



Annual Report 2005

Let's grow together

Key figures 2005

	2005 € million	2004* € million
Turnover	1,059	1,079
Total revenues	1,251	1,277
Net result	100	51
Equity	605	503

Turnover is defined as income from business activities and includes gross premiums earned, factoring income and service income.

Total revenues includes turnover and net investment result.

Average number of full-time equivalent employees	3,400
Information access	45 million companies
Market share	24%
Standard & Poor's rating	A
Moody's rating	A2

* 2004 figures have been restated due to adoption of IFRS 4 and IAS 19.

Annual Report 2005

Let's grow together

Five years in figures

All figures in compliance with IFRS	2005 € '000	2004* € '000	2003** € '000	2002** € '000	2001**/*** € '000
Turnover					
Gross premiums earned	1,058,794	1,079,113	1,098,217	1,083,818	1,083,472
Factoring income****	–	–	26,992	26,343	29,423
Service income	146,725	132,748	137,351	152,113	154,483
Turnover	1,205,519	1,211,861	1,262,560	1,262,274	1,267,378
Net investment result	45,895	65,001	60,605	(50,250)	51,507
Total revenues	1,251,414	1,276,862	1,323,165	1,212,024	1,318,885
Ceded premiums to reinsurers + change in unearned premium reserve	(521,202)	(631,015)	(645,390)	(664,620)	(659,499)
Total revenues after reinsurance	730,212	645,847	677,775	547,404	659,386
Expenses					
Net claims charges	(276,346)	(251,339)	(295,907)	(277,250)	(293,662)
Net operating expenses	(341,616)	(318,475)	(342,247)	(344,557)	(355,572)
Total expenses	(617,962)	(569,814)	(638,154)	(621,807)	(649,234)
Discontinued operations****					
Profit for the year from discontinued operations	17,964	1,666	–	–	–
Shareholders' information					
Equity	605,074	503,302	395,505	384,076	451,944
Consolidated result after income tax	100,282	50,641	15,262	(77,689)	3,754

* 2004 figures have been restated due to adoption of IFRS 4 and IAS 19.

** The comparative figures are restated.

*** Proforma consolidated income statement.

**** The factoring operations have been sold to a third party during 2005.

The 2004 comparative figures have been restated.

Contents

2	Five years in figures
4	Let's grow together
5	Key strengths
8	Foreword by the Management Board
12	Report of the Supervisory Board
13	Supervisory Board and Management Board
14	Corporate Governance
18	Company Profile
18	Serving customers worldwide and Steering Model
20	The Atradius Group at a glance
24	Group Management Report
24	Business environment - general economic review
30	Business review of Atradius Group 2005
33	Regional highlights
38	Global Risk Management
41	Global people
44	Consolidated Financial Statements 2005 (IFRS)
113	Auditor's report
114	Glossary



Let's grow together

Growth is at the forefront of all of our business goals. Like our customers, Atradius is also focused on growth. But we know we can't achieve this alone. For Atradius to grow, we need to help all of our stakeholders grow.

We need to help our shareholders grow by building profits and value in their investment in Atradius. We need to help our bondholders grow by delivering a strong, stable cash flow and a secure balance sheet. We need to help our employees grow by providing them with training and motivation to achieve more. And most importantly, we need to and are focusing everything we do to help our customers grow by enabling them to safely and efficiently transact more business with new and existing customers.

We have a heightened focus on providing the highest quality service possible. Our sales staff is working closer with our underwriters to ensure

that we provide our customers with the clearest explanations for our decisions on limits. This information can alert customers to potential future problems with buyers that could limit their financial flexibility and inhibit growth.

We are moving underwriters closer to our customers so that they can be more accessible and effective in quickly assisting them. When our customers want to sit down and discuss current or future buyers, we will be there with a detailed understanding of the buyer and support in a language they understand.

New products based entirely on customer and market research are being developed and introduced. Products like Atradius Modula Focus, aimed at addressing the specific needs of small and medium-sized enterprises (SMEs), and Atradius Connect, which is designed to increase the efficiency of

the receivables management process of companies with turnover in excess of € 150 million. These new products are designed to address the specific improvements desired by specific target markets to further improve their ability to expand their business.

We are all allured by the growth prospects of new and developing markets. Atradius has and continues to open offices in new markets in Central and Eastern Europe, Asia and the Americas to provide better coverage and information on potential new customers in developing markets.

Global companies have special needs as well. We have built a Global sales and underwriting team that is devoted to providing the easiest to use, truly global solutions to credit insurance needs. One point of contact is all you need to manage your entire global portfolio. But local support is always there when you need it.

Atradius

Collecting outstanding receivables can slow growth. We have a global recoveries and collections team with more than 300 collectors worldwide. We are simplifying the challenges inherent in local and international collections so that customers can focus

time and effort on growing sales. We continue to expand these services to ensure that Atradius' skilled professionals are everywhere you need them to be to solve outstanding receivables issues.

At Atradius, our customers' growth is paramount to our success, so "Let's grow together".

Key strengths

Strong business position

A leading global credit insurer with 24% market share, a meaningful presence in most key markets and a rapidly growing presence in emerging Eastern European and Asian markets.

Strong financial position

Strong 'A' ratings, a solid shareholder structure and well spread risk underpin our financially stable and independent company.

Customer focussed, innovative new products and services

Progressively introducing new, innovative, customer driven credit

management products and services that address the evolving needs of businesses across the globe.

Well integrated global network

More than 90 offices in 40 countries are connected by a strong and integrated IT network that ensures all of our customers large and small get what they need, wherever they are.

One of the world's largest databases

Expert underwriters and access to information on 45 million companies worldwide protect against the risk of non-payment during this era of trading uncertainty.

Wealth of experience

Decades of experience and a wealth of risk-assessment knowledge help to guide customers safely and efficiently through the trade risks maze.

Diversified business with geographically spread risk profile

Our five largest geographic markets each account for 9% to 20% of our turnover. Our risk profile is likewise well diversified and balanced with our top six country exposures ranging from 7% to 18%.



Cerys Knox | Senior Underwriter Asia/South America | United Kingdom

Growth Prospects



“Enable growth for our customers”

Atradius has vast experience in underwriting the more ‘exotic’ markets of the world as well as traditional trading partners. It’s our job to enable trade for our customers, but more importantly to enable safe trade with all the key factors being taken into consideration. It’s the combination of the hard data we obtain, visits to our customers and buyers and our years of experience in underwriting that allows us to make clear and unambiguous decisions to support our customers growth targets.

In 2005 we set up Close-to-Customer underwriting, with experienced underwriters in all locations focused on adding the customer dimension into all credit limit decisions – this has proved to be very successful, and our acceptance rate is at an all-time high.

Foreword by the Management Board



Wilfried Verstraete
Chairman and Chief
Executive Officer

Dr. Peter Ingenlath
Vice-Chairman and Chief
Market Officer

Delfin Rueda
Chief Financial Officer

Anno Kamphuis
Chief Risk Officer

Strategy and corporate development

After developing and introducing a revised strategy in 2004, we were able to focus all of our attention in 2005 on its implementation. Our strategy recentred our activities on credit insurance and those complementary areas in which we can leverage our credit insurance operations and become a leading international service provider, such as recoveries and collections (R&C).

We sold our factoring business to Fortis in October. Although factoring was a growing business for Atradius we were not in a position to become a market leader. In conjunction with the sale, we entered into a mutually beneficial commercial agreement by which we will continue to partner with Fortis in the marketing and sale of factoring and credit insurance products. Our bonding business was streamlined to focus on our dominant markets of

Italy, France and Scandinavia. Underwriting of new bonding business in Germany, the Netherlands and Belgium was run-off in 2005. A customer friendly transition was ensured through a servicing agreement with Nationale Borg in the Netherlands and Belgium. In addition, we completed an innovative deal with an investment bank for the sale of distressed bonding assets in Germany. Smaller business lines like EuReFin and outsourced

credit management have been phased out, while we decided to operate our consumer credit activities as a stand-alone business outside of our core operating structure.

Product strategy

As a result of this renewed commitment to our core business we have and will continue to invest in building greater awareness of and interest in the Atradius brand. We are placing a great deal of importance on the development and introduction of new products that can provide us with a competitive edge in new business development and customer satisfaction.

