ARAG

MACHT STARK.

ANNUAL REPORT 2003 CONSOLIDATED FINANCIAL STATEMENT

Impulses for the Future

ARAG Insurance

ARAG Insurance _ Consolidated Financial Statement ANNUAL REPORT 2003

Overview

Key data

ARAG Group (FIDA)*

(in million euros)	**2003**	**Change**	2002	2001
Sales				
Gross premiums booked	**1,262.6**	**2.8%**	1,228.6	1,191.6
Earned premiums for own account	**1,230.8**	**2.5%**	1,200.6	1,169.4
Sales revenues from non-insurance subsidiaries	**71.8**	**-29.2%**	101.4	120.2
Costs				
Cost of claims for own account	**788.1**	**2.9%**	766.1	749.3
Claims ratio (basis: earned premiums)	**64.0%**	**0.3%**	63.8%	64.1%
Cost of insurance business for own account	**428.2**	**0.1%**	427.8	405.0
Cost ratio (basis: earned premiums)	**34.8%**	**-2.4%**	35.6%	34.6%
Overview of profit and loss				
Underwriting result for own account	**22.7**	**202.7%**	7.5	20.1
Income from capital investments	**140.9**	**-2.7%**	144.8	231.3
portion included in underwriting result	100.4	27.1%	79.0	152.8
Other income	**-42.3**	**-4.1%**	-44.1	-48.3
Income from normal business activity	**21.3**	**-28.3%**	29.7	50.9
Net income after external portions	**3.0**	**57.9%**	1.9	15.9
Underwriting reserves/earned premiums	**325.1%**	**-0.4%**	326.5%	329.0%

* In the fiscal year under review, the FIDA Gesellschaft für Vermögensverwaltung und für Vermittlung mbH acted as the holding company of the ARAG Group. The FIDA consolidated financial statement for 2003 is thus the financial statement of the ARAG Group. In the course of the new structure of the ARAG Group implemented effective 1 January 2003, ARAG Allgemeine Rechtsschutz-Versicherungs-AG assumed the role of the top-level operating company of the Group. In the course of fiscal 2004 FIDA GmbH will be reorganized as ARAG AG to ensure a uniform market presence for the Group.

Contents

Impulses for the Future

Only flexibility offers the chance of security. And only modern, responsive structures will allow us to face the future with confidence. That is why ARAG is successively implementing business processes that will serve us well both today and tomorrow – by taking clear business decisions and executing precisely targeted actions. As a consequence, the ARAG Group succeeded in further sharpening its profile as a globally active insurance specialist throughout fiscal 2003 in the face of the difficult transitions buffeting the insurance industry – while at the same time securing its market position.

ARAG companies in Germany and their products and services

ARAG Allgemeine Rechtsschutz-Versicherungs-AG
- Legal insurance for motorists, occupational issues, private life, home and business
- Internet legal insurance

ARAG Allgemeine Versicherungs-AG
- Property insurance
- Liability insurance
- Home insurance
- Accident insurance
- Motor vehicle insurance
- Sport insurance
- Special service packages
- Special bicyclist insurance package

ARAG Lebensversicherungs-AG
- Term life insurance
- Risk life insurance
- Private pension insurance
- Disability, survivors' and accidental-death supplementary insurance
- Company pension plans

ARAG Krankenversicherungs-AG
- Private health insurance and full-cost plans
- Supplementary insurance for statutory health insurance customers
- Health insurance for travel abroad
- Long-term care insurance

International subsidiaries

ARAG Group
Main headquarters
ARAG Platz 1
40472 Dusseldorf
www.ARAG.de

ARAG Belgium
ARAG S.A./N.V.
Assurance en Protection Juridique
Avenue Louise 306, Bte. 16
1050 Brussels
www.ARAG.be

ARAG Greece
ARAG Hellas
Allgemeine Rechtsschutz-
Versicherungs-AG
Fidippidou 2
11526 Athens
www.ARAG.gr

ARAG Italy
ARAG Assicurazioni S.p.A.
Viale delle Nazioni 9
37135 Verona (VR)
www.ARAG.it

Le Foyer-ARAG (Luxembourg)
Le Foyer-ARAG S.A.
Protection Juridique/Rechtsschutz
6, rue Albert Borschette
1246 Luxembourg
www.ARAG.com

ARAG Netherlands
ARAG Netherlands
Algemene Rechtsbijstand
Verzekeringmaatschappij N.V.
Kastanjelaan 2
3833 AE Leusden
www.ARAG.nl

ARAG Austria
ARAG Allgemeine Rechtsschutz-
Versicherungs-AG
Heinrichsgasse 4
1013 Vienna
www.ARAG.at

ARAG Portugal
Compañía Internacional de
Seguros y Reaseguros S.A.,
sucursal em Portugal
Rua Julieta Ferrão,
nº 10 - 13º A
1600-131 Lisbon

Winterthur-ARAG (Switzerland)
Gartenhofstraße 17
8070 Zurich
www.winterthur-ARAG.ch

ARAG Slovenia
ARAG Zavarovanje Pravne
Zašcite D.D.
Dunajska 21/X
1000 Ljubljana
www.ARAG.si

ARAG Spain
ARAG Compañía Internacional de
Seguros y Reaseguros S.A.
Roger de Flor 16
08018 Barcelona
www.ARAG.es

ARAG USA
ARAG® North America Inc.
400 Locust Street, Suite 480
Des Moines, Iowa 50309
www.araggroup.com

Structure of the ARAG Group

Asset and Shareholding Management	**FIDA Gesellschaft für Vermögensverwaltung und für Vermittlung mbH***					
Operative Group Holding	**ARAG Allgemeine Rechtsschutz-Versicherungs-AG**					
	Central Group Functions International	**Group Finances**	**Group Sales National**	**Legal Insurance Underwriting/ Services**	**Group IT/ Business Organization**	**Group International**
Operative Insurance Companies	**ARAG Allgemeine Versicherungs-AG** Composite Insurance	**ARAG Lebens-versicherungs-AG** Life Insurance	**ARAG Kranken-versicherungs-AG** Health Insurance	**Interlloyd Versicherungs-AG** Brokerage Specialist	**International Companies** Legal Insurance/ Legal Services	
Service Companies	**ALLDATA SYSTEMS GmbH** IT Services for the Financial Industry	**ARAG IT GmbH** IT Services for the ARAG Group	**Cura GmbH & Co. KG** Procurement Agency	**ARAG Service GmbH** Call Center	**Interiura International AG** International Claims Settlement	

* as of now ARAG AG

Profile of the ARAG Group

Overview The ARAG Group is an independent legal insurance specialist active in Europe and the USA. The Group has about 4,400 employees and generates sales and premiums in excess of 1.3 billion euros. Services pertaining to law form the historical, economic and strategic core of this Dusseldorf-based corporation. 2002 saw the implementation of a comprehensive corporate reengineering program, which resulted in a new Group structure effective as of January 2003. The ARAG Group is now more clearly aligned with its core business; in this constellation, the ARAG Allgemeine Rechtsschutz-Versicherungs-AG assumes the strategic management of the overall group as well as operative management of the legal insurance business both domestically and internationally. All other insurance companies and the ARAG service companies are grouped below this holding level, and each bears responsibility for the operative management of its respective line of business. The asset-management holding company FIDA Gesellschaft für Vermögensverwaltung und für Vermittlung mbH represents the corporate umbrella for the ARAG Group and all subsidiaries.

Core business legal insurance ARAG is one of the world's leading legal insurance specialists. ARAG Rechtsschutz actively shapes the markets in this sector both domestically and internationally. By developing new products, the Group continues to extend and refine the concept of effective legal insurance for the benefit of its customers. The Group is successfully exploiting the know-how acquired through decades of experience in the domestic legal insurance market in ten other European countries and in the USA. Over 45 percent of premium revenues of the legal insurance companies is earned in the international arena.

Operative insurance companies ARAG Allgemeine (ARAG General) is the Group's composite insurer. In spite of the extreme competitive pressure in this sector, ARAG Allgemeine is a profitable provider of property, liability, accident and motor vehicle insurance. ARAG Allgemeine is also Europe's largest sport insurer – with some 23 million insured amateur athletes. Interlloyd, a 100-percent subsidiary of ARAG Allgemeine, is active mainly in the private customer segment and distributes its products exclusively through brokers. ARAG Leben (ARAG Life) and ARAG Kranken (ARAG Health) round out the Group's personal insurance spectrum with life and health insurance, respectively. In this segment, the ARAG Group has taken an aggressive, proactive position in the market for private pension insurance and private health insurance.

Service companies The brokerage company CURA GmbH & Co. KG handles insurance services within the ARAG Group. It is also one of the largest and most successful multiple agents in the German market, as well as the largest provider of insurance services for exclusive agents of other companies. Effective 2003, the international claims settlement activities have been bundled in our Interiura International AG. ARAG is thus taking up an aggressive position in the fast-growing international claims settlement market. The systems house ALLDATA SYSTEMS is a vendor of specialist software and IT consulting for the entire financial-services industry.

Foreword

The best entrepreneurial concepts are the simplest. "Independence through profitability" is an effective concept. This succinct formula describes our efforts in the ARAG Group and documents the guiding principles of our sustained value-oriented management. Although the fiscal year under review fell short of the excellent earnings of previous years, our concept proved to be effective in the extremely challenging conditions predominating in the insurance industry in 2003. Our core legal insurance business has grown continually over the past six years while remaining highly profitable. We succeeded in doubling the earnings from normal business activity in international legal insurance over the previous year. The Group's composite and personal insurance divisions also posted significantly improved profits under difficult market conditions. This demonstrates that the company benefits from its extremely solid fundamentals and the strong support of the owner family.

Dr. Paul-Otto Faßbender

The owners have affirmed their commitment by increasing the subscribed capital of the top-level family holding company, FIDA, by € 40 million to € 200 million at the end of 2003. This represents a continuation of the long-term policy of financially strengthening the Group. The Group's management recognizes in this investment on the part of the shareholders an obligation to achieve a sustained increase in reinvestment through earnings. To this end, management implemented the optimization program "Impulse ARAG 100" in the fiscal year under review, which aims to increase profitability by reducing costs by the end of 2005. We are reducing our business processes to the essentials: providing the best possible service for our customers. They are the beneficiaries of our unwavering determination to change.

The optimization program affects all areas of our enterprise. Our value-oriented management ensures that the Group makes the best possible use of its valuable resources. We are developing ARAG with all due care, and take great pains to recognize the difference between entrepreneurial risk-taking and adventurism. Activities that do not generate an adequate return are subjected to stringent review. Among other things, this process caused us to terminate our involvement in Hungary and the Czech Republic. On the other hand, ARAG's well-planned commitment of resources enabled it to become market leader in the USA. At the same time, ARAG is the first German insurance company to enter the Slovenian market by founding its own subsidiary.

ARAG is a unique and unmistakable enterprise. We aim to secure our future through sustained profitability. For a family company, one principle applies before all else: only activities that pay off will make us strong – and strength means independence. The Group needs to continue changing in order to remain faithful to these proven principles and provide customers with the added value they demand.

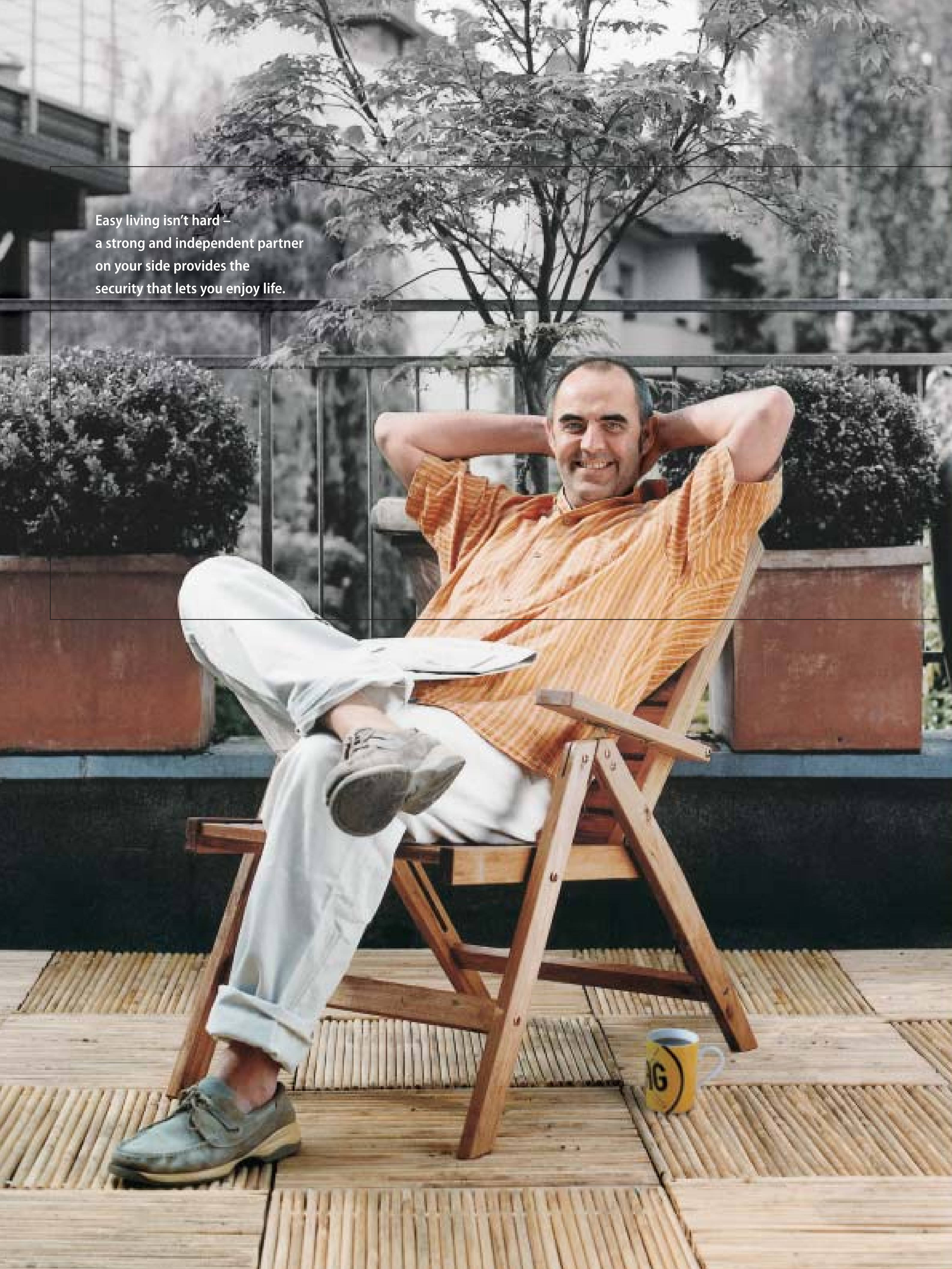
Dr. Paul-Otto Faßbender

Every era presents its own challenges and opportunities. Sustained success in changing markets requires strategies that adapt and grow as the market changes. ARAG has always aimed to combine proven business principles with innovative approaches – a strategy that has always been a stabilizing factor, particularly in difficult times. Accordingly, in 2003 – a fiscal year characterized by low consumer confidence and weak financial markets – the Group was able to defend its market position and realize new opportunities in international markets. The Group also remains true to its roots in the measures undertaken as part of the optimization program “Impulse ARAG 100”. By streamlining the most important customer-level processes, ARAG is creating the prerequisites for optimum added value.

