



EULER HERMES

**Euler Hermes confirms its leadership.  
*2005 activity and results.*  
*Analysts conference, March 23rd 2006.***

# Agenda



- **Profile**

- **Highlights**

- **Strategy**

- **2005 Results**

- **Outlook**

## Making companies' development safe.

- **Trade receivables represent in average 40% of companies' assets.**
- **Credit insurance allows them to:**
  - Manage and protect their trade receivables.
  - Choose the right clients and develop new trade relationships safely.
- **Offering them three services:**
  - Risk prevention
  - Debt Collection
  - Indemnification of losses.

## Euler Hermes facts and figures:

- **5 400 employees.**
- **55 000 clients around the world.**
- **Nearly \$700 billion of guaranteed commercial transactions throughout the world.**
- **40 million monitored companies in its database.**
- **20 000 credit demands processed daily.**
- **Established in 41 countries.**
- **34,4 % market share**
- **Rated AA- by Standard and Poor's**
  - Upgraded in May 2005
  - Best rating in the market
- **Steady shareholding : AGF (68,58 %)**

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- **Highlights**

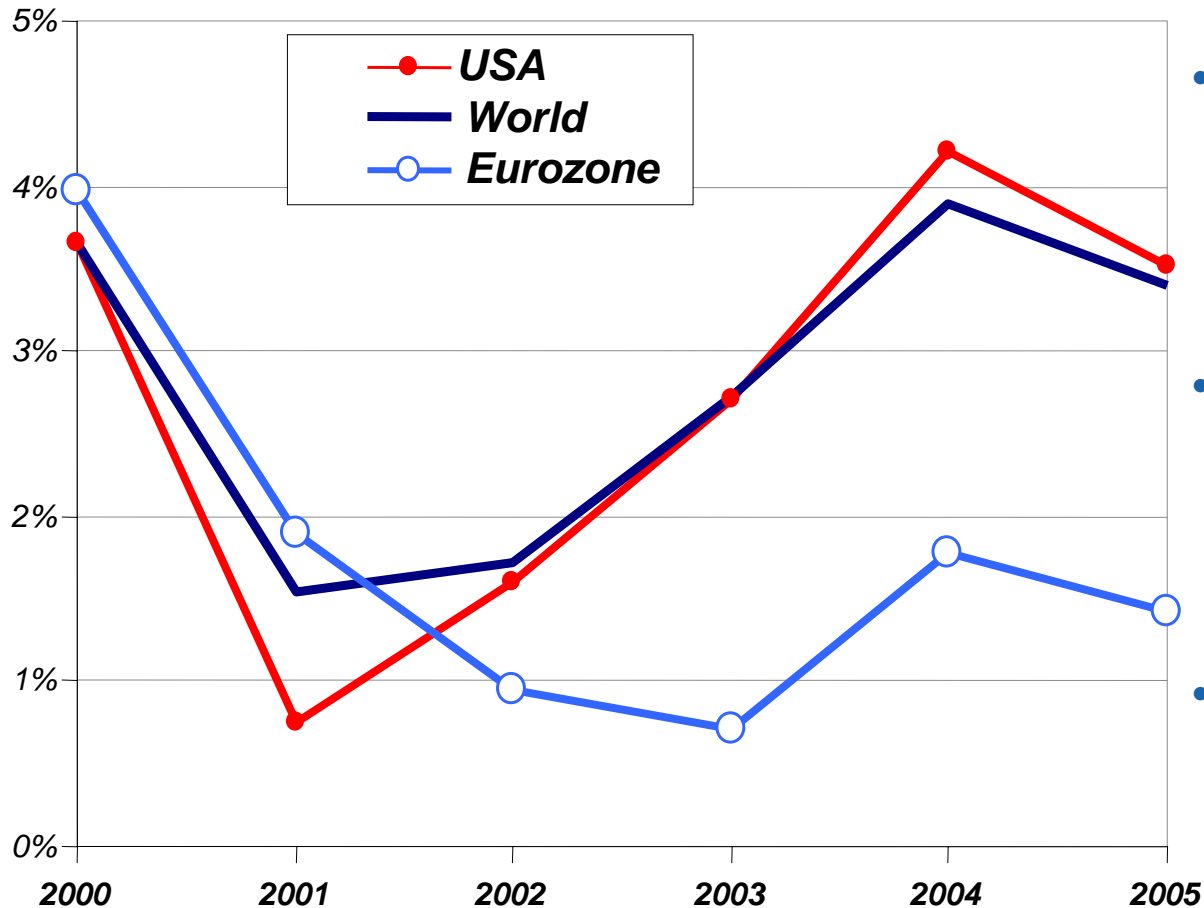
- **Strategy**

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# World Growth: Slowdown in 2005 (1)

## Growth Domestic Product Growth



- Deceleration of world economic growth down to 3.4% in 2005.
- In the Eurozone, 3 years of weak growth with small taking off perspectives.
- The U.S and Asia keep on leading world growth.

Source : national statistics, Euler Hermes

# World Growth: Slowdown in 2005 (2)

<b>GDP Growth</b>	<i>part (%)</i>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>World</b>	100,0	<b>1,5%</b>	<b>1,7%</b>	<b>2,7%</b>	<b>3,9%</b>	<b>3,4%</b>
<b>USA</b>	32,9	<b>0,8%</b>	<b>1,6%</b>	<b>2,7%</b>	<b>4,2%</b>	<b>3,5%</b>
Canada	2,4	1,8%	3,1%	2,0%	2,9%	2,8%
<b>Japan</b>	15,9	<b>0,4%</b>	<b>0,1%</b>	<b>1,8%</b>	<b>2,3%</b>	<b>2,7%</b>
<b>Eurozone</b>	20,0	<b>1,9%</b>	<b>1,0%</b>	<b>0,7%</b>	<b>1,8%</b>	<b>1,4%</b>
Germany	6,3	1,4%	0,1%	-0,2%	1,1%	1,1%
France	4,4	2,1%	1,3%	0,9%	2,1%	1,4%
Italy	3,6	1,7%	0,4%	0,4%	1,0%	0,2%
Spain	1,6	3,5%	2,7%	3,0%	3,1%	3,4%
Netherlands	1,2	1,3%	0,1%	-0,1%	1,7%	0,9%
Belgium	0,8	1,2%	1,5%	0,9%	2,4%	1,5%
Finland	0,4	1,0%	2,1%	2,4%	3,5%	2,2%
Greece	0,4	4,6%	3,8%	4,6%	4,7%	3,7%
Portugal	0,4	2,0%	0,5%	-1,2%	1,2%	0,3%
United Kingdom	4,8	2,2%	2,0%	2,5%	3,2%	1,8%
Sweden	0,8	1,2%	2,0%	1,8%	3,2%	2,7%
Denmark	0,5	0,7%	0,5%	0,6%	2,1%	3,5%
Norway	0,5			0,3%	2,9%	2,5%
Switzerland	0,8	1,1%	0,3%	-0,3%	2,1%	1,8%
<b>Central and eastern Europe</b>	3,1	<b>3,0%</b>	<b>4,7%</b>	<b>6,1%</b>	<b>7,3%</b>	<b>5,1%</b>
<b>Asia (Japan excluded)</b>	10,1	<b>5,1%</b>	<b>6,3%</b>	<b>8,0%</b>	<b>8,1%</b>	<b>8,0%</b>
<b>Latin America</b>	6,3	<b>0,4%</b>	<b>-0,1%</b>	<b>2,2%</b>	<b>5,6%</b>	<b>4,2%</b>