A key new product family for us is Atradius Modula. The Atradius Modula Policy was launched in autumn 2005. The Atradius Modula Focus was introduced in the United Kingdom in November and in the Netherlands, Germany, France and Belgium in early 2006. Modula Focus is a web-based product aimed at companies with turnover of up to € 10 million. As the first of a number of products created specifically for SMEs, Atradius Modula Focus reemphasises the importance of the SME market as a key strategic growth area for Atradius. We believe it is the first product ever offered that truly addresses the flexibility and reassurance requirements of the SME market.

We are pro-actively using customer surveys to develop better ways of serving our customers. As a result, Atradius Connect was introduced in the United Kingdom, Germany and the Netherlands in November 2005 and in Denmark, Sweden, Italy, Spain and Belgium in early 2006. Atradius Connect is a new business-to-business ledger link aimed at simplifying policy administration for companies with turnover of more than € 150 million and with high credit limit traffic.

We also set up the Special Products unit to extend our traditional portfolio to include large and complex one-off transactions, often with political risk. This London-based business is one of the key elements of our strategy and

we will develop it further. We are extending the product range and its geographic presence, for example, in Germany and the United States. With a 49% increase in revenues, Collections is also growing in importance in our product portfolio. We now have local collections offices in eleven countries. Our current and growing geographic collections expertise offers our customers a unique value proposition for addressing their local and international receivables problems. In 2006 we will continue to build our local presence in new markets to maximise the value and effectiveness of our services to our customers.

Geographic expansion

In addition to our Collections expansion, we also expanded our credit insurance operations globally. Starting with the receipt of credit insurance licences in Japan and Hungary at the start of 2005 and continuing with a branch opening in the Slovak Republic in July and a credit insurance license in Canada in September.

As from 1 April 2005, just three months after receiving the license to underwrite domestic business under the Atradius name in Japan, we became the first foreign insurer in Japan formally approved by the regulator to underwrite export credit insurance business as from 1 April 2005.

In March, we further solidified our position with the announcement of our plans for a joint exclusive co-operation to develop export credit insurance business in Japan with Tokio Marine & Nichido Fire Insurance Co., Ltd. Cover for both commercial and political risks for export transactions has been offered to Japanese exporters since 1 April 2005. We intend to extend this close business relationship by establishing a joint venture service company in Japan in the first half of 2006.

We have been expanding our operations across Asia and will continue to do so in 2006. We have established Hong Kong as our Asian

hub from which we will provide customers and our other offices across the region both commercial and underwriting services and support.

We have made significant strides in building our business with Russia as well. In November, Atradius Dutch State Business N.V. (Atradius DSB) signed a co-operation agreement with Sberbank in the presence of both Russian President Vladimir Putin and the Dutch Prime Minister Jan Peter Balkenende. The agreement creates the framework through which Sberbank, Russia's largest bank, will guarantee the risks that Dutch exporters have on Russian buyers through Atradius DSB – the export credit facility of the Dutch State. The closer co-operation between Atradius DSB and Sberbank will further support the spectacular increase in Dutch export to Russia.

Internal challenges

Our business strategy also called for some belt tightening and efficiency improvements internally. This has meant staff reductions, merging of IT systems and building an operating structure that more effectively meets the local and international needs of our customers. All in all we are creating one uniform brand and business platform that our customers can recognise and associate with no matter where they do business with us throughout the world.

Staff reduction

We have been able to achieve many of the staff reductions through a Voluntary Leave Program, which resulted in the departure of 240 staff members over the course of 2005. Along with the sale of our factoring businesses, we have reduced the number of full time equivalents to 3,230 exceeding our 2005 year-end target of 3,400.

IT integration finalised

In June the integration of IT systems that had started following the merger of NCM and Gerling Credit in January 2002, was finalised according to plan. All Atradius credit insurance business is now on a single integrated system.

Decentralisation of Risk Services

Being 'close to the customer' has proven to be the most effective way for us to analyse and service our customers' Risk Services needs. While we have proceeded along this approach throughout the year, at the end of 2005 we started a project that will lead to a full decentralisation of our risk service activities related to the Czech Republic, Hungary and Switzerland by 2007. In the future these markets will be underwritten from Prague, Budapest and Zurich. In addition, we will move the Slovenian and Croatian Risk Service activities to Prague.

Legal restructuring

Since mid 2003, Atradius has been undergoing an internal legal restructuring to create one single European risk carrier (Atradius Credit Insurance N.V.) for all credit insurance and bonding business. The single risk carrier is based in the Netherlands and will operate through branches throughout Europe and elsewhere.

Marketing and Public Relations

To further build recognition of the Atradius brand, we launched an integrated global image campaign in April. The main theme of the campaign, which targets all financial decision-makers in any sized company, was "Feel free to take risks". This campaign helped us demonstrate the positive benefits that credit insurance provides in respect to enabling trade and growing business. It highlights our mission of helping our customers grow. In addition we became one of the two lead sponsors of Rembrandt 400, the Museum Het Rembrandthuis in Amsterdam's celebration of the 400th anniversary of Rembrandt's birth. The worldwide recognition of Rembrandt, one of the world's most famous painters, provides us with a tremendous amount of visibility and opportunities for Atradius to build name recognition.

Capital base

In September, Seguros Catalana Occidente bought 3,969,466 (7.01 %) of Atradius shares from Swiss Re,

the largest shareholder of Atradius. The acquisition made Seguros Catalana Occidente the third largest shareholder of Atradius. This was followed, in December 2005, by binding agreements (subject to regulatory approval) between Deutsche Bank, Sal. Oppenheim, Seguros Catalana Occidente and Crédito y Caución to reduce Deutsche Bank and Sal. Oppenheim's positions to a 12.73% and a 2.33% stake respectively, while giving Seguros Catalana Occidente and Crédito y Caución a combined stake in Atradius of 49.99%. The final stake to be individually owned by each Spanish shareholder will be decided before the anticipated closing of the transaction in the first half of 2006.

Awards

Atradius was again recognised for its products and service. In December, we won the French Insurance Award 'Argus d'Or de l'assurance' for the Cegelec securitisation policy, in the category 'Innovating Products and Services for Corporates'.

Financial highlights

2005 proved to be a good year for Atradius. We reported record results in our core operations. This was in many ways a transition year for us. The divestment and scaling back of a number of business lines put pressure on us to meet top line growth goals. While individual business lines, on average, outperformed 2004, the sale of factoring and continued competitive price pressure in credit insurance resulted in overall turnover in 2005 that was comparable to the previous year. Our net result after tax of € 100.3 million was a marked improvement from the € 50.6 million we earned in 2004. This largely reflects the change in our retention rate and the sale of factoring.

Credit insurance and bonding income

During the year we increased our risk appetite to anticipate the improved business environment and to pave the way for increased premium income. However, changes in our product mix and the run-off of our bonding activities in Germany, the Netherlands

and Belgium resulted in a small 0.3% decline in gross written premiums to € 1,043 million in 2005 from € 1,047 million in 2004. Checking fee income however, increased 7.5%.

Factoring income

Our planned sale of factoring resulted in it being carried as a discontinued operation in 2005. As such, our factoring activities including both operating results and the sale of the business, contributed € 18 million to our profits in 2005.

Service income

The favourable claims environment continued to put pressure on service income. Despite this, expansion of our recoveries and collections activities helped drive a 10.5% increase in service income with revenues from recoveries and collections growing 33.0% to € 26.1 million, despite limited recoveries opportunities as a result of the positive claims environment.

Net claims charges

Net claims were higher in 2005, increasing to € 276.3 million from € 251.3 million in 2004. This reflects the increase in our retention rate from 37.5% in 2004 to 50% in 2005. The net claims ratio however improved to 43.0% from 46.0%.

Operating expenses

Our gross cost ratio improved to 41.6% in 2005 from 44.8% in 2004. Excluding information revenues and costs, our gross cost ratio was 36.7% in 2005. Operating expenses were lower in our credit insurance and information businesses and increased in our recoveries and collections business as we have been expanding our activities in this business. Excluding the restructuring provisions, increased operating expenses reflect investments in developing and launching new products, and finalisation of the IT migration and legal restructuring. All of these initiatives should increase our efficiency in the future.