Impulses for the Future

Tradition and innovation in harmony

Times change –
and the opportunities change with them.
The future belongs to those
who create tomorrow's innovations
today.



Easy living isn't hard – a strong and independent partner on your side provides the security that lets you enjoy life.

Impulses for the Future

Concentrating our energy for planned growth

By concentrating our strength we can apply it more effectively. With "Impulse ARAG 100" and our focus on legal insurance, ARAG is securing its market position as a globally networked niche player. At the same time the realignment of the Group toward private and mass-customer business is an ideal fit for the financial resources of a modern family company. From this solid base, the Group can exploit market opportunities as they arise, in spite of the upheavals in our industry. The overall development in ARAG's core legal insurance business testifies to the correctness of the Group's strategic orientation. This segment has grown continuously over the last six years. In future, the Group will continue to pursue classic commercial objectives in order to achieve long-term growth in ARAG's value – with timely products and future-proof performance.

Particularly for globally active players, adapting enterprise strategies to emerging market trends is now more important than ever. Because customer needs are also changing in the face of global market developments. With the optimization program “Impulse ARAG 100”, the Group is improving its flexibility and effectiveness so that, in future, it can respond to new customer needs even more rapidly and proactively. Among other actions, ARAG is streamlining the most important customer-level processes, while at the same time realizing significant potential for savings.
In this way the Group is enhancing its profitability. Because in future, only the most efficient enterprises will remain independent. And ARAG’s history is proof positive that independence pays off – for ARAG and its customers.

Impulses for the Future

Optimized processes for better customer service


Relaxing also means
exerting energy where it can
make a difference.
Others can handle the rest.

Management Report

Development of premium income and sales (in million euros)	2003	2002	2001
Legal insurance			
Domestic	**347.3**	351.0	364.1
International	**261.9**	244.6	228.6
Composite*	**243.8**	232.0	221.8
Life	**245.0**	250.2	251.4
Health	**164.5**	150.8	125.7
Service companies	**71.8**	101.4	120.2

* including special service package business of ARAG Spain

- Policy of strengthening the financial base to be continued unabated
- Restructuring and optimization of the Group successfully initiated
- Significant increase in underwriting earnings
- Continued strong growth in international legal insurance to strengthen our core business in the long term
- All insurance sectors contribute to strengthening the Group

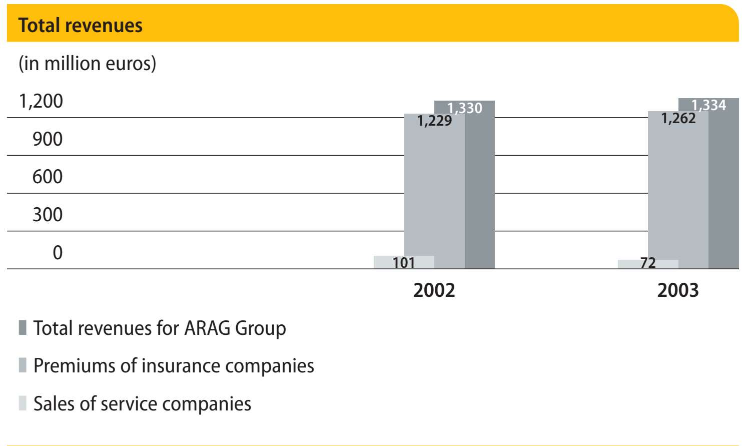
ARAG Group Management Report for Fiscal Year 2003

The fiscal year 2003 was characterized by the third straight year of stagnation in the German economy as a whole. Investors and consumers continued to exercise severe restraint. There was a particular lack of clear incentives to stimulate private consumers. The impulses necessary to spark significant growth in the financial markets did not occur. However, the capital markets stabilized. In the course of 2003 they turned the corner and began to show a noticeable recovery. Due to the prevailing political and economic conditions, however, sustained capital market price increases cannot be expected with any great degree of confidence.

In spite of this unfavorable economic climate, the ARAG Group once again succeeded in maintaining its leadership position in the market as a modern and healthy niche player. In this third year of insurance industry crisis, the Group continued to operate in the black, and in particular posted a significant improvement in its underwriting result. This is in large measure a result of our strictly adhering to our proven enterprise strategy and our conservative business principles. Our future-oriented family enterprise thus stands out among other insurance companies.

As an internationally diversified legal insurance specialist, our focus lies clearly on our core business of legal insurance. The Group's emphasis on private and mass-customer business is an ideal fit for the financial resources of a modern family company, as well as being a key factor in the Group's favorable overall risk structure.

ARAG is proactively responding to the structural changes currently under way in the insurance industry, characterized by uncompromising customer orientation, rapidly increasing internationalization and greater profitability requirements, through systematic, comprehensive restructuring and optimization actions. As of 1 January 2003, the new Group structure was implemented, making the Group considerably more streamlined and effective. The optimization program "Impulse ARAG 100" was initiated in the fiscal year under review. The aim of this comprehensive program is to enable ARAG to respond even more efficiently to the ever more rapidly changing needs of customers and consumers, and to identify and realize potential savings. In addition, we initiated a large-scale portfolio review, which will ultimately result in a further significant improvement of the risk structure of our insured portfolio.



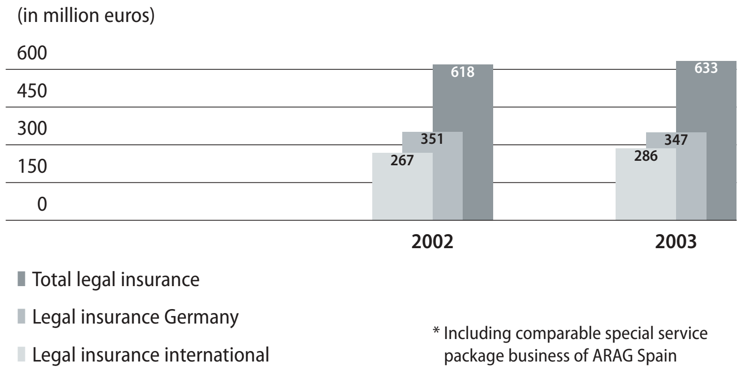
The aim of all our actions is to achieve a net return on invested capital of 10 percent after conclusion of all optimization measures. The improved return on equity will play an important role in strengthening the capital base of this family enterprise.

Premiums/sales With total revenues of € 1.33 billion, the ARAG Group achieved the level of the previous year. The premiums of the insurance companies grew by 2.8 percent, from € 1.23 billion to € 1.26 billion. This increase was due primarily to the continuing strong growth of our international legal insurance business. This is a source of sustained strength for our core line of business. In fiscal 2003, the volume of our core business increased by 2.5 percent, from € 618.0 billion to € 633.2 billion. Outside of the insurance business, the sales of the service companies declined by 29.2 percent following the restructuring activities.

In all, the Group's portfolios comprise some 6.55 million policies. Our international business accounts for 2.13 million of these. The domestic sport business (composite sector) comprises a further 20.70 million insured risks, insured through 18 state sport associations.

Capital investments In fiscal 2003, the Group's capital investment holdings increased by 1.6 percent, from € 4,246 million to € 4,312 million, even though it was necessary to take extraordinary write-downs of € 120.3 million on stocks and investment fund shares. Of the investment fund shares, book values totaling € 1,919 million are attributed to investment capital in accordance with art. 341b (2) HGB (German Commercial Code). The write-downs in the amount of € 21.4 million avoided in this manner are offset against valuation reserves in other capital investments amounting to € 161.6 million.

Uninterrupted growth in international legal insurance business*



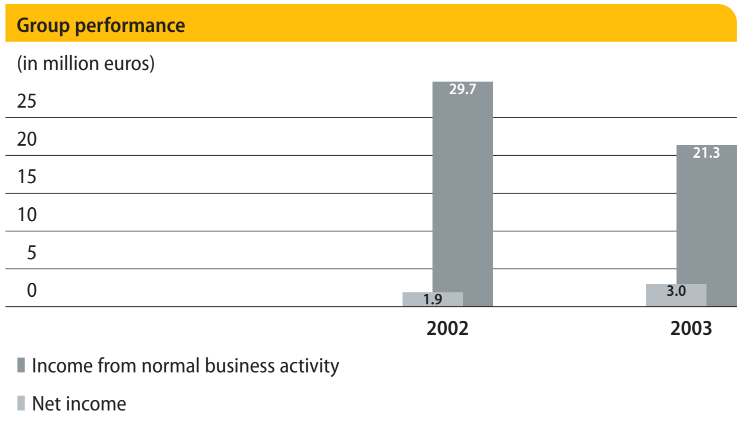
* Including comparable special service package business of ARAG Spain

The capital investment structure in comparison to the previous year is as follows:

Type of capital investment

(in million euros)		2003		2002
I. Real estate and buildings	386.1	9.0%	396.6	9.2%
II. Shares in affiliated companies and holdings	98.7	2.3%	102.7	2.4%
III. Lending to affiliated companies and holdings	7.9	0.2%	1.3	0.0%
IV. Stocks and investment fund shares	1,919.8	44.5%	1,877.2	43.5%
V. Bearer bonds	341.7	7.9%	495.6	11.5%
VI. Mortgages receivable, other similar rights	302.2	7.0%	288.3	6.7%
VII. Registered debentures, promissory notes	904.1	21.0%	769.2	17.8%
VIII. Bank deposits	123.3	2.9%	99.6	2.3%
IX. Other lending	157.9	3.7%	158.3	3.7%
X. Other capital investments	70.7	1.6%	57.5	1.3%
	4,312.4	**100.0%**	**4,246.3**	**100.0%**

The current values of all capital investments total € 4,452.7 million.

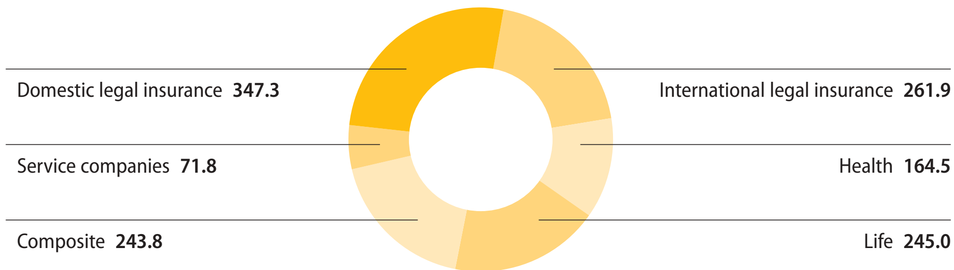


Profit situation The continuing spending reluctance of consumers and the ongoing effects of the downturn on the financial markets were significant external factors affecting the Group's earnings situation. Additional charges on earnings were accepted deliberately in order to strengthen the financial basis of the Group over the long term. The optimization program "Impulse ARAG 100" initially requires increased outlays for startup investments. Increasing the Group's international growth also required financial support. In addition, the new German legislation regulating attorneys' and court fees necessitated new, extraordinary provisions for outstanding claims in our core legal insurance segment. Following € 18.8 million in 2001 and € 9.7 million in 2002, an additional € 8.4 million was set aside in the fiscal year under review, which directly impacts the operating result.

In spite of these numerous earnings-depressing factors, the Group operated decidedly in the black both with regards to its underwriting accounts and capital investments. The significant increase in underwriting revenues by 202.7 percent to € 22.7 million, compared to € 7.5 million in the previous year, is particularly encouraging. At € 21.3 million, income from normal business activity was, as anticipated, below the level of the previous year (€ 29.7 million). Given the € 10.0 million lower tax expenditure, the net profit after deduction of external portions increased by 57.9 percent, from € 1.9 million to € 3.0 million.

Premiums and sales by sector

(in million euros)



Sectors of the ARAG Group

Gross premium revenues		
(in million euros)	2002	**2003**
Domestic legal insurance	359	**347**

Domestic legal insurance In fiscal 2003, the largest single segment of the ARAG Group continued to demonstrate its resilience under challenging market conditions. The positive trends of previous years were continued. The premium attrition in German legal insurance again declined noticeably. The revenues from self-contracted business declined by 0.9 percent from € 350.6 million to € 347.3 million. In 2002 by comparison this drop amounted to 3.6 percent in a much healthier business climate. New business showed an increase of 10 percent in the year under review, after growing by 19 percent in the previous year.

The underwriting result improved from € -5.9 million to € 2.3 million, even though burdened by large transfers to reserves for deferred claims. On the other hand, the capital investment result fell from € 40.7 million to € 17.8 million. The income from normal business activity declined accordingly and amounted to € 3.1 million, as opposed to € 17.9 million for the previous year.

Gross premium revenues		
(in million euros)	2002	**2003**
International legal insurance	245	**262**

International legal insurance The international legal insurance business continued to function as the Group's growth engine. As in the previous year, premium revenues increased by a further 7 percent. This segment grew from € 244.6 million to € 261.9 million. An additional € 24 million in premium revenues is attributable to the comparable special service package business of ARAG Spain, which was booked under the composite insurance sector. Thus, the total revenues of the international subsidiaries amounted to € 286 million. Over 45 percent of premium revenues in the Group's core business is attributable to the international subsidiaries. As expected, international legal insurance has reinforced its position as our largest line of business after German legal insurance.

An additional € 35 million in premium earnings is attributable to companies in which the ARAG Group holds a minority share. These minority shareholdings are not consolidated and are thus not included in the premium revenues of this sector.

International legal insurance continues to operate profitably while posting consistent growth. The income from normal business activity in the international legal insurance sector has more than doubled, growing from € 5.6 million in the previous year to € 14.8 in the year under review.

Gross premium revenues		
(in million euros)	2002	**2003**
Composite insurance	232	**244**

Composite The composite sector continued to show satisfactory development and represents a stable element within the Group structure. This sector is overseen by the ARAG Allgemeine Versicherungs-AG and also includes Interlloyd Versicherungs-AG, which specializes in the brokerage business, as well as the special service package business of ARAG Spain, as mentioned above. Overall, the composite sector posted premium revenues of € 243.8 million as opposed to € 232.2 million in the previous year. Just as in 2002, Interlloyd succeeded in increasing its premium revenues by 20 percent over the previous year. ARAG Allgemeine increased its new business by 18.8 percent; this success was due primarily to the broad acceptance of our direct motorist rate (K-Direkt) on the part of consumers.

ARAG Allgemeine consolidated its excellent position in the highly specialized sport insurance sector in the year under review. The integration of the portfolios of the state athletic associations of Saxony and Thuringia assumed from the insurer Gerling Versicherung was completed in 2003.

The underwriting account of the composite sector improved significantly. This sector posted a profit for the year of € 8.4 million as compared to a profit of € 3.6 million in the previous year. The income from normal business activity increased from € 16.6 million to € 19.5 million.

Gross premium revenues		
(in million euros)	2002	**2003**
Life insurance	250	**245**

ARAG Leben (life insurance) The recovery in the capital markets has eased the pressure on the Group's personal insurers. The earnings situation has noticeably improved. The improvement measures implemented by the company have thus produced results. By significantly reducing the surplus participation to 3.25 percent, ARAG Leben undertook a painful step in 2002, and this rate of return remained unchanged throughout the year under review. As expected, the company lost premiums, posting revenues of € 245.0 million as compared to € 250.2 million in the previous year. In spite of the low surplus participation however, ARAG Leben managed to increase its new business in 2003. Premium revenues from new business amounted to € 575.7 million as compared to € 526.1 million in the previous year.

