



# 2003 Activity and Result

## Note

‘Pro-forma 2002’ indicates that Euler Hermes Kreditversicherung has been included in the figures with effect from 1 January 2002.

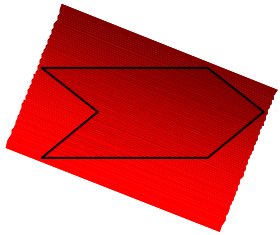
Euler Hermes Kreditversicherung has been consolidated with effect from 1 July 2002.

# Agenda

- **Highlights**
- **2003 financial data**
- **2004 outlook**

## Highlights of 2003

- A modest rise in turnover
- A very substantial improvement in the combined ratio
- Turnaround in factoring
- Net profit rises sharply



**in an economic environment characterised by**

- recession or stagnation in our main markets
- a significant rise in business failures

## Highlights of 2003

- Improvement in service quality
- A prudent approach to risk management, in line with Euler Hermes' business model
- Higher activity levels in:
  - Central and Eastern Europe
  - Southern Europe (Spain, Portugal and Greece)
  - Morocco
  - Latin America
  - Asia
- Substantial rise in the share price

# A stagnant economic environment

## Year-on-year percentage change in GDP

Country	Weight (%)	Actual 2001	Actual 2002	Estimate 2003	Estimate 2004
<b>World</b>	<b>100%</b>	<b>1.4%</b>	<b>1.8%</b>	<b>2.7%</b>	<b>3.5%</b>
<b>USA</b>	<b>33%</b>	<b>0.5%</b>	<b>2.2%</b>	<b>3.1%</b>	<b>4.3%</b>
<b>Japan</b>	<b>16%</b>	<b>0.4%</b>	<b>-0.3%</b>	<b>2.7%</b>	<b>2.5%</b>
<b>European Union (15 countries)</b>	<b>26%</b>	<b>1.8%</b>	<b>1.0%</b>	<b>0.7%</b>	<b>2.0%</b>
Germany	6%	1.0%	0.2%	-0.1%	1.4%
France	4%	2.1%	1.2%	0.2%	1.7%
United Kingdom	5%	2.1%	1.7%	2.3%	2.8%
Italy	4%	1.7%	0.4%	0.4%	1.5%
Spain	2%	2.8%	2.0%	2.4%	3.0%
The Netherlands	1%	1.2%	0.2%	-0.8%	1.0%
Belgium & Luxembourg	1%	0.7%	0.7%	1.1%	1.9%
Sweden	1%	1.2%	1.8%	1.6%	2.8%
<b>Central &amp; Eastern Europe</b>	<b>3%</b>	<b>3.0%</b>	<b>4.5%</b>	<b>4.7%</b>	<b>4.7%</b>
<b>Asia</b>	<b>10%</b>	<b>5.1%</b>	<b>6.2%</b>	<b>6.4%</b>	<b>6.3%</b>
<b>Latin America</b>	<b>6%</b>	<b>0.4%</b>	<b>-0.1%</b>	<b>1.2%</b>	<b>3.4%</b>

# A significant number of business failures

Country	2001 global	2002 global	%	2003 global	%	2004 Estimate	%
<b>USA</b>	40,099	38,540	<b>-4%</b>	36,900	<b>-4%</b>	33,400	<b>-9%</b>
<b>Japan</b>	19,164	19,087	<b>0%</b>	16,255	<b>-15%</b>	16,500	<b>2%</b>
<b>Germany</b>	32,278	37,579	<b>16%</b>	39,200	<b>4%</b>	40,500	<b>3%</b>
<b>France</b>	42,036	42,897	<b>2%</b>	47,936	<b>12%</b>	48,200	<b>1%</b>
<b>United Kingdom</b>	44,747	46,892	<b>5%</b>	50,511	<b>8%</b>	50,900	<b>1%</b>
<b>Italy</b>	10,767	10,000	<b>-7%</b>	10,000	<b>0%</b>	10,000	<b>0%</b>
<b>Spain</b>	759	1,037	<b>37%</b>	1,000	<b>-4%</b>	1,000	<b>0%</b>
<b>The Netherlands</b>	4,330	4,963	<b>15%</b>	6,386	<b>29%</b>	7,300	<b>14%</b>
<b>Belgium/Lux.</b>	7,812	7,800	<b>0%</b>	8,293	<b>6%</b>	8,300	<b>0%</b>
<b>Sweden</b>	7,433	7,930	<b>7%</b>	8,623	<b>9%</b>	8,600	<b>0%</b>

Source: Euler Hermes

# A pronounced customer focus

**Competition:**

- Market share held by the three largest players > 75%
- Market consolidation now complete
- Worldwide presence gives growth opportunities

**Regulatory environment**

**Basel II**  
**Solvency II**

- High growth potential in Central and Eastern Europe, Asia and South America
- Financing of trade receivables
- Use of Euler Hermes debtor ratings
- Debt collection

**Demand:**

- Growth in international trade
- Rising demand for financial solutions
- High level of service

## Reorganisation of international growth strategy

- International development is managed from three centres of expertise:
  - Southern Europe and Mediterranean region: EH SFAC
  - Central & Eastern Europe and Asia: EH Kreditversicherung
  - Latin America: EH ACI
- Implementation of common operational procedures and systems
- Rapid application of 'best practices' in each subsidiary

# Main strategic axes

**Market position:**  
  
**Strengthening the Group as a whole**

- **Successful completion of the Euler Hermes merger**
- **Common business model applied throughout the Group**
- **Consolidation of market shares and profitability by implementing synergies (costs/turnover/quality)**

**Strategy:**  
  
**Regular growth in a consolidated market**

- **Dynamic future growth in identified markets**
- **Product and service diversification to counter changes in the economic cycle**

**Field of action:**  
  
**Excellence in “core skills”**

- **Organic growth and productivity objectives**
- **Segmental approach to the market**
- **Emphasis on sharing of local expertise**

## Benefits of the business model and integration

- Selective commercial and risk underwriting
- Improved information quality thanks to the proximity to the risks
- Risk underwriting and monitoring based on a common standard
- Single IT structure to provide a high-quality service
  - use of common systems and platforms
  - integrated solutions
- Concrete synergies: € 30 m annually (€ 20 m in 2003 + € 10 m in 2004)
- Minimum objective of a 30% cost ratio in each subsidiary
  - necessitated redundancies' plans in 2003
  - strict cost controls

## Factoring: a return to profitability

- Higher margin and a positive contribution
  - Rise in net banking income
    - higher factoring commissions
    - reduction in financing commissions
    - rise in commissions net of financing charges
  - Cost of claims under control
  - Operational expenses reduced
- But...**
- The "Bricout" claim had a net impact of € 4.7 m