Net investment income

Net investment income of € 45.9 million in 2005 compared to € 65.0 million in

2004. Our net investment income in 2004 benefited significantly from the restructuring of our investment portfolio.

Capital and reserves

Shareholders equity increased by € 101.5 million to € 605.5 million. The primary contributor to this increase was retained earnings.

Rating

Our ratings were confirmed. In October 2005, Standard & Poor's (S&P), affirmed the long term financial strength rating of Atradius: 'A' (Strong),

outlook stable. In early January 2006, Moody's affirmed its insurance financial strength rating on Atradius: 'A2' outlook stable.

In June 2005, Atradius Credit Insurance N.V. obtained short-term ratings. Moody's assigned a 'P-1' short term rating. S&P assigned an 'A-1' rating, the highest possible short term rating. Both ratings indicate that the liquidity position and cash management are strong.

Outlook

After a good year in 2005, in 2006 we anticipate the risk environment to shift

back towards more historical levels.

We have raised our risk appetite, which should result in a historically normalised claims ratio in 2006.

We will continue to seek opportunities to streamline our operations while at the same time further improving our customer service initiatives.

The growth of our customers' business is essential to our growth and we will therefore continue to pursue closer relationships with customers to provide the products and services that will help them to more effectively build their businesses.

Report of the Supervisory Board

The 2005 financial year was a year in which the time and effort dedicated to integration in the past finally resulted in a more harmonised global organisation with good results. The ascending line of profit development that started in 2003 with an after tax profit of € 15.3 million, followed by an after tax profit of € 50.6 million in 2004, has now developed to a profit of € 100.3 million, after tax, in 2005. A dedicated team of managers and staff has brought consistency to the results of a company that is still growing to sustain its position as a major player in the global credit insurance market.

This Annual Report of Atradius N.V. contains the 2005 Annual Accounts that were audited by KPMG Accountants N.V. The Supervisory Board has approved the annual accounts as presented by the Management Board and proposes to the general meeting of shareholders to adopt the 2005 Annual Accounts, and to grant discharge to the Management Board and the Supervisory Board for their management and supervision respectively, during the 2005 financial year.

In January 2005, Delfin Rueda was appointed as Chief Financial Officer of Atradius N.V., completing the

Management Board with another internationally experienced and dedicated professional. In addition, new appointments were made at the Steering Model Director level, underlining the focus Atradius has on the future and importance of a professional management team.

The composition of the Supervisory Board also experienced some changes. Mr Rudolf Kellenberger, former Chairman and Vice-Chairman of the Supervisory Board, and Mr John Hendrickson, former Chairman of the Risk and Finance Committee, resigned. Both have been involved with Atradius N.V. and its predecessors for a long time and their extensive involvement is well acknowledged. I would like to thank Rudolf and John for their contribution to Atradius' development.

New appointments to the Supervisory Board in 2005 were Mr John Fitzpatrick and Mr Peter Gujer, who together brought the number of Supervisory Board members back to nine. John Fitzpatrick has extensive experience in the insurance industry and is currently a Member of the Executive Board of Swiss Reinsurance Company. Peter Gujer has a long career in international insurance and is a Managing Director of Swiss Reinsurance Company. I welcome John and Peter to the

Supervisory Board and look forward to working with them in the future.

During 2005 several meetings of the Supervisory Board, the Executive Committee, the Risk and Finance Committee and the Audit Committee were held in Amsterdam, Paris and Frankfurt. As before, these meetings were also used to meet and talk with local management in the cities visited.

The revised strategy presented by the Management Board in 2004, to increase and secure net profits, strive for sustainable growth and reduce profit volatility, has been proven successful in 2005 and will continue to be supported by the Supervisory Board. I am convinced that the Management Board and all employees of Atradius will continue to follow the current route to sustain and further develop the position of Atradius as a major global credit insurer and I would like to thank them, on behalf of the Supervisory Board, for their successes in 2005.

Amsterdam, 16 May 2006

Supervisory Board

Paul-Henri Denieuil
Chairman

Supervisory Board and Management Board

Supervisory Board

The Supervisory Board of Atradius N.V. consists of nine members with international experience in insurance and reinsurance, investment banking, strategic consulting and regulatory matters.

Paul-Henri Denieuil (65), Chairman

Non-Executive Chairman of Deloitte Finance France
Other relevant positions: Operating partner of Duke Street Capital, Director of Cacharel
Date of appointment at Atradius N.V.: 1 May 2004.

Detlef Bierbaum (63)

General Partner of Sal. Oppenheim jr. & Cie KgaA
Date of appointment at Atradius N.V.: 22 December 2003.

John Fitzpatrick (49)

Head of Financial Services and Member of the Executive Board of Swiss Reinsurance Company
Date of appointment at Atradius N.V.: 1 December 2005.

Peter Gujer (58)

Managing Director of Swiss Reinsurance Company
Date of appointment at Atradius N.V.: 29 April 2005.

Jan Holsboer (59)

Former member of the Executive Board of ING Group N.V.
Other relevant positions: Member Executive Board Univar N.V., Member Supervisory Boards of Partner Re, TD Waterhouse Bank N.V., Onderlinge 's-Gravenhage/Neerlandia van 1880, Vittoria Capital N.V., Chairman Stichting Vie d'Or
Date of appointment at Atradius N.V.: 22 December 2003.

Bernd H. Meyer (59)

Former Chairman of the Management Board of Gerling NCM Credit and Finance AG
Date of appointment at Atradius N.V.: 22 December 2003.

Dick Sluimers (53)

Member of the Board of Management of Stichting Pensioenfonds ABP
Date of appointment at Atradius N.V.: 22 December 2003.

Isidoro Unda (53)

Chief Executive Officer of Compañía Española de Seguros y Reaseguros de Crédito y Caución
Other relevant positions: Member of the Permanent Commission of Crédito y Caución.
Date of appointment at Atradius N.V.: 22 December 2003.

Dr. Axel Wieandt (39)

Global Head of Corporate Investments/Corporate Development (AfK) of Deutsche Bank AG
Date of appointment at Atradius N.V.: 22 December 2003.

Management Board

Wilfried Verstraete (47)

Chairman and Chief Executive Officer
Date of appointment at Atradius N.V.: 1 May 2004.

Dr. Peter Ingenlath (47)

Vice-Chairman and Chief Market Officer
Date of appointment at Atradius N.V.: 22 December 2003.

Anno Kamphuis (47)

Chief Risk Officer
Date of appointment at Atradius N.V.: 22 December 2003.

Delfin Rueda (42)

Chief Financial Officer
Date of appointment at Atradius N.V.: 24 January 2005.

Corporate Governance

Atradius uses a structured system of checks and balances (as outlined below) to ensure the regulation of the relationships between our shareholders, Supervisory Board and Management Board and internal and external auditors. Atradius will continue to remain focused on corporate governance as the Atradius Group of companies develops and the business world changes.

Management Board

The Management Board, which meets at least twice a month and more often when necessary, is responsible for the day to day business and strategy of Atradius. Its members have collective responsibility for all decisions taken by the Management Board, but each of them has specific management responsibilities for specific areas of Atradius, based on a well-developed Steering Model. The Chairman of the Management Board is the primary liaison with the Supervisory Board and its Chairman.

Members of the Management Board are appointed by the shareholders upon recommendation of the Executive Committee, a sub-committee of the Supervisory Board.

Wilfried Verstraete

Chairman and Chief Executive Officer

Dr. Peter Ingenlath

Vice-Chairman and Chief Market Officer

Anno Kamphuis

Chief Risk Officer

Delfin Rueda

Chief Financial Officer

Supervisory Board

It is the duty of the Supervisory Board to supervise the way the Management Board manages Atradius, as well as the general affairs of Atradius. For certain important decisions, the Management Board requires the prior approval of the Supervisory Board. In performing its duties, its members are obliged to consider the interest of Atradius and its stakeholders rather than the interest of any particular shareholder. The Supervisory Board schedules to meet at least four times each year.

