

# **AMB Generali**

## **Financial Results H1 2005**

**Presentation August 10, 2005**  
**Investor Relations**



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## Ongoing profitable growth in first half 2005

- **Life and health business with continuously strong growth rates**
  - **Life regular premiums go up +9.0%**
  - **Health gross premiums increase by +5.4%**
- **P&C premiums go down -1.2% due to selective profit-oriented underwriting**
- **Improvements in operative profitability**
  - **Reduction by 290 administrative-staff FTE in first six months**
  - **Combined ratio improves significantly to 97.4%**
- **Further increase of investment income by +16.8% to € 1.8 bn**

**Net profit of € 148 m in H1 2005**

**In line with 2005 target of > € 300 m (before goodwill amortisation)**



## Business development: an overview

(€)	H1 05	H1 04 <sup>1)</sup>	Δ H1 05/04
<b>Total premiums (German GAAP) <sup>2)</sup></b>	<b>6.5 bn</b>	<b>6.2 bn</b>	<b>4.8%</b>
<b>Consolidated gross premiums (IFRS) <sup>3)</sup></b>	<b>5.9 bn</b>	<b>5.7 bn</b>	<b>3.4%</b>
• Life	3.2 bn	3.0 bn	5.9%
• Health	0.8 bn	0.8 bn	5.4%
• P&C	1.9 bn	1.9 bn	-1.3%
<b>Life new business regular premiums</b>	<b>529 m</b>	<b>586 m</b>	<b>-9.6%</b>
<b>Claims &amp; benefits</b>	<b>5.3 bn</b>	<b>5.1 bn</b>	<b>4.5%</b>
<b>Operating expenses</b>	<b>1.1 bn</b>	<b>1.1 bn</b>	<b>7.5%</b>
<b>Investment income (net)</b>	<b>1.8 bn</b>	<b>1.5 bn</b>	<b>16.8%</b>
Operating profit before goodwill amortisation	328 m	187 m	141 m
Tax	-176 m	-90 m	-86 m
<b>Net profit before goodwill amortisation <sup>4)</sup></b>	<b>148 m</b>	<b>92 m</b>	<b>56 m</b>
Goodwill amortisation	0 m	-16 m	16 m
<b>Net profit <sup>4)</sup></b>	<b>148 m</b>	<b>77 m</b>	<b>71 m</b>
• Attributable to minority interests	1.8 m	1.3 m	0.5 m
<b>Shareholders' equity</b>	<b>3.5 bn</b>	<b>3.2 bn <sup>5)</sup></b>	<b>10.4% <sup>6)</sup></b>

1) retrospective adjustments  
 2) consolidated gross premiums incl. savings portions of unit-linked and Riester contracts

3) excl. savings portions of unit-linked and Riester contracts; without effect on profit  
 4) net of finance costs

5) balance-sheet position shown as at 31.12.2004  
 6) in relation to 31.12.2004



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## Changes in IFRS impairment rules

**IAS 39 indicates when decline in fair value of shares, participating interests and fund units triggers off impairment losses**

**Since Q4 2002**

(based on IAS 39,  
revised 2000)

- **Best practice** determines **impairment losses when decline** in fair value below acquisition costs of the investment is  
"significant (> 20%) **and** prolonged (> 6 months)"
- **Recovery** of investment leads to **reversal of impairment losses** ("write-up") in **income statement**

**Since 2005**

(based on IAS 39,  
revised 2004)

- **Best practice** determines **impairment losses when decline** in fair value below acquisition costs of the investment is  
"significant (> 20%) **or** prolonged (> 6 months)"
- **Recovery** of investment leads to **reversal of impairment losses in equity**
- Standard has to be **applied retrospectively**, so that **preceding year figures** had to be adjusted
  - ➔ - **This change** affects **investment income** and hereby **claims & benefits, tax, net profit** and **shareholders' equity**
  - **Total effect** on **net profit** of **first half 2004** with **€ -35 m**



## Revised figures due to retrospective IFRS adjustments

(€)	H1 04 / <u>After</u> retrospective adjustment	H1 04 / <u>Before</u> retrospective adjustment
<b>Total premiums (German GAAP) <sup>1)</sup></b>	<b>6.2 bn</b>	<b>6.2 bn</b>
<b>Consolidated gross premiums (IFRS) <sup>2)</sup></b>	<b>5.7 bn</b>	<b>5.7 bn</b>
• Life	3.0 bn	3.0 bn
• Health	0.8 bn	0.8 bn
• P&C	1.9 bn	1.9 bn
<b>Life new business regular premiums</b>	<b>586 m</b>	<b>586 m</b>
<b>Claims &amp; benefits</b>	<b>5.1 bn</b>	<b>5.3 bn</b>
<b>Operating expenses</b>	<b>1.1 bn</b>	<b>1.1 bn</b>
<b>Investment income (net)</b>	<b>1.5 bn</b>	<b>1.7 bn</b>
Operating profit before goodwill amortisation	187 m	236 m
Tax	- 90 m	- 104 m
<b>Net profit before goodwill amortisation <sup>3)</sup></b>	<b>92 m</b>	<b>128 m</b>
Goodwill amortisation	-16 m	-16 m
<b>Net profit <sup>3)</sup></b>	<b>77 m</b>	<b>112 m</b>
• Attributable to minority interests	1.3 m	1.4 m
<b>Shareholders' equity <sup>4)</sup></b>	<b>3.2 bn</b>	<b>3.0 bn</b>

