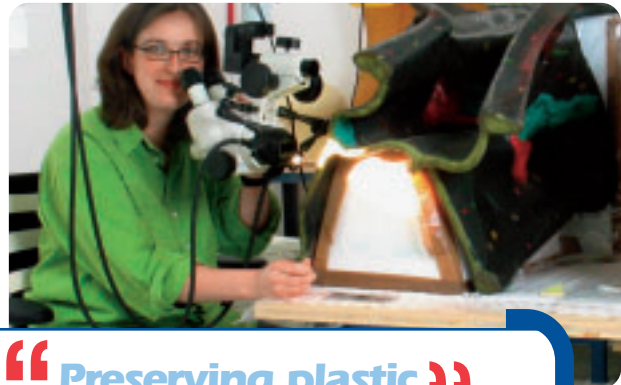
Hufeland (1762–1836) was a pioneer of modern preventive medicine. He recognised the immense influence that the way of life has on human health. He emphatically demanded state hygiene laws and the introduction of health prevention in public schools. His teaching and skills made Hufeland one of the most famous doctors of his time. He became the personal physician to the King of Prussia, University professor, head of Berlin’s Charité hospital and councillor for health.

Social matters were just as important to Hufeland as health questions: for example, he arranged for destitute patients to be treated free of charge. In 1829 he set up a foundation for needy doctors, although this had no lasting success. But his ideas lived on and eventually resulted in the foundation of Deutsche Ärzteversicherung in 1881.

## Rescuing classic design

AXA Art Versicherung, a subsidiary of AXA Germany, is a global art insurance specialist dedicated to the mission statement “Financial and Cultural Protection”. “AXA Art is responsible not only for material safeguarding but also for the preservation of cultural heritage,” explains Dr. Ulrich Guntram, Chairman of the AXA Art Board. As part of the AXA Art Conservation Project, AXA Art is supporting the Vitra Design Museum in Weil am Rhein in its research for a procedure to restore and conserve design and contemporary art objects made of plastic. The classic design items from the '60s are already showing clear signs of decay, and no efficient conservation methods have been available up to now. Since early 2003, four internationally famous design chairs from the museum's collection are now being scientifically examined and renovated. “The findings from this project will benefit museums, collectors, artists, restorers, plastics manufacturers, and in the end art insurance as well,” says Dr. Thomas Wessel, Art Expertise Director at AXA Art. In the last few years the company has already helped to analyse the severely damaged monochrome painting “black painting” by Ad Reinhardt working together with the Guggenheim Museum in New York, and to restore antique clocks from the Musée Jacquemart André in Paris.

AXA Germany supplements its commitments on the social front and in health care with its ecological commitment. To anchor this in mandatory terms, in 2002 AXA Germany signed the self-imposed obligation of the insurance industry for environment protection. In addition, as a founding member the AXA Group is involved in the French initiative *Enterprises pour l'Environnement – Companies for the Environment*.



### “Preserving plastic”

**She has the experience it takes, as well as the sensitivity: as part of the AXA Art Conservation Project, Kathrin Keßler (37) is searching for procedures to prolong the life of significant plastic objects. In her workshops, formerly a store room in Vitra Design Museum, the restorer, who trained in Germany and the United States, examines design classics by Verner Panton, Gaetano Pesce and Charles and Ray Eames.**

#### **What sort of damage are you dealing with here?**

*Well, I'm working for example with the prototype of the Panton Chair. It is made of glassfibre reinforced polyester and at great risk of decay – although it is only just 40 years old. The surface is brittle, it cracks and the outside layer of the knee in the S-shaped chair which takes all the load, is flaking off. Plastics produce a chemical reaction to environmental influences such as oxygen, heat or moisture: the material changes faster than expected.*

#### **What exactly is your task?**

*I'm doing various tests to try and find a compatible adhesive which can be used for permanent consolidation of the weak spots. The aim of the tests is to examine the different reactions of the modern adhesives with the old plastics. I'm working together with the Instituut Collectie Nederland of Amsterdam where samples of the original objects undergo chemical analysis. We then use the exact definition of the material to make statements about the ageing behaviour of the various plastics.*

#### **Why are you so interested in this work?**

*Without new restoration and conservation techniques, in future it won't be possible to exhibit the plastic objects. And the data and facts that we are collecting throughout the project also benefit many other art objects made of plastic, for example, the Nana sculptures by Niki de Saint-Phalle. So, of course, there is considerable international interest in the pioneering work we're doing here.*

**24-hour customer service: (0 180 3) 55 66 22**

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# AXA Konzern AG – the financial calendar for 2004/2005