**US : soft landing**

**Eurozone : new slowdown**

**Germany, Italy: weak performance**

**France, Belgium and UK slow down**

**Only Spain and Denmark present an acceleration**

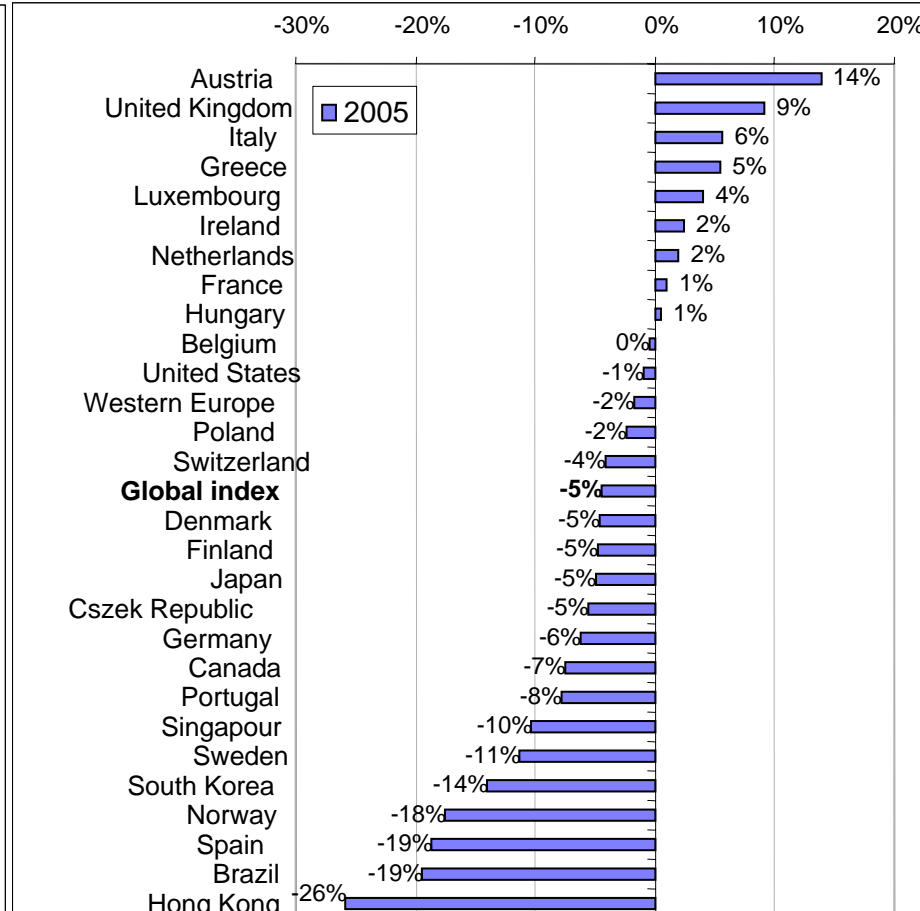
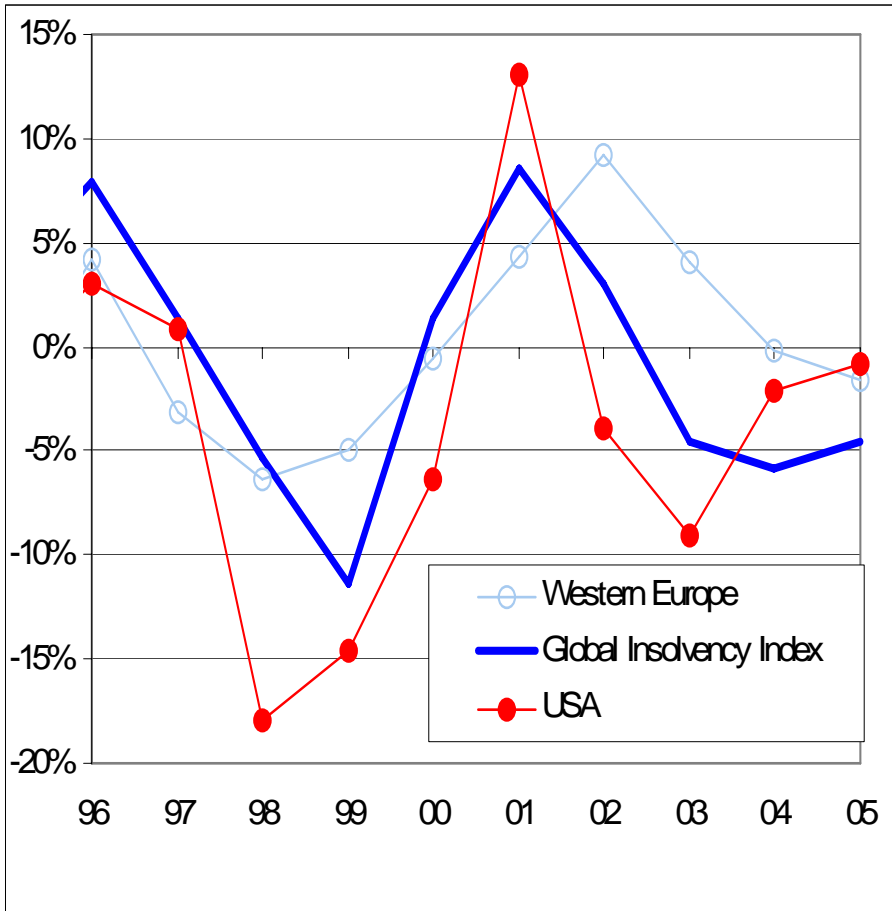
**China maintains its strong growth**

Source : National Statistics, Euler Hermes



# Insolvencies: the world trend is reversing in 2005

2004 world growth's pick up allowed world's insolvencies index decrease by 6%. However, world growth's slowdown tempers the situation. In 2005, we anticipate an insolvencies' index decrease of only 5%.



Source : National Statistics, Euler Hermes

## 2005 Highlights

- **An excellent year, despite a depressed economic environment.**
  - A strong commercial activity: + 6.9%
  - A combined ratio still very favourable: 67.6%
  - Strong financial results increase: + 39.7%
  - Significant growth in the net results: + 31.7%

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- **Profile**



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- **2005 results**

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# Strategy

- **Euler Hermes backs globalization of commercial flows by anticipating companies' needs.**
  - Through an innovating and flexible commercial offer
  - Through a risk underwriting policy that is unique in the market.

## A commercial offer that is innovative and flexible

- **A specific credit insurance contract designed for each company's size**
- **Innovative services :**
  - Eolis Premium in France
  - Credit Tracker and Credit Intelligence in the UK
  - Risk Rating Credit Limits in the US
  - ABM Amro platform in the Netherlands
  - New grade consulting system in Belgium.
- **An undisputed debt collection expertise.**
- **A winning multichannel strategy:**
  - Direct sales force, brokers and banks.