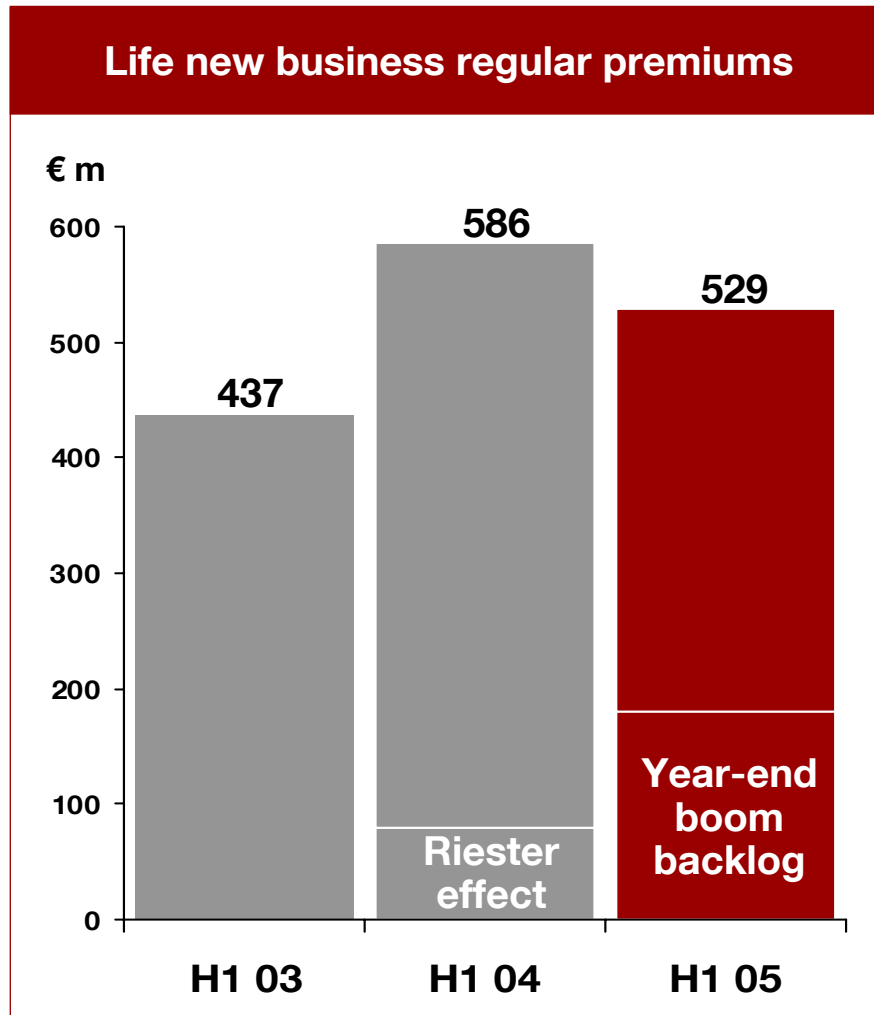
1) consolidated gross premiums incl. savings portions of unit-linked and Riester contracts  
 2) excl. savings portions of unit-linked and Riester contracts; without effect on profit

3) net of finance costs  
 4) balance-sheet position shown as at 31.12.2004 after retrospective adjustment incl. minority interests



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## Life new business influenced by various effects



**Development**

**H1 2005:**

- **Life new business** at **-9.6%** compared to first half year of **2004** which was positively influenced by **Riester effect in Q1** (2nd Riester step)
- **Life new business** still supported by **backlog** from 2004; **effect will further level off** in the course of the year
- **Restrained demand** after **extraordinary year-end business**

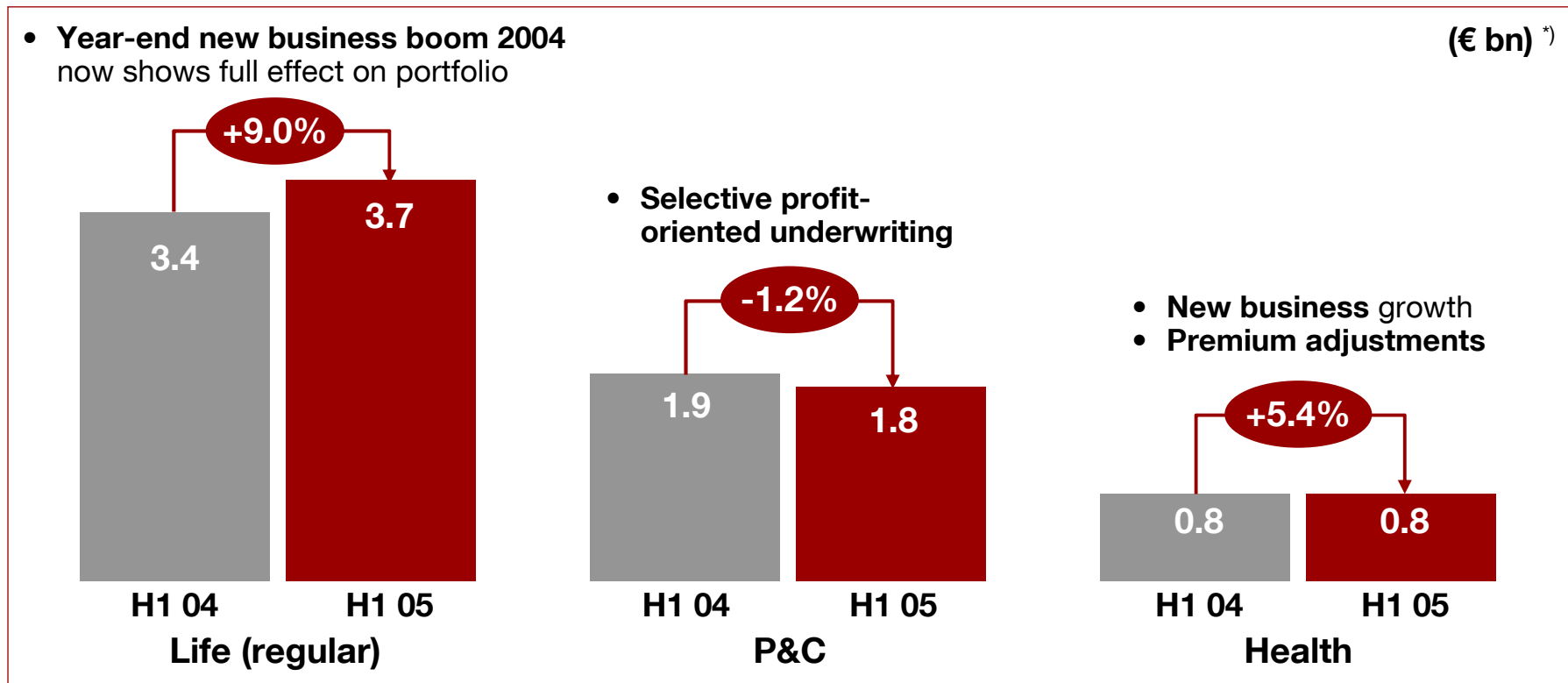
**Outlook FY 2005:**

- **Life new business:** expected to be **significantly below 2004 figures** after tax-induced boom in 2004
- **Life premiums:** despite **weakness of life nb**, **strong life premium growth** expected; **last year's boom** now shows **full effect on portfolio** since it mostly **materialised** in the last two months of 2004



