



news release

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(All figures are reported in Australian Dollars unless otherwise stated)

AXA ASIA PACIFIC HOLDINGS LIMITED Results for the six months ended 30 June 2004

AXA Asia Pacific Holdings (AXA APH) today announced profit after tax and before non-recurring items of \$193.5 million for the six months to 30 June 2004 (6 months to 30 June 2003 - \$276.7 million).

Operating earnings, the key indicator of the underlying performance of the business, grew very strongly, up 20 per cent to \$162.8 million (2003 - \$135.6 million).

Profit after tax for the comparable period in 2003 included the significant one-off profits in respect of the sale of AXA Health and our 50 per cent interest in Members Equity.

Commenting on the results, Group Chief Executive Les Owen, said, "Following on from our strong results in 2003, I am pleased to say that we have delivered another very strong set of results which continue to demonstrate that the improvement and repositioning of the business over the last four years is coming through into very healthy operating and financial performance".

"Operating earnings in Australia and New Zealand increased 32 per cent to \$87.4 million (June 2003 - \$66.4 million). We have seen encouraging growth in each of our core business operations – financial protection, wealth management products and advice. Net retail funds flows were up 132 per cent to \$1,639 million (2003 - \$708 million) and we maintained our top three market position. The value of new business for the six months ending 30 June 2004 grew 19 per cent to \$39 million (6 months to 30 June 2003 - \$33 million) and funds under management, administration and advice were up 12 per cent to \$49.6 billion (31 December 2003 - \$44.2 billion).

"We also saw strong growth in Hong Kong where operating earnings were up 29 per cent to HK\$432.8 million (2003 - HK\$335.0 million). New business grew by 13 per cent and the value of new business for the six months grew by 29 per cent to HK\$271 million (6 months to 30 June 2003 – HK\$210 million).

"Investment earnings for the Group were \$66 million (2003 - \$188.8 million). Investment earnings on invested shareholder capital are, by their very nature, volatile. Last year our US bond portfolio benefited from falling interest rates and a narrowing of corporate spreads, together with strong returns from global equity markets. In the first six months of this year US interest rates rose, corporate spreads widened and equity performance was less strong.

"Despite the short term impact on the value of our US dollar bond portfolio in Hong Kong, the rise in US interest rates and the move towards our long term assumptions is positive for our Hong Kong business and for medium to long term shareholder value.

"Our capital position remains strong with no change to our gearing ratios and capital in excess of regulatory requirements increasing by \$71 million from 31 December 2003 to \$954 million."

Corporate and interest expense is down 26 per cent to \$35.3 million (2003 - \$47.7 million).

The Directors have declared an interim dividend of 5.25 cents per share (15 per cent franked) up 11 per cent on the interim dividend in 2003 (4.75 cents per share).

Australia and New Zealand - key points

- Very strong Operating Earnings up 32% to \$87.4m (June 2003 - \$66.4m) - further evidence of improved market position and efficiency
- Net retail funds flows up 132% to \$1,639m (2003 - \$708m) - maintained Top 3 ranking (Plan for Life, ASSIRT)
- Value of new business up 19% to \$39m (6 months ended 30 June 2003 - \$33m)
- Funds under management, administration and advice up 12% to \$49.6b (31 December 2003 - \$44.2b)
- Funds under advice up 10% to \$4.6b (31 December 2003 - \$4.2b)
- Cost to income ratio down by 4 percentage points
- Well positioned for further growth - AXA 6 aspirational goals launched

Hong Kong – key points

- Strong Operating Earnings up 29% to HK\$432.8m (2003 - HK\$335.0m)
- New business index up 13% to HK\$542m (2003 - HK\$480m)
- Value of new business up 29% to HK\$271m (6 months ended 30 June 2003 – HK\$210m)
- Net funds flow up 15% to HK\$3.9b (2003 - HK\$3.4b)
- Despite rising interest rates on bond portfolio, funds under management up 4% to HK\$41.8b (31 December 2003 - HK\$40.1b)
- US 10 year Treasury rate moving towards our long term assumption
- Aggregate discontinuance rate down to 7.9%

China and South East Asia – key points

- Total premium income for the region up 64%¹ to \$206.0m
- New business index for the region up 15%¹ to \$32.2m
- Value of new business for the region up 148%¹ to \$14.0m² (6 months ended 30 June 2003 - \$6m)
- Starting to gain traction in growing shareholder value
- A strong platform – confident about growth opportunities