## A risk underwriting policy that is unique in the market (1)

- **A sectorial and geographical approach...**
- **... shared by 1,200 experts everywhere in the world**
- **Nearly \$700 billion worth guaranteed transactions**
- **Macroeconomic analysts teams in Paris, London, Hamburg and Baltimore**

## A risk underwriting policy that is unique in the market (2)

- **IRP**

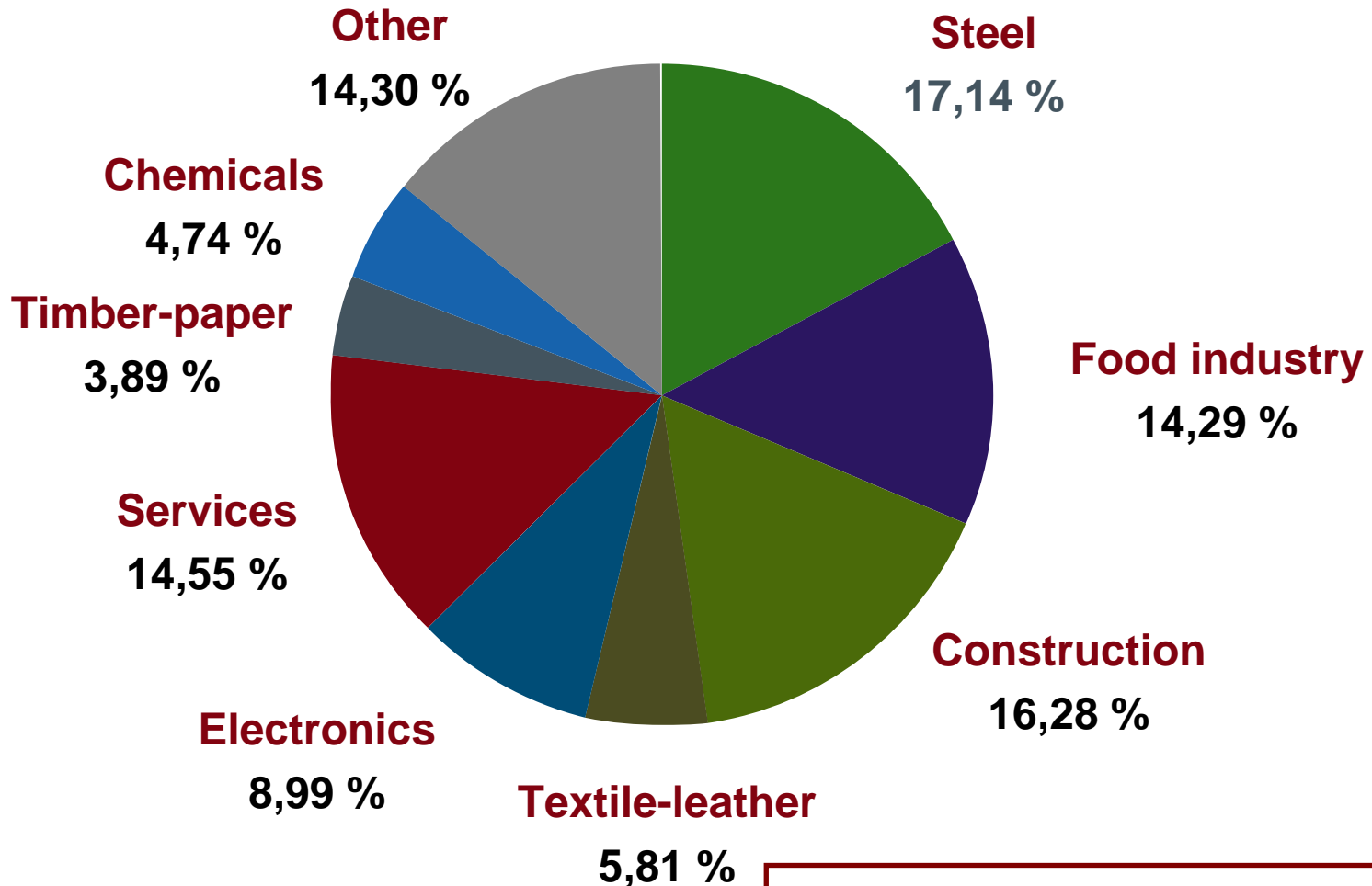
- A state-of-the-art database referencing 40 million companies' solvency from all over the world, permanently updated and completed according to proven processes
- 80% of credit decisions made within 48 hours.

- **Credit decisions made at the closest level to the risk.**

- **An international network which follows companies business flows**

- New offices in India, Russia, Turkey and in the Baltic States.

# A balanced risk distribution



**Total : 514 billion €**

# An undisputed leadership

## Euler Hermes

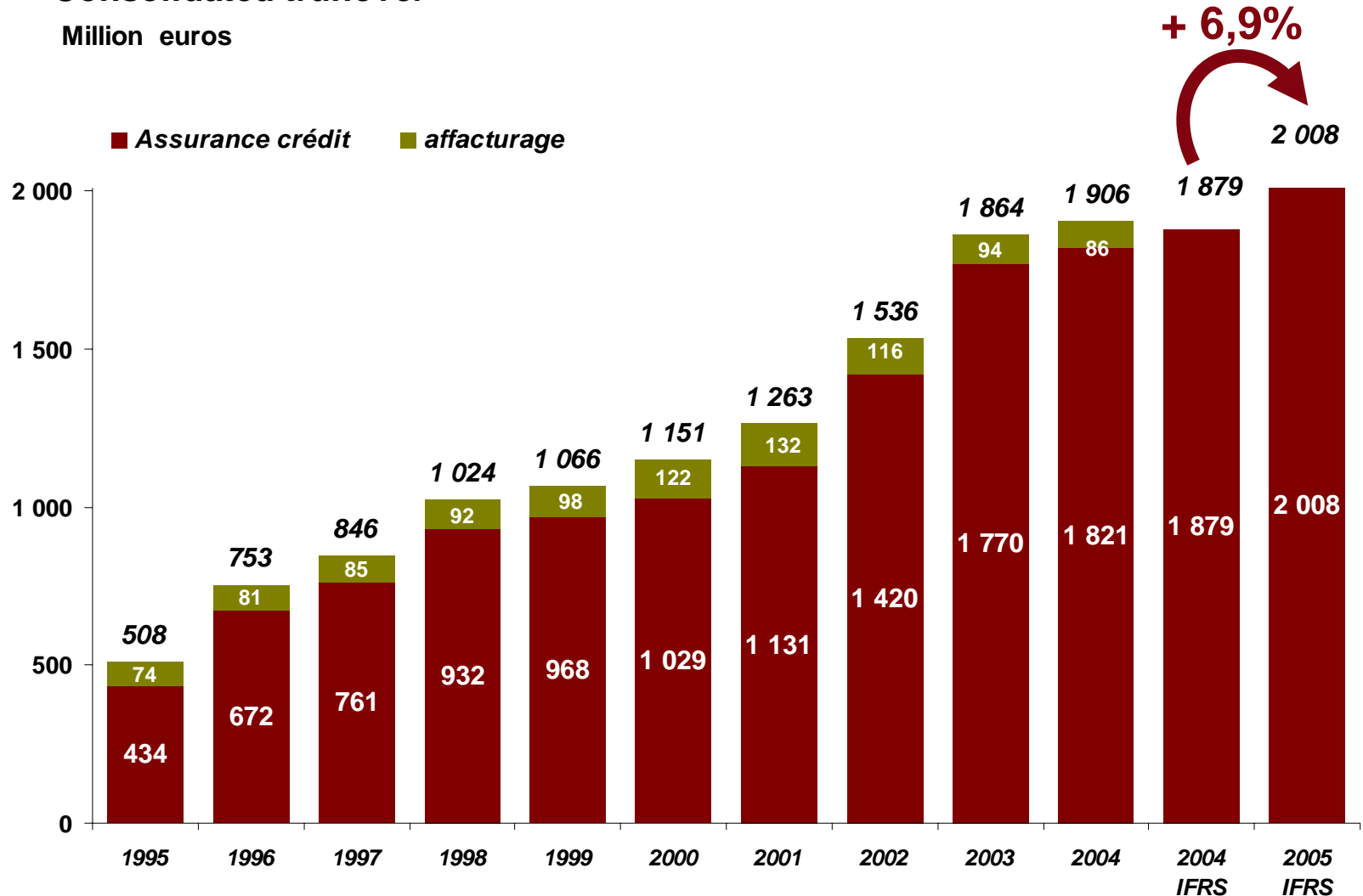
- **Carries on its development**
  - In mature and new markets.
- **Still establishes strong customer loyalty through enhanced service quality**
- **Confirms its commercial leadership...**
  - In France, Germany, USA, Italy, Belgium and Poland...
- **... and its cost control**