## Above-average premium growth rates in life and health business

(€ bn)	H1 05	H1 04	Δ H1 05/04
<b>Total premiums (German GAAP)</b>	<b>6.5</b>	<b>6.2</b>	<b>4.8%</b>



<sup>\*</sup>) gross premiums German GAAP, direct business



## Strong improvement of combined ratio mainly due to better claims experience

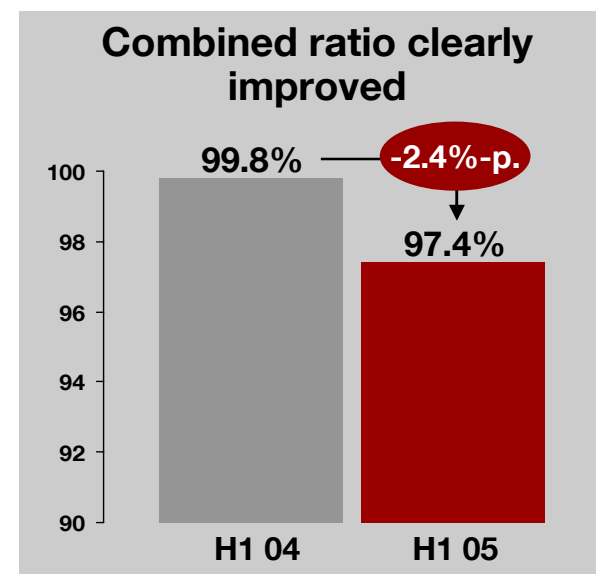
(%)	H1 05	H1 04	Δ H1 05/04
Claims ratio	64.5	66.5	-2.0%-p
Expense ratio	32.9	33.3	-0.4%-p
<b>Combined ratio</b>	<b>97.4</b>	<b>99.8</b>	<b>-2.4%-p</b>

### Claims ratio

- **Better claims experience** across the market and a **higher level of net premiums** earned due to higher retentions lead to **significant decrease of claims ratio** by 2 percentage points

### Expense ratio

- **Administrative expenses** go down by 2.8% as a result of measures taken to increase **efficiency**
- **Total operating expenses** increase slightly by 1.7% due to **lower income from reinsurance commissions** in the wake of **higher retentions**
- Nevertheless **expense ratio decreases** by 0.4 percentage points as a result of higher level of net premiums earned



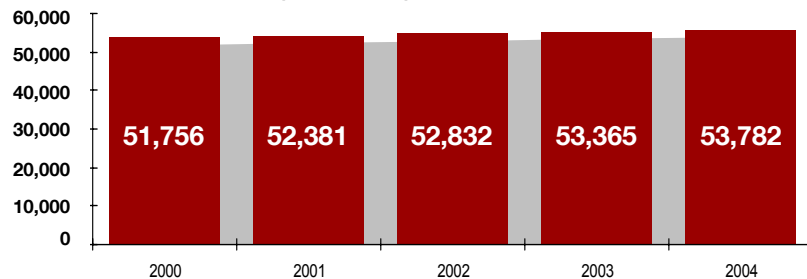
**Combined ratio in line with 2005 target**



# Motor market as a challenge

## Competitive situation

- Stagnating number of insured motorcars (in '000)

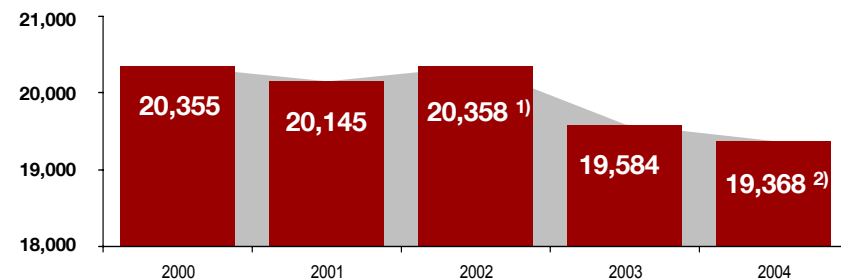


→ keen competition

- Price-oriented customers
- Attractive product components as distinctive feature

## Claims situation

- Decrease of declared claims (€ m) over past years...



...as a result of

- decrease of claims frequency due to economic slowdown
- stagnating number of motorcars
- fewer natural disasters occurred