Net earnings of € 93.5 million were achieved on capital investments of € 2.5 billion, as compared to € 77.1 million in the previous year, an increase of 21.3 percent. The average return on capital investments was 4.7 percent, compared to 5.5 percent in the previous year. The net return increased from 3.1 percent to 3.6 percent. Overall, ARAG Leben had to take write-downs on stocks, investment fund shares and other non-fixed interest securities totaling € 98 million. As of the date of accounting, the company was essentially unencumbered. The underwriting result improved from € 3.5 million to € 8.0 million not least on account of significant reductions in administrative costs. The income of normal business activity amounted to € 5.2 million, following earnings of just € 0.1 million in the previous year. The company applied 90.3 percent of the gross surplus to profit-dependent premium rebates. No premium rebate reserves were set aside in the previous year.

Gross premium revenues		
(in million euros)	2002	**2003**
Health insurance	151	**165**

ARAG Kranken (health insurance) ARAG Kranken showed further positive development and succeeded in reinforcing its market position as a high-quality private health insurer. The company was particularly successful in positioning itself in the market for supplementary private health insurance. Gross premiums booked increased by 9.1 percent, from € 150.8 million to € 164.5 million. The capital investments of ARAG Kranken totaled € 420.2 million and earned € 6.8 million, following a loss of € 2.9 million in the previous year. The average return according to the industry association formula dropped to 4.7 percent (previous year 5.3 percent). The net return improved from -0.85 percent to 1.75 percent. The total write-downs on stocks, investment fund shares and other non-fixed interest securities amounted to € 12.1 million. As of the date of accounting, the company was thus unencumbered. The earnings situation improved noticeably in the fiscal year under review. ARAG Kranken achieved an underwriting result of € 3.6 million following € 0.3 million for the previous year. Normal business activities showed a profit of € 3.3 million.

Sales revenues		
(in million euros)	2002	**2003**
Service companies	101	**72**

Services and asset management The ARAG Group bundles all non-insurance activities under this heading. In addition to the holding companies, of which FIDA Gesellschaft für Vermögensverwaltung und für Vermittlung mbH is one, this sector also comprises the asset management and housing development companies as well as the Group's IT consulting operations. The insurance agency firm Cura GmbH & Co. KG and the Group's call center activities are included here as well. The sales revenues of these non-insurance companies dropped by 20.3 percent to € 163.9 million, following € 205.7 million in the previous year. After adjusting for intra-Group revenues of the service companies, consolidated sales amounted to € 71.8 million as opposed to € 101.4 million in 2002. The decline in sales is due primarily to the weakness of the IT services business with external companies as well as the contracting market for housing and business property development. The IT services were unable to decouple themselves from the continued tight technology services market.

Employees		
(permanent staff)	2002	**2003**
Entire Group	4,406	**4,378**

Employees On account of the optimization actions initiated mid-2003, the number of employees in the ARAG Group declined slightly. On average for the entire year, the Group employed 4,378 persons, as opposed to 4,406 in the previous year. The reduction in force of over 100 employees in the domestic insurance companies was offset by an increase of 80 employees in the international subsidiaries. The Group's increasing internationalization is reflected in the employment figures. Over 27 percent of the company's employees are based outside of Germany.

Risk report The risks within the insurance industry are classified by risk categories:

Underwriting risks in property and accident insurance: Due to the product and client structure, our insurance portfolio does not hold any extraordinary risks regarding possible major claims that would endanger the Company's continued existence. Suitable reinsurance has been taken out to minimize the risks of large claims in the property, liability and accident business. The claims situation is actually influenced more by the effects of changing legal, economic and social parameters. Furthermore, our claims expenditure can increase as a result of changes to laws and statutory instruments or legal charges and fees – even for claims that have already been reported. We counter these risks by constantly monitoring legal and social developments and analyzing their impact on our insurance portfolio. Insurance rates and terms are adapted where necessary and the claims provisions provide for sufficient safety margins. The premium adjustment clause of our domestic legal insurance also allows insurance premiums to be adjusted in line with claims development.

The steady nature of our insurance business as well as the continually appropriate apportionment of claims provisions may be seen in the data given below for the gross claims trends for self-contracted business for our German legal insurance subsidiaries over the last ten years, as well as our property and accident insurance subsidiaries.

Fiscal year	Claims ratio for self-contracted business, gross, total						Settlement result, self-contracted business		
	Ratio for fy			Balance			in % of initial reserves		
	Legal	Property/ liability/ accident	Domestic, total	Legal	Property/ liability/ accident	Domestic, total	Legal	Property/ liability/ accident	Domestic, total
2003	65.2	67.8	66.2	57.5	45.9	53.1	4.9	20.2	9.4
2002	66.2	74.9	69.4	58.9	66.2	61.5	4.8	8.7	5.9
2001	64.5	65.4	64.8	60.5	60.3	60.4	2.8	5.3	3.4
2000	62.4	67.0	64.0	58.4	51.2	56.0	2.9	17.0	6.6
1999	64.3	67.7	65.4	60.4	55.8	58.8	3.0	13.6	5.7
1998	65.3	68.2	66.3	60.5	51.0	57.4	3.9	19.6	7.9
1997	68.6	71.2	69.5	63.6	57.8	61.6	4.1	16.3	7.2
1996	68.6	69.9	69.0	64.4	61.4	63.5	3.4	11.4	5.3
1995	70.4	68.8	69.9	66.4	61.6	64.9	3.5	10.8	5.2
1994	67.5	68.3	57.8	59.6	64.3	61.2	7.2	6.9	7.1

Underwriting risks for life insurance and health insurance: The underwriting risk is the danger that the key payment flows of the insurance business deviate from the expected values. This risk might be due to the fact that the premium amounts fixed at the start of the policy and guaranteed for the policy's duration are not sufficient to finance the guaranteed insurance benefits (premium/insurance benefit risk), that the net earnings on capital investments are not sufficient to cover the interest guarantees (interest guarantee risk), or that the underwriting reserves established are not adequate to fulfill future insurance benefits.

Among other strategies, these risks are countered under special consideration of the constant fulfillment of contractual obligations by calculating the premiums and insurance benefits and the corresponding provisions to be made in accordance with recognized actuarial principles under observance of all statutory requirements.

With regard to the biometric basis for calculation (death probabilities, disability probabilities, etc.), only recognized withdrawal tables provided by the German actuarial association DAV and the BAFin (German Federal Financial Supervisory Authority) are considered sufficiently reliable. Actuarial model analyses are additionally conducted on a regular basis.

The interest guarantee risk is countered under special consideration of the constant fulfillment of contractual obligations by calculating the premiums and insurance benefits and the corresponding provisions to be made in accordance with recognized actuarial principles under observance of all statutory requirements. Market price and value fluctuations are hedged. In an assumed scenario of an equity price loss of 20 percent, the market value of the stocks of the life insurance would fall by 19.0 percent. A change in interest rates of one percentage point up or down would decrease or increase the market value of fixed-interest securities and lending in the life insurance sector by around 4.9 percent. However, these losses would only be reflected in the balance sheet if it was anticipated that they were of a long-term nature.

The credit risk in capital investments is countered by strict observance of regulatory investment restrictions in selecting investments and through regular review of the creditworthiness of debtors using ratings. 46.9 percent of the fixed-interest securities in the life insurance investment portfolio have an average Standard & Poor's rating of AA or better.

Cautious, forward-looking financial planning is undertaken to minimize the liquidity risk. The regulatory solvency margin requirements for life and health insurance are more than fulfilled.

Risk from default on debts in the insurance business: Losses due to default on debts in the insurance business are minimized by an efficient and persistent dunning system. The residual default risk is anticipated by setting aside general provisions for bad debt against receivables in the financial statement.

As of 31 December 2003, receivables in insurance business more than 90 days past due amounted to € 14,306,686. The average default rate for receivables in 2001 through 2003 amounted to 0.55 percent with reference to booked premiums.

Risks from capital investments: Fiscal 2003 saw a general recovery on the international stock markets – after three negative years in a row. This development was driven, following the quick end to the war in Iraq, by signs of a dynamic upward economic trend supported by a high liquidity supply provided by the national banks. To this extent, the strategic positioning of the ARAG Group has been proved correct. As an insurance company, the assumption and professional management of risks are a part of the fundamental business of the ARAG Group, and are thus a significant element of capital investment controlling as well. Specifically, the risks of capital investments comprise the market risk, the credit risk and the liquidity risk. A broad diversification of the portfolio limits the individual risks by diversifying the capital investments widely on the basis of types, debtors and regions.

The market risk is countered by a risk-based controlling concept that enables a capital investment early warning system in conjunction with continuing market monitoring and timely reporting. In addition, the risk situation and the financial stability of the domestic insurance subsidiaries are reviewed on a regular quarterly basis in the form of internal tests based on the same criteria as the official stress tests of financial regulators. The stress tests examine whether the companies would be able to meet their obligations to their insurance customers in spite of extreme crisis situations on the capital markets without recourse to extraordinary measures. In the stress tests, which have been expanded to three scenarios, the following simultaneously occurring losses in value are assumed:

Scenario	R 10	A 35	RA 25
Bonds	-10%	–	-5%
Stocks	–	-35%	-20%

As a result of these analyses it may be stated that as of the accounting date, the Group's domestic legal insurance operation as well as its property and accident insurance subsidiaries have passed all stress tests mandated by regulatory authorities without restriction. ARAG Kranken has passed these tests as well. At ARAG Leben, measures have been undertaken to ensure that this company will in future pass this test in all respects.

Strict requirements with respect to the financial strength of debtors and the avoidance of a concentration on individual debtors reduce the credit risk of the ARAG Group to a great extent. The restriction of fixed-interest securities almost exclusively to investment-grade instruments is the logical consequence of this principle.

The liquidity risk is limited by revolving financial planning which identifies the payment flows in good time and allows them to be matched through asset-liability management. In addition, the high fungibility of our capital investments ensure that these can be liquidated on short notice.

The use of derivative instruments is regulated solely by our general principles and internal guidelines and only for hedging purposes.

Operational risks: The ARAG Group has installed planning and controlling systems in order to guarantee efficiency and performance. These systems include detailed short-, medium- and long-term plans and budgets as well as timely information for decision makers.

In particular, operational risks are considered to include the risks arising from the use of technical systems and processes in the Company. The most significant risk is that of partial or complete failure of all information systems. To guard against this risk the Group has implemented numerous technical and organizational safeguards (strict access control, backup and recovery concepts, firewalls etc.); these are reviewed on a regular basis and upgraded as developments warrant. Risks can occur in the system house in connection with the fulfillment of orders to develop software products for third parties. The system house seeks to counter these risks by means of suitable controlling measures.

The ARAG Group guards against the risk of administrative failures through rules and audits in the respective departments.

With regard to our risk management activities, the Group regards the continuing development of a risk management system as a significant success factor in achieving its long-term strategic objectives and consolidating and expanding its market position. The asset-liability management system is an integral part of the risk management system.

Other risks: There are no further specific risks or other risks endangering the Company to be reported.

Outlook Only a slight overall improvement in the economic outlook is anticipated in fiscal 2004. Tangible economic stimuli were essentially negated by a sharp increase in energy prices in the first half of 2004. In particular, this will further discourage consumers from increased consumption. Overall, the financial markets are in better shape. However, they are extremely sensitive to bad news. As a consequence, the markets are still unable to regain the trust of small investors. Accordingly, no positive stimuli are to be expected. The insurers' capital investment strategy must take this into account. The pressure to improve the operative figures remains high.

In German legal insurance, the Group's core market, the new "legal costs modernization" legislation will severely test the acceptance of legal insurance on the part of customers and consumers. This legislation provides for significant increases in the fees for attorneys, courts, expert witnesses and interpreters. This will make all services relating to practical legal assistance more expensive. The new legislation will result in additional costs of ca. € 40 million per year for ARAG Rechtsschutz. Thanks to a far-sighted approach, reserves have been set aside to provide for the first impact of this cost avalanche. In the medium term, however, the drastic increase in costs will make a premium increase inevitable for customers. This is associated with the clear entrepreneurial opportunity that the significant cost increases may well make private insurance in this area even more necessary, and legal insurance products accordingly much more attractive.

The ARAG Group is proactively and confidently taking on the current entrepreneurial challenges. Strengthened by a new, streamlined corporate structure, ARAG is in the process of rapidly and consistently implementing the optimization program "Impulse ARAG 100", commenced in 2003. Once all planned target structures have been realized by the end of 2005, the optimization actions are expected to produce cost savings of up to € 50 million annually. The new target structures will fully take effect in 2007, resulting in even more savings.

In 2004 the program has produced its first results much earlier than planned. This is an incentive and a motivation to continue the optimization program with all possible effort. All restructuring and optimization projects pursue a common core objective: ARAG is aiming to improve its service and competence to the greater benefit of its customers. One aspect of this is ensuring that the community of ARAG customers is not disproportionately burdened by the high costs of frequent-claimant customers. In the coming years, the Group plans to shed a premium volume on the order of € 20 million in the German legal insurance business. In the past, this portion of our portfolio has run a claims ratio of 300 percent.

All optimization measures will further strengthen the Group's solid financial basis. As an internationally diversified legal insurance specialist, the Group is fully committed to a successful core-business strategy. ARAG continues to expand its core business in Germany and on the international legal insurance markets on the basis of attractive profitability requirements.

The important Group business sectors of composite and personal insurance continue to pursue increasing specialization in their respective markets. In doing so, they are developing concepts for integrating their products more closely with legal insurance. Closer product cross-linkage between the legal and composite insurance sectors is already in progress. The personal insurance unit is already reviewing comparable product concepts. It is anticipated that software development for third parties will again generate a negative contribution to earnings for the current fiscal year.

In future, the Group's close relationship with its subsidiaries will be publicly demonstrated more strongly. The family holding company FIDA GmbH will be reorganized as a stock corporation and renamed ARAG AG. This will secure the Group as a whole a uniform market presence under the well-known insurance brand ARAG.

The ARAG Group is on the move all across the board. In the coming years, our mission is to fully implement the Group strategy and the optimization program "Impulse ARAG 100", and thus to rapidly advance the metamorphosis of the ARAG Group. Although the optimization program is already producing positive contributions to the bottom line, the cost burden of the new legal costs modernization legislation will counteract these effects. Consequently, an improved earnings situation cannot yet be expected in the current fiscal year. From 2005 on, however, the restructuring and optimization measures will generate improved profitability for the entire Group.