# Turnover: + 14.7% in 10 years

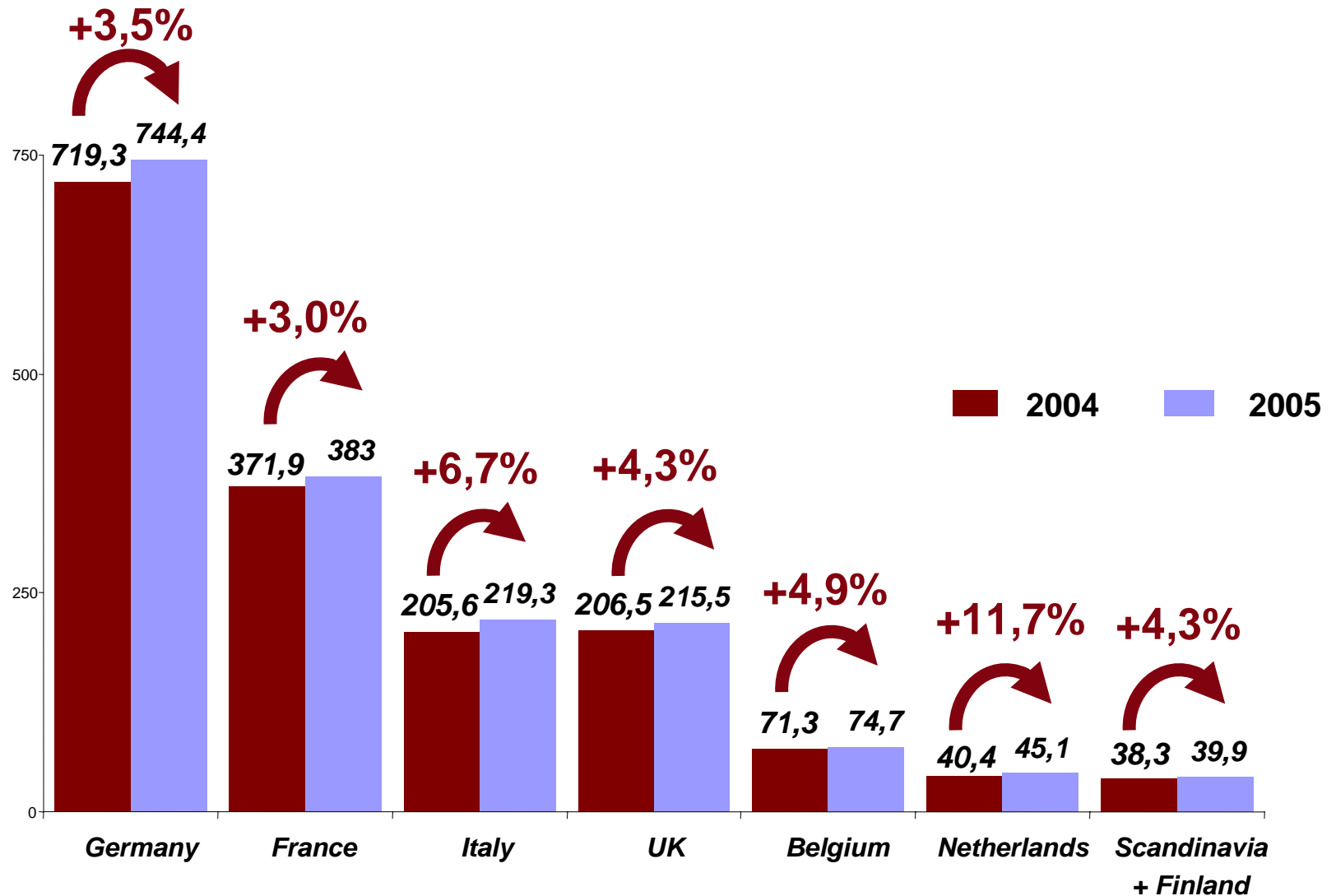
## Consolidated turnover

Million euros

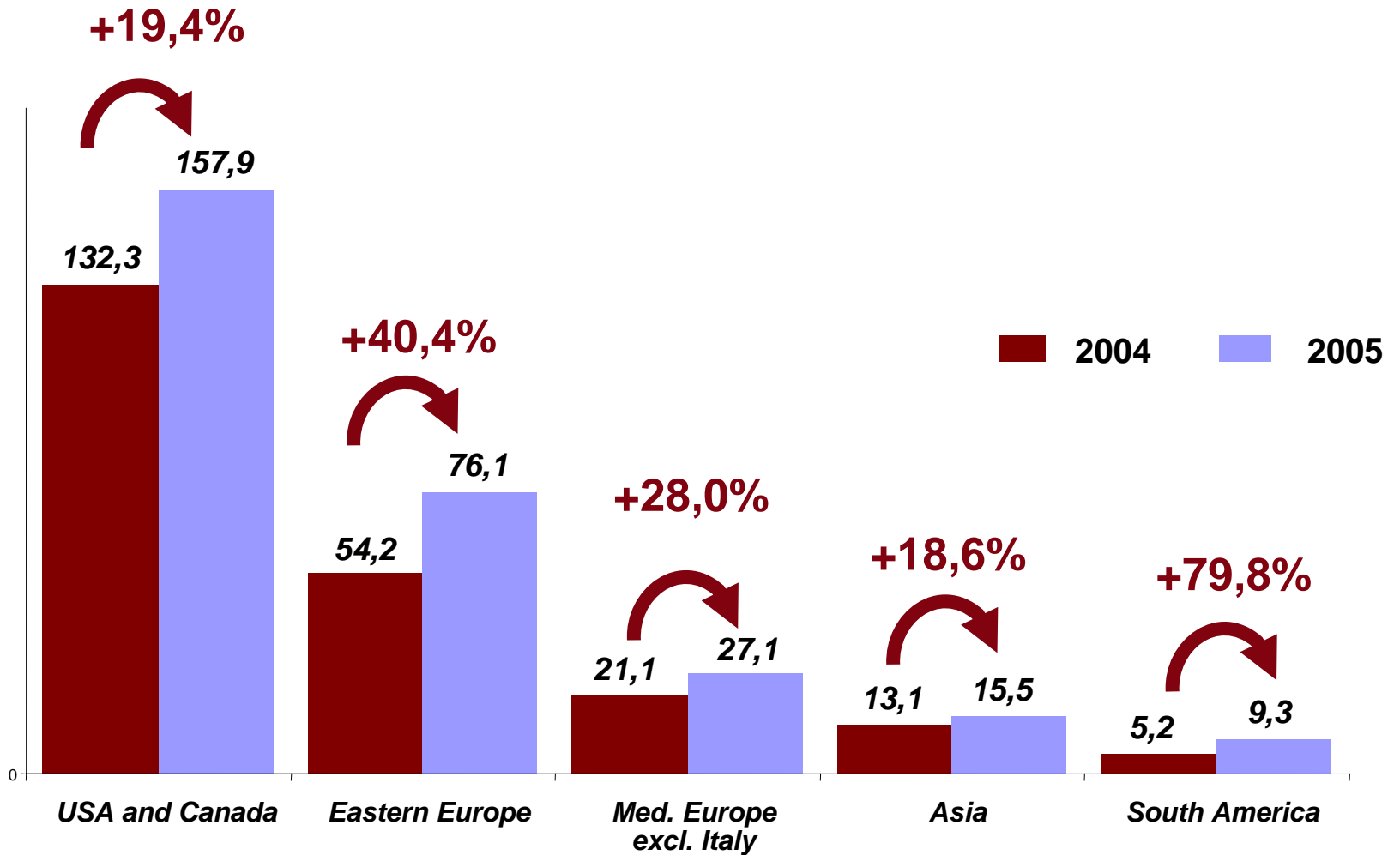
Growth rate for 1995-2005 period.: +14,7%