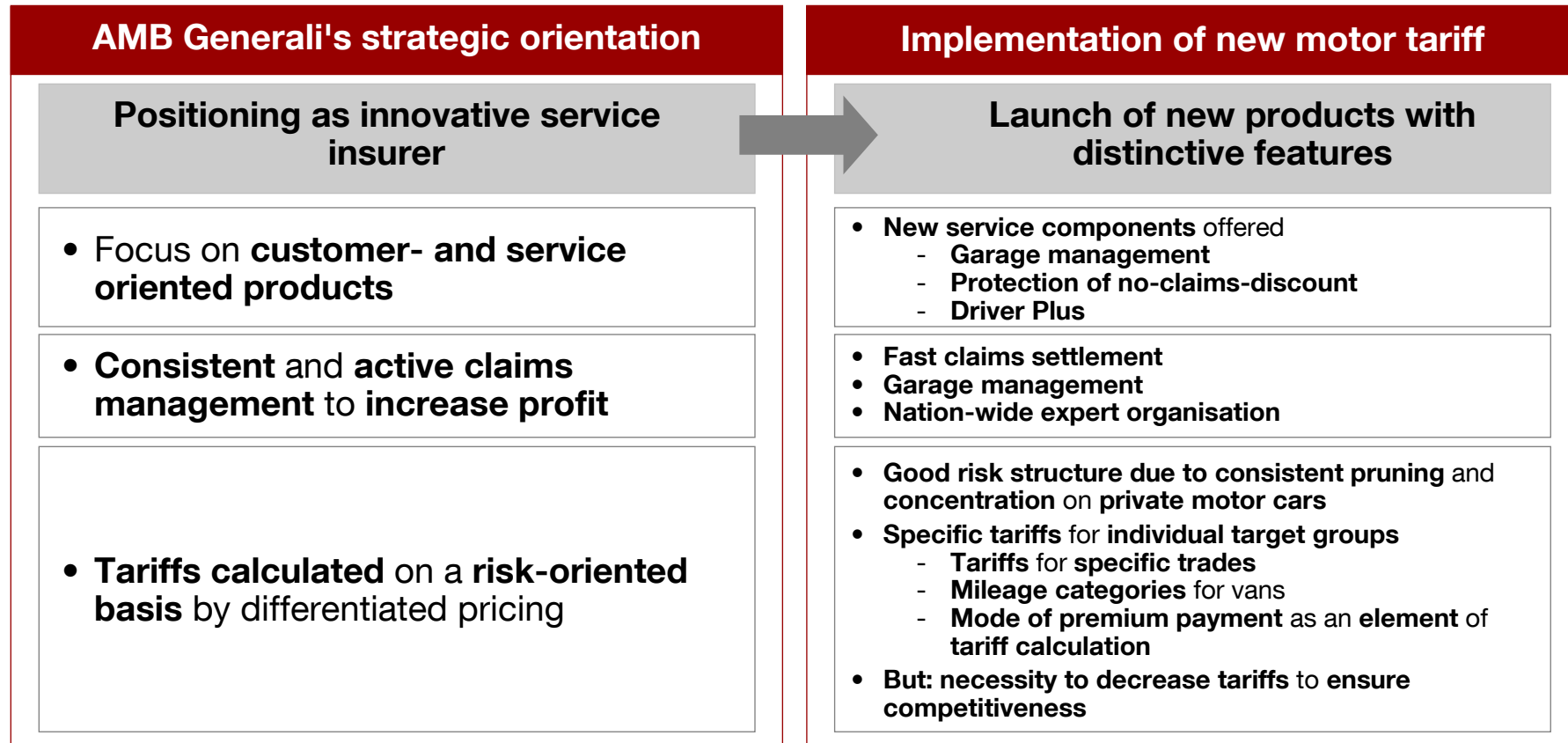
- Price decreases in the market
- Service packages to become more important

- Differentiated price calculation necessary
- Declining claims expenditure allows for new price margins

1) increase due to catastrophes (storm and flood)  
2) 2004 on the basis of GDV estimate



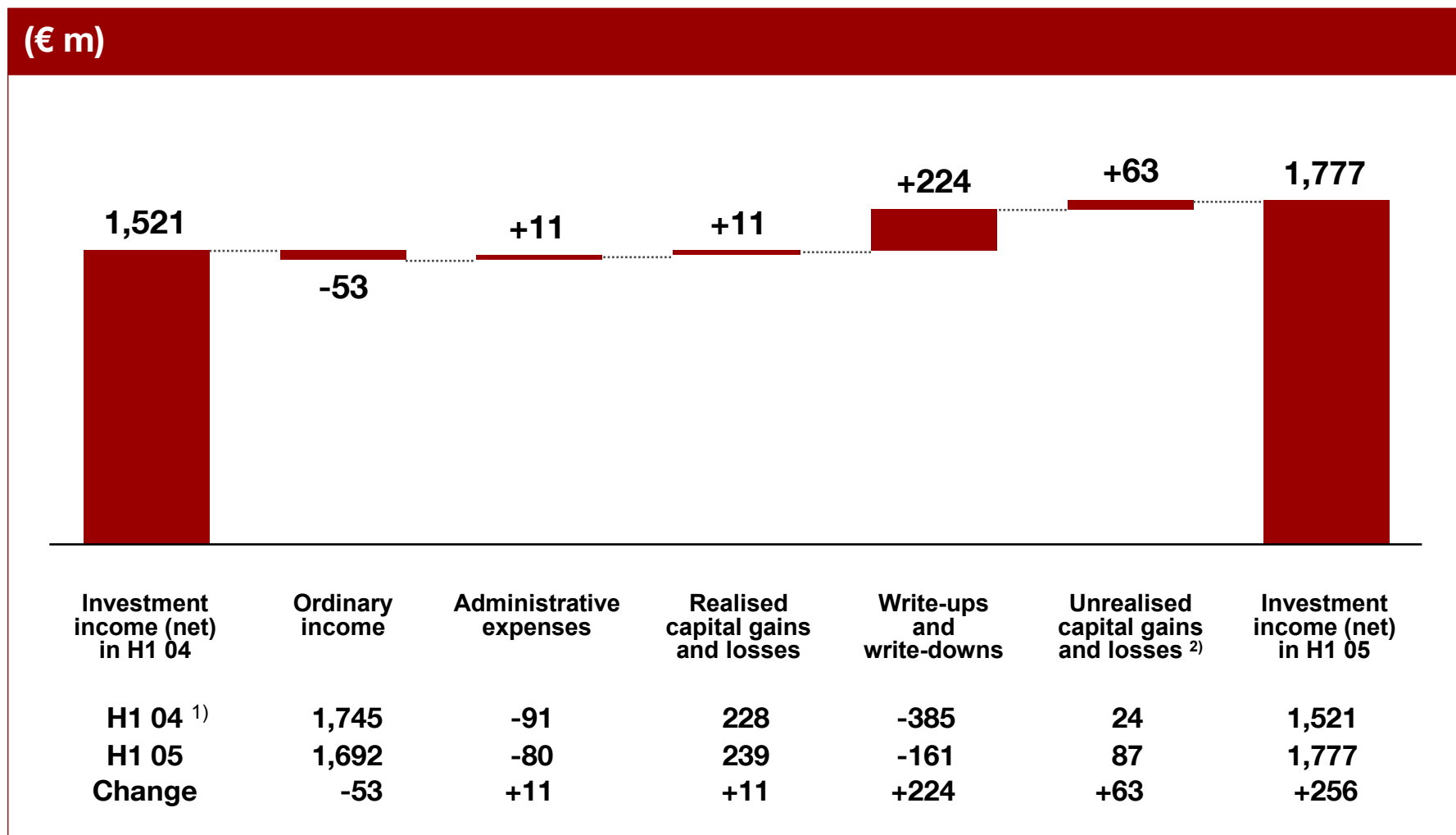
# Positioning in the challenging motor market environment