Supervisory Board members are appointed by the shareholders upon recommendation of the Executive Committee, a sub-committee of the Supervisory Board. The shareholders decide on the compensation of Supervisory Board members.

Each member is appointed for three years and will resign or may be reappointed immediately after the date of the Annual General Meeting of Shareholders regarding the annual accounts for such third year.

Paul-Henri Denieuil

Chairman

Detlef Bierbaum

John Fitzpatrick

Peter Gujer

Jan Holsboer

Bernd H. Meyer

Dick Sluimers

Isidoro Unda

Dr. Axel Wieandt

The Audit Committee, the Executive Committee and the Risk and Finance Committee are sub-committees of the Supervisory Board.

Audit Committee

The Audit Committee assists the Supervisory Board in fulfilling its overview responsibilities relating to the integrity of the Company's financial statements, its compliance with legal and regulatory requirements, the external auditor's qualifications, and the performance of Atradius' internal and external auditor. The Committee monitors, independently and objectively, Atradius' financial reporting process and system of internal control. It also provides for continuing communication between the external auditor, the Management Board, the Internal Audit Department and the Supervisory Board on issues concerning the financial position and affairs of Atradius.

Jan Holsboer

Chairman

Detlef Bierbaum

Dick Sluimers

Executive Committee

The Executive Committee assists the Supervisory Board in fulfilling its overview responsibilities on strategy, proposals for nominating members of the Supervisory Board and Management Board, remuneration policy and remuneration of senior management and other corporate governance matters.

Paul-Henri Denieuil

Chairman

John Fitzpatrick

Peter Gujer

Isidoro Unda

Dr. Axel Wieandt

Risk and Finance Committee

The Risk and Finance Committee assists the Supervisory Board in fulfilling its overview responsibilities on risk management and control, monitoring the balance sheet including the investment portfolio and the financing of Atradius' activities.

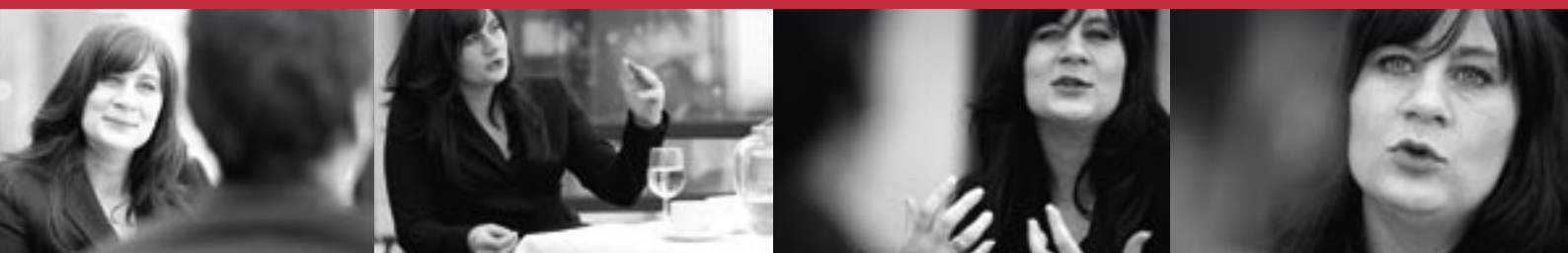
Isidoro Unda

Chairman

John Fitzpatrick

Bernd H. Meyer

Dr. Axel Wieandt



Barbara van Hest | Manager Customer Service Centre | The Netherlands

Customer Care



“There is no problem too big or too small”

In 2005 we actively set up Customer Service Centres in all of our major locations and trained staff so that they are fully skilled and empowered to deal with a huge variety of queries. Customers have a one-stop shop to deal with all typical enquiries, but it does not stop there.

The quality of our customer care is paramount. We want our customers to feel that there is no problem too big or too small for us to deal with professionally, cheerfully and with total focus on delivering a solution.

Company Profile

Serving customers worldwide and Steering Model

In order to serve our customers' needs best, Atradius is continuously introducing new innovative credit management solutions and product enhancements. In 2005 our focus was on the enlargement of our product portfolio by designing new products for specific audiences, based on customer demand and market research. We introduced Atradius Modula, a modular credit insurance product that allows users to tailor their policies to their specific needs, and Atradius Modula Focus which offers similar flexibility but is designed especially for SMEs.

By doing so, we offer a versatile credit management solution that manages risk and enables trade for every type of customer from multinational companies to SMEs. Our products vary from tailor made credit insurance and global services to decisive debt collections and online services. Our customers can rely on our expertise to protect against trade risks and allow them to more effectively pursue international business. Improved credit and receivables management enables companies to maintain and improve their profitability.

For 2006 our focus will remain on enlarging our product portfolio with new enhanced solutions and on emphasising quality improvement.

Credit insurance

- Protection against non-payment by buyers resulting from insolvency or protracted default
- Coverage of commercial and political risks

- Services integrated with other credit management solutions, including debt collections
- Internet alerts and up-to-date business information through Serv@Net, our fully automated, web based, online system
- Atradius Modula, a modular credit insurance product, offering companies more flexibility and customisability than standard product offering
- A wide range of solutions for all marketing segments and company sizes from SME to multinational companies
- Atradius Modula Focus: a specifically designed online credit insurance policy for SMEs offering clients the possibility to select the buyers they want coverage on
- Global services: integrated solutions for multinational corporations requiring support, clarity and consistency, on a global scale, from headquarters to subsidiaries, supporting both centralised and decentralised business models
- In the Netherlands, medium term export credit and investment insurance services are provided by Atradius Dutch State Business N.V. for the account of the Dutch State

Special Products

- Providing relevant credit protection products to our customers to meet more bespoke and specific requirements by offering credit protection for a single contract or buyer, cover against unfair calling of contracted bonds, pre-export finance, or tender exchange rate indemnity (TERI)

Credit enhancement

- Value added solutions to provide capital-efficient credit enhancement in support of trade receivables securitisation programmes
- Expertise in captive and finite credit insurance solutions and tailored cover for large structured trade credit finance transactions

Collections

- Effective debt collection for insured and non-insured customers
- International debt collection specialist, with offices in eleven countries, including USA, Australia and the main European countries, completed with a global lawyer/debt collection network covering 300 countries
- High level of business-to-business (B2B) competence resulting from our market strengths as a global credit insurer and our worldwide database with comprehensive information on more than 45 million companies
- Best worldwide collections platform connecting our offices and enabling our customers to monitor their debt at any time, the whole year through, anywhere in the world

Standby services

- For banks that securitise trade receivables, Atradius offers standby receivables management and collection services
- Consultation and advise for corporations on building an effective accounts receivables organisation
- Supply of credit management expertise for an interim – short or long term – period

Bonding

- Bonding is the activity of providing guarantees to one party that a second party will meet its contractual obligations
- Obligations can consist of performance in accordance with the contract or of payment of amounts due under the contract
- Services are offered to companies in Italy, France and Scandinavia. Bonds are used to facilitate the business processes of our clients rather than covering their entrepreneurial risk
- Our main products are:
 - Contract bonds, such as bid bonds, performance bonds, advance payment bonds and maintenance

- bonds used in the construction and capital goods industries
- Bonds required by governments and licensing agencies to ensure professional operating standards for businesses
- Tax bonds, custom bonds and EU bonds