# Expansion in core markets...



...as well as in developing ones



## A success story: the United States

- **1893: company's establishment**
- **End 1998: company's takeover**
  - Turnover: 102 M\$
  - Combined ratio after reinsurance: 106,9%
  - 1998 results contribution: 0,1 M€
- **Company group integration**
  - Reorganization and setting up of the group's business model
  - IRP platform integration
  - Commercial reorganization
- **1998 - 2005**
  - **Turnover**: growth 1998-2005, + 100%, up to 200 M\$
  - Combined ratio after reinsurance: 52,3% in 2005
  - **2005 result contribution**: 28,7 M€

## A success story : Germany

- **July 2002: acquisition**

- Turnover: 657 M€
- Combined ratio: 119,3%
- 2002 result contribution: 25 M€

- **Company group integration**

- Group's business model integration
- Grading system integration
- Risk underwriting practise harmonization
- Operating synergies development
- Retention increase

- **2002 – 2005**

- **Turnover**: growth 2002-2005, + 18%
- 2005 combined ratio after reinsurance: 58,2%
- **2005 result contribution**: 99 M€

## A success story : Poland

- **Established in 1998**

- Leader in Polish credit insurance market
- Partnership with Allianz ('fronting')

- **Company's development**

- Creation of services companies (information and collection)
- Creation of an autonomous insurance company

- **1998- 2005**

- 2005 turnover: 35 M€
- 2005 combined ratio: 58%
- **2005 result contribution: 5 M€**

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# 2005 Results

## Turnover

129 M€ increase (+7%)

2004	2005
1,879 M€	2,008 M€

## Operating income excl. financial

64 M€ increase (+25%)

2004	2005
257 M€	321 M€

## Net financial result

36 M€ increase (+40%)

2004	2005
90 M€	126 M€

## Net result

69 M€ increase (+32%)

2004	2005
217 M€	286 M€

# 2005 operating income before financial result

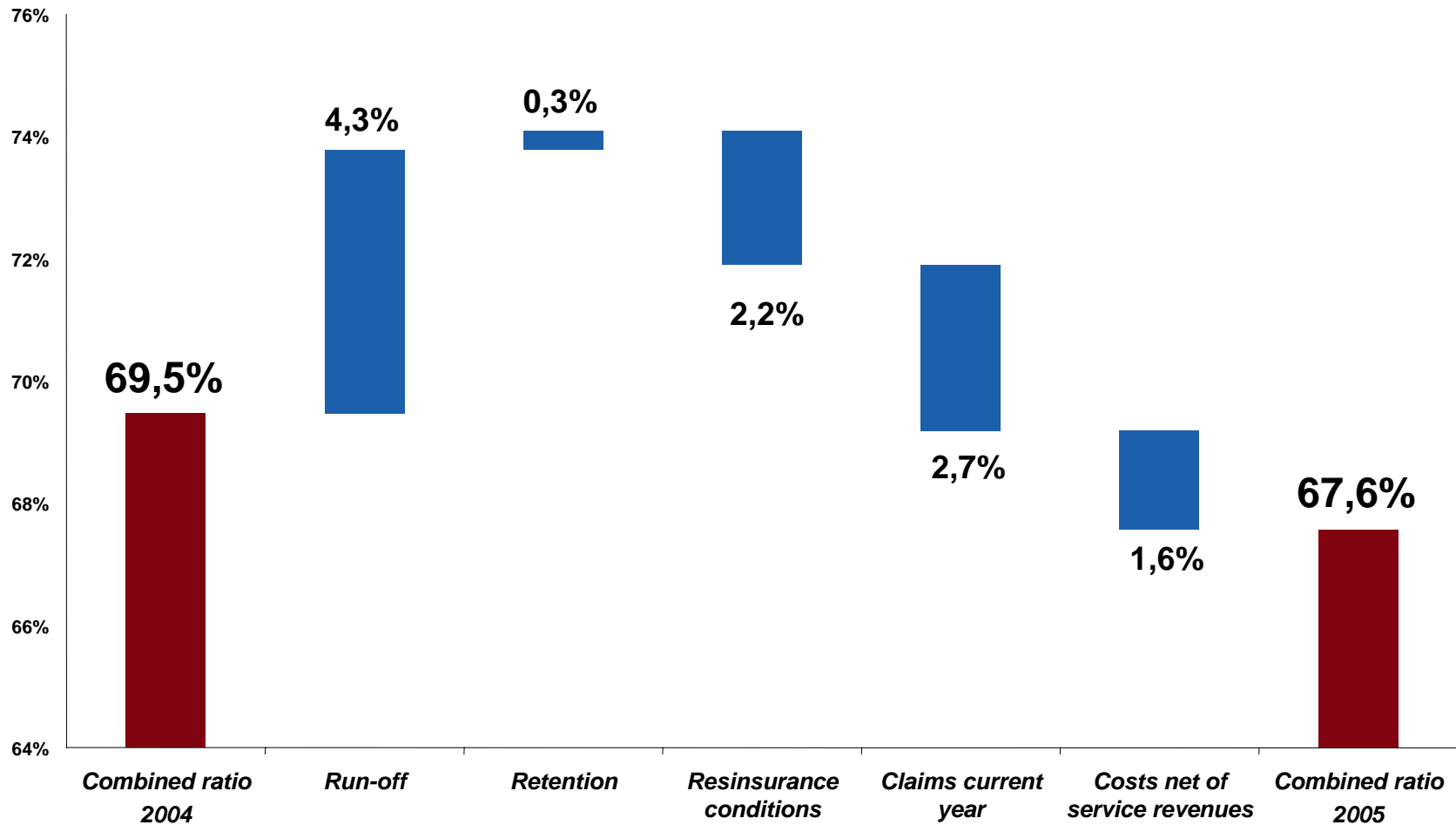
<i>Thousands of euros</i>	<b>2005</b>	<b>2004</b>	<b>Rate %</b>
<b>Earned premiums</b>	<b>990 514</b>	<b>880 853</b>	<b>12,4%</b>
<b>Loss net charges</b>	<b>- 470 732</b>	<b>- 404 545</b>	<b>16,4</b>
<b>Net exploitation charges</b>	<b>- 198 351</b>	<b>- 207 374</b>	<b>- 4,4%</b>
Current operating result, before financial products, net of expenses, portfolio and related stocks.	<b>321 431</b>	<b>268 934</b>	<b>19,5 %</b>
Acquisition gaps depreciation and portfolio stocks	- 708	- 11 842	
<b>Operating result excl. financial</b>	<b>320 723</b>	<b>257 092</b>	<b>24,8%</b>
<b>Combined ratio</b>	<b>67,6%</b>	<b>69,5%</b>	

- **The operating income strong increase is the result of:**

- strong commercial development and increase of retention,
- steady claims situation and decrease of run-offs,
- expenses growth below turnover and improved reinsurance conditions.