**Consistent orientation at profits with service-oriented products despite more difficult environment**



## Increase of investment income mainly due to revised IFRS impairment rules

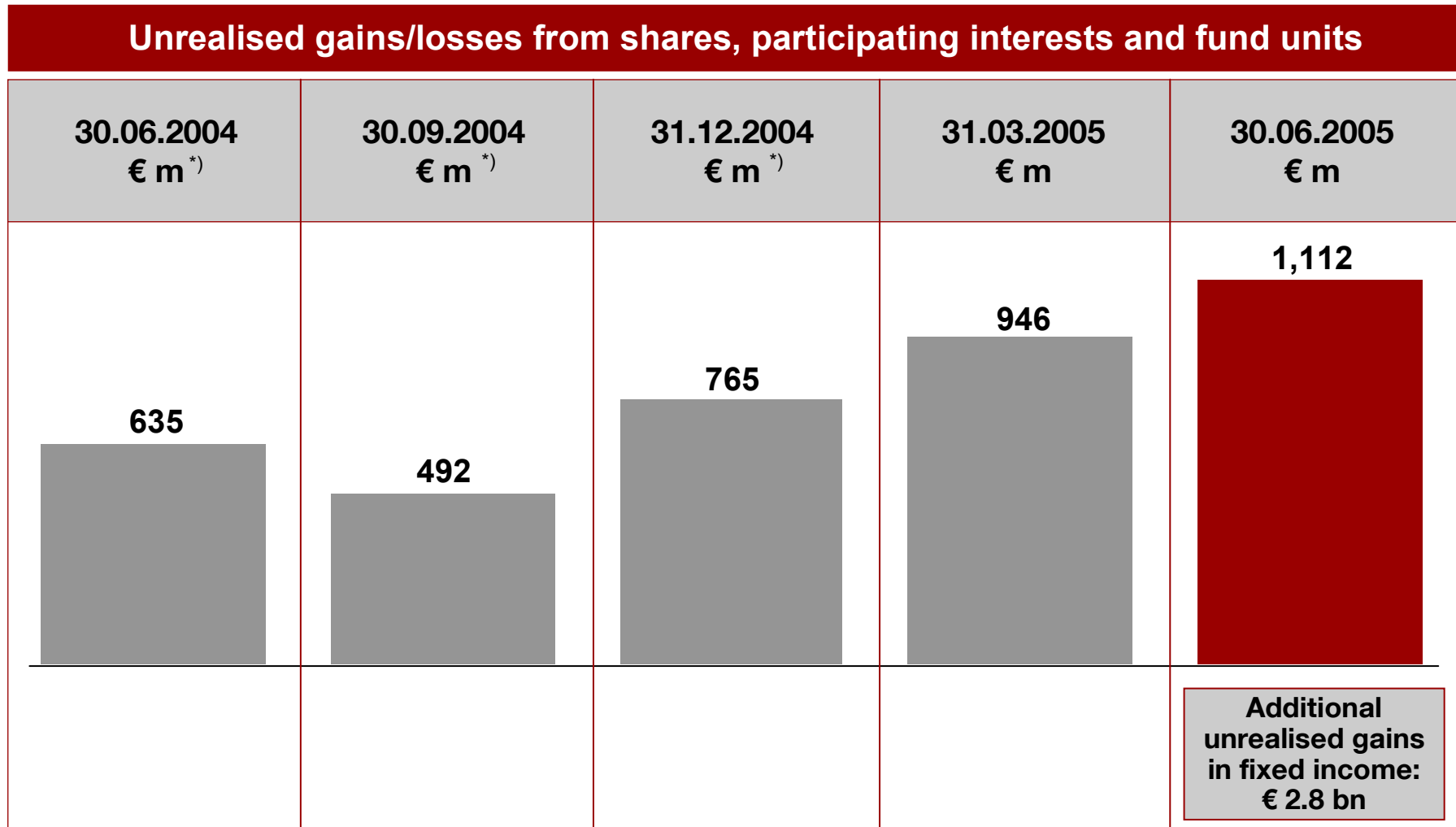


1) retrospective adjustments  
2) mostly derivatives



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## Continuous improvement of reserves in dividend-bearing securities

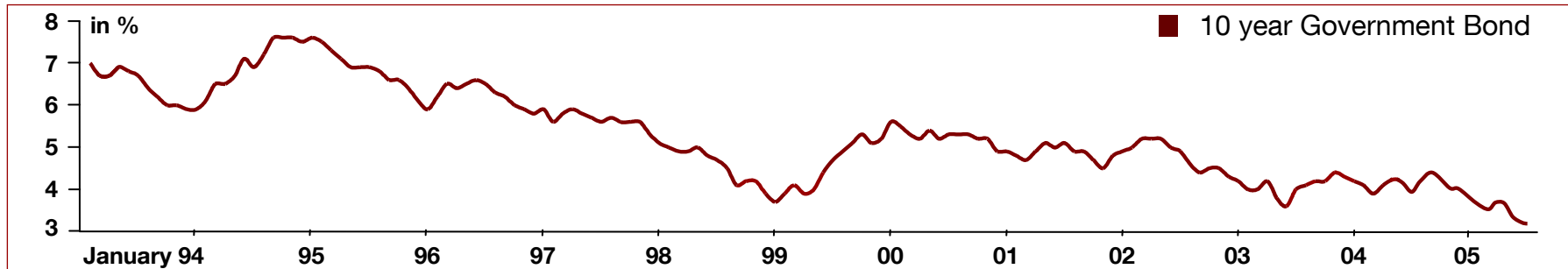


<sup>\*)</sup> retrospective adjustments



# Excursus (1/3): low interest-rate environment Difficult situation for insurers, but manageable

## Persistently low interest rates



## Measures to counteract decreasing interest rates

### In product field

- **Balanced product mix with strong position of products not driven by investment risk**
  - Focus on unit-linked products
  - Focus on term life insurance
- **Prudent shaping of life insurance products**
  - **Conservative determination of crediting rates:** 4.2%, i.e. below market-average
  - **Prudent calculation of risk and cost components:** risk and cost results as significant drivers of profit