Reinsurance

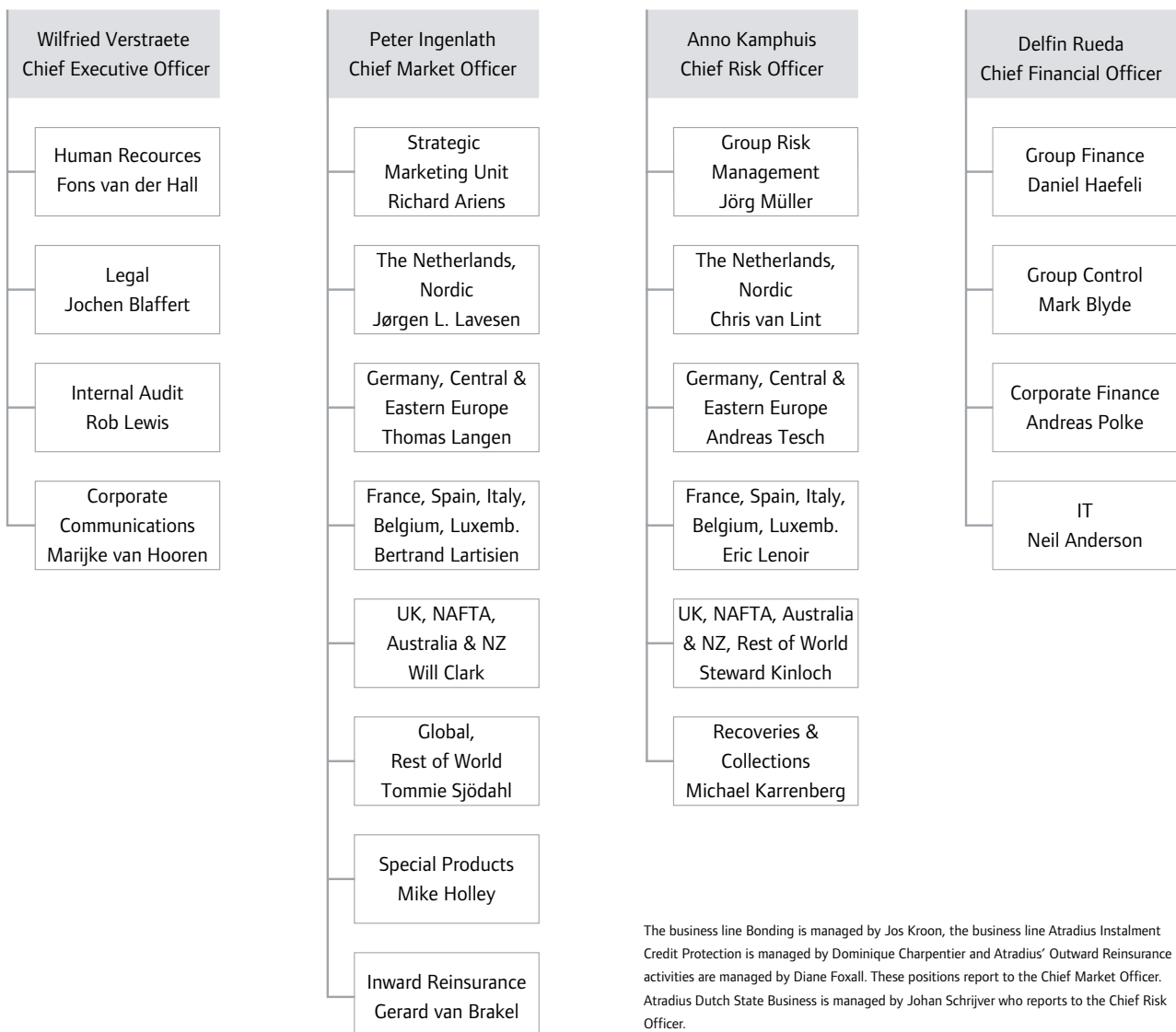
- Reinsurance of credit insurance and bonding portfolios by Atradius Re, a specialist company and recognised leader in its line of business, with an extensive network of clients and relations on all five continents
- Strict separation between the Group and non-Group lines of business with separate teams

- Large range of other services offered in combination with reinsurance

e-Solutions

- TradeCover offers exporters outside OECD immediate cover against the risk of non-payment of OECD buyers
- Trusted Shops rates and certifies the reliability of companies selling products over the Internet, more than 1,600 Internet retailers across Europe have been certified by Trusted Shops, guaranteeing safe and secure online shopping for their customers

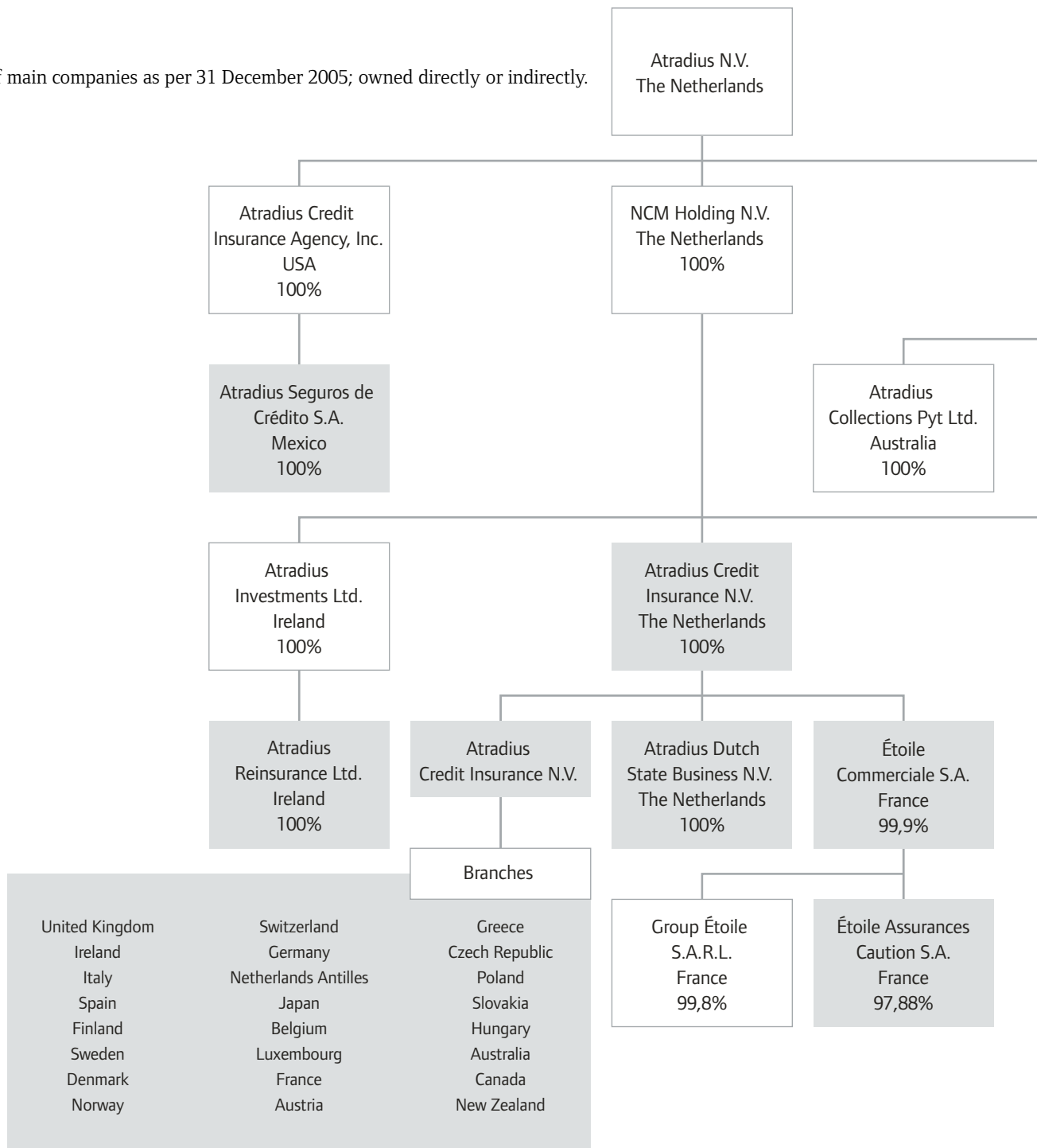
Atradius Management Board and Senior Management