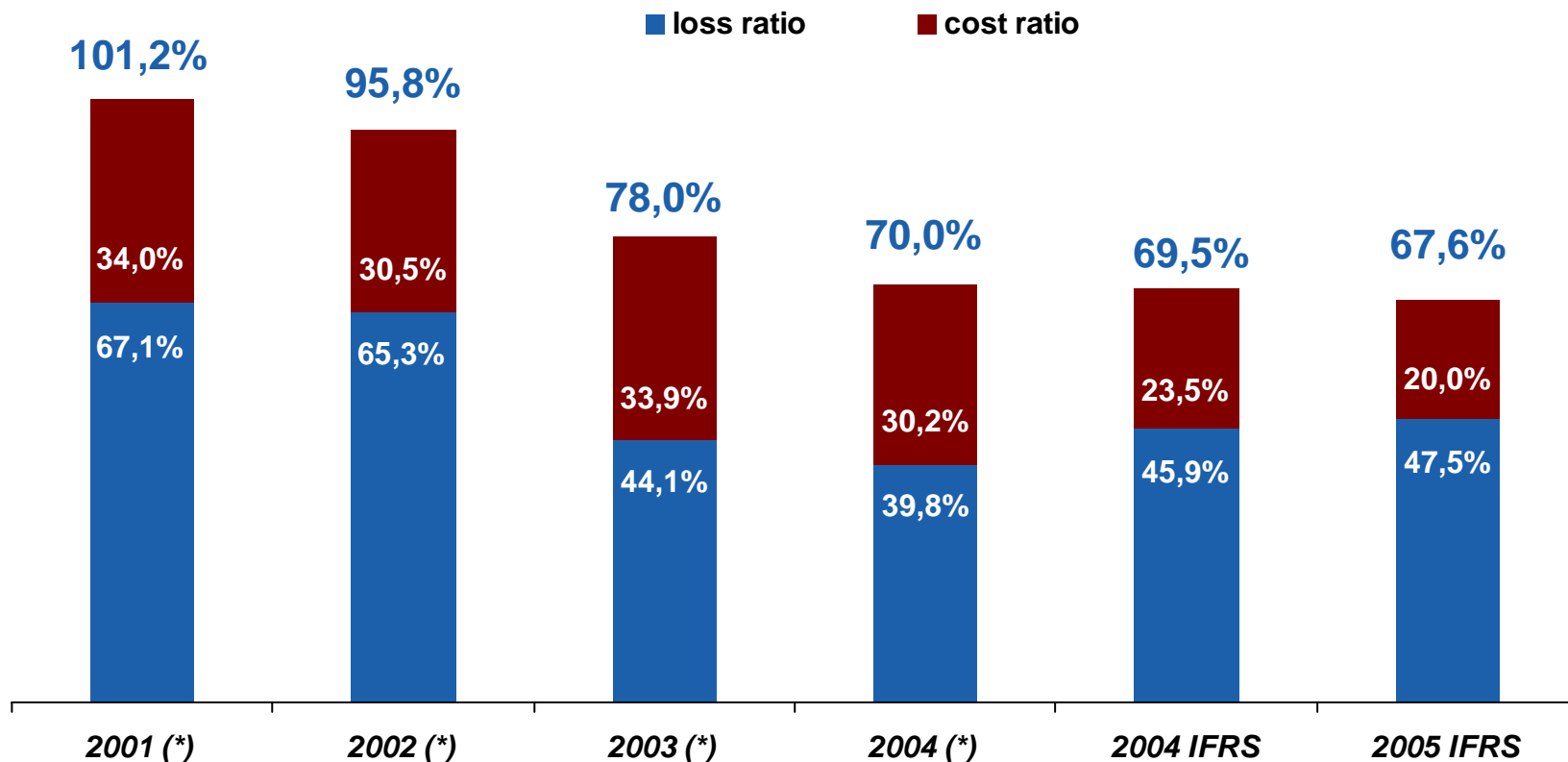
\* *excl. Impairment of goodwill and portfolio depreciation.*

# Very favourable net combined ratio up to 67.6%



# Combined ratio evolution

Net combined ratio after reinsurance



(\*) Historic data (non IFRS).

2002: Pro-forma including EH Germany for the whole year

## Financial income rise

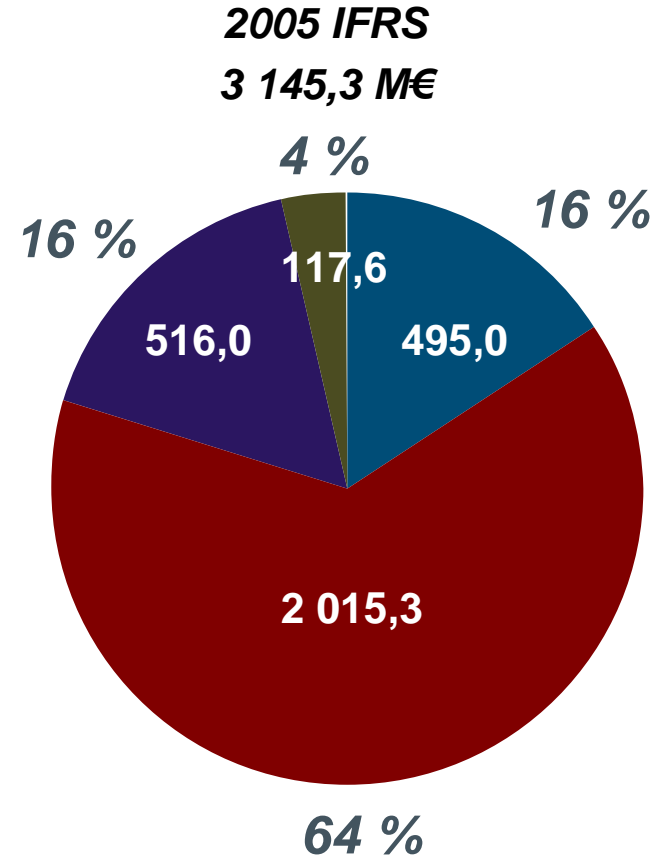
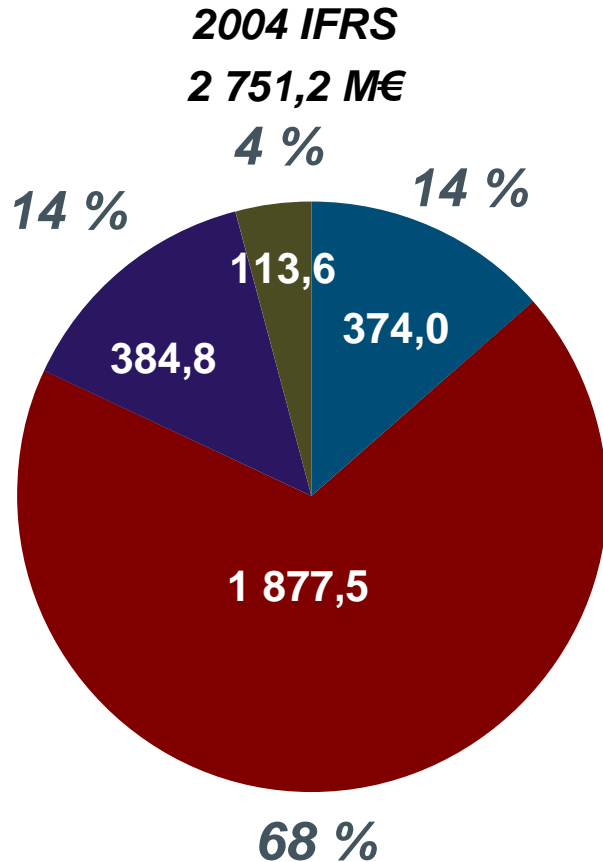
<i>Thousands of euros</i>	<i>2005</i>	<i>2004</i>	<i>Rate %</i>
<b>Net investment income</b>	<b>90 512</b>	<b>81 775</b>	<b>10,7%</b>
net of depreciation realised gains and losses	<b>35 410</b>	<b>8 345</b>	<b>324,3%</b>
<b>Financial income net of charges</b>	<b>125 922</b>	<b>90 120</b>	<b>39,7%</b>

- **2005 income benefits from a strong increase of financial contribution:**

- Higher investment base (300 M€)
- Dynamic growth of equity investment
- Profits made over shares.