# Agenda

- **Highlights**
- **2003 financial data**
- **2004 outlook**

# Significant growth in profit

€m	2002	2002 pro-forma	2003
Net profit	52.1	77.4	146.1

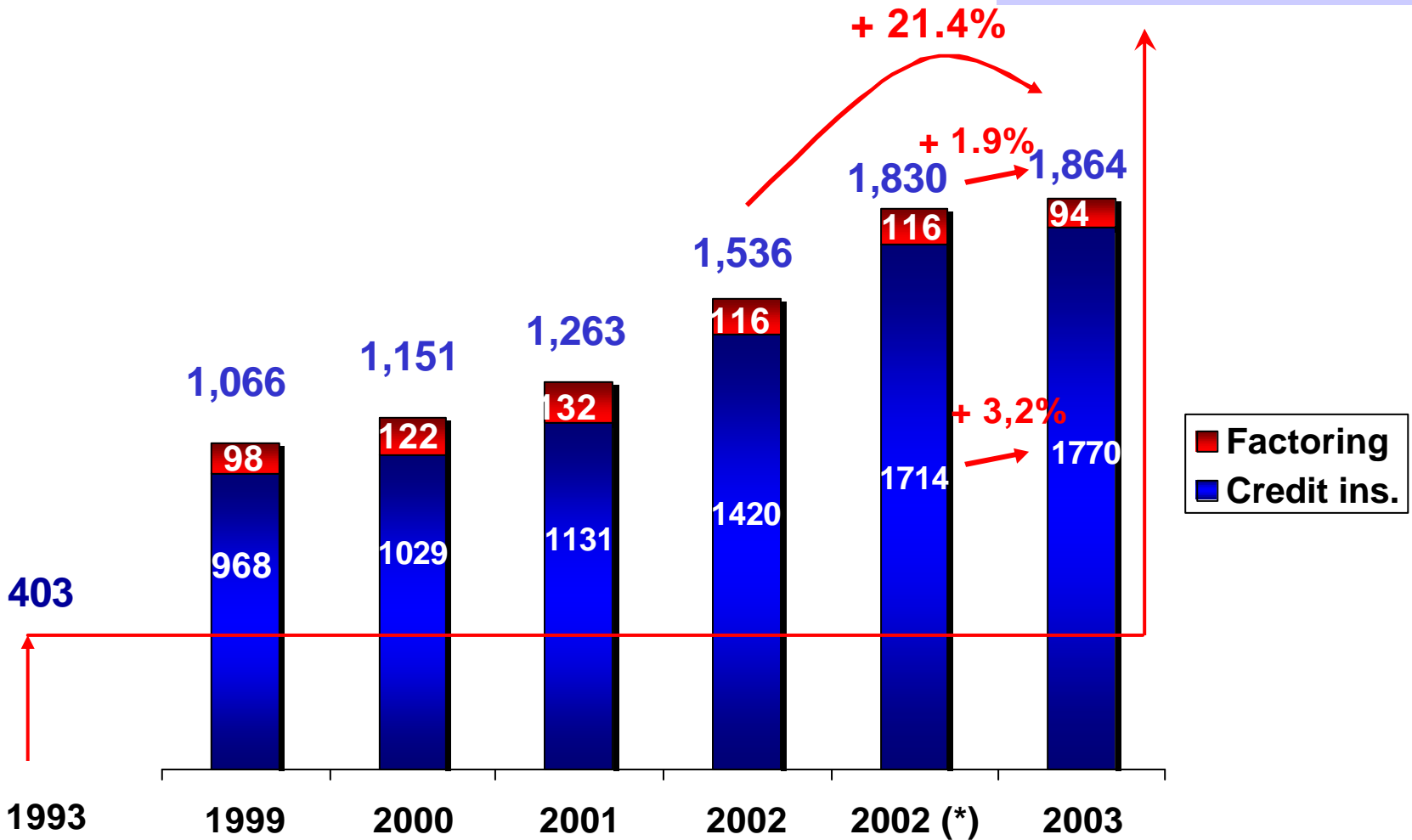
4 components

- A slight increase in turnover
- A significant drop in the combined ratio
- Stable net financial income
- A positive contribution from factoring