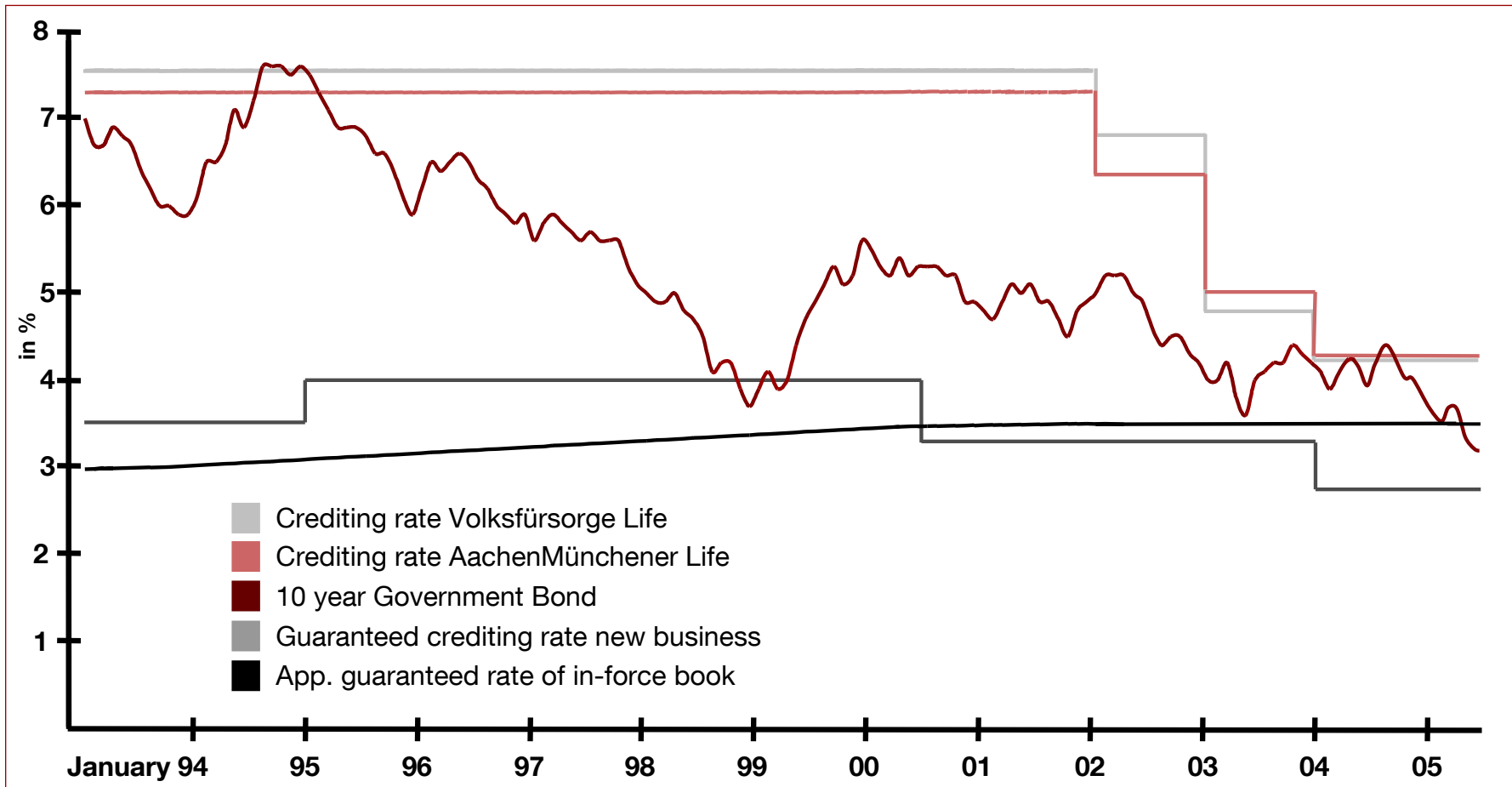
### In asset management

- **Systematic lengthening of duration** in the life insurance portfolios in recent years
- **Reduction of reinvestment risks by forward purchases of fixed income instruments** within the legally admissible limit
- **Hedging of guaranteed interest by fixed income product with derivative elements**
- **But: no investment in credit risks**



## Excursus (2/3): low interest-rate environment Crediting rate reductions to secure positive financial margin

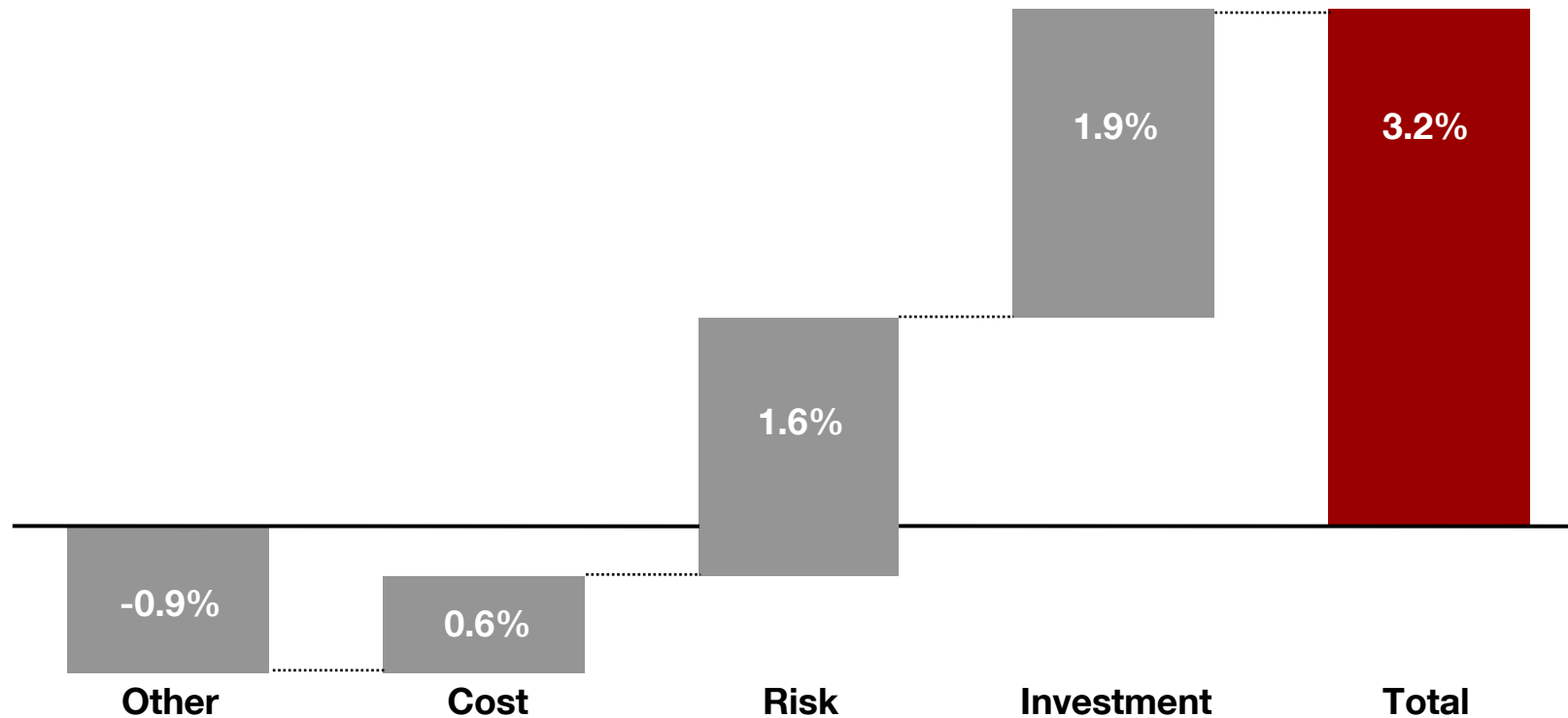
### Development of key crediting and earning rates over time