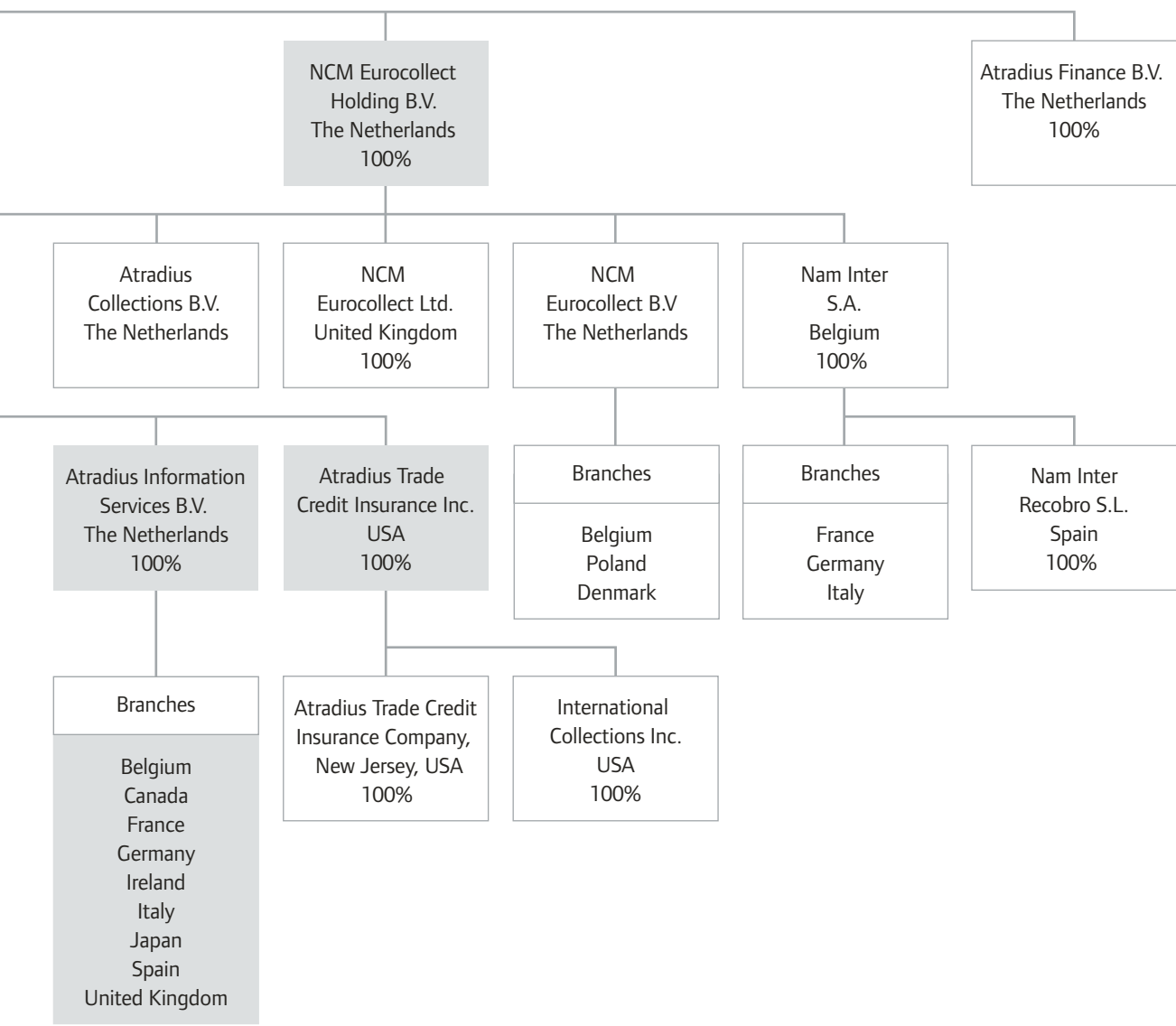


Company Profile

The Atradius Group at a glance

Structure of main companies as per 31 December 2005; owned directly or indirectly.







Allyson Bancroft | Head of Brand and Channel Management | United Kingdom

Product Family



“Our products cater for SMEs through to multinationals”

2005 has seen a fast pace of product development in Atradius, creating a range of product offerings within one product family. This allows our customers and distribution partners to choose the perfect trade receivables products to grow their business and protect their trade.

A key objective for 2006 is to make our products more accessible by extending the product family to cater to as many businesses as possible, from SMEs through to multinationals. We are also making Atradius and its products more accessible to customers through strengthening our online services.

Group Management Report

Business environment - general economic review

According to the International Monetary Fund (IMF) world output growth remained robust in 2005, expanding at an approximate rate of 4.3%, down from the impressive 5.1% recorded in 2004. As in 2004, world economic performance was

underpinned by robust activity in the United States and Asia. In contrast, the Euro zone contributed little to world growth in the first half of the year. Although the region's contribution improved somewhat in the second half of the year, it offered

only limited opportunities for Atradius customers to expand their turnover in traditional domestic markets in 2005. The rapid pace of growth in developing markets such as India and China however offered opportunities.

Western Europe

As stated, economic growth in the Euro zone was muted in the first half of 2005, by structural problems, which required extensive stabilisation measures to raise the level of activity. These structural problems included labour market issues such as the long duration of unemployment benefits, strict employment protection legislation, high cost of low-skilled labour and issues with fiscal systems.

In the second half of the year however, the strength of the dollar enabled European economies to benefit from export opportunities to new European Union (EU) members and South East Asia. As a result the area's combined Gross Domestic Product (GDP) expanded by approximately 1.8% in 2005.

Many of the problems were manifest in **Germany**, the area's largest economy. Little impetus in domestic demand, investment and exports and significant corporate re-structuring characterised the first half of the year. A return of competitiveness was sparked by the strengthening dollar

and led to recovery in industrial production in the second half of the year and a pick up in machinery and equipment investment. German consumer's lack of confidence in the recovery, however, resulted in continued lacklustre domestic consumption. Economic growth is estimated to have reached approximately 1% for 2005.

Though still high, business insolvencies of 31,082 over the first ten months of 2005 were 5% lower than in 2004. This was largely the result of prior corporate restructurings.

France, like other EU economies hoped to see an export led revival in 2005. Unlike Germany however, France has not been able to capitalise on the moderate growth in world exports. In addition, unfavourable developments in the United Kingdom implied that export growth would not readily materialise. Overall, low demand in the Euro zone also restricted export growth, but there were also indications that French export competitiveness was declining.

The Netherlands also suffered structural competitiveness problems in 2005. This coupled with a lack of export demand from the country's main export partner resulted in a meagre beginning to the year. Growth re-bounded strongly in the second quarter underpinned by residential investments and export activity, whilst consumer expenditures remained flat. In the second half of the year a rebound in consumer expenditures, albeit from a low level and a surge in imports resulted in full year growth of approximately 0.75% and a 2.5% contraction in business bankruptcies through November.

In contrast to many of the mainland Europe economies, the **United Kingdom's** economy posted a strong performance during the first half of 2005, which subsequently fell off during the second half of the year as manufacturing production and exports fell away and household consumption expenditures moderated. This reversal in performance occurred at the same time that the Pound Sterling strengthened against the Euro.

Consequently, the Government of the United Kingdom, slashed its estimate of GDP growth for 2005 by 0.5% to bring it down to approximately 1.7% for the year. Seasonally adjusted company insolvencies in England and Wales increased by 5.25% across the first three quarters of 2005, in comparison with the same period in 2004.

In **Belgium**, last year's strong GDP growth slowed in the first half of 2005, mainly due to weakening domestic demand. Private consumption declined, driven by a fall in real disposable income and rising energy prices. The contribution of exports to GDP growth also fell and net exports

are expected to have had a negative effect on growth in 2005. Estimates of economic expansion stand at around 1.5%. According to Statistics Belgium, businesses bankruptcies fell 0.4% in 2005 compared with 2004.

Further contraction in the first quarter of 2005 gave way to recovery in the economy in **Italy** driven largely by exports, investment, in particular in the construction sector and consumption. Third quarter growth however, slowed to 0.3% compared to second quarter growth of 0.7%. Despite a somewhat encouraging third quarter national accounts picture of domestic demand and net export driven growth in the second and third quarters, full year

growth barely reached positive territory and the credit environment remained challenging.

In **Spain**, economic growth continued apace in 2005 supported by strong gains in domestic demand. This resulted in imports outpacing exports through the year and in a negative contribution of the external account to GDP growth. Inflation may moderate slightly after the pass-through of the oil price hike but should remain about one percentage point above the Euro area average, highlighting Spain's competitiveness issue in export markets.