# Assets portfolio distribution

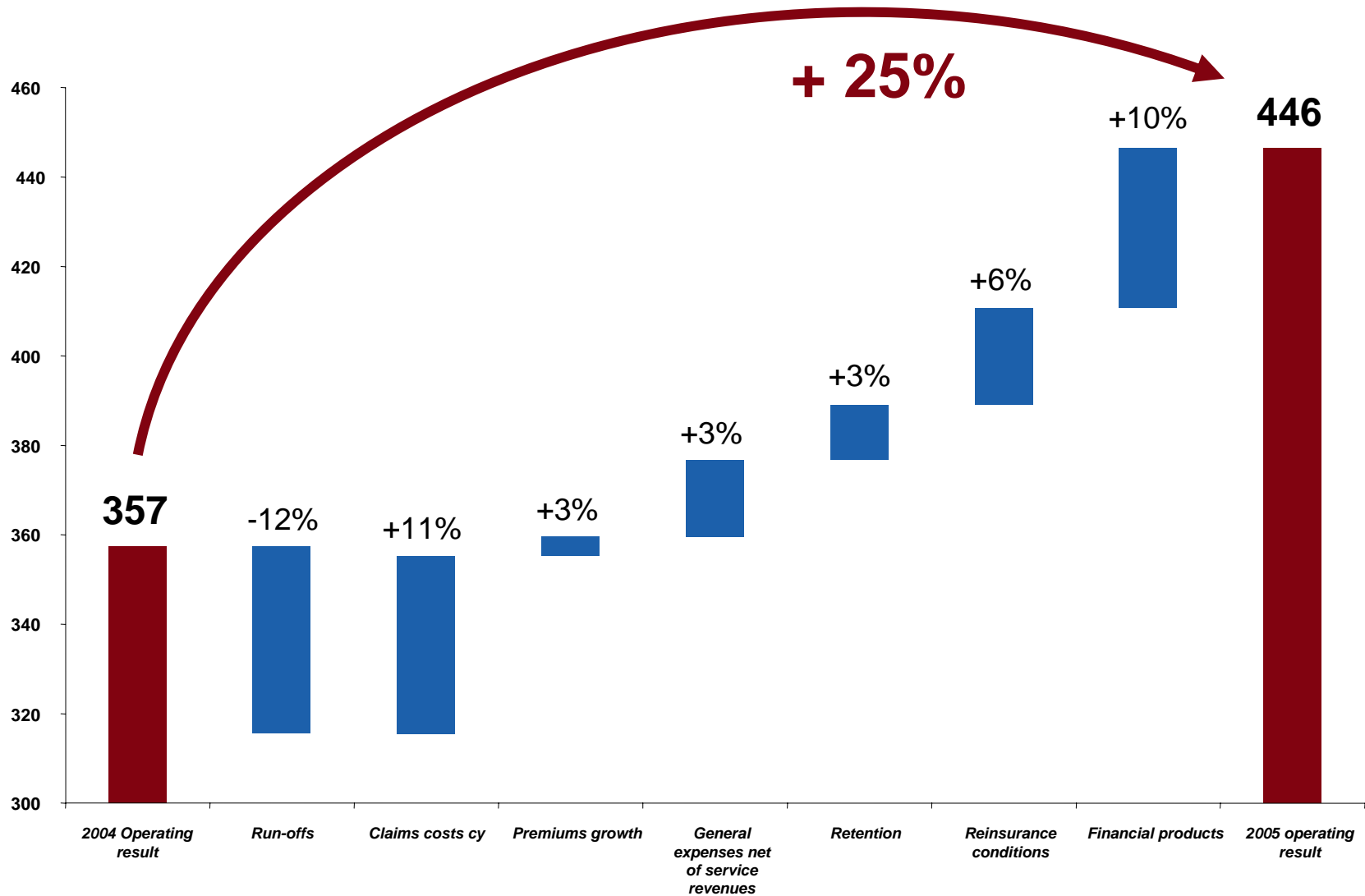
€M – Market value on 31/12/2005



- Bonds
- Shares

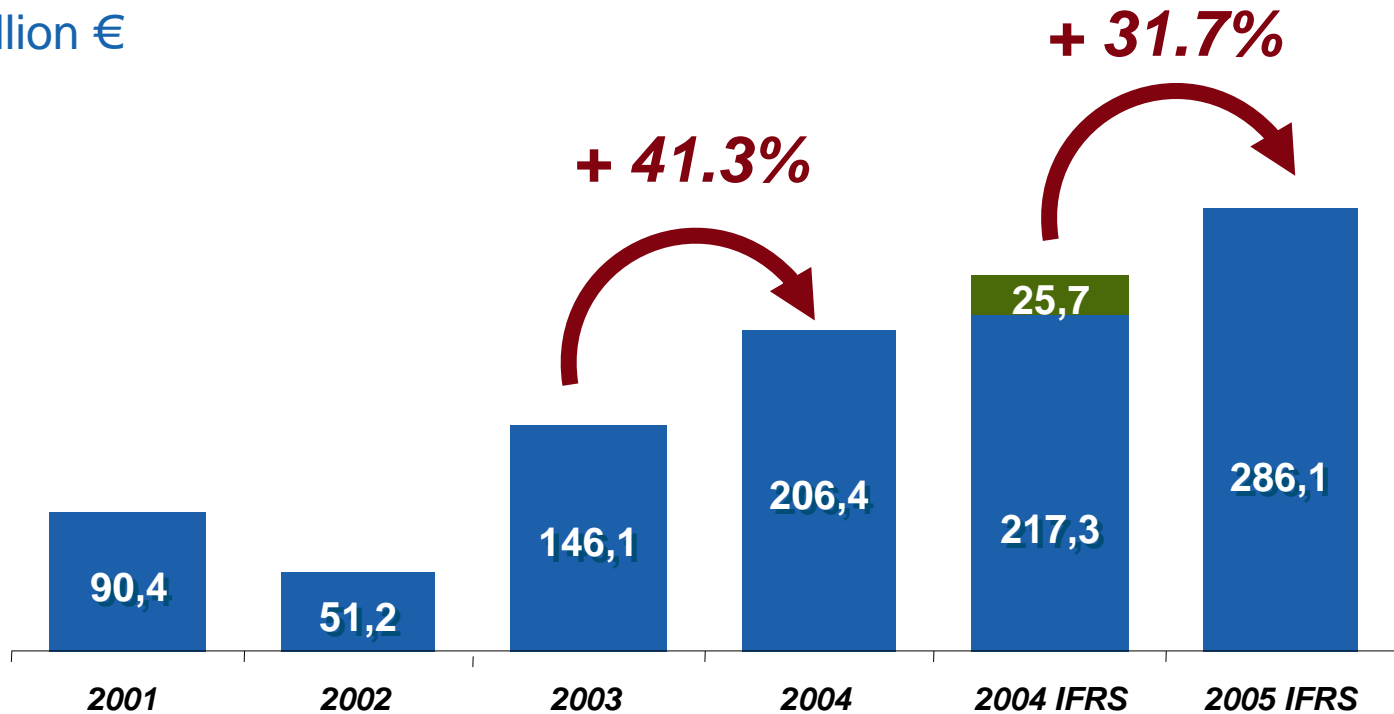
- Property investment
- Loans and other investments in cash

# Operating income



Significant growth of net income, group's share.