## Excursus (3/3): low interest-rate environment Risk and cost results as additional contributions to profit

### Sources of profitability of AMB Generali life insurance companies 2004 \*)

in % of 2004 technical reserve

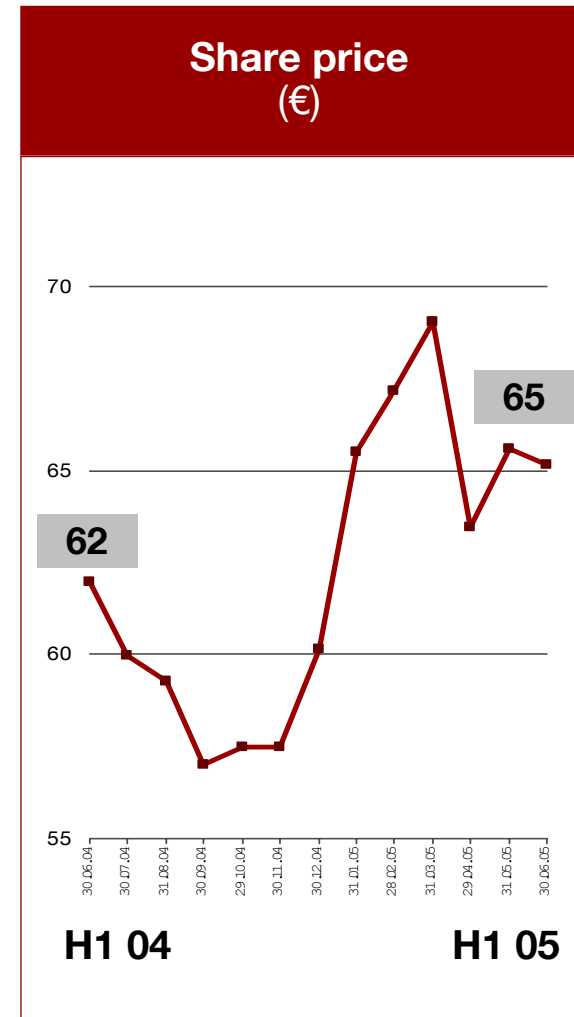
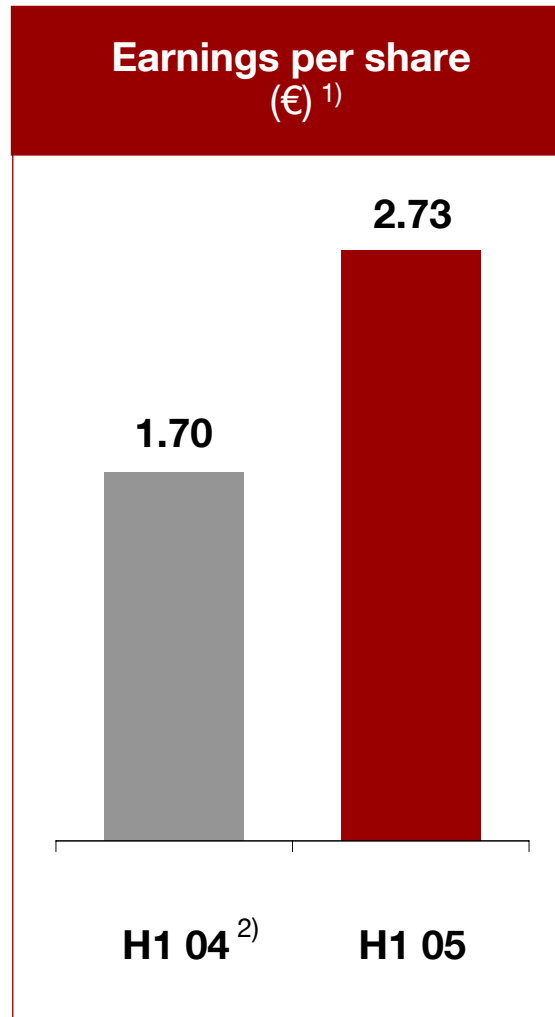
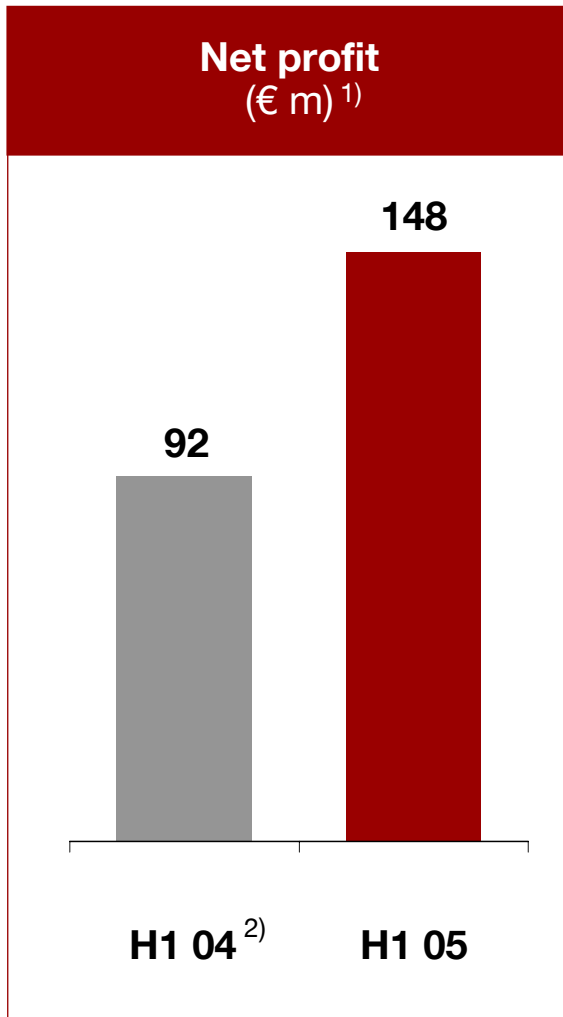