Consolidated Financial Statement

FIDA Gesellschaft für Vermögensverwaltung und für Vermittlung mbH

Consolidated Financial Statement

Consolidated Balance Sheet as of 31 December 2003

Assets
A. Outstanding contributions to subscribed capital of parent company
B. Intangible assets
1. Costs for start-up and expansion of business activity according to art. 269 (1) sen. 1 HGB
2. Value of goodwill
3. Other intangible assets
C. Capital investments
I. Real estate, comparable rights and buildings including those on third-party property
II. Capital investments in affiliated companies and shareholdings
1. Shares in affiliated companies
2. Lending to affiliated companies
3. Holdings in associated companies
4. Other holdings
5. Lending to companies with which a shareholding relationship exists
III. Other capital investments
1. Stocks, investment fund shares and other non-fixed interest securities
2. Bearer bonds and other fixed-interest securities
3. Mortgages receivable, other similar rights and fixed-interest debts
4. Other lending
a) Registered debentures
b) Promissory notes and loans
c) Loans and advance disbursements on insurance policies
d) Other lending
5. Bank deposits
6. Other capital investments
IV. Portfolio assets from assumed reinsurance business
D. Capital investments for the account and risk of life insurance policyholders
E. Accounts receivable
I. Accounts receivable for self-contracted insurance business from:
1. Policyholders
a) Claims due
b) Claims not yet due
2. Insurance agents
portion from affiliated companies: € 0.00 (previous year € 178,515.19)
II. Settlement receivables from reinsurance business
III. Other accounts receivable portion from affiliated companies: € 3,066,613.61 (previous year € 3,769,759.51) portion from companies with which a shareholding relationship exists: € 561,228.37 (previous year € 358,686.03)
F. Other assets
I. Real estate intended for sale and other assets of non-insurance companies
II. Tangible assets and supplies
III. Current bank balances, checks and cash in hand
IV. Other assets
G. Accrued income
I. Deferred interest and rents
II. Other accrued income
H. Tax deferment item in accordance with art. 306 in conjunction with art. 274 (2) HGB
Total assets

Appendix	in euros	in euros	in euros	2003 in euros	2002 in euros
				149,610,000.00	**119,610,000.00**
1 p. 54					
2 p. 48			965,913.00		1,448,869.00
3 p. 49			73,228,481.62		45,075,223.80
4 p. 49			14,073,223.97		15,551,861.90
				88,267,618.59	**62,075,954.70**
1 p. 54					
5 p. 49			386,111,043.21		396,638,206.90
6 p. 49					
		3,906,919.73			5,180,199.40
		4,779,205.92			1,289,731.11
		34,284,674.84			39,458,526.40
		60,535,342.18			58,023,076.59
		3,100,001.00			1.00
			106,606,143.67		103,951,534.50
7 p. 49		1,919,806,639.07			1,877,229,784.69
7 p. 49		341,728,912.51			495,583,980.84
8 p. 49		302,157,352.01			288,274,264.65
8 p. 49					
	188,532,538.61				329,914,979.83
	715,566,128.95				439,305,928.34
	67,331,139.59				53,965,545.91
	157,873,438.82				158,298,496.65
		1,129,303,245.97			981,484,950.73
9 p. 49		123,273,665.97			99,667,372.82
8 p. 49		293,680.09			279,123.97
			3,816,563,495.62		3,742,519,477.70
			3,171,181.59		3,187,643.59
				4,312,451,864.09	**4,246,296,862.69**
10 p. 49				**19,844,795.49**	**16,652,152.32**
11 p. 49					
	47,286,866.51				48,607,579.97
	18,726,540.70				18,015,377.10
		66,013,407.21			66,622,957.07
		22,942,673.70			25,203,229.86
			88,956,080.91		91,826,186.93
			15,220,455.70		15,833,441.23
			31,710,249.18		46,044,779.42
				135,886,785.79	**153,704,407.58**
			65,896,631.21		77,107,620.79
12 p. 50			27,753,962.99		46,229,714.78
			36,277,737.40		35,189,343.69
13 p. 50			37,304,660.94		37,085,883.71
				167,232,992.54	**195,612,562.97**
14 p. 50					
			49,226,359.05		46,276,709.05
			5,376,175.06		6,518,619.45
				54,602,534.11	**52,795,328.50**
15 p. 50 16 p. 52				**4,021,885.88**	**0.00**
				4,931,918,476.49	**4,846,747,268.76**

Consolidated Balance Sheet as of 31 December 2003

Liabilities
A. Equity
I. Subscribed capital
II. Revenue reserves
1. Statutory reserves
2. Other revenue reserves
3. Currency exchange rate reserves
4. Difference according to art. 309 (1) HGB
III. Group profit/loss
1. Group net profit
2. Advance disbursement of parent company
IV. Balancing item for shares of other shareholders
B. Difference from consolidation of capital
C. Special reserve item
D. Underwriting reserves
I. Unearned premiums
1. Gross amount
2. less: portion for reinsured business
II. Coverage provision
1. Gross amount
2. less: portion for reinsured business
III. Provision for outstanding claims
1. Gross amount
2. less: portion for reinsured business
IV. Provision for profit-dependent and profit-independent premium rebates
V. Fluctuation reserve and similar provisions
VI. Other underwriting reserves
1. Gross amount
2. less: portion for reinsured business
E. Underwriting reserves for life insurance, to the extent that the investment risk is borne by the policyholders
I. Coverage provision
II. Other underwriting reserves
Carryover:

Appendix	in euros	in euros	2003 in euros	2002 in euros
17 p. 56				
		200,000,000.00		160,000,000.00
	0.00			0.00
	128,976,770.45			135,094,419.95
	0.00			-351,288.93
	-45,730,337.23			-36,196,823.99
		83,246,433.22		98,546,307.03
	2,976,884.75			1,856,486.03
	0.00			-3,400,000.00
		2,976,884.75		-1,543,513.97
		19,617,350.75		19,297,909.69
			305,840,668.72	**276,300,702.75**
18 p. 57			**13,888,173.97**	**13,888,173.97**
19 p. 50 20 p. 58			**944,337.87**	**6,180,293.60**
21 p. 50				
	218,806,621.90			211,995,051.91
	-11,893,104.90			-7,862,662.71
		206,913,517.00		204,132,389.20
22 p. 50				
	2,649,630,400.78			2,582,936,979.47
	-73,947,906.00			-74,088,617.70
		2,575,682,494.78		2,508,848,361.77
23 p. 51				
	1,032,386,574.16			1,029,473,853.70
	-59,887,241.02			-60,845,218.58
		972,499,333.14		968,628,635.12
		153,294,798.43		157,921,539.84
24 p. 51		65,203,518.00		56,008,447.00
25 p. 51				
	8,168,119.94			7,829,284.54
	-258,327.66			0.00
		7,909,792.28		7,829,284.54
			3,981,503,453.63	**3,903,368,657.47**
		622,732.74		325,347.64
		19,222,062.75		16,326,804.68
			19,844,795.49	**16,652,152.32**
			4,322,021,429.68	**4,216,389,980.11**

Consolidated Balance Sheet as of 31 December 2003

Liabilities
Carryover:
F. Other reserves
I. Reserve for pensions and similar obligations
II. Reserve for taxes
III. Reserve for anticipated tax liability for subsequent fiscal years according to art. 274 (1) HGB
IV. Other reserves
G. Portfolio liabilities for reinsured insurance business
H. Other liabilities
I. Accounts payable for self-contracted insurance business to:
1. Policyholders
2. Insurance agents
portion to affiliated companies: € 30,529.53 (previous year € 40,472.94)
II. Settlement liabilities from reinsurance business
III. Debts to banks
IV. Other accounts payable portion from taxes: € 19,194,170.15 (previous year € 20,465,782.22) portion attributable to social security: € 4,291,459.24 (previous year € 4,545,466.63) portion to affiliated companies: € 1,414,530.90 (previous year € 1,278,424.34) portion to companies with which a shareholding relationship exists: € 1,218,643.55 (previous year € 85,256.12)
I. Deferred liabilities
Total liabilities

Appendix			2003	2002
	in euros	in euros	in euros	in euros
			4,322,021,429.68	**4,216,389,980.11**
26 p. 52		157,138,827.46		152,210,233.50
		28,432,687.22		16,902,566.83
16 p. 52		0.00		9,978,511.53
27 p. 52		86,760,822.99		71,827,360.66
			272,332,337.67	**250,918,672.52**
28 p. 52			**81,887,749.81**	**84,008,801.68**
28 p. 52				
29 p. 52				
	101,025,766.10			119,568,822.60
	23,709,306.94			26,178,956.68
		124,735,073.04		145,747,779.28
29 p. 52		828,011.44		1,981,482.25
		56,719,893.94		65,794,518.41
		67,351,922.26		76,184,465.09
			249,634,900.68	**289,708,245.03**
30 p. 52			**6,042,058.65**	**5,721,569.42**
			4,931,918,476.49	**4,846,747,268.76**

Consolidated Statement of Profit and Loss for the Period 1 January to 31 December 2003

Item
I. Underwriting account for property and accident insurance business
1. Earned premiums for own account
a) Gross premiums booked
b) Premiums for reinsured business
c) Change in gross unearned premiums
d) Change in reinsurers' portion of gross unearned premiums
2. Technical interest earned for own account
3. Other underwriting earnings for own account
4. Cost of claims for own account
a) Payments for claims
aa) Gross amount
ab) Reinsurers' portion
b) Change in provision for outstanding claims
ba) Gross amount
bb) Reinsurers' portion
5. Change in other net underwriting reserves
a) Net coverage provision
b) Other underwriting reserves
6. Cost of profit-dependent and profit-independent premium rebates for own account
7. Cost of insurance business for own account
a) Gross cost of insurance business
b) less: commissions and profit-sharing received from reinsured insurance business
8. Other underwriting costs for own account
9. Subtotal
10. Change in fluctuation reserve and similar provisions
11. Underwriting result for own account in property and accident insurance business

Appendix	in euros	in euros	2003 in euros	2002 in euros
31 p. 53	853,072,865.02			827,668,177.76
	-21,310,933.51			-19,068,866.58
		831,761,931.51		808,599,311.18
	-2,914,020.47			1,001,070.22
	-65,197.00			59,038.00
		-2,979,217.47		1,060,108.22
			828,782,714.04	**809,659,419.40**
			434,858.01	**484,865.00**
			2,420,948.54	**2,625,299.72**
	466,335,214.06			450,922,829.43
	-12,355,636.83			-5,657,252.05
		453,979,577.23		445,265,577.38
	-8,533,486.61			42,989,424.23
	14,916,876.58			-14,923,940.23
		6,383,389.97		28,065,484.00
			460,362,967.20	**473,331,061.38**
		-1,436.00		1,704.00
		4,854.26		-418,658.60
			3,418.26	**-416,954.60**
			0.00	**314.48**
32 p. 59				
		355,392,215.18		353,925,423.62
		-5,641,009.12		-5,582,996.09
			349,751,206.06	**348,342,427.53**
			858,039.08	**729,878.32**
			20,669,726.51	**-10,051,052.19**
			-9,195,071.00	**3,110,204.93**
			11,474,655.51	**-6,940,847.26**

Consolidated Statement of Profit and Loss for the Period 1 January to 31 December 2003

Item
II. Underwriting account for life and health insurance business
1. Earned premiums for own account
a) Gross premiums booked
b) Premiums for reinsured business
c) Change in gross unearned premiums
d) Change in reinsurers' portion of gross unearned premiums
2. Premiums from gross reserve for premium rebates
3. Earnings from capital investments
a) Earnings from shareholdings portion from affiliated companies: € 0.00 (previous year € 0.00)
b) Earnings from associated companies
c) Earnings from other capital investments portion from affiliated companies: € 16,688.06 (previous year € 334,914.63)
ca) Income from real estate, comparable rights and buildings including those on third-party property
cb) Earnings from other capital investments
d) Gains from write-ups
e) Gains from sale of capital investments
f) Gains from dissolution of special reserve item
4. Unrealized gains from capital investments
5. Other underwriting earnings for own account
6. Cost of claims for own account
a) Payments for claims
aa) Gross amount
ab) Reinsurers' portion
b) Change in provision for outstanding claims
ba) Gross amount
bb) Reinsurers' portion
7. Change in other net underwriting reserves
a) Net coverage provision
aa) Gross amount
ab) Reinsurers' portion
b) Other underwriting reserves
8. Cost of profit-dependent and profit-independent premium rebates for own account
9. Cost of insurance business for own account
a) Cost of sales
b) Administrative costs
c) less: commissions and profit-sharing received from reinsured insurance business
10. Costs of capital investments
a) Costs for administration of capital investments, interest costs and other costs for capital investments
b) Write-downs on capital investments portion for extraordinary write-downs according to art. 253 (2) sen. 3 HGB: € 110,256,948.98 (previous year € 122,479,551.46)
c) Losses from sale of capital investments
11. Unrealized losses from capital investments
12. Other underwriting costs for own account
13. Underwriting result for own account in life and health insurance business

Appendix	in euros	in euros	**2003** in euros	**2002** in euros
31 p. 53	409,485,181.43			400,938,633.56
	-7,113,995.83			-9,830,559.61
		402,371,185.60		391,108,073.95
	770,666.76			-75,966.89
	-1,095,667.13			-113,973.21
		-325,000.37		-189,940.10
			402,046,185.23	**390,918,133.85**
			10,250,514.49	**34,643,734.37**
		1,892,800.36		1,970,368.37
		2,998,645.65		3,960,640.00
	16,039,614.73			11,273,110.50
	134,029,198.89			136,554,625.19
		150,068,813.62		147,827,735.69
		348,689.89		5,628,020.39
		68,578,663.78		52,437,923.10
		0.00		1,465,980.84
			223,887,613.30	**213,290,668.39**
33 p. 58			**1,890,164.23**	**1,683.20**
			716,565.85	**36,475,994.48**
	337,018,126.63			292,648,227.68
	-8,601,065.59			-4,482,727.72
		328,417,061.04		288,165,499.96
	1,396,028.33			-5,168,268.22
	-634,850.45			544,931.53
		761,177.88		-4,623,336.69
			327,655,883.16	**292,788,836.65**
	-66,989,370.41			-144,181,932.12
	-140,711.70			5,500,111.03
		-67,130,082.11		-138,681,821.09
		-1,941,037.90		5,694,123.73
			-69,071,120.01	**-132,987,697.36**
34 p. 59			**22,948,003.76**	**433,713.51**
32 p. 59				
	62,469,967.65			62,210,062.11
	17,823,770.14			18,143,640.18
		80,293,737.79		80,353,702.29
		-1,891,631.36		-826,958.97
			78,402,106.43	**79,526,743.32**
		9,662,091.05		6,740,409.97
		113,743,774.58		127,152,356.10
		507,998.98		864,087.26
			123,913,864.61	**134,756,853.33**
			0.03	**5,737,717.47**
			5,556,202.98	**14,691,273.26**
			11,243,862.12	**14,407,379.39**

Consolidated Statement of Profit and Loss for the Period 1 January to 31 December 2003

Item
III. Non-underwriting account
1. Underwriting result for own account
a) In property and accident insurance business
b) In life and health insurance business
2. Earnings from capital investments, where not stated under II. 3.
a) Earnings from shareholdings portion from affiliated companies: € 1,064,266.43 (previous year € 243,377.92)
b) Earnings from associated companies
c) Earnings from other capital investments portion from affiliated companies: € 80,210.34 (previous year € 80,183.18)
ca) Income from real estate, comparable rights and buildings including those on third-party property
cb) Earnings from other capital investments
d) Gains from write-ups
e) Gains from sale of capital investments
f) Gains from dissolution of special reserve item
3. Costs of capital investments, where not stated under II. 10.
a) Costs for administration of capital investments, interest costs and other costs for capital investments
b) Write-downs on capital investments portion for extraordinary write-downs according to art. 253 (2) sen. 3 HGB: € 25,143,939.70 (previous year € 4,422,994.62)
c) Losses from sale of capital investments
d) Costs from assumption of losses
e) Transfers to special reserve item
4. Technical interest earnings
5. Sales revenues from non-insurance subsidiaries
6. Production costs of performing the services for achieving the sales revenues of non-insurance subsidiaries
7. Other earnings
8. Other costs portion write-downs on company values from consolidation of capital: € 4,109,192.00 (previous year € 4,109,191.94)
9. Non-underwriting result
10. Income from normal business activity
11. Taxes on income and earnings
12. Other taxes
13. Profit/loss for year before external portions
14. Profit attributable to other shareholders
15. Loss attributable to other shareholders
16. Net income