# Consolidated turnover

€m

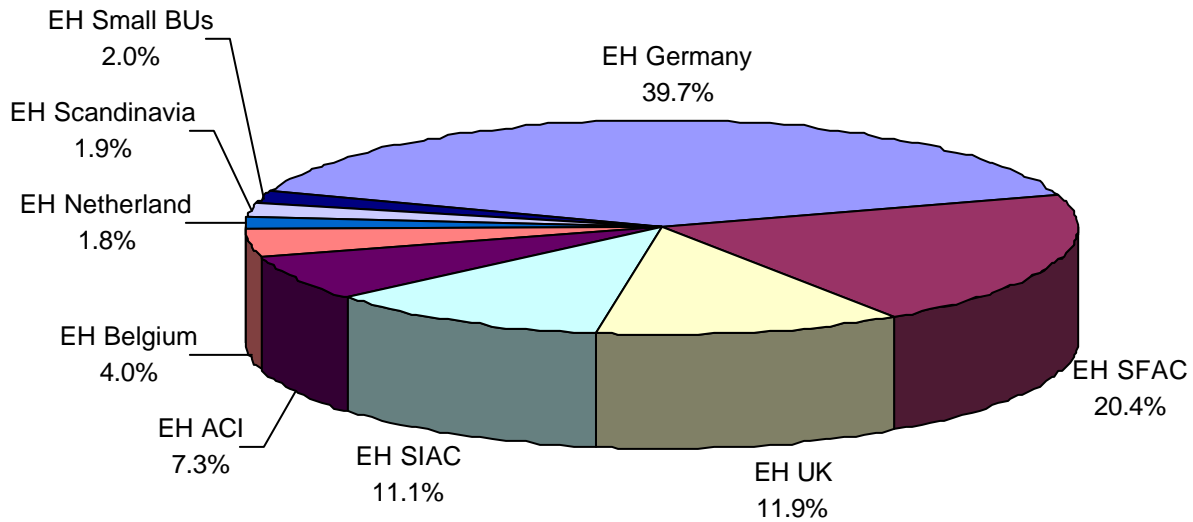
CAGR 1993-2003: + 16.7%



(\*) Pro-forma, at 31.12.2003 rates of exchange

# Breakdown of turnover

## Consolidated turnover



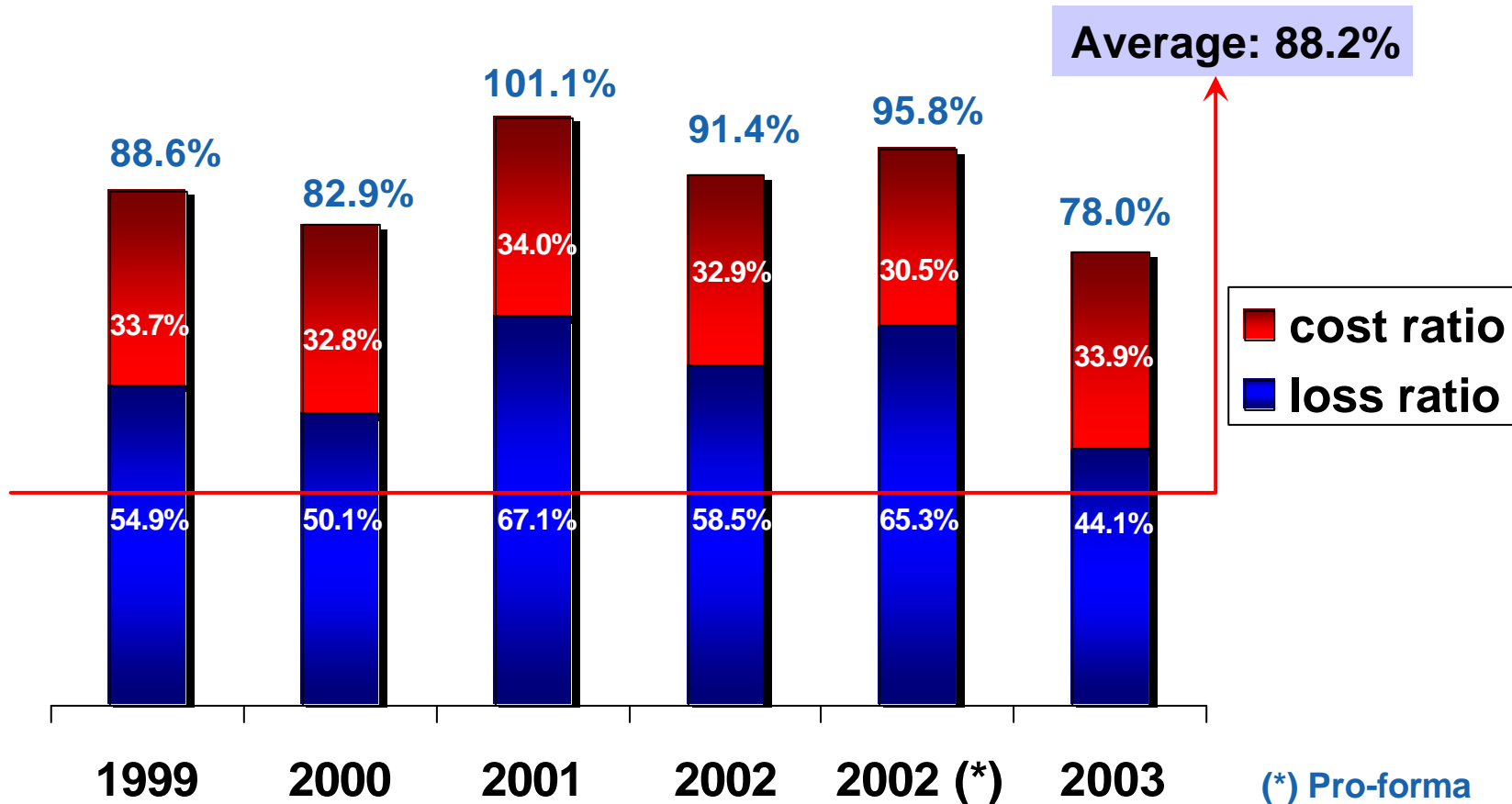
## Modest rise in turnover

### Lower policyholders' turnover offset by:

- Sustained production of new policies in most countries
- Lower level of policy cancellations
- Technically-justified adjustments to premium rates
- New markets in start-up phase
- Higher revenues from services linked to credit insurance

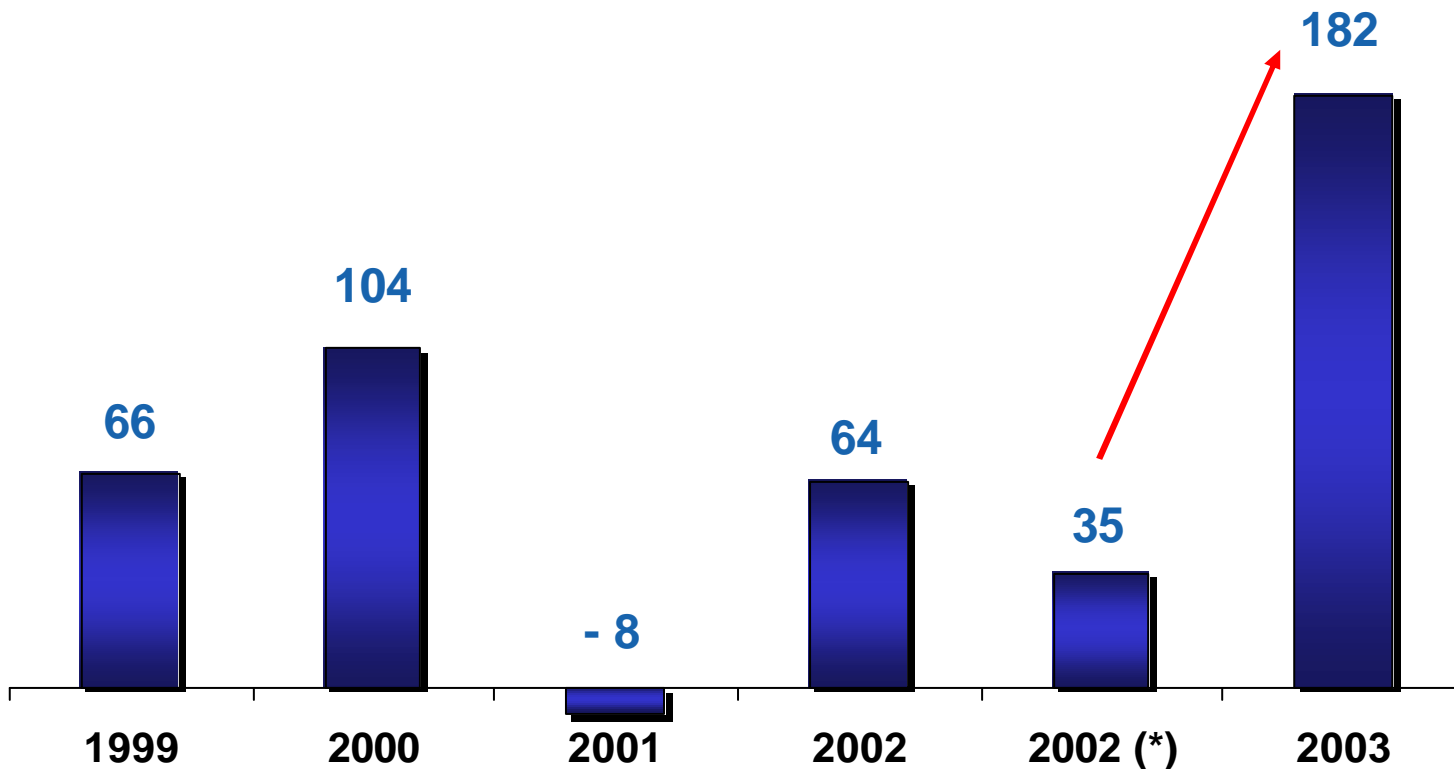
# Substantial improvement in the net combined ratio