\*) estimated German GAAP figures



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# Positive development of shareholder value



1) before goodwill amortisation  
2) retrospective adjustments

## AMB Generali on good track to reach 2005 targets

		Achievements H1 04	Achievements H1 05	Targets 2005
<b>Life/Health</b>	•Premium growth <sup>1)</sup> – Life regular – Health	+7.0% +10.7%	+9.0% +5.4%	above market level
	•Life NBV	€ 59.5 m	€ 49.8 m	€ 120 m
<b>P&amp;C</b>	•Premium growth <sup>1)</sup>	-4.4%	-1.2%	market level
	•Combined ratio	99.8%	97.4%	< 99%
<b>Overall</b>	•General expenses <sup>2)</sup>	€ 925 m	€ 923 m	€ 1,900 m
	•Net profit before goodwill amortisation <sup>4)</sup>	€ 92 m <sup>3)</sup>	€ 148 m	> € 300 m

1) gross premiums German GAAP, direct business

2) German GAAP figure, excluding commissions

3) retrospective adjustments

4) under IFRS 3 goodwill will no longer be amortised on a scheduled basis



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# Back up

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## Life development

<b>(€ m) <sup>1)</sup></b>	<b>H1 05</b>	<b>H1 04 <sup>2)</sup></b>	<b>Δ H1 05/04</b>
<b>Total premiums (German GAAP) <sup>3)</sup></b>	<b>3,859</b>	<b>3,577</b>	<b>7.9%</b>
<b>Gross premiums written (IFRS) <sup>4)</sup></b>	<b>3,222</b>	<b>3,042</b>	<b>5.9%</b>
<b>Investment income (net)</b>	<b>1,420</b>	<b>1,211</b>	<b>17.3%</b>
<b>Claims &amp; benefits (net)</b>	<b>3,581</b>	<b>3,419</b>	<b>4.7%</b>
<b>Expense ratio</b>	<b>19.3%</b>	<b>18.0%</b>	<b>1.3%-p</b>
<b>Tax</b>	<b>113</b>	<b>42</b>	<b>71</b>
<b>Net profit</b>	<b>89</b>	<b>61</b>	<b>28</b>

1) before elimination of intra-group transactions between segments  
2) retrospective adjustments

3) gross premiums written incl. savings portions of unit-linked and Riester contracts  
4) excl. savings portions of unit-linked and Riester contracts; adjustment without effect on profit



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## Health development

<b>(€ m) <sup>1)</sup></b>	<b>H1 05</b>	<b>H1 04 <sup>2)</sup></b>	<b>Δ H1 05/04</b>
<b>Gross premiums written (IFRS)</b>	<b>791</b>	<b>751</b>	<b>5.4%</b>
<b>Investment income (net)</b>	<b>143</b>	<b>97</b>	<b>46.7%</b>
<b>Claims &amp; benefits (net)</b>	<b>803</b>	<b>728</b>	<b>10.4%</b>
<b>Claims ratio</b>	<b>57.1%</b>	<b>55.2%</b>	<b>1.9%-p</b>
<b>Expense ratio</b>	<b>10.0%</b>	<b>10.9%</b>	<b>-0.9%-p</b>
<b>Combined ratio</b>	<b>67.1%</b>	<b>66.1%</b>	<b>1.0%-p</b>
<b>Tax</b>	<b>17</b>	<b>11</b>	<b>6</b>
<b>Net profit</b>	<b>24</b>	<b>13</b>	<b>11</b>

1) before elimination of intra-group transactions between segments

2) retrospective adjustments



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## P&C development

<b>(€ m) <sup>1)</sup></b>	<b>H1 05</b>	<b>H1 04 <sup>2)</sup></b>	<b>Δ H1 05/04</b>
<b>Gross premiums written (IFRS)</b>	<b>1,849</b>	<b>1,882</b>	<b>-1.7%</b>
<b>Investment income (net)</b>	<b>137</b>	<b>151</b>	<b>-9.7%</b>
<b>Claims &amp; benefits (net)</b>	<b>923</b>	<b>929</b>	<b>-0.6%</b>
<b>Claims ratio</b>	<b>64.5%</b>	<b>66.5%</b>	<b>-2.0%-p</b>
<b>Expense ratio</b>	<b>32.9%</b>	<b>33.3%</b>	<b>-0.4%-p</b>
<b>Combined ratio</b>	<b>97.4%</b>	<b>99.8%</b>	<b>-2.4%-p</b>
<b>Tax</b>	<b>44</b>	<b>39</b>	<b>5</b>
<b>Net profit</b>	<b>55</b>	<b>35</b>	<b>20</b>

1) before elimination of intra-group transactions between segments

2) retrospective adjustments



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