Eastern Europe

On the whole, the new Eastern European entrants into the EU performed well in 2005, benefiting from regional demand and a competitive advantage in export markets. Each of the new entrants made significant improvements in the area of economic reforms, although some structural deficiencies remain in the external economic component of

the Baltic States and Hungary's commercial environment. The political situation in the region however, remained fraught with unstable governments and a clear move by the Russian State towards a more authoritarian footing, with power being brought back to the centre by the Kremlin.

The economic advances in these countries have allowed Atradius to develop domestic portfolios in the region to assist new customers and existing export customers to take advantage of the opportunities presented by these dynamic exporting countries.

North America

Though at a slightly slower pace than in 2004, the robust economic expansion in the **United States** continued in 2005, with the economy posting a growth rate of approximately 3.5% despite the impact of hurricanes Katrina and Rita and increasing pressure on the trade account and budget deficit. Domestic demand has been the main economic engine, in particular business investment, construction expenditure and gains in manufacturing productivity. Throughout the year, the Federal Reserve increased the federal funds rate to address increasing inflationary pressures driven by high oil and raw materials prices. As a result the dollar

strengthened against the Euro, placing further pressure on the trade account and increasing the cost of investment.

Corporate profitability was strong through 2005 on the back of continued growth and an approximately 2% contraction in corporate insolvencies.

In **Canada**, most economic fundamentals remained sound with economic growth reaching around 3% for the year. Activity accelerated somewhat in the second half of 2005, once the effects of currency depreciation had worked through, aiding a strong rebound in exports. The performance of Canada's trade account is crucial for the country,

given that 84% of its exports go to and 60% of its imports are sourced from the United States.

Following strong growth in 2004, the economy of **Mexico** slowed somewhat in 2005, in line with the relative slowing in the American economy. GDP expansion is estimated at 2.7% for the year. Economic developments were positive with the government successfully swapping US dollar denominated debt for Mexican peso denominated bonds. Remittances from abroad, and in particular from the US, grew strongly and now represent an important source of hard currency for the country.

South America

After the excellent performance in 2004, 2005 was a setback for policy-makers in **Brazil**. GDP growth figures were slashed to 2.5 to 3% compared to the 4.9% GDP to growth in 2004. High nominal interest rates and the impact of corruption scandals in 2005 had adverse consequences for private consumption and business investments, in spite of record profits in the corporate sector in 2004. During 2005 however, the strength of the Real, which at year-end reached a

4-year peak, become an additional obstacle for investors and exporters.

Adverse relations with the United States and Colombia, did not prevent **Venezuela's** economy from growing strongly again in 2005, with GDP growth reaching 7.5% for the year. As with the performance in 2004, the impressive 2005 figure was mainly driven by the oil sector and high oil prices.

In **Argentina**, President Kirchner consolidated his political position following the October 2005 mid term elections, when many of his supporters gained additional seats in Congress. This came following his successful re-negotiation and restructuring of his country's USD 100 billion in debt in June. Despite energy shortages and supply side bottlenecks the economy still managed an impressive, primarily export led, real GDP growth rate of 7.5% in 2005.

Asia and Australia

China's exceptional growth continued in 2005 with GDP estimated to have expanded by 9.4%. Consumption and mainly exports compensated for lower investment growth. Nevertheless, investment growth remained high as the government encouraged capacity expansion in sectors like agriculture, energy and transportation, while other sectors such as steel, aluminium and cement were confronted with tighter financing conditions. Inflation is estimated to have declined from 3.9% last year to 2% in 2005 due to a bumper grain harvest and official efforts to delay the pass-through of higher oil prices. The ending of the Multi Fibre Agreement this year has benefited the Chinese textile sector.

The revival of fortunes in **Japan** continued in 2005, again driven mainly by exports, industrial production and business investments. Deflation however persists, despite signals that consumer spending and confidence is returning. The government continues to carry a significant fiscal deficit from

its attempts to stimulate the economy in the last decade. Economic growth is estimated to have reached 2.4% for 2005.

Economic activity slowed in **Australia** in 2005, following interest rate increases by the Reserve Bank aimed at addressing inflationary pressures. Consequently, consumer spending moderated through the year, whilst net exports and investments continued to support growth. Focus returned to the economy in **New Zealand** following the October elections. The growth characteristics were somewhat different than for Australia. Private consumption and the housing market were booming, whilst net exports suffered, placing significant pressure on the trade account.

The Asian earthquake in October, with its epicenter in Pakistani-administered Kashmir, killed tens of thousands of people, with the city of Muzaffarabad in **Pakistan** among the worst hit areas. As a result of the shared pain,

the peace process between Pakistan and **India** gained pace with further border crossing points opening. Claims over territory in the region however, remain unchanged. Both countries posted strong economic performances in 2005, with industry and services underpinning Indian growth and private consumption and investment doing the same in Pakistan.

Growth in 2005 was strong throughout the other countries in the region, however two distinct risks emerged, persistent high oil prices and bird flu. Besides Malaysia and Indonesia, all other countries in the region are energy importers and as such inflation posed a problem for policy setters in the second half of the year. The second risk, bird flu, had a direct impact on the poultry sector in 2005. In 2006 the risk will shift to the potential mutation of the virus and a potential pandemic, which, depending on its severity, could have a significant impact on both people and economic growth globally.

Middle East

With the ultra conservative mayor of Tehran, Mahmoud Ahmadinejad, winning the presidential elections in June, **Iran** announced its intention to resume its plans to enrich uranium for the purposes of increasing its energy supply. The international community however, did not believe this purpose

and in September an International Atomic Energy Agency resolution found Iran in violation of the Nuclear Non Proliferation Treaty.

Amidst continued conflict in **Iraq**, an interim Iraqi President was voted in by members of parliament and the first

session of the Kurdish parliament was held in Irbil in June.

Economic growth amongst countries in the region was significant as supply problems and the continued geopolitical uncertainties underpinned the high price of oil.

Africa

Continued high oil prices also benefited the causes of **Nigeria, Egypt** and **Algeria** through 2005. Though implementation was slow, Nigeria's government of the People's Democratic Party (PDP's) main focus in 2005 was a programme of further reforms. Corruption continues to be a significant problem in the country. Egypt's President Hosni Mubarak gained a fifth 6-year term as president in the

September 2005 elections. This despite terrorist attacks at the Red Sea resort in July. In December, violence re-emerged with clashes between the police and supporters of the Muslim Brotherhood. Although the political environment in Algeria was fairly stable in 2005, President Bouteflika's reign became more autocratic. Given President Bouteflika's track record, this may even enhance economic reform.

In **South Africa**, President Mbeki, fired his deputy Jacob Zuma in June, after the latter was involved in a corruption scandal. His sacking however has led to turmoil within the ruling ANC, as the former vice-president remained a popular figure with the party's rank and file. Economic growth accelerated to 4% in 2005, driven by domestic demand and further growth in tourism.



Stefan Basiliades | Regional Manager Recoveries and Collections | Belgium

Competitive Environment



“Our unique groupwide integrated service helps our customers grow”

Like most of our customers we are operating in very competitive environments. But we are still able to grow and help our customers grow their profits by recovering their bad debts. Few, if any, competitors are able to deliver the same kind of groupwide integrated service to their customers. On export collections we are able to offer a direct service in the country of the customer, while using our own staff to collect debts in the country of the debtor.

Innovation, creativity and doing things right the first time make us more competitive and enable us to grow. By doing this, Atradius will not only grow but – more importantly – we will support our customers in achieving their growth and strategic goals.

Group Management Report

Business review of Atradius Group 2005

In this section we provide information on income by product line and by country/region. Income from

insurance activities is based in this segmental reporting on gross earned premium deducting premium refunds.

Gross implies before reinsurance.