As a % of earned premiums net of reinsurance



# Significant growth in underwriting results

€m, before transfer to equalisation reserve and investment income

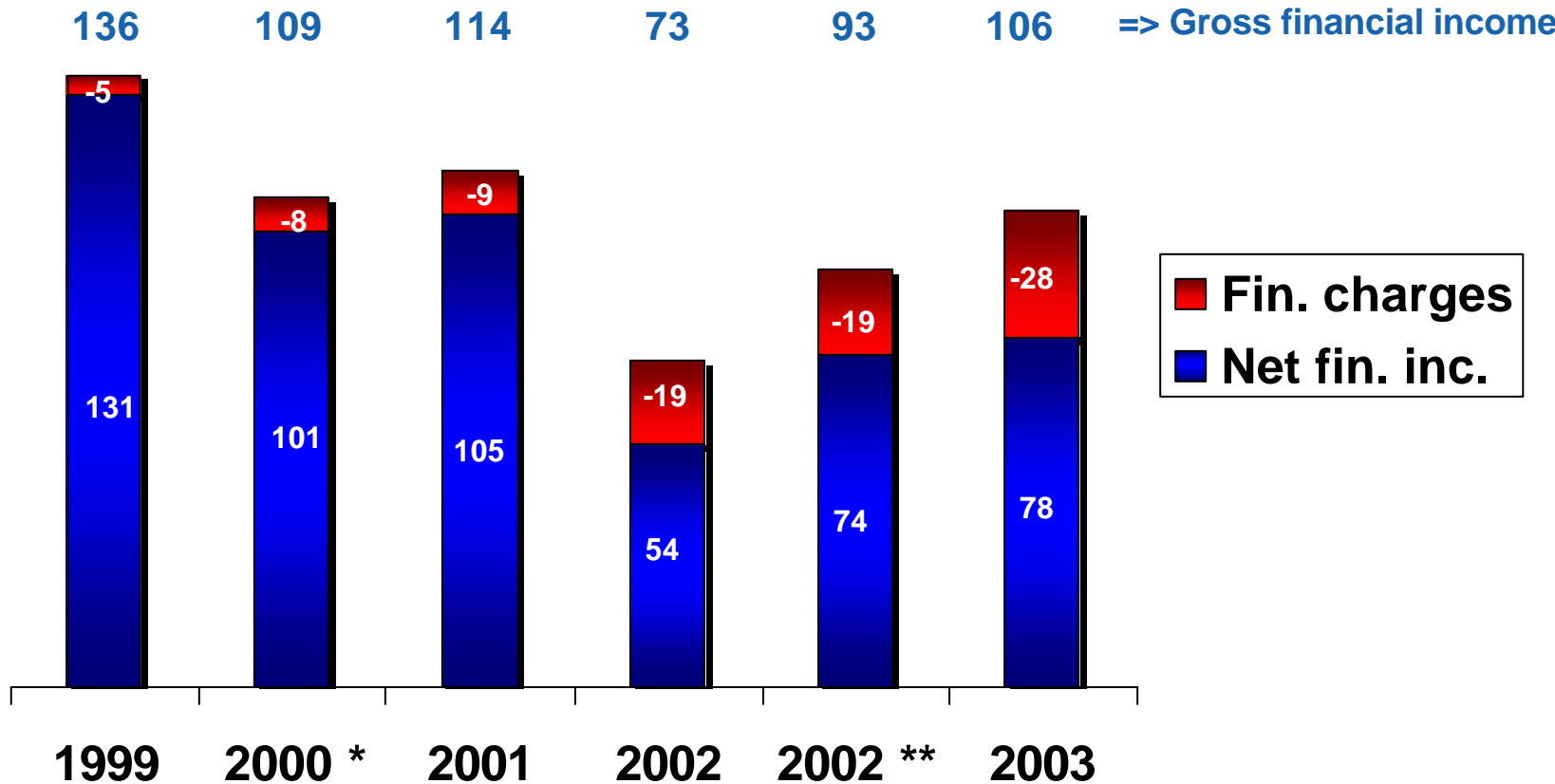


(\*) Pro-forma

# Financial income

€m

Gross and net financial income

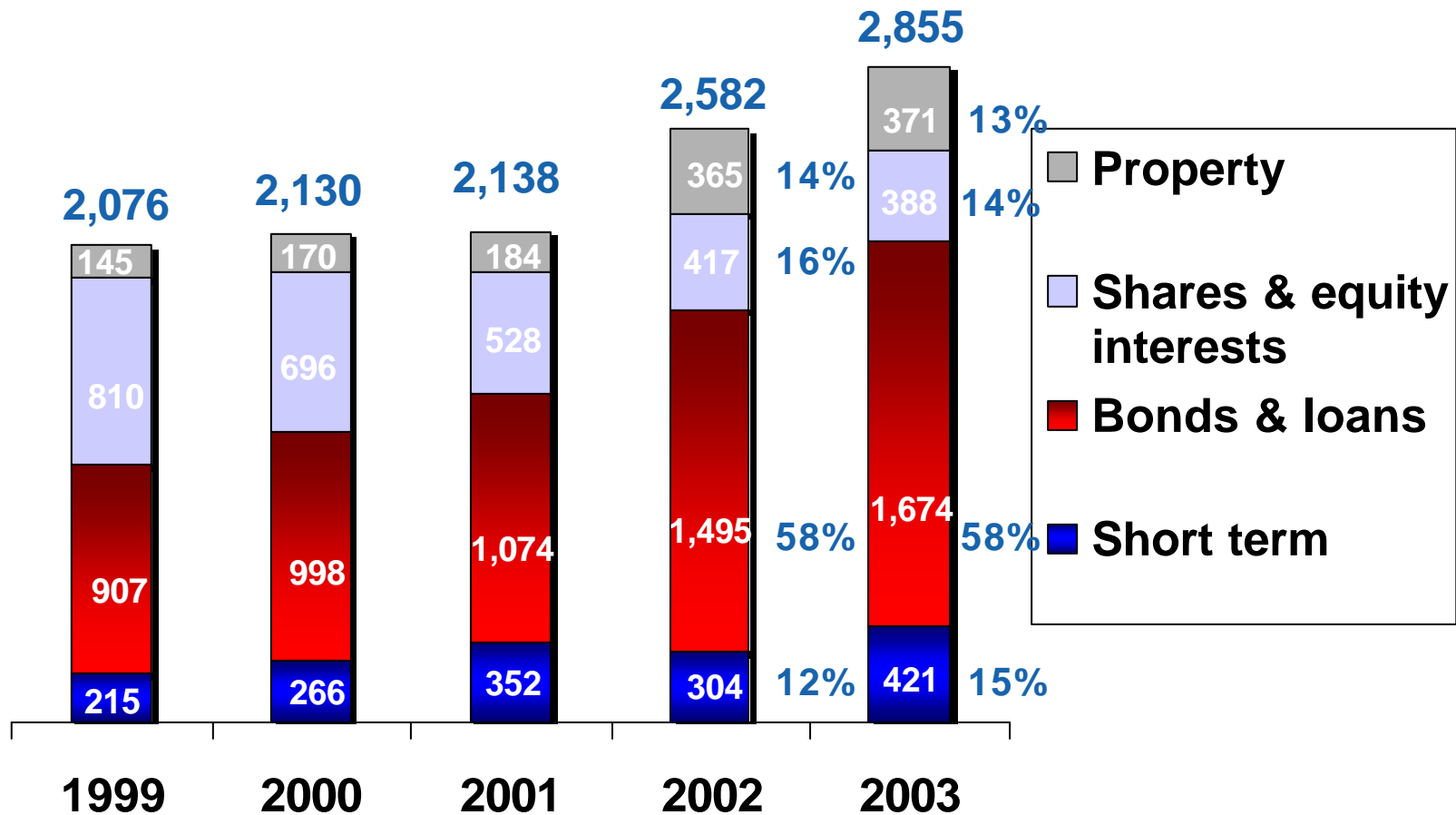


\* Excluding gain on sale of Coface shares

\*\* Pro-forma

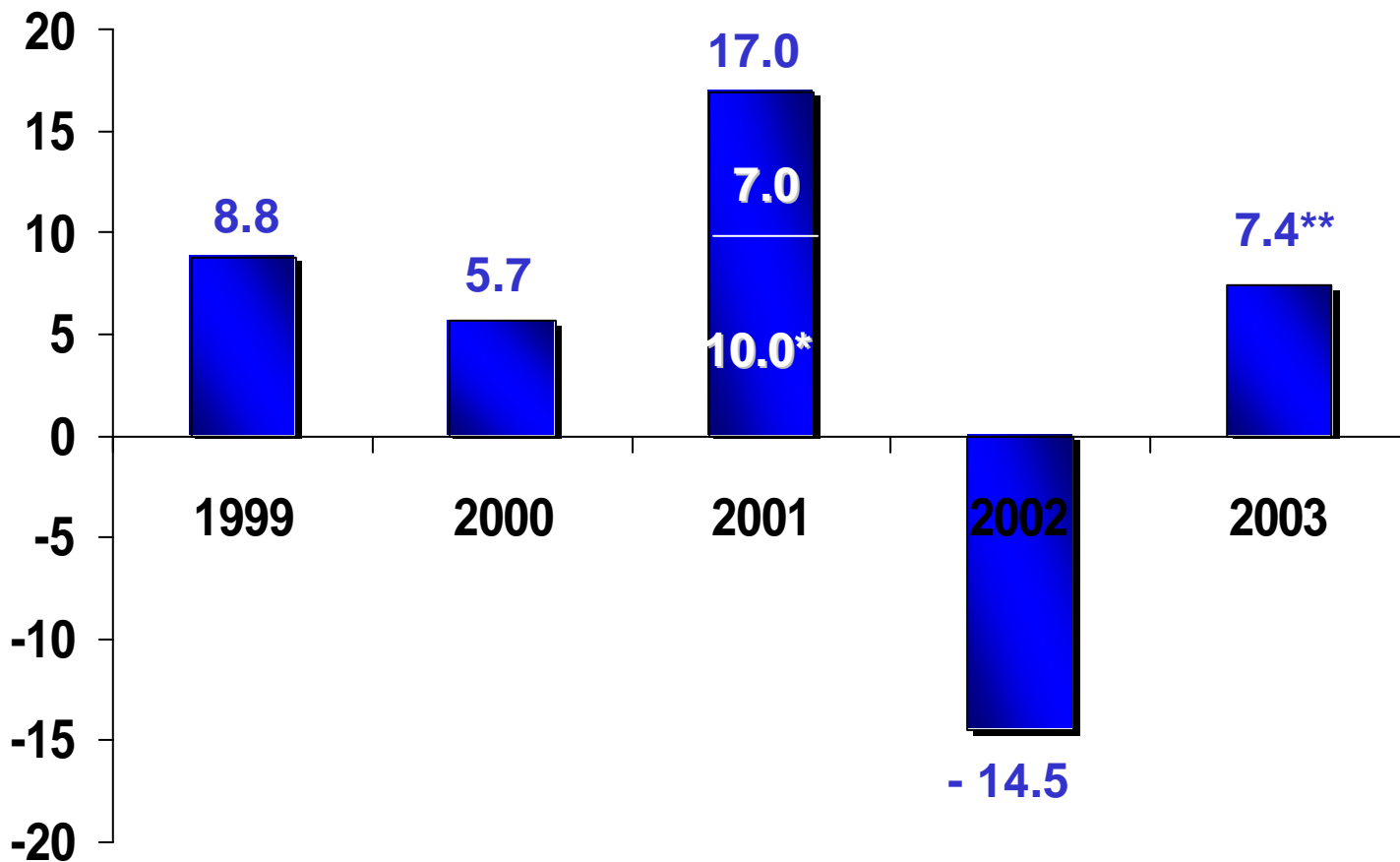
# Breakdown of asset portfolio

€m – market value at 31/12/2003