				2003	2002
	in euros	in euros	in euros	in euros	in euros
			11,474,655.51		-6,940,847.26
			11,243,862.12		14,407,379.39
				22,718,517.63	**7,466,532.13**
		1,203,006.65			260,519.27
		1,099,090.71			394,965.24
	15,190,073.72				17,600,609.92
	56,585,503.75				56,574,338.76
		71,775,577.47			74,174,948.68
		1,282,297.88			1,527,101.46
		5,533,473.35			11,332,367.81
		0.00			3,664,080.33
			80,893,446.06		91,353,982.79
		8,362,892.02			12,383,465.66
		30,892,695.58			10,775,573.99
		344,156.27			420,350.11
		0.00			895,748.11
		0.00			108,776.64
			39,599,743.87		24,583,914.51
				41,293,702.19	**66,770,068.28**
				-434,858.01	**-484,865.00**
				71,825,799.99	**101,402,609.25**
				-74,726,351.70	**-106,562,495.36**
			31,843,715.99		33,278,069.57
			71,201,922.83		72,132,135.73
				-39,358,206.84	**-38,854,066.16**
				-1,399,914.37	**22,271,251.01**
				21,318,603.26	**29,737,783.14**
			15,305,938.41		24,014,268.46
			1,338,356.95		2,596,253.43
				16,644,295.36	**26,610,521.89**
				4,674,307.90	**3,127,261.25**
			-2,656,871.02		-2,209,383.63
			959,447.87		938,608.41
				-1,697,423.15	**-1,270,775.22**
				2,976,884.75	**1,856,486.03**

Statement of Consolidated Cash Flow for Fiscal Year 2003

	2003 in euros	2002 in euros
I. Cash flow from current business		
Net income	4,674,308	3,127,261
Change in net underwriting reserves	81,327,439	73,060,009
Change in portfolio assets and liabilities and settlement assets and liabilities	-2,645,075	12,472,177
Change in other receivables and payables	-21,715,238	-28,400,549
Profit/loss from sale of capital investments	-73,259,982	-62,485,854
Changes in other assets and liabilities	928,007	-17,722,152
Depreciation on intangible assets	11,898,184	11,615,396
Write-downs on capital investments	144,636,470	137,927,930
Write-ups on capital investments	-1,630,988	-7,155,122
Changes in special reserve item	-5,235,956	-5,049,967
Effects of currency exchange rates	6,029,038	2,426,163
Cash flow from current business	**145,006,207**	**119,815,292**
II. Cash flow from investment activities		
Payments received from sale of consolidated companies and other business units	6,889,944	5,291,171
Disbursements for purchase of consolidated companies and other business units	-3,970,829	0
Payments received from sale and maturity of other capital investments	1,527,046,829	1,363,207,079
Disbursements for the purchase of other capital investments	-1,671,040,181	-1,496,705,458
Other payments received	20,033	0
Other disbursements	-8,663,610	-282,707
Cash flow from investment activities	**-149,717,814**	**-128,489,915**
III. Cash flow from financing activities		
Shareholder contributions	10,000,000	0
Disbursements to company owners and minority shareholders	0	0
Dividend payments	-4,200,000	-3,400,000
Payments and disbursements from other financing activities	0	7,036,357
Cash flow from financing activities	**5,800,000**	**3,636,357**
Effective changes in cash reserves	**1,088,393**	**-5,038,266**
Currency effects on cash reserves	0	0
Cash reserves at start of fiscal year	35,189,344	40,227,610
Cash reserves at end of fiscal year	36,277,737	35,189,344
Change in cash reserves in fiscal year	**1,088,393**	**-5,038,266**

Report by Sectors

This report by sectors has been largely adapted to fulfill applicable German regulatory requirements ("Deutscher Rechnungslegungsstandard DRS 3-20 des Deutschen Standardisierungsrates", DSR).

The sector figures are represented after consolidation of relevant internal transactions within the respective line of business. The relationship to the consolidated value is shown by the information in the column "Consolidation".

In contrast to the previous year, reinsurance relationships have been eliminated on the sector level as a result of a different sector assignment.

The definition of sectors by strategic lines of business was undertaken according to the internal organization and management structure of the ARAG Group. The chosen sectors reflect the risks and opportunities of the Group.

The individual Group subsidiaries in the sectors "life insurance" and "services and asset management" were in some cases categorized differently from the previous year.

The strategic lines of business are:

- Domestic legal insurance
- International legal insurance
- Domestic composite insurance
- International composite insurance
- Life insurance
- Health insurance
- Services and asset management

In addition to the parent company and the other asset-managing intermediate holding companies, the service and asset management companies include our real estate companies, IT enterprises and insurance support service companies.

Report by Sectors – Balance Sheet

(in thousand euros)	Domestic legal insurance		International legal insurance		Domestic composite insurance		International composite insurance	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
A. Intangible assets	**653**	**1,282**	**35,300**	**35,624**	**1,849**	**2,903**	**0**	**0**
B. Capital investments	**1,058,522**	**1,039,045**	**295,978**	**284,101**	**357,538**	**344,866**	**11,770**	**9,383**
I. Real estate and buildings including those on third-party property	132,461	107,385	13,783	11,419	44,179	31,573	0	0
II. Capital investments in affiliated companies and shareholdings	273,157	304,125	2,498	1,677	39,207	45,778	0	0
III. Other capital investments	652,904	627,535	276,526	267,817	274,144	267,515	11,770	9,383
IV. Portfolio assets from assumed reinsurance business	0	0	3,171	3,188	8	0	0	0
C. Capital investments for the account and risk of life insurance policyholders	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
D. Other assets by sector	**59,946**	**67,715**	**93,250**	**91,909**	**27,633**	**23,432**	**4,119**	**0**
Total sector assets	**1,119,121**	**1,108,042**	**424,528**	**411,634**	**387,020**	**371,201**	**15,889**	**9,383**
A. Underwriting reserves	**631,873**	**655,994**	**285,810**	**255,943**	**275,077**	**264,608**	**9,863**	**9,383**
I. Unearned premiums	87,728	92,703	76,380	70,814	34,712	30,554	5,424	4,661
II. Coverage provision	0	0	0	0	6	4	0	0
III. Provision for outstanding claims	545,636	564,796	209,403	193,243	233,421	234,032	4,439	4,722
IV. Reserve for premium rebates	0	0	0	0	0	0	0	0
V. Fluctuation provision	0	0	0	2,511	65,204	53,497	0	0
VI. Other underwriting reserves	2,302	2,481	851	774	4,792	4,436	0	0
VII. Reinsurers' share of underwriting reserves	-3,793	-3,986	-824	-11,399	-63,058	-57,915	0	0
B. Underwriting reserves in the life insurance sector, insofar as the investment risk is borne by the policyholders	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
C. Other liabilities by sector	**201,778**	**184,830**	**53,010**	**55,318**	**37,823**	**45,056**	**718**	**0**
Total sector liabilities	**833,651**	**840,824**	**338,820**	**311,261**	**312,900**	**309,664**	**10,581**	**9,383**
Equity*								
Total liabilities								

* Equity of the Group including shares of other shareholders and difference from capital consolidation minus outstanding contributions of subscribed capital.

Life insurance		Health insurance		Services and asset management		Consolidation		Group	
2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
15,492	17,755	30,647	1,765	4,326	2,953	0	-206	88,267	62,076
2,524,560	2,528,099	420,181	361,785	272,955	657,839	-629,052	-978,821	4,312,452	4,246,297
218,718	73,062	3,068	3,187	7,821	298,711	-33,918	-128,699	386,112	396,638
117,773	249,224	17,839	17,795	235,182	319,495	-579,050	-834,142	106,606	103,952
2,188,069	2,205,813	399,274	340,803	29,952	39,633	-16,076	-15,980	3,816,563	3,742,519
0	0	0	0	0	0	-8	0	3,171	3,188
19,845	16,652	0	0	0	0	0	0	19,845	16,652
102,033	95,106	13,465	13,021	124,578	-34,754	-63,280	145,683	361,744	402,112
2,661,930	2,657,612	464,293	376,571	401,859	626,038	-692,332	-833,344	4,782,308	4,727,137
2,369,897	2,357,950	408,985	359,076	0	0	0	415	3,981,505	3,903,369
14,128	14,887	435	446	0	0	0	-2,070	218,807	211,995
2,284,899	2,272,093	364,725	310,840	0	0	0	0	2,649,630	2,582,937
12,839	14,419	26,649	26,466	0	0	0	-8,204	1,032,387	1,029,474
136,225	136,666	17,070	21,255	0	0	0	1	153,295	157,922
0	0	0	0	0	0	0	0	65,204	56,008
117	69	106	69	0	0	0	0	8,168	7,829
-78,311	-80,184	0	0	0	0	0	10,688	-145,986	-142,796
19,845	16,652	0	0	0	0	0	0	19,845	16,652
233,413	244,181	11,837	5,138	148,741	295,387	-76,481	-193,373	610,839	636,537
2,623,155	2,618,783	420,822	364,214	148,741	295,387	-76,481	-192,958	4,612,189	4,556,558
								170,119	170,579
								4,782,308	4,727,137

Report by sectors – Statement of Profit and Loss

(in thousand euros)	Domestic legal insurance		International legal insurance		Domestic composite insurance		International composite insurance	
	2003	2002	2003	2002	2003	2002	2003	2002
Underwriting earnings								
Gross premiums booked	**347,360**	**358,818**	**261,931**	**244,614**	**219,347**	**209,384**	**24,512**	**22,753**
Self-contracted business	347,338	350,563	205,380	185,302	215,389	205,422	14,410	13,057
Assumed business	22	8,255	56,551	59,312	3,958	3,962	10,102	9,696
Premiums for reinsured business	-2,292	-2,191	-420	-8,317	-18,599	-16,692	-77	-269
Change in net unearned premiums	2,871	6,789	-6,050	-6,219	968	-582	-768	538
Earned premiums for own account	**347,939**	**363,416**	**255,461**	**230,078**	**201,716**	**192,110**	**23,667**	**23,022**
Premiums from gross reserve for premium rebates	0	0	0	0	0	0	0	0
Assigned capital gains from underwriting account	0	0	0	0	435	485	0	0
Unrealized gains from capital investments	0	0	0	0	0	0	0	0
Other underwriting earnings for own account	1,934	2,056	85	74	402	494	0	0
Total underwriting earnings	**349,873**	**365,472**	**255,546**	**230,152**	**202,553**	**193,089**	**23,667**	**23,022**
Underwriting costs								
Cost of claims for own account	-200,563	-214,333	-139,996	-126,396	-105,311	-118,552	-14,493	-13,183
Change in other net underwriting reserves	180	-345	-77	-24	-99	-83	0	35
Costs for premium rebates	0	0	0	0	0	0	0	0
profit-dependent portion	0	0	0	0	0	0	0	0
profit-independent portion	0	0	0	0	0	0	0	0
Unrealized losses from capital investments	0	0	0	0	0	0	0	0
Cost of insurance business	-147,141	-156,762	-117,340	-107,937	-79,871	-79,078	-5,456	-4,692
portion commissions/cost of sales	-52,496	-58,800	-66,009	-60,282	-44,315	-46,606	-3,000	-2,676
portion other administrative costs	-95,576	-98,936	-51,376	-51,115	-40,219	-37,063	-2,474	-2,067
reinsurance portion	931	974	45	3,460	4,663	4,591	18	51
Assigned capital costs from underwriting account	0	0	0	0	0	0	0	0
Other underwriting costs for own account	0	0	0	0	-858	-730	0	0
Total underwriting costs	**-347,524**	**-371,440**	**-257,413**	**-234,357**	**-186,139**	**-198,443**	**-19,949**	**-17,840**
Subtotal	**2,349**	**-5,968**	**-1,867**	**-4,205**	**16,414**	**-5,354**	**3,718**	**5,182**
Change in fluctuation reserve and similar provisions	0	0	2,511	-632	-11,706	3,742	0	0
Underwriting result for own account	**2,349**	**-5,968**	**644**	**-4,837**	**4,708**	**-1,612**	**3,718**	**5,182**
Earnings from capital investments	60,134	48,891	18,157	15,958	15,670	18,878	629	451
Costs of capital investments	-42,316	-8,171	-1,981	-5,230	-3,782	-2,306	-25	-74
Income from capital investments	**17,818**	**40,720**	**16,176**	**10,728**	**11,888**	**16,572**	**604**	**377**
Capital investment operating result assigned to underwriting account	0	0	0	0	435	485	0	0
Sales revenues	0	0	0	0	0	0	0	0
Production costs	0	0	0	0	0	0	0	0
Gross operating result	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other earnings	77,364	76,761	1,391	1,867	4,178	2,240	0	0
Other costs	-94,387	-93,578	-3,406	-2,136	-5,140	-5,689	0	0
Other income	**-17,023**	**-16,817**	**-2,015**	**-269**	**-962**	**-3,449**	**0**	**0**
Income from normal business activity	**3,144**	**17,935**	**14,805**	**5,622**	**15,199**	**11,026**	**4,322**	**5,559**
Extraordinary operating result	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Operating result before taxes	**3,144**	**17,935**	**14,805**	**5,622**	**15,199**	**11,026**	**4,322**	**5,559**
Tax expenditure	-2,939	-13,033	-5,842	-3,158	-282	-5,838	-1,664	-2,144
Net income	**205**	**4,902**	**8,963**	**2,464**	**14,917**	**5,188**	**2,658**	**3,415**
External portions	0	0	0	0	0	0	0	0
Group profit/loss for year	**205**	**4,902**	**8,963**	**2,464**	**14,917**	**5,188**	**2,658**	**3,415**