Annual General Meeting	8 July 2004
Shareholders' letter (interim report for the first six months of 2004)	26 August 2004
Meeting of the Supervisory Board/Shareholders' letter	15 April 2005
Meeting of the Supervisory Board	25 May 2005
Annual General Meeting	13 July 2005

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## Imprint

Published by:  
AXA Konzern AG,  
Cologne

Edited by:  
AXA Konzern AG, Cologne  
Group Communication

Typesetting by:  
LSD GmbH & Co. KG,  
Düsseldorf

Production by:  
klr mediapartner Druck und Medien GmbH,  
Lengerich (Westfalen)

Printed in Germany

# Ten Year Review of the AXA Group

		2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
<b>Premium income</b>											
Gross premiums written	€ mill.	6,264	6,418	6,814	6,616	6,114	5,369	5,626	5,528	5,189	4,857
Retention	%	94.1	90.7	91.0	91.1	90.6	89.9	86.8	85.9	85.4	84.8
Property/casualty	€ mill.	2,684	2,993	3,246	3,129	2,803	2,513	2,732	2,802	2,691	2,583
Life	€ mill.	2,645	2,580	2,507	2,460	2,349	2,259	2,274	2,160	2,014	1,853
Health	€ mill.	779	676	597	532	485	440	433	384	341	285
Assumed	€ mill.	156	169	167	200	172	157	188	181	143	135
<b>Claims and benefits</b>											
Property/casualty											
Claims expenses net of reinsurance	€ mill.	1,687	1,925	2,429	2,324	1,938	1,565	1,640	1,558	1,486	1,461
Claims ratio net of reinsurance	%	65.4	72.4	84.1	81.9	75.1	70.5	71.5	68.3	68.7	70.7
Life											
Payments to policyholders	€ mill.	2,638	2,431	2,306	2,109	1,839	1,490	1,342	1,326	1,232	1,084
Growth in commitments to policyholders	€ mill.	805	961	1,335	1,636	1,768	1,362	1,304	1,201	1,154	994
Health											
Payments to policyholders	€ mill.	376	337	301	277	254	228	206	174	161	152
<b>Underwriting reserves</b>											
Total (net )	€ mill.	30,511	30,042	29,137	27,407	25,700	20,569	19,038	18,058	16,465	15,080
thereof:											
Property/casualty	€ mill.	4,708	4,807	5,016	4,769	4,764	3,774	3,659	3,623	3,299	3,001
Life	€ mill.	23,431	23,140	22,277	21,047	19,569	15,702	14,441	13,642	12,532	11,538
Health	€ mill.	1,788	1,563	1,388	1,136	968	810	660	550	446	354
<b>Bank and building society</b>											
New business (total value)	€ mill.	496	457	550	528	645	614	789	831	875	799
Agreements in force (total value)	€ mill.	4,577	4,794	4,950	5,072	5,304	5,552	5,884	5,970	5,968	6,004
Amounts to borrowers	€ mill.	733	665	268	259	-	-	-	-	-	-
<b>Employees</b>											
Salaried employees		9,195	9,769	10,035	10,101	10,757	8,621	9,280	10,156	10,092	10,270
Freelance sales staff full-time		3,138	4,615	4,472	4,369	4,896	4,210	3,844	3,793	3,669	3,652
<b>Investments</b>											
	€ mill.	34,999	35,022	33,884	32,049	30,252	24,389	22,186	20,768	19,031	17,745
<b>Group equity</b>											
	€ mill.	1,041	456	640	1,055	1,063	993	922	804	672	503
<b>Balance sheet total</b>											
	€ mill.	38,549	38,416	37,189	36,107	33,666	26,291	24,244	23,022	20,877	19,452
<b>Consolidated result</b>											
Before taxes on income	€ mill.	412	127	247	303	414	268	236	227	207	152
Consolidated net profit for the year	€ mill.	571	4	73	205	155	151	133	121	107	83
DVFA earnings per share (new)	€	1.00	-0.50	0.55	2.76	4.24	4.73				
Earnings per share (new) before goodwill depreciation	€	2.55	2.03	2.28	4.47	5.78	5.57				
<b>Dividend of AXA Konzern AG</b>											
Ordinary share without tax credit	€	1.18	1.18	4.08	14.89	3.30	1.64	1.02	0.87	0.72	0.61
Preferred share without tax credit	€	1.24	1.24	4.14	14.94	3.35	1.69	1.07	0.92	0.77	0.66
<b>Total dividend</b>	€ mill.	37.2	37.2	127.7	465.3	103.2	51.3	32.2	27.4	22.6	18.0

Previous year figures not adjusted

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