# Factoring: a positive contribution

€m, Group share

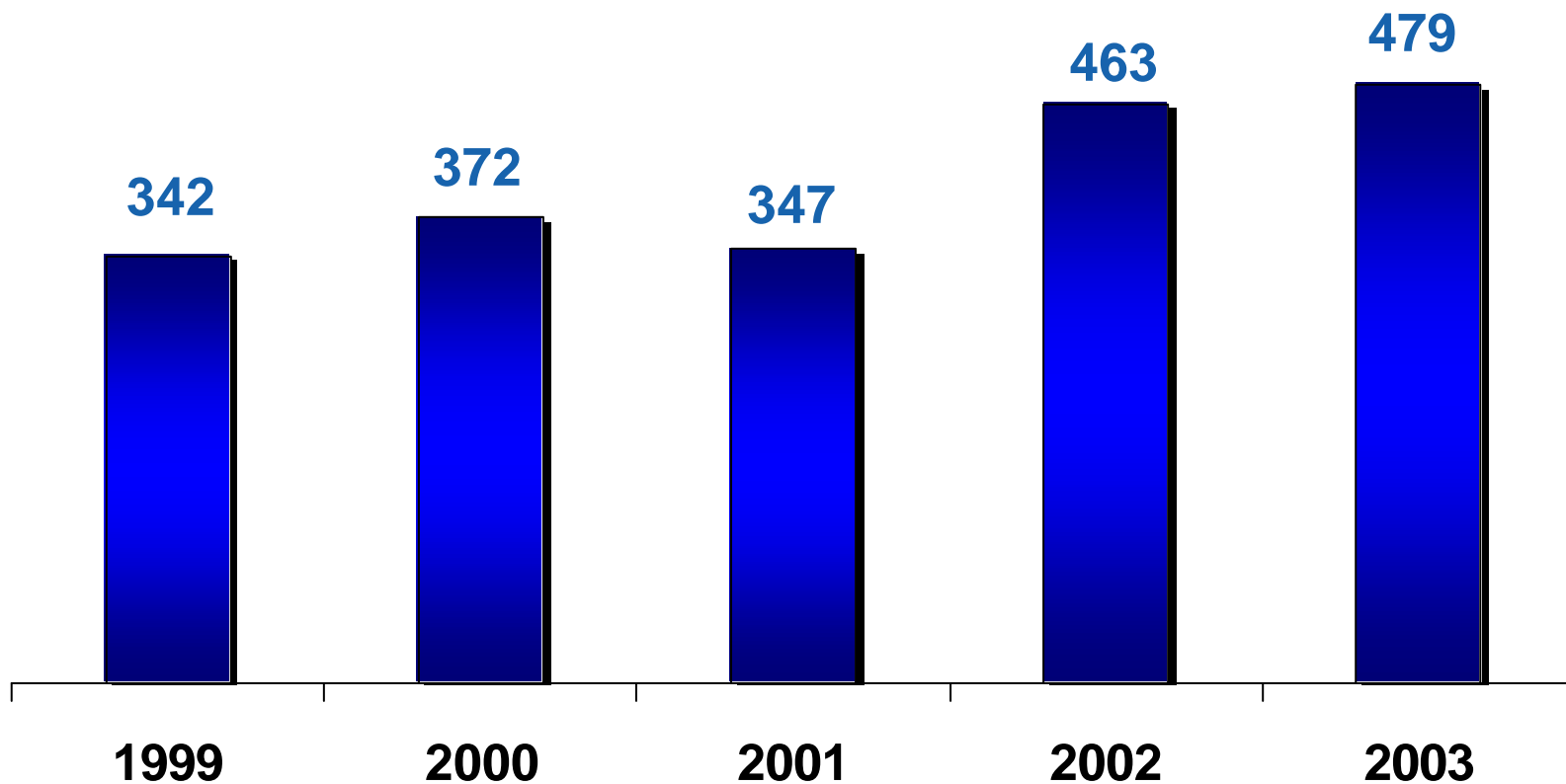


\* Writeback from FGBR

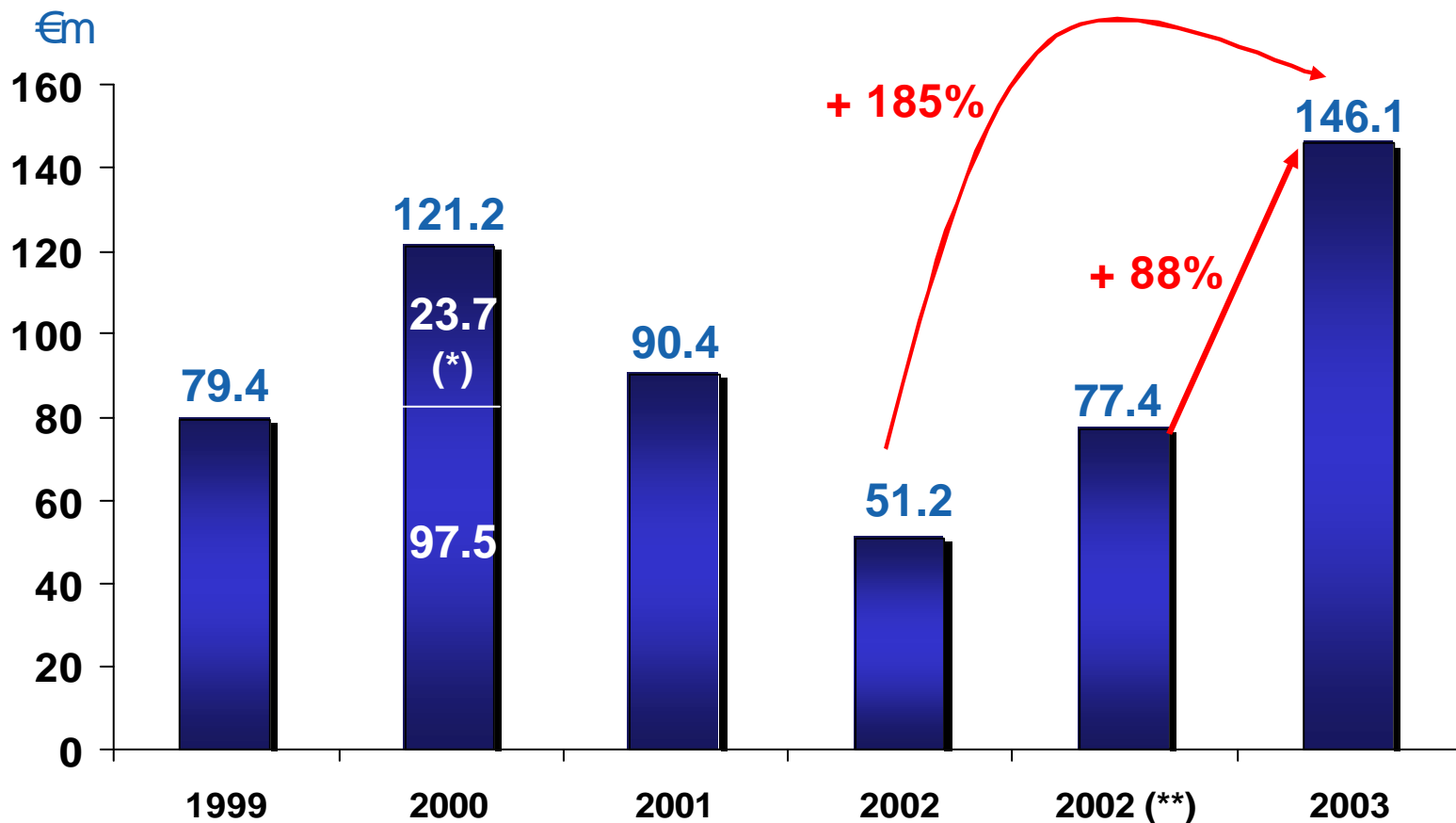
\*\* after €4.7 m for Bricout claim

# A higher equalisation reserve

€m



# Net profit, Group share



Earnings per share					
€2.28	€2.85	€2.69	€1.43	€2.16	€3.72

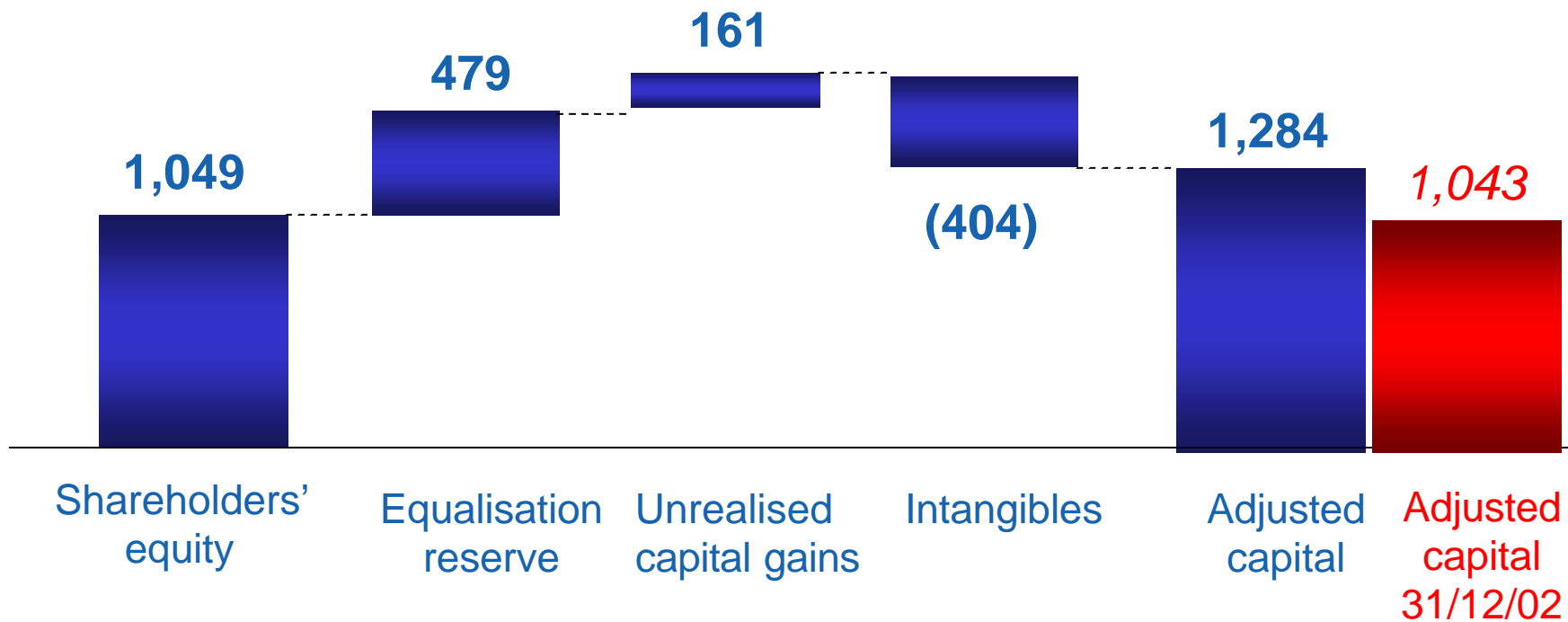
(\*) : gain on sale of Coface shares

(\*\*) : pro-forma figure