Life insurance		Health insurance		Services and asset management		Consolidation		Group	
2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
245,004	**250,181**	**164,481**	**150,757**	**0**	**0**	**-76**	**-7,900**	**1,262,559**	**1,228,607**
245,004	250,181	164,481	150,757	0	0	2	463	1,192,004	1,155,745
0	0	0	0	0	0	-78	-8,363	70,555	72,862
-6,309	-9,029	-805	-801	0	0	76	8,400	-28,426	-28,899
-336	-190	11	0	0	0	0	534	-3,304	870
238,359	**240,962**	**163,687**	**149,956**	**0**	**0**	**0**	**1,034**	**1,230,829**	**1,200,578**
441	29,124	9,810	5,520	0	0	0	0	10,251	34,644
206,328	184,799	20,161	24,262	0	0	-2,602	4,230	224,322	213,776
1,890	2	0	0	0	0	0	0	1,890	2
485	35,608	232	868	0	0	0	1	3,138	39,101
447,503	**490,495**	**193,890**	**180,606**	**0**	**0**	**-2,602**	**5,265**	**1,470,430**	**1,488,101**
-236,358	-208,076	-91,298	-84,713	0	0	0	-867	-788,019	-766,120
-15,150	-90,689	-53,921	-42,298	0	0	0	-1	-69,067	-133,405
-13,858	0	-9,090	-434	0	0	0	0	-22,948	-434
-13,858	0	-7,638	0	0	0	0	0	-21,496	0
0	0	-1,452	-434	0	0	0	0	-1,452	-434
0	-5,738	0	0	0	0	0	0	0	-5,738
-55,981	-61,513	-22,485	-24,313	0	0	120	6,426	-428,154	-427,869
-44,719	-47,829	-17,751	-19,484	0	0	18	11,830	-228,272	-223,847
-13,154	-14,511	-4,734	-4,829	0	0	120	-1,910	-207,413	-210,431
1,892	827	0	0	0	0	-18	-3,494	7,531	6,409
-112,821	-107,678	-13,330	-27,149	0	0	2,237	70	-123,914	-134,757
-5,375	-13,292	-181	-1,399	0	0	0	0	-6,414	-15,421
-439,543	**-486,986**	**-190,305**	**-180,306**	**0**	**0**	**2,357**	**5,628**	**-1,438,516**	**-1,483,744**
7,960	**3,509**	**3,585**	**300**	**0**	**0**	**-245**	**10,893**	**31,914**	**4,357**
0	0	0	0	0	0	0	0	-9,195	3,110
7,960	**3,509**	**3,585**	**300**	**0**	**0**	**-245**	**10,893**	**22,719**	**7,467**
206,328	184,799	20,161	24,262	4,535	42,313	-20,834	-30,907	304,780	304,645
-112,821	-107,678	-13,330	-27,149	-901	-12,359	11,643	3,626	-163,513	-159,341
93,507	**77,121**	**6,831**	**-2,887**	**3,634**	**29,954**	**-9,191**	**-27,281**	**141,267**	**145,304**
93,507	77,121	6,831	-2,887	0	0	-365	4,300	100,408	79,019
0	0	0	0	163,906	205,696	-92,080	-104,293	71,826	101,403
0	0	0	0	-163,602	-205,454	88,875	98,892	-74,727	-106,562
0	**0**	**0**	**0**	**304**	**242**	**-3,205**	**-5,401**	**-2,901**	**-5,159**
16,376	13,308	617	383	13,256	13,125	-81,340	-74,406	31,842	33,278
-19,149	-16,738	-879	-644	-17,836	-28,617	69,596	75,270	-71,201	-72,132
-2,773	**-3,430**	**-262**	**-261**	**-4,580**	**-15,492**	**-11,744**	**864**	**-39,359**	**-38,854**
5,187	**79**	**3,323**	**39**	**-642**	**14,704**	**-24,020**	**-25,225**	**21,318**	**29,739**
0	**0**	**0**	**0**	**0**	**1,750**	**0**	**-1,750**	**0**	**0**
5,187	**79**	**3,323**	**39**	**-642**	**16,454**	**-24,020**	**-26,975**	**21,318**	**29,739**
-1,725	-79	-2,323	-39	-4,233	-3,555	2,364	1,235	-16,644	-26,611
3,462	**0**	**1,000**	**0**	**-4,875**	**12,899**	**-21,656**	**-25,740**	**4,674**	**3,128**
0	0	0	0	0	0	-1,697	-1,271	-1,697	-1,271
3,462	**0**	**1,000**	**0**	**-4,875**	**12,899**	**-23,353**	**-27,011**	**2,977**	**1,857**

I. Notes on scope of consolidation as well as accounting, valuation and consolidation methods

Legal basis for preparation of consolidated financial statement The year-end consolidated financial statement of FIDA Gesellschaft für Vermögensverwaltung und für Vermittlung mbH for fiscal 2003 and the Group management report were prepared according to the provisions of the German Commercial Code (HGB) applicable to large corporations, under observance of the supplementary requirements for insurance companies promulgated 8 November 1994 (RechVersV) under particular consideration of the accounting regulations for conglomerates as set forth in art. 341i, 341j HGB and art. 58 to 60 RechVersV as well as the German accounting standards ("Deutsche Rechnungslegungsstandards", which are applicable as principles of orderly accounting within the meaning of art. 342 (2) HGB). The latter were applied insofar as the necessary information could be obtained under consideration of economic principles and internally set deadlines.
According to art. 58 (1) RechVersV forms 1 and 4 were used for the structure of the consolidated financial statement. The forms were expanded to reflect special features of the Group as well as items for non-insurance business.

Scope of consolidation The consolidated financial statement reports on 56 subsidiaries in accordance with art. 301 (1) HGB. Four companies within the scope of consolidation were included as associated companies within the meaning of art. 311 HGB.
The consolidation scope comprises 14 insurance companies, two service enterprises in the field of information technology and business organization, 15 real estate management companies, 20 miscellaneous service companies and ten holding and asset management companies (including the parent company).
The consolidated financial statement does not include 35 Group subsidiaries, as on account of the minor significance of these companies their non-consolidation in no way impairs the asset, financial or earnings situation of the Group.

The following companies were included as Group subsidiaries:

	Name of company	Group share in %
1	Access Insurance Services Inc., Des Moines, Iowa/USA	94.93
2	Advisory Communications System Inc., Des Moines, Iowa/USA	94.93
3	AFI Verwaltungs-Gesellschaft mbH, Dusseldorf	89.86
4	ALLDATA SYSTEMS GmbH, Dusseldorf	94.93
5	ALV Vermögens- und Beteiligungs-Verwaltungs-Gesellschaft mbH, Munich	79.35
6	ARAG 2000 Beteiligungs GmbH & Co. KG, Munich	79.35
7	ARAG 2000 Grundstücksgesellschaft bR, Dusseldorf	91.98
8	ARAG Allgemeine Rechtsschutz-Versicherungs-AG, Dusseldorf	94.93
9	ARAG Allgemeine Versicherungs-AG, Dusseldorf	94.97
10	ARAG Assicurazioni Rischi Automobilistici e Generali S.p.A., Verona/Italy	94.93
11	ARAG Association LLC, Des Moines, Iowa/USA	94.93
12	ARAG BAVARIA INVESTMENT CORP., Seattle, Washington/USA	79.35
13	ARAG Compañía Internacional de Seguros y Reaseguros S.A., Barcelona/Spain	94.93
14	ARAG INSURANCE Company, Des Moines, Iowa/USA	91.23

15	ARAG International Holding GmbH, Dusseldorf	94.93
16	ARAG IT GmbH, Dusseldorf	94.94
17	ARAG Krankenversicherungs-AG, Munich	79.35
18	ARAG Lebensversicherungs-AG, Munich	79.35
19	ARAG Liegenschaftsverwaltungs- und Beratungs-Gesellschaft mbH, Dusseldorf	94.93
20	ARAG Liegenschaftsverwaltungs- und Beratungs-GmbH & Co. Immobilien KG, Dusseldorf	94.95
21	ARAG LLC, Des Moines, Iowa/USA	91.23
22	ARAG North America Inc., Des Moines, Iowa/USA	94.93
23	ARAG Österreich Allgemeine Rechtsschutz-Versicherungs-AG, Vienna/Austria	94.93
24	ARAG Plc., Manchester/Great Britain	94.93
25	ARAG S.A. Assurance en Protection Juridique, Brussels/Belgium	94.90
26	ARAG Service GmbH, Dusseldorf	94.94
27	ARAG Services LLC, Des Moines, Iowa/USA	91.23
28	ARAG Nederland Algemene Rechtsbijstand Verzekeringmaatschappij N.V., Leusden/Netherlands	94.74
29	COLUMBUS CAPITAL Vermögensanlagen GmbH, Munich	79.35
30	Cur Versicherungsmakler GmbH, Dusseldorf	94.93
31	Cura Gesellschaft für Vermögensverwaltung und für Vermittlung mbH, Dusseldorf	58.86
32	CURA GmbH & Co. KG, Dusseldorf	66.67
33	Einhorn Grundbesitz-GmbH & Co. KG, Munich	79.35
34	FIDA Gesellschaft für Vermögensverwaltung und für Vermittlung mbH, Dusseldorf	100.00
35	GWV-AVUS Beteiligungsmanagement GmbH, Munich	79.35
36	IGD Immobilien GmbH & Co. Dresden KG, Dusseldorf	90.09
37	IGD Immobilien GmbH, Dusseldorf	94.93
38	Interiura International AG, Dusseldorf	94.93
39	Interlloyd Versicherungs-AG, Dusseldorf	94.97
40	ISAR-MEDICAL Grundbesitz GmbH & Co. KG, Munich	79.35
41	ISAR-REAL Grundbesitz GmbH & Co. KG, Munich	79.35
42	ISAR-WOHNEN Grundbesitz GmbH & Co. KG, Munich	79.35
43	ITS-Haus GmbH Wohn- und Gewerbebau, Ingolstadt	79.35
44	KISA Katalonien Invest S.A., Barcelona/Spain	94.93
45	Lawphone Inc., Des Moines, Iowa/USA	94.93
46	Lawphone of Canada Inc., Des Moines, Iowa/USA	94.93
47	MAIN-NECKAR Grundbesitz GmbH & Co. KG, Munich	79.35
48	Prinzregent Grundbesitz-GmbH & Co. KG, Munich	79.35
49	Prinzregent Immobilien-Management GmbH (former ARAG real estate GmbH), Munich	79.35
50	Prinzregent Vermögensverwaltung GmbH & Co. KG (former Tizian Grundbesitz-GmbH & Co. KG), Munich	79.35
51	Rechtswijzer B.V., Leusden/Netherlands	94.74
52	RHEIN-ISAR Grundbesitz GmbH & Co. KG, Munich	79.35
53	SECTOR Dritte Grundbesitz GmbH & Co. KG, Munich	79.35
54	SECTOR Erste Grundbesitz GmbH & Co. KG, Munich	79.35
55	SECTOR Zweite Grundbesitz GmbH & Co. KG, Munich	79.35
56	TERRA Gesellschaft für Finanzdienstleistungen und Beratung mbH, Dusseldorf	94.93
57	WOWOBAU Wohnungsbaugesellschaft mbH, Munich	79.35

The following companies were included as associated companies:

	Name of company	Group share in %
1	Allrecht Rechtsschutzversicherung AG, Dusseldorf	24.68
2	Le FOYER ARAG S.A., Luxembourg	47.47
3	Rendite Partner Gesellschaft für Vermögensverwaltung GmbH, Bad Vilbel	26.45
4	Winterthur-ARAG Rechtsschutzversicherungs-AG, Zurich/Switzerland	27.69

The following companies were not included in the consolidated financial statement in accordance with art. 296 (2) HGB:

	Name of company	Group share in %	Equity in euros	Profit/loss for year in euros
1	ABRAL Beteiligungsverwaltung GmbH, Munich	79.35	114,125.97	28,107.77
2	Agencia de Seguros Cap. ARAG S.A., Barcelona/Spain	94.93	89,872.63	5,051.49
3	ALVA Aktiengesellschaft, Munich	79.35	325,568.79	-4,431.21
4	ARAG Pojišťovna Právní Ochrany A.S., Prague/Czech Republic	94.93	1,202,241.99	-869,778.85
5	ARAG International B.V., Leusden/Netherlands	94.74	24,317.00	-841.00
6	ARAG Jogvédelmi Biztosító Részvénytársaság, Budapest/Hungary	94.93	2,093,344.53	-1,001,917.56
7	ARAG Service S.R.L., Verona/Italy	93.98	79,041.00	3,386.00
8	ARAG France S.A.R.L. Assistance et Règlement de Sinistres Automobiles et Généraux, Rueil-Malmaison/France	94.93	27,952.00	-11,645.00
9	ARCA-A GmbH, Munich	79.35	23,874.73	-190.27
10	ARCA-B GmbH, Munich	79.35	23,872.99	-190.27
11	ARCA-C GmbH, Munich	79.35	23,869.97	-193.29
12	ARCA-D GmbH, Munich	79.35	23,874.73	-190.27
13	ARCA-E GmbH, Munich	79.35	23,885.69	-181.05
14	ARCA-F GmbH, Munich	79.35	23,867.79	-198.95
15	ARCA-G GmbH, Munich	79.35	23,879.22	-187.52
16	ARCA-H GmbH, Munich	79.35	23,879.21	-187.53
17	ARCA-I GmbH, Munich	79.35	23,985.20	-81.54
18	ARCA-J GmbH, Munich	79.35	23,892.80	-173.94
19	ARCANSA Beteiligungsverwaltung GmbH (former ARCAP Beteiligungsverwaltungs-Gesellschaft mbH), Munich	79.35	231,575.37	3,478.72
20	BuZ Vermittlungsgesellschaft mbH, Münster	79.35	-636,669.39	207,885.75
21	INTERIURA Deutschland GmbH, Dusseldorf	94.93	254,796.53	124,582.33
22	INTERIURA-Italy S.p.A., Verona/Italy	94.94	338,258.00	1,004.00
23	INTERIURA Magyarország Nemzetközi Kárrendezési Kft., Budapest/Hungary	91.76	44,998.37 (2002)	-21,901.41 (2002)
24	INTERIURA Schadenregulierungs-AG, Basel/Switzerland	94.93	-248,331.00	-289,326.00
25	INTERIURA Schadenregulierungsges. mbH, Vienna/Austria	94.93	704,777.75	56,095.14

26	INTERIURA Sociedade Internacional Reguladora de Sinistros Lda., Lisbon/Portugal	94.93	36,825.74	6,714.35
27	INTERIURA United Kingdom Limited, Manchester/Great Britain	94.93	-236,949.00	-175,551.00
28	INTERIURA-Belgium s.p.r.l., Brussels/Belgium	94.81	679,005.15	117,641.78
29	INTERIURA-FRANCE S.A.R.L. Assistance et Règlement de Sinistres Automobiles et Généraux, Rueil-Malmaison/France	94.93	42,863.00	-60,264.00
30	INTERIURA-INTERRECHT S.A., Barcelona/Spain	94.93	1,950,288.41	464,803.48
31	INTERIURA-Nederland Schadenregeluigsbureau B.V., Leusden/Netherlands	94.93	110,768.00	17,112.00
32	INTERJURA Internationale Schadenregulierungsgesellschaft mbH, Athens/Greece	91.04	28,674.39	-8,509.01
33	Prinzregent Vermögensverwaltung-GmbH, Munich	79.35	23,638.65	2,963.72
34	Stella Gesellschaft mbH Werbeagentur, Dusseldorf	54.61	143,078.85	15,785.31
35	VIA Beratungsgesellschaft mbH, Dusseldorf	92.61	388,696.27	14,445.76

Consolidation principles The consolidated financial statement was prepared on the basis of the individual financial statements of the respective subsidiaries. The fiscal year comprises the period from 1 January to 31 December 2003 and is identical to all fiscal years of the subsidiaries involved. The consolidation of capital was undertaken using the book-value method through offsetting of the acquisition costs of the shareholdings of the subsidiaries involved with their proportional equity as of the date they were first selected for consolidation. The resulting asset-side difference was initially attributed to the valuations of the assets of the respective subsidiaries. The asset-side difference that exceeds the permissible attribution was in all cases stated as the value of goodwill and depreciated over the anticipated period of use. Insofar as subsidiaries were included in the 1989 consolidated financial statement under application of art. 27 EGHGB (Introductory Law to German Commercial Code), or the asset-side difference represents a loss that was reflected in previous years' financial statements of the parent company, or a charge against future revenues appeared unjustified, an open offsetting against the revenue reserves was performed as per art. 309 (2) sen. 3 HGB (German Commercial Code).

The final consolidation of the subsidiaries eliminated from the consolidation scope is always performed so as to be income relevant by setting the proportional equity sold against the sale proceeds. In the fiscal year under review final consolidation was performed for the company ARAG Jogvédelmi Biztosító Részvénytársaság, as this unit is to be liquidated in fiscal 2004.

The holdings in associated companies were stated as the proportional equity or the Group's acquisition costs, respectively, in accordance with art. 312 HGB. Art. 312 (2) through (4) HGB was taken into account. The subsidiary ARCAP Beteiligungsverwaltung GmbH & Co. Columbus Immobilien Fonds, treated as an associated company in the previous year, was reassigned to the shareholdings and valued at the depreciated historical costs, due to the lack of influence with respect to its business and financial policies.