Group financials – key points

- Earnings per share of 11.1 cents (2003 – 16.5 cents). On a normalised investment earnings basis³, earnings per share up 29 per cent to 13.9 cents (2003 – 10.8 cents)
- Return on average shareholders equity 12.1 per cent (2003 – 14.3 per cent). On a normalised basis⁴, return on average shareholders equity 12.9 per cent (2003 – 11.2 per cent)
- Strong balance sheet – stable gearing ratios over past 6 months with debt /capital resources at 13 per cent
- \$954 million capital above regulatory requirements
- \$339 million capital above internal target surplus

(1) Constant currency basis

(2) 100% share

(3) "Normalised" earnings calculated after deducting \$9.8m Health Operating Earnings from 2003 profit, and replacing Investment Earnings of \$114m (2004) and \$100m (2003)

(4) "Normalised" earnings calculated after deducting \$27.3m Health Operating Earnings from profit for 12 months ended 30 June 2003, and replacing Investment Earnings with normalised annual Investment Earnings of \$228m (2004) and \$200m (2003)

Future outlook

Commenting on prospects for the future, Group Chief Executive Les Owen said,

“Over the last four years we have refocussed our business on financial protection and wealth management, have instilled more of a performance culture, strengthened management and improved operational efficiency. The last 18 months has seen very strong evidence that this repositioning is leading to improved operating and financial performance.”

“The Australian and New Zealand markets have attractive growth prospects. Savings ratios need to improve and average levels of financial protection cover are well below the needs of families. We are well positioned in all parts of the value chain – asset management, product and platform, services to financial planners and advice. I am confident that we can continue to deliver profitable growth.

“In Hong Kong our M6 transformation programme finishes at the end of 2004 and we are tracking well to achieve five out of our six objectives. The economy is growing strongly and I am confident that we are equally well positioned in Hong Kong to continue to deliver strong and profitable growth in the future.

“We continue to grow in China and AXA Minmetals, our joint venture, is seeking additional licences as the market opens up under the terms of China’s accession to the World Trade Organisation. We are starting to gain traction in growing shareholder value in our other businesses in South East Asia. We have a strong financial services platform in Asia and are confident about the growth opportunities.

“Despite the turmoil in global stock markets over the last three and a half years, our businesses are strong, our capital position is very strong and we are well positioned for continued profitable growth.”

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ATTACHMENT

AXA APH Group result for six months ended 30 June 2004

(A\$ million)	6 months to 30 June 04	6 months to 30 June 03	% increase
Operating Earnings			
Australia & New Zealand (excluding Health)	87.4	66.4	32%
Hong Kong and Singapore	75.4	69.0	9%
Operating Earnings (excluding Health)	162.8	135.6	20 %
Investment Earnings	66.0	188.8	(65) %
Corporate expenses	(23.4)	(20.8)	(12) %
Interest expense	(11.9)	(26.9)	56 %
Profit after tax excluding Health and before non-recurring items	193.5	276.7	(30) %
AXA Australia Health ¹	-	9.8	n/a
Non-recurring items	-	368.4	n/a
Profit after tax and non-recurring items	193.5	654.9	(70) %

¹The sale of Health was completed on 28 February 2003. Earnings in 2003 are only in respect of the period 1 January 2003 – 28 February 2003.

AXA Australia and New Zealand

(A\$ million)	6 months to 30 June 04	6 months to 30 June 03	Increase
Wealth Management	50.8	43.2	18 %
Financial Protection	36.6	23.2	58 %
Operating Earnings (excluding Health)	87.4	66.4	32 %
Investment Earnings	51.2	14.6	251 %
Profit after tax excluding Health and before non-recurring items	138.6	81.0	71 %
AXA Australia Health	-	9.8	n/a

AXA Hong Kong

(A\$ million)	6 months to 30 June 04	6 months to 30 June 03	Increase
Operating Earnings	75.2	69.0	9 %
Investment Earnings	14.5	172.7	(92) %
Profit after tax and before non-recurring items	89.7	241.7	(63) %

(HK\$ million)	6 months to 30 June 04	6 months to 30 June 03	Increase
Operating Earnings	432.8	335.0	29 %
Investment Earnings	83.8	838.5	(90) %
Profit after tax and before non-recurring items	516.6	1,173.5	(56) %