Million €



Net profit per share					
2,69€	1,43€	3,72€	5,07€	5,34€(*)	6,74€

Sold activities net result

Net result excl. exceptions

(\*) *excl. exceptions*

## 2005 dividends: + 40%

	2004	2005
<b>Net result (M€)*</b>	<b>217,3</b>	<b>286,1</b>
<b>Profit per share (€)*</b>	<b>5,34</b>	<b>6,74</b> (+ 26%)
<b>Dividend per share (€)</b>	<b>2,50</b>	<b>3,50</b> (+ 40%)
<b>Distribution rate (%)</b>	<b>47</b>	<b>52</b>
<b>Return on equity*</b>	<b>17,3%</b>	<b>18,4%</b>
<b>PER</b>	<b>9,0</b>	<b>11,9</b>

(\*)2004 excl. transfered activities (Eurofactor)

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• **2005 Results**

## 2006 Outlook

- **2006 opens in a more favourable economic climate**
- **Priority remains a dynamic and profitable growth through :**
  - Further international development on commercial globalization beneficiaries markets such as :
    - Eastern Europe, Asia, South America
  - A broader commercial offer which supports multinational companies' development.
  - Optimized productivity through shared best practices.
  - Maintained strong contribution of financial results.

## Our next financial events:

- **2006 first quarter turnover figures**
  - May 3rd 2006
- **Shareholders general meeting**
  - May 22nd 2006
- **Dividend payment**
  - June 5 2006
- **2006 second quarter turnover figures**
  - August 2nd 2006
- **2006 mid-term results presentation**
  - September 5th in Paris
  - September 6th in London
- **2006 third quarter turnover figures**
  - October 31st 2006

# Appendix (1)

- **Market capitalization shows a 56% increase**
  - 3 416 M€ (31/12/2005) compared to 2 185 M€ (31/12/2004)
- **Since its stock market listing, Euler Hermes has faced deep evolutions**

	1999	2000	2001	2002	2003	2004	2005	Diff. 2005/IPO
Share value (IPO) - €		54,50						
Share value (31/12) - €		54,55	42,50	22,00	38,10	50,70	76,20	
Capital - M€	747	761	821	942	1 049	1 403	1 745	<b>134%</b>
Turnover - M€	1 066	1 151	1 263	1 536	1 864	1 879	2 008	<b>88%</b>
Net result- M€	79,4	121,2	90,4	51,2	146,1	243,0	286,1	<b>260%</b>
Shares number	34 887 150	34 893 400	34 899 900	40 289 852	41 551 801	43 105 673	44 830 244	
Market capitalization IPO - M€		1 901						
Market capitalization (31/12) M€		1 903	1 483	886	1 583	2 185	3 416	<b>80%</b>
Net result per share - €	2,28	3,54	2,69	1,43	3,72	5,97	6,74	
PER		<b>15,7</b>	<b>16,4</b>	<b>17,3</b>	<b>10,8</b>	<b>9,0</b>	<b>11,9</b>	
PER at IPO		<b>23,9</b>				<b>(1)</b>		

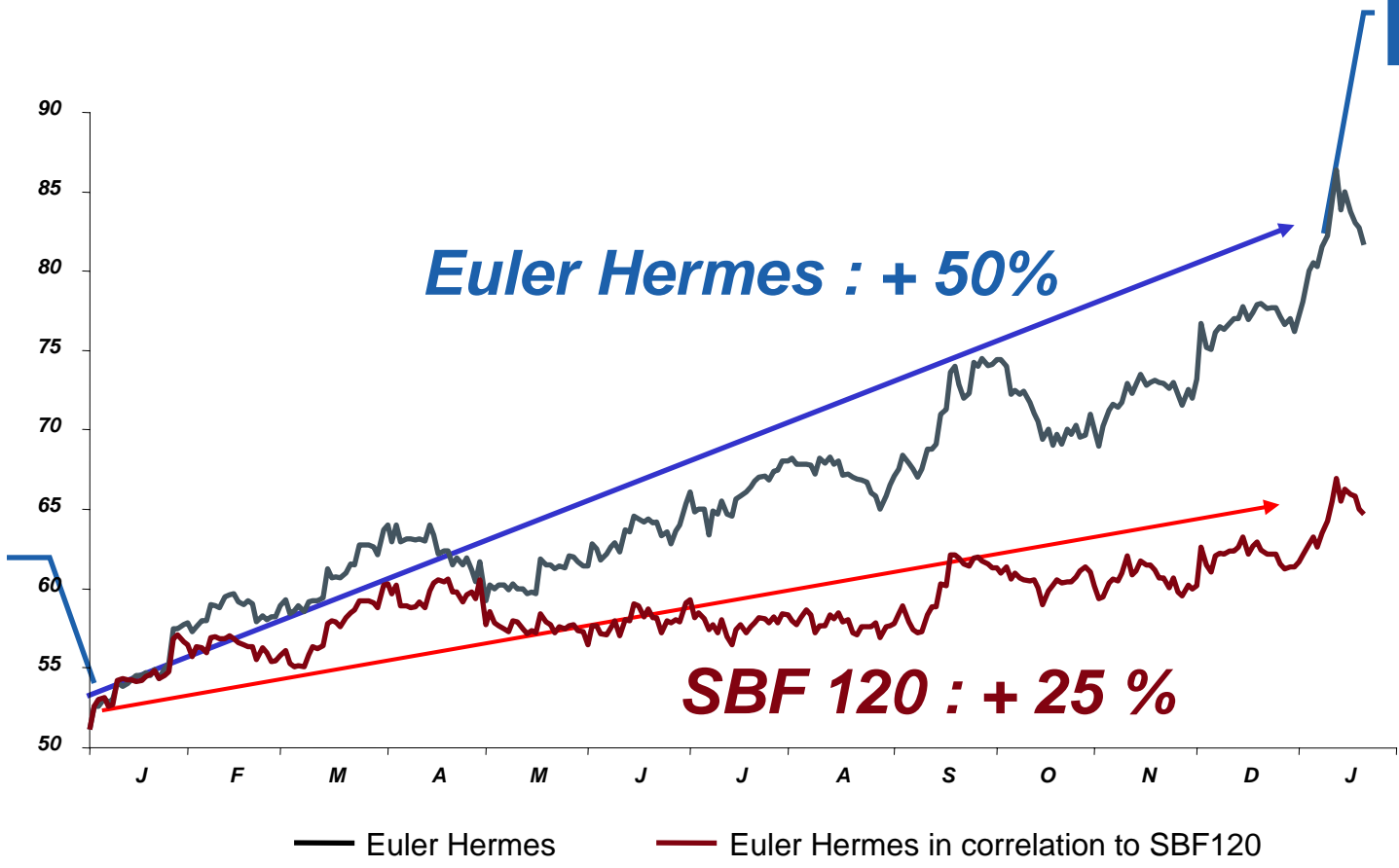
(1) Based on net 2004, IFRS standards

# Appendix (2)

50,70 €

76,20 €

23/1/06



From 02/01/06 to 15/03/06 : + 26%  
(SBF 120 : + 9,4%)

Source : Datastream