Intergroup profits subject to elimination were deducted from the valuations of the respective assets in an income-relevant manner. Accounts receivable and payable between Group subsidiaries were set off against each other. Earnings from services between companies included in the consolidated financial statement were set off against their respective shares of the costs of the service providers.
Mutual agency services for insurance companies included in the consolidated financial statement are performed by a company included in the consolidated financial statement at standard, externally comparably market conditions. The consolidation of commissions arising from agency services was performed in the consolidated balance sheet on the level of the respective company by setting these off against the associated costs.

Currency conversion The financial statements prepared in foreign currencies were converted into euros using the reporting-date principle on the basis of the mean exchange rate as of the date of accounting. Conversion from currencies which belong to the unified euro currency zone as of 1 January 1999 resp. 1 January 2001 was performed using the official euro exchange rates. The difference between the historical exchange rate and the equity converted at the lower date of accounting exchange rate that is attributable to the Group was stated as costs in the amount of € 3,076,380.13. A non-income relevant offsetting against currency reserves formed in the past was not possible due to the ongoing trends in the euro exchange rates.

Accounting and valuation methods Preparation of this Financial Statement conformed to the accounting and valuation regulations contained in art. 341ff. HGB (German Commercial Code).
To the greatest extent possible, the financial statements of the companies included in the consolidated financial statement were prepared in a uniform manner using the accounting and valuation principles of the ARAG Group (FIDA). Financial statements of subsidiaries that were not prepared according to HGB and RechVersV regulations have been adapted to German accounting principles with respect to line items, statement and valuation.
The consolidated balance sheet and the consolidated profit and loss statement were organized in virtually all respects using the forms specified in the RechVersV. As the Group is active in multiple lines of business, the balance sheet structure had to be expanded to include the line item "Real estate intended for sale and other assets of non-insurance companies", while the line items "Sales revenues from non-insurance subsidiaries" and "Production costs of performing the services for achieving the sales revenues of non-insurance subsidiaries" were added to the statement of profit and loss.
The previous year's figures in the statement of profit and loss were income-neutrally adjusted to match the reporting by sector so as to improve comparability.
2 Costs for start-up and expansion of business activity were capitalized according to art. 269 HBG due to investments of the personal insurance sector in IT systems to handle new retirement policies ("Riester Rente"). This capitalization is depreciated in accordance with art. 282 HGB.

3 The goodwill values arise from the capital consolidation. The depreciation period was determined as the anticipated duration of utilization in accordance with DRS 4 item 31. This is assumed to be 15 years (portfolio value) for insurance companies and four years for other companies.

4 Other intangible assets are stated at their acquisition costs, depreciated linearly.

5 Real estate is valued at its acquisition or production cost reduced by scheduled depreciation and write-downs according to the strict lower of cost or market principle.

6 Shares in affiliated companies not included in the consolidated financial statement and the other holdings are valued at their acquisition costs in accordance with art. 253 (2) HGB, reduced by extraordinary write-downs as appropriate. Holdings in associated companies were valued at the book value at the time of acquisition of the shares or their initial inclusion in the consolidated financial statement as of 31 December 1990, respectively, increased or decreased by the proportional amount of equity changes in subsequent years.

Lending to affiliated companies is stated at par value.

7 Stocks, investment fund shares, bearer bonds and other fixed-interest securities are always valued in accordance with art. 341b (2) HGB in connection with art. 253 (1) and (3) HGB at acquisition cost or at the lower value at the day of accounting respectively. Investment fund shares assigned to investment capital in the previous year were valued according to the modified lower of cost or market principle pursuant to art. 341b (2) HGB in the version of the insurance capital investment valuation statute. To quantify the long-term loss of value, indices were estimated by analysts, and capital gains values were determined by the German insurance industry association (Gesamtverband der deutschen Versicherungswirtschaft). On the basis of these different methods an anticipated floor value for the EuroStoxx 50 index of 2,991.72 points was determined. In the fiscal year under review, an extraordinary write-down of € 120,338,914.63 was taken. The hidden charges on stocks and investment fund shares amount to € 21,432,398.41. These however are offset by valuation reserves of € 51.9 million.

8 Other lending, mortgages receivable, other similar rights, fixed-interest debts and other capital investments are stated at their par or redemption values, respectively. Discounts are distributed straight-line using the accrual method of income recognition. Premiums are carried as assets and released as scheduled over the duration.

9 Bank deposits are stated at par value.

10 Capital investments for the account and risk of life insurance policyholders is stated at current value. This valuation corresponds to the gross reserves stated on the liability side under item E.

11 Accounts receivable are always stated at par value. In the case of receivables against policyholders and for delivery and performance, a general charge is made for the potential risk of nonpayment; receivables against agents are adjusted using individual bad debt charges plus a general charge equivalent to the expected bad debts.

12 According to art. 253 (1) sen. 1 HGB (German Commercial Code) tangible assets are capitalized at the acquisition cost decreased by straight-line depreciation using the rates permitted by tax regulations.

Supplies are determined by taking a physical inventory. These are valued at their acquisition costs. The supplies of the non-insurance companies were valued at their cost of production, to which appropriate portions of general administrative costs and precisely calculable portions of financing costs attributable to the period of production have been added.

13 Other assets are stated at par value.

14 Accrued income mainly includes deferred interest not yet payable in the period of income up to the day of accounting as well as disbursements that are payable as expenses after the date of accounting. This item also contains € 2,155,904.57 from the difference determined according to art. 341c (2) sen. 2 HGB.

15 The tax deferment item in accordance with art. 306 in conjunction with art. 274 (2) HGB reflects the anticipated tax relief in subsequent fiscal years in the amount of the current income tax rates on account of temporary differences between the commercial and the fiscal balance sheets in the individual financial statements, value adjustments to realize a uniform valuation in the consolidated financial statement as well as consolidation measures. Deferment amounts arising from valuation differences between the commercial and the fiscal balance sheets in the individual financial statements were taken into account only to the extent that these existed in the individual financial statements themselves. Insofar as tax deferments are attributable to domestic subsidiaries, a tax rate of 40 percent was applied. All tax deferment items are attributable to deductible chronological differences.

19 Where formed on account of tax requirements, the special reserve items were dissolved effective 1 January 2003 in an income-neutral manner. The income-relevant dissolutions in the individual financial statements of the subsidiaries included were set off against the Group's profit carried forward. This action was necessary as art. 308 (3) HGB was superseded by new corporate public disclosure requirements ("TransPuG ").

21 Gross unearned premiums for the self-contracted insurance business are calculated on the basis of booked premiums and cancellations using the pro rata temporis method and reduced by the charges for installments contained therein. The unearned premiums of the domestic insurance subsidiaries are reduced by the portion ineligible for carrying forward in accordance with the memorandum of the German Finance Ministry of 30 April 1974. 85 percent of agent commissions and other compensation is classified as non-transferable parts of the revenues.

Reinsurers' portions of unearned premiums were assessed according to the contractual arrangements.

22 The coverage provision is calculated individually in conformance with art. 341f HGB in accordance with actuarial principles, which (insofar as is mandatory) are registered with the German financial regulatory authority, on the basis of the respective policy data. To the extent that claims against life insurance policyholders for accountable sales costs not yet redeemed could not be set off against the coverage provision, these were stated under receivables from self-contracted insurance business after deduction of general bad-debt provisions in the amount of the expected defaults for claims not yet due.

23 Provisions for outstanding claims for the self-contracted property and accident insurance business are organized by year of occurrence, separated into those claims reported during the respective fiscal year and those reported after the day of accounting as well as those to be expected. In addition, reserves for claim settlement costs were calculated according to art. 341g (1) HGB (for domestic subsidiaries according to the "Coordinated Regulations of the Federal States from 2 February 1973"). Provisions for outstanding claims were reduced by claim reimbursement receivables which can be expected in 2004.

In light of the incompatibility with the imparity principle, the provisions of art. 20 (2) KStG (German corporate income-tax law) in connection with art. 6 (1), no. 3a, letter a EStG (German income-tax law) (so-called "realistic valuation") were ignored for the domestic insurance subsidiaries.

The first-time application of the discounting principle within the meaning of art. 6 (1) no. 3a letter e EstG to the domestic property insurance subsidiaries in 1999 resulted in an increase of the income tax assessment basis of € 19.8 million (of which € 5.3 million is attributable to liability/motorist liability). In assessing the income taxes for the fiscal year under review, one tenth (liability/motorist liability sector) respectively one fifth (other sectors) of the initial amount was taken into consideration.

Provisions for outstanding claims for the assumed reinsurance business are stated according to the information provided by the direct insurer.

The portion for reinsured business was determined in accordance with the provisions of the reinsurance policies.

The provisions for life insurance claims reported but not yet settled as well as surrenders at the day of accounting were formed on the basis of the expected benefits to be paid. Additional provision was made for claims from previous fiscal years not yet filed as of the date of accounting in accordance with experience. In health insurance, this provision was determined by an approximate method. In this method, the payments disbursed for insurance claims from the fiscal year under review in the first two months following the date of accounting were increased by an experiential value arrived at on the basis of the total claims of the previous three years. A comparable method was applied for compulsory long-term care insurance. Receivables from recovery actions were deducted from the provision.

24 The fluctuation reserve for domestic subsidiaries was formed in compliance with the provisions of art. 321h HGB in conjunction with art. 29 RechVersV.

25 The cancellation reserve for discontinuation or reduction of the underwriting risk stated under the other underwriting reserves as well as the reserve for unused premiums in dormant legal insurance for motor vehicles and the reserve for premium exemption are calculated on the basis of anticipated requirements.

For the expected underwriting loss for our own account in the following year arising from the insurance portfolio as of 31 December 2003 we have created a reserve for impending losses for pending transactions in the affected insurance sectors.

26 **Pension reserves** for the domestic subsidiaries are calculated on the basis of art. 6a of the German income-tax law (EstG). Dr. Klaus Heubeck's table with an assumed rate of interest of 6 percent is used as a reference base for the calculation of the partial value.

The discretionary right of art. 28 (1) EGHGB (Introductory Law to German Commercial Code) to waive the establishment of pension reserves for prior commitments was not exercised.

The reserves for pensions in favor of employees and board members of foreign subsidiaries were formed and valued according to the respective national provisions.

27 The **reserves for early retirement obligations** were formed solely to cover those persons having entitlements under the collective early retirement agreement that expired on 31 December 1997, as well as persons with analogous individual contractual guarantees. Calculation was done according to actuarial principles. In the fiscal year under review, a **reserve** was set up in accordance with the **old-age part-time agreement** for the private insurance industry, adopted on 11 June 1997, based on the IDW's (Institute of Auditors) publication dated 18 November 1998, with an assumed rate of interest of 5.5 percent. The reserve concept takes into account the natural staff turnover and the probability that those candidates with whom no specific agreement has yet been made will make use of the early retirement provisions.

The **remaining reserves** are set at the level which is deemed necessary according to sound business judgment. A reserve for employee anniversary bonuses was formed in the year under review for special payments on the occasion of employee service anniversaries pursuant to art. 6a EstG in accordance with the partial value, whereby an interest rate of 5.5 percent was assumed. The anticipated employee fluctuation was taken into account in the form of a general deduction on the cash value. Allowance was not made for the limitation for the tax calculation in keeping with art. 52 (6) of the German income-tax law (EStG) in the commercial balance sheet.

28 The **portfolio liabilities for reinsured insurance business** and the **other liabilities are** stated at their repayment values.

29 **Accounts payable from the self-contracted insurance business** and **settlement liabilities from reinsurance settlements** are stated at par value.

30 The **deferred liabilities** contain differences in accordance with art. 341c (2) sen. 1 HGB in the amount of € 597,919.79.

16 **Tax deferment** Due to the elimination of intergroup profits and the income-effective debt consolidations, a differing (lesser) tax liability was determined as of 31 December 2003 arising from temporary differences with respect to the total of the individual financial statements; this amounted to € 605k (previous year greater tax liability of € 13,531k) for subsequent fiscal years. The financial statement reflects the balance of this potential tax liability together with the accrued and deferred items for deferred taxes from the individual financial statements.

31 II. Source of insurance business by booked premiums

(in euros)				Self-contracted business		Assumed reinsurance business
	Legal insurance	Property and accident	Life insurance	Health insurance	Legal insurance	Property and accident
Germany	347,338,023.01	215,389,354.85	245,003,899.61	164,481,281.82	21,970.35	3,874,055.00
Netherlands	56,246,366.00				16,081,823.00	
Spain	55,676,493.67	15,452,170.90			6,165,462.00	10,092,125.36
Austria	29,992,126.00				211,003.68	
USA	27,797,770.49				6,695,482.36	
Belgium	18,368,481.00				0.00	
Italy	14,337,594.09				26,392,314.11	
Greece	1,630,647.91				932,902.54	
Other countries	289,541.69				71,547.21	15,609.80
Total	551,677,043.86	230,841,525.75	245,003,899.61	164,481,281.82	56,572,505.25	13,981,790.16
				1,192,003,751.04		**70,554,295.41**
Grand total						**1,262,558,046.45**

1 III. Development of assets B., C. I. through IV. in fiscal 2003

	Balance sheet values 2002	Purchases	Added/removed from scope of consolidation	Transfers
	in euros	in euros	in euros	in euros
B. Intangible assets				
1. Costs for start-up and expansion of business activity	1,448,869.00	0.00	0.00	30,852.07
2. Purchased goodwill value	45,075,223.80	32,474,643.14	0.00	0.00
3. Other intangible assets	15,551,861.90	6,155,712.72	-4,452.32	-30,852.07
2. Total B.	**62,075,954.70**	**38,630,355.86**	**-4,452.32**	**0.00**
C. I. Real estate, comparable rights and buildings including those on third-party property	396,638,206.90	3,533,138.68	0.00	0.00
C. II. Capital investments in affiliated companies and shareholdings				
1. Shares in affiliated companies	5,180,199.40	1,342,719.70	3,205,908.55	0.00
2. Lending to affiliated companies	1,289,731.11	3,789,474.81	0.00	0.00
3. Shareholdings	97,481,602.99	3,582,237.38	0.51	0.00
4. Lending to shareholdings	1.00	3,100,000.00	0.00	0.00
3. Total C. II.	**103,951,534.50**	**11,814,431.89**	**3,205,909.06**	**0.00**
C. III. Other capital investments				
1. Stocks, investment fund shares and other non-fixed interest securities	1,877,229,784.69	784,078,285.66	400,292.00	-21,299.34
2. Bearer bonds and other fixed-interest securities	495,583,980.84	314,843,867.99	-6,351,282.49	0.00
3. Mortgages receivable, other similar rights and fixed-interest debts	288,274,264.65	35,171,808.94	0.00	0.00
4. Other lending				
a) Registered debentures	329,914,979.83	1,000,000.00	0.00	0.00
b) Promissory notes and loans	439,305,928.34	448,802,336.87	0.00	0.00
c) Loans and advance disbursements on insurance policies	53,965,545.91	25,043,377.56	0.00	0.00
d) Other lending	158,298,496.65	1,052,333.30	0.00	0.00
5. Bank deposits	99,667,372.82	45,686,043.96	-169,581.35	21,299.34
6. Other capital investments	279,123.97	14,556.12	0.00	0.00
7. Total C. III.	**3,742,519,477.70**	**1,655,692,610.40**	**-6,120,571.84**	**0.00**
Total C. I. through C. III.	**4,243,109,219.10**	**1,671,040,180.97**	**-2,914,662.78**	**0.00**
C. IV. Portfolio assets from assumed reinsurance business	**3,187,643.59**	**2,983,501.04**	**0.00**	**0.00**
Total capital investments	**4,246,296,862.69**	**1,674,023,682.01**	**-2,914,662.78**	**0.00**

Real estate, comparable rights and buildings including those on third-party property with a balance-sheet value of € 199,571,799.21 (previous year € 209,082,374.56) were used by the Group's insurance companies for their own operations.