# Adjusted capital before tax

€m

at 31 December 2003

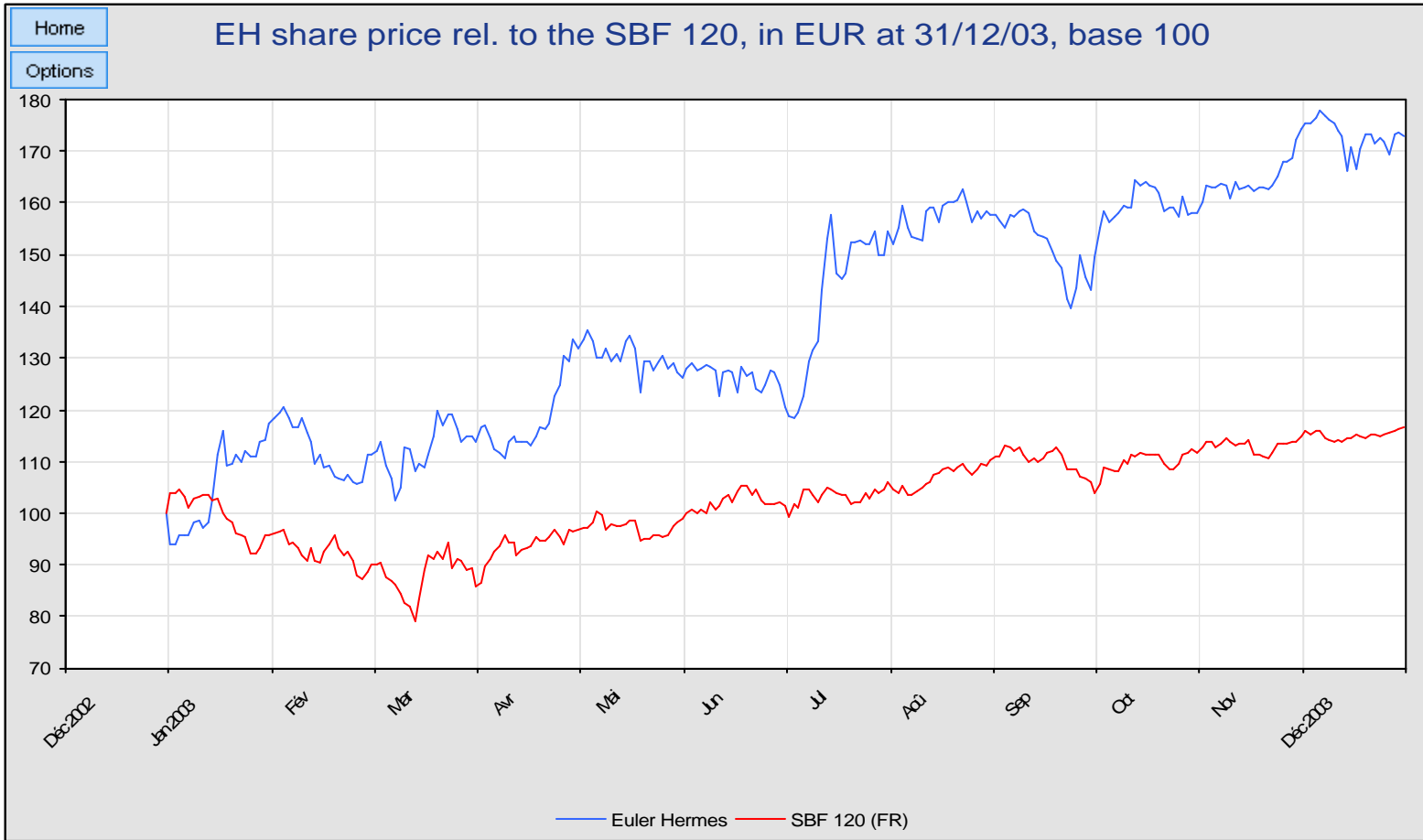


Source: EULER & HERMES, S&P

## Key figures

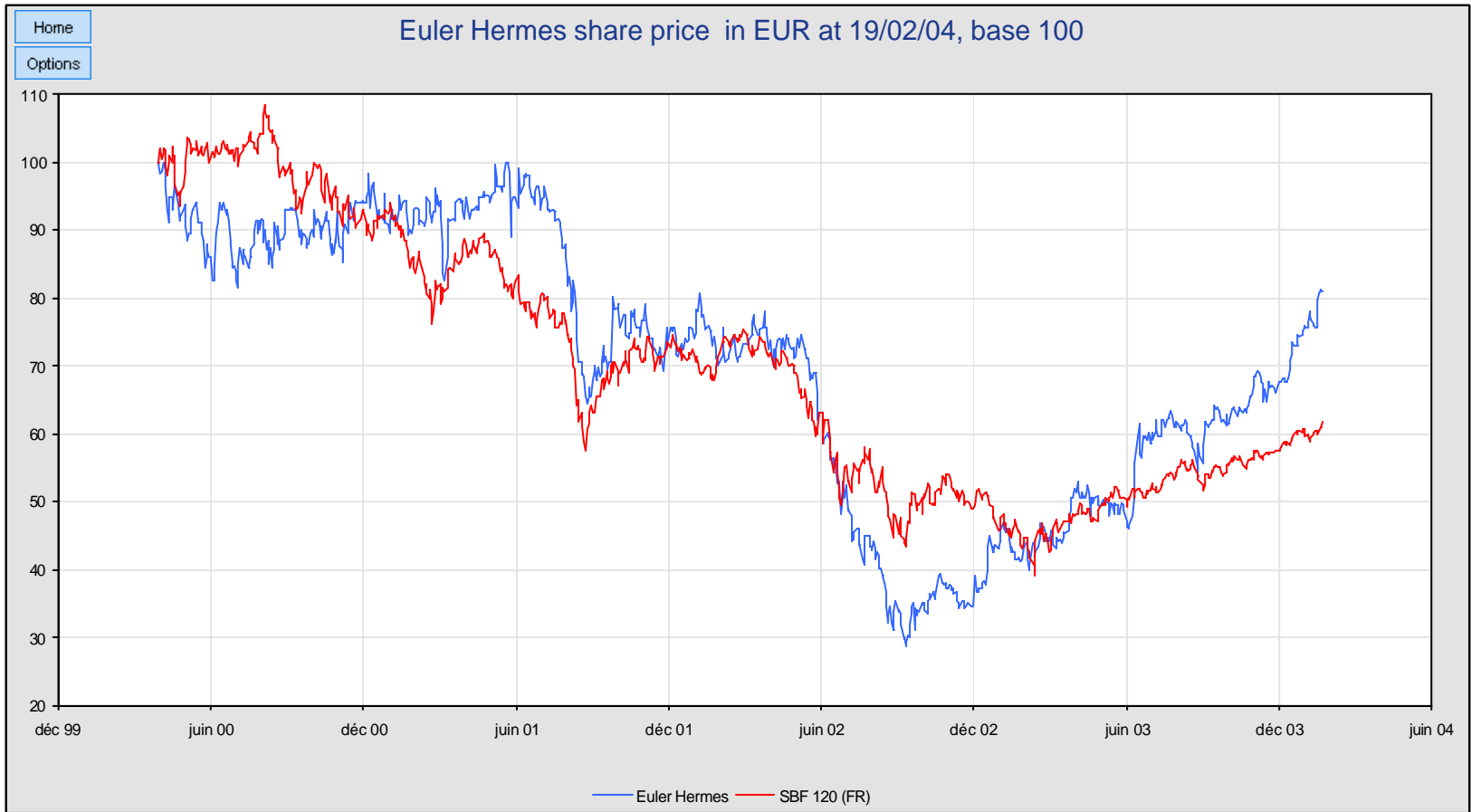
	2001	2002	2003
Net profit (€m)	90.4	51.2	146.1
Dividend per share (€)	<b>1.40</b>	<b>0.80</b>	<b>1.82</b>
EPS (€)	2.69	1.43	3.72
Accounting ROE	11.4%	5.8%	14.7%

# Share price performance



Source: JCF Group

# Euler Hermes – SBF 120 since the IPO



Source: JCF Group

# Agenda

- **Highlights**
- **2003 financial data**
- **2004 outlook**

## 2004 outlook

- Euler Hermes to consolidate its market positioning by:
  - continuing the integration of the Group
  - systematic identification of synergies
  - basing its approach on the sharing of expertise
- Euler Hermes to achieve lasting improvements in competitiveness and performance in terms of service and financial strength
- Euler Hermes has strong growth potential through its geographic diversification, its varied customer portfolio and ...in the event of a global economic recovery

## 2004 financial calendar

- **2003 results release and presentation: 5 March (Paris),  
16 March (London)**
- **General Shareholder Meeting: 28 April**
- **Q1 turnover: 4 May**
- **Q2 turnover: 4 August**
- **First-half results release and presentation: 8 September (Paris),  
9 September (London)**
- **Q3 turnover: 3 November**
- **Q4 turnover: February 2005**