Of the bearer bonds, other fixed-interest securities and bank deposits, a total of € 10.8 million (previous year € 6.8 million) is pledged as security.

Sales	Currency rate adjustments	Write-ups	Write-downs	Balance sheet values 2003	Current values acc. to German statutory statutory provisions (art. 54 RechVersV)	Hidden charges
in euros	in euros	in euros	in euros	in euros	in thousand euros	in thousand euros
0.00	0.00	0.00	513,808.07	965,913.00		
10,696.86	-177,488.78	0.00	4,133,199.68	73,228,481.62		
9,336.22	-338,534.16	0.00	7,251,175.88	14,073,223.97		
20,033.08	**-516,022.94**	**0.00**	**11,898,183.63**	**88,267,618.59**		
3,549,444.15	-743,065.85	0.00	9,767,792.37	386,111,043.21	443,237	57,126
840.00	0.00	0.00	5,821,067.92	3,906,919.73	6,655	2,748
300,000.00	0.00	0.00	0.00	4,779,205.92	4,779	0
281,252.72	-143,382.57	0.00	5,819,188.57	94,820,017.02	111,813	16,993
0.00	0.00	0.00	0.00	3,100,001.00	3,100	0
582,092.72	**-143,382.57**	**0.00**	**11,640,256.49**	**106,606,143.67**	**126,347**	**19,741**
622,588,636.83	-32,725.40	1,079,852.92	120,338,914.63	1,919,806,639.07	1,950,256	30,449
458,213,700.22	-4,128,783.20	547,732.37	552,902.78	341,728,912.51	347,615	5,886
21,290,209.92	0.00	1,488.34	0.00	302,157,352.01	302,157	0
142,382,441.22	0.00	0.00	0.00	188,532,538.61	196,950	8,417
170,207,032.37	0.00	1,500.00	2,336,603.89	715,566,128.95	725,449	9,883
11,677,783.88	0.00	0.00	0.00	67,331,139.59	67,331	0
1,477,805.27	0.00	414.14	0.00	157,873,438.82	166,581	8,708
21,817,700.07	-113,768.73	0.00	0.00	123,273,665.97	123,274	0
0.00	0.00	0.00	0.00	293,680.09	294	0
1,449,655,309.78	**-4,275,277.33**	**1,630,987.77**	**123,228,421.30**	**3,816,563,495.62**	**3,879,907**	**63,344**
1,453,786,846.65	**-5,161,725.75**	**1,630,987.77**	**144,636,470.16**	**4,309,280,682.50**	**4,449,491**	**140,210**
2,999,963.04	**0.00**	**0.00**	**0.00**	**3,171,181.59**	**3,171**	
1,456,786,809.69	**-5,161,725.75**	**1,630,987.77**	**144,636,470.16**	**4,312,451,864.09**	**4,452,662**	

17 IV. Statement of Equity

(in euros)	Subscribed capital	Outstanding contributions not yet called in	Self-generated Group equity	Balancing item for currency conversion	Equity according to consolidated balance sheet
I. Parent company					
Values as of 31 December 2002	160,000,000.00	-119,610,000.00	97,354,081.99	-351,288.93	137,392,793.06
Issue of shares	40,000,000.00	-30,000,000.00			10,000,000.00
Purchase/retirement of own shares					0.00
Dividends paid			-4,200,000.00		-4,200,000.00
Changes in the scope of consolidation			305,789.90		305,789.90
Other changes			-10,213,438.67		-10,213,438.67
Group profit/loss for year			2,976,884.75		2,976,884.75
Other Group/profit loss				351,288.93	351,288.93
Overall Group profit/loss for year					3,328,173.68
Values as of 31 December 2003	**200,000,000.00**	**-149,610,000.00**	**86,223,317.97**	**0.00**	**136,613,317.97**
II. Minority shareholders					
As of 31 December 2002			19,297,909.69		19,297,909.69
Issue of shares					0.00
Purchase/retirement of own shares					0.00
Dividends paid					0.00
Changes in the scope of consolidation			31,123.56		31,123.56
Other changes			-1,409,105.65		-1,409,105.65
Group profit/loss for year			1,697,423.15		1,697,423.15
Other Group/profit loss					0.00
Overall Group profit/loss for year					1,697,423.15
Values as of 31 December 2003	**0.00**	**0.00**	**19,617,350.75**	**0.00**	**19,617,350.75**
III. Group equity					
Values as of 31 December 2002	160,000,000.00	-119,610,000.00	116,651,991.68	-351,288.93	156,690,702.75
Issue of shares	40,000,000.00	-30,000,000.00			10,000,000.00
Purchase/retirement of own shares					0.00
Dividends paid			-4,200,000.00		-4,200,000.00
Changes in the scope of consolidation			336,913.46		336,913.46
Other changes			-11,622,544.32		-11,622,544.32
Group profit/loss for year			4,674,307.90		4,674,307.90
Other Group/profit loss				351,288.93	351,288.93
Overall Group profit/loss for year					5,025,596.83
Values as of 31 December 2003	**200,000,000.00**	**-149,610,000.00**	**105,840,668.72**	**0.00**	**156,230,668.72**

The Group's equity is stated in conformance with regulation DRS 7. The self-generated Group equity is stated as that part of the Group's equity that was formed from the Group's net profit for the fiscal year under review and/or previous fiscal years. It comprises revenue reserves, profit carried forward and the net profit and is differentiated for the majorities and the minorities that directly or indirectly hold shares in the subsidiaries included in the consolidated financial statement.

The remaining Group profit includes changes in the Group equity in the fiscal year under review which cannot be stated in the statement of profit and loss due to commercial accounting principles and DRSC regulations and which are not due to received payments or disbursements on the shareholder level.

The other changes of € 11,326,706.99 include some € 9,839,303.14 originating from the dissolution of hidden reserves in an affiliated company included in the consolidated financial statement, by which the revenue reserves were reduced without affecting income pursuant to art. 309 (1) HGB. The gains posted due to this action (disposal gains) are set off against corresponding costs for the transfer to reserves for life insurance premium rebates.

18 **Difference from capital consolidation** The liabilities-side difference of € 13,888k (previous year € 13,888k) reflects the equity of eight subsidiaries that exceeds the acquisition costs.

V. Additional Information

Information in compliance with art. 280, 285 (1) HGB Write-ups according to art. 280 (1) HGB (German Commercial Code) in the amount of € 1,630,987.77 (previous year € 7,155,121.85) were taken in the fiscal year under review.
Debts with a remaining term of more than five years exist in the amount of € 14,952,697.49 (previous year € 11,707,000.00). Debts to financial institutions in the amount of € 56,714,605.99 (previous year € 65,563,508.27) are secured by property liens.

20 **Special reserve item** The special reserve item was formed entirely from advances on investment which will be set off against acquisitions in future. Due to the new German corporate public disclosure requirements ("TransPuG") which took effect July 2002, superseding art. 308 (3) HGB, the special reserve item was dissolved with no effect on income effective 1 January 2003, insofar as this item was formed on the basis of tax regulations. If this law had been applicable in the previous year, the Group profit for the previous year would have been € 3.6 million less. In addition, the equity would have been increased by € 11.3 million with no effect on income; this figure corresponds to the amount of the special reserve item stated as of 1 January 2002 in accordance with art. 308 (3) HGB. As of 31 December 2002 a latent tax liability in the amount of € 1.5 million would have had to be stated in the balance sheet.

Liability relationships Warranty obligations in the amount of € 1,022,583.77 exist due to the real estate purchase contract with obligation to build in Rostock dated 31 January 1996. The same contract also mandates obligations to build parking spaces in the amount of € 818,067.01. Obligations amounting to € 1,022,583.77 exist on account of a rent guarantee in conjunction with the sale of real estate in Rostock in 1996. Six securities with a book value of € 7,697,675.00 have been pledged as security for these obligations.

Other financial obligations Contribution obligations in the amount of € 23,618,143.00 exist from the holding in the Protektor Lebensversicherungs-AG; these can be called in as necessary. In the real estate development sector, the financial obligations for completed building contracts of current business operations, for buildings under construction as well as for real estate purchase contracts amount to € 17,000,000.00. Due to the assumption of guarantees in conjunction with real estate transactions, obligations exist in the amount of € 3,067,751.29, for which a security with a par value of € 3,068,000 is pledged as a bond. Rental contracts and leases with varying terms for premises, vehicles, office equipment as well as hardware and software of a computer center which were not contracted within the context of insurance business give rise to total annual obligations within the normal scope for our industry.

33 **Unrealized gains from capital investments** The figure stated here represents the difference between the current value and the reassessed acquisition value of capital investments for the account and risk of life insurance policyholders. A corresponding cost is included in the line item "Change in other net underwriting reserves".

Write-downs on capital investments Special tax write-offs on capital investments, particularly real estate, were taken in the fiscal year under review in the amount of € 765,348.84.

32 The costs of insurance business comprise

(in euros)	2003
sale of insurance policies	217,663,712.99
administration of insurance policies	218,022,239.98
Total costs	**435,685,952.97**

34 Costs of premium rebates for own account

(in euros)	2003	2002
Costs of profit-dependent premium rebates	21,496,077.62	0.00
Costs of profit-independent premium rebates	1,451,926.14	433,713.51
Total costs	**22,948,003.76**	**433,713.51**

Commissions and other compensation for insurance representatives, employee costs

(in euros)	2003	2002
1. Commissions of all types for insurance representatives within the meaning of art. 92 HGB for self-contracted insurance business	171,730,546.21	170,137,745.09
2. Other compensation for insurance representatives within the meaning of art. 92 HGB	10,947,447.19	8,396,593.77
3. Wages and salaries	203,271,256.30	193,418,234.12
4. Social security and support expenses	37,235,410.85	34,755,906.27
5. Expenses for pension plans	15,157,315.48	13,307,539.30
6. Total costs	**438,341,976.03**	**420,016,018.55**

Average employment for year On average over the entire year, the companies completely included in the consolidated financial statement employed 4,378 (previous year 4,406) persons. Of this total, 3,925 employees (previous year 3,935) worked in administrative capacities (headquarters and branch offices) and 453 (previous year 471) in field sales.

The insurance companies employed 3,580 (previous year 3,627) persons on average. On average, 798 persons (previous year 779) were employed in the management and service companies. The German Group subsidiaries additionally employed 79 vocational trainees.

Compensation for Supervisory Board and General Management of FIDA GmbH Compensation for the supervisory board amounted to € 445,781.05.

The compensation for managing directors from Group subsidiaries amounted to € 843,966.50. There are no current pensions or vested pension rights for former general managers or their survivors.

Dusseldorf, 10 June 2004

Managing Directors

Dr. Paul-Otto Faßbender Dr. Karl-Heinz Strohe

Auditor's Certification for Consolidated Financial Statement

We have audited the consolidated financial statement and the Group management report of FIDA Gesellschaft für Vermögensverwaltung und für Vermittlung mbH, Dusseldorf, for the fiscal year from 1 January to 31 December 2003. The Managing Directors of the Company are responsible for preparation of the consolidated financial statement and Group management report in compliance with German commercial regulations. Our task is to provide an assessment of the year-end consolidated financial statement and the Group management report on the basis of our audit.

We carried out our audit of the year-end consolidated financial statement in accordance with art. 317 HGB (German Commercial Code) under consideration of the IDW's (Institute of Auditors) rules on proper auditing of year-end financial statements. These stipulate that the audit must be planned and conducted in such a manner that misstatements and violations that have a significant effect on the understanding of assets, finances and revenue as conveyed by the year-end consolidated financial statements in accordance with the rules on proper accounting, and the Group management report, are identified with a sufficient level of certainty. In determining the specific procedure of the audit, knowledge of the nature of the business and the economic and legal background of the Group as well as possible errors to be expected are taken into consideration. The audit assesses the efficiency of the internal account auditing system and the documentation of the data in the year-end consolidated financial statement and the Group management report primarily on the basis of random checks. The audit comprises the evaluation of the year-end financial statements of the companies included in the consolidated financial statement, the scope of consolidation, the applied accounting and consolidation methods and the key estimates of the managing directors, as well as an evaluation of the overall representation of the consolidated financial statement and the Group management report. It is our opinion that our audit provides a sufficiently sound basis for our assessment.

Our audit has not resulted in any objections.

We believe that the year-end consolidated financial statement in accordance with the principles of proper accounting conveys an accurate impression of the assets, finances and revenue of the Group. Overall, the Group management report accurately depicts the situation of the Group and correctly presents the risks for the future.

Dusseldorf, 30 June 2004

PwC DEUTSCHE REVISION
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Alfons Koch
Auditor

ppa. Wolfram Wagner
(duly authorized signatory)
Auditor

Report of the Supervisory Board

Throughout the year under review, the Supervisory Board continually monitored the conduct of the parent company's business. The Managing Directors regularly informed the Supervisory Board both verbally and in writing regarding the situation of the parent company and all important occurrences throughout the Group. The Supervisory Board evaluated these reports in its meetings and discussed the development of the Company with the Board of Management. Deliberations also covered the developments in the Group.

The auditing firm PwC Deutsche Revison Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Dusseldorf, audited our consolidated financial statement as of 31 December 2003 and the management report and has certified these without reservation. The auditors' report was submitted to the Supervisory Board. The Supervisory Board has reviewed the consolidated financial statement and the Group management report.

In its final conclusion of its review of the consolidated financial statement, the Group management report and the auditors' report, the Supervisory Board raises no objections.

The consolidated financial statement for the fiscal year 2003 and the Group management report prepared by the Managing Directors is hereby approved.

Dusseldorf, 5 July 2004

Chair, Supervisory Board

Dr. Peter Feldhausen

Governing Bodies of the Company

Supervisory Board

Shareholders' members of Supervisory Board:

Dr. Peter Feldhausen	Lawyer/tax consultant, Dusseldorf Chair
Dr. Tobias Bürgers	Lawyer, Munich
Prof. Dr. Dr. h. c. Rolf Dubs	Professor, St. Gallen, Switzerland
Dr. Burkhard Hirsch	Lawyer, Dusseldorf
Gerd Peskes	Auditor, Essen
Dipl.-Ing. Werner Seeger	Consultant, Dusseldorf (as of 17 March 2003)
Dr. Karl-Heinz Strohe	Lawyer, Cologne (until 5 February 2003)

Employees' members of Supervisory Board:

Manfred Lambertz	Chair of ARAG Allgemeine Rechtsschutz-Versicherungs-AG Works Council, Korschenbroich Vice-Chair
Peter Berg	Lawyer, Dusseldorf
Joachim Felix	Union Secretary, Cologne
Hubert Düren	Graduate in business administration, Bedburg
Richard Wenhard	Business computer scientist, Buch am Erlbach
Klaus Zöller	Building installation engineer, Munich

Managing Directors

Dr. Paul-Otto Faßbender	Lawyer, Dusseldorf
Dr. Karl-Heinz Strohe	Lawyer, Cologne (as of 5 February 2003)

Information

ARAG provides a broad range of information about the ARAG Group, its insurance products and services in the form of numerous publications as well as extensive Web-based content. And as a legal specialist, ARAG's information offerings would be incomplete without a range of selected tips and guides on legal topics. If you have any questions, desire an insurance quote or are merely seeking sound, accurate information: get in touch with us, or visit us online.

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