Business by product line	2005 € million	2004 € million	Change in %
Insurance and information income	1,165	1,178	(1.1)
Service income	41	34	20.6
Total	1,206	1,212	(0.5)

Gross earned insurance premium and information income per country	2005 € million	2004 € million	Change in %
Germany	236	242	(2.4)
United Kingdom/Ireland	174	183	(4.9)
The Netherlands	134	153	(12.4)
Italy	133	123	8.1
France	115	108	6.5
Belgium/Luxembourg	84	103	(18.4)
Nordic	90	79	13.9
NAFTA	67	62	8.0
Other	64	47	36.1
Indirect underwriting	68	78	(12.8)
Total	1,165	1,178	(1.1)

Insurance and information business
Insurance revenues of € 1,164.6 million are down 1.1% compared to 2004 (€ 1,178.1 million). This is mainly due to the strategic decision to downsize fronting business in Belgium, which only has a very marginal impact after reinsurance and the 2004 groupwide alignment of claims provisioning principles, which had a € 16.2 million positive impact on premiums in Germany

last year. Normalised for these two extraordinary impacts, Atradius' 2005 gross insurance revenues would be 2.2% above 2004. This growth was achieved despite competitive pressure on prices in most of our key markets, which is mainly due to the improving world economy, resulting in increasing trade flows and higher volumes to insure. Together with a reasonable increase in our risk appetite, the total

exposure for credit insurance increased from € 297 billion at the end of 2004 to € 347 billion at the end of 2005.

Acquisition of new business and insurance income was particularly under pressure in the United Kingdom. Here, competition was fierce, particularly on price. Most of the other key markets showed some growth or stayed in line with 2004.

Gross claims increased by 8.4% to € 597.4 million in 2005 (2004: € 550.9 million). This resulted in the gross claims ratio, including credit checking fees, increasing to 51.3% in 2005 (2004: 46.8%).

The higher claims ratio is mainly due to bonding business, where claims were higher than last year. In 2005 we encountered some large bonding claims in some of the smaller Bonding units, that Atradius made the strategic decision to phase out at the end of 2005. In Italy, reserve strengthening for past underwriting years has negatively impacted bonding results. Some large claims from former years in Germany were sold to third party investors with a positive contribution to our net profit. This is shown only in the net result, not in gross claims.

The credit insurance core product developed very positively compared to last year, the claims ratio is well below 2004. Quality risk underwriting and an intensified recovery effort supported the positive development and led to very low claims here.

Gross operating expenses decreased by 7.2% and correspond with a decrease in the gross expense ratio, including credit checking fees, to 41.6% in 2005 (2004: 44.8%). This is due to several additional one-off costs caused by the strategic restructuring that were taken largely in 2004. Excluding the restructuring costs, the gross expense ratio increased only slightly to 40.8% compared to 2004 with 40.6%. Excluding information revenues and costs, and net of reinsurance our cost ratio was 40.6% in 2005.

Factoring

End of 2004 Atradius communicated the intention to divest factoring and in October 2005 sold all of its factoring activities to Fortis. Factoring income decreased 6.3% to € 28.9 million (2004: € 30.8 million). Due to the sale, only 10 months of business are included in the accounts as discontinued operation. A commercial agreement will allow Fortis and Atradius to use each other's European distribution networks. Co-operation will focus on factoring and credit insurance. Atradius' factoring business and staff is now being integrated into Fortis Commercial Finance and operates under the Fortis brand. The factoring business showed a positive result in 2005 of € 3.3 million (2004: € 1.7 million). The sale transaction contributed € 16.1 million to Atradius' result before tax.

Service income by product

	2005 € million	2004 € million	Change in %
Debt collections and credit management services	26.1	19.7	33.0
Credit checking fees	105.8	98.4	7.5
Other service income	14.8	14.7	0.7
Total	146.7	132.8	10.5

Service income excl. credit checking fees per country

	2005 € million	2004 € million	Change in %
Germany	2.8	1.8	55.5
The Netherlands	24.4	24.0	1.6
Italy	2.1	0.7	200.0
France	1.7	1.4	21.4
Belgium/Luxembourg	2.6	1.4	85.7
United Kingdom/Ireland	5.3	3.8	39.5
NAFTA	1.1	0.4	175.0
Other	0.9	0.9	-
Total	40.9	34.4	18.9

Services - generating risk-free income

Protection against credit exposure related to trading activities and trade receivables is the core competence of Atradius. Our strategy is to offer more tailor-made products and complement our insurance products such as business information, private company rating and receivables management information. This will provide value to both our customers and shareholders in that it will create a proper balance between insurance and risk-free income. These services provide a positive contribution to our return on capital and reduce profit volatility.

The result from services (excluding credit checking fees and credit information costs) increased to € 13.5 million in 2005 (2004: € 9.6 million).

A major part of the service income results from credit checking fee income, which grew 7.5%. The commercial debt collection business, which we offer not only to insurance clients, but to third parties as well, grew substantially by 33.0%. Atradius has a competitive advantage in exploiting its international network to serve debt collection clients across borders. We have built and rolled out a

common IT platform for this business and have further intensified training of the combined sales forces in our collections business. Demand has grown substantially in 2005, especially for third party debt collection in the United Kingdom and Germany.

Other service income includes export credit agency fees for the medium term business on behalf of the Dutch State and e-commerce activities.

Group Management Report

Regional highlights

We are constantly exposed to a plethora of risks that have potential to weaken our world economy. Throughout Europe and other global markets this wide range of risks underlines the importance of credit insurance for business. International tensions and terrorism, fluctuating raw materials prices, oil and energy prices, monetary evolution, budget imbalances of large influential countries and general speculation all create an insecure climate and increase the uncertainty of future economic developments. Add the potential misunderstandings caused by globalisation which often result in clashes of cultures and business practices when industrialised Western companies seek to take advantage of lower costs and potential growth opportunities in emerging Eastern markets. As the current climate suggests caution, recovery of payment remains very useful for both export and domestic transactions.

In **Germany, Central and Eastern Europe** and **Greece** steady demand and an increased risk appetite in all countries has resulted in a great deal of success in new business generation. The growth has been achieved despite strong price pressure in most countries.

The new offices in **Poland, Czech Republic, Hungary** and **Slovakia** have developed successfully. Market leadership position has been solidified in **Switzerland**.

Atradius Factoring was sold to Fortis Commercial Finance. A sales co-operation between Fortis and Atradius will stay in place.

The insurance portfolios of Gerling Namur - Assurances du Crédit S.A. and Atradius Kreditversicherung AG have been transferred to Atradius Credit Insurance N.V. in Amsterdam. The business will continue in its respective branches. The businesses of Gerling Namur Inform (Belgique) S.A., Gerling Namur Inform (France) S.A. and Atradius Kreditprüfung GmbH have been transferred to the respective branches of Atradius Information Services B.V., Amsterdam.

The sales force optimisation in Germany has led to a new sales structure, more decentralised competencies and enhanced service for our clients. As a result of the product enhancement process the new Atradius Modula policy was introduced at the end of the year.

The **United Kingdom** remained very competitive with all major underwriters looking to increase market share in a relatively benign economic environment. Despite this, the United Kingdom and Ireland posted record new business in core credit insurance markets and delivered double-digit growth in its collections business. Overall however, revenues were lower due to downward pressure on market prices and client flight to substitute products, including self-insurance, particularly in the first half of the year. A satisfactory claims performance resulted in a positive contribution to profitability. New products and services were piloted in the United Kingdom during 2005 with favourable results.

NAFTA's 2005 revenues increased 9.5%, with solid growth in all three markets, the United States, Canada, and Mexico. At year-end we received regulatory approval for our branch in Canada, as well as our license in the major commercial markets of California and New Jersey. Profitability in the NAFTA region increased 15% over 2004, with both years having gross combined ratios in the low 70's.

In the **Australasia region** we experienced strong growth in our credit insurance business. Our market share grew, with a 19% increase in our portfolio value, a good gross loss ratio and a significant improvement in profits. We have experienced a strong increase in new business, especially in the later part of the year. The main drivers for this were very aggressive sales campaigns and increased risk appetite. In Australia we have re-positioned our local branches and built strong broker programmes with all main brokerages. To improve the market penetration of the product we have started several marketing programmes.

In **Asia** we made significant structural and personnel investments. We obtained a license for both domestic and export business in **Japan**, and reinforced our presence with our co-operation on export business with the country's largest property and casualty insurer, Tokio Marine and Nichido Fire Insurance Co. Ltd. In **Hong Kong** our business grew rapidly under a local partnership. We began the application process for credit insurance license in the first quarter of 2006 and we will apply for a license to

operate in **Singapore** early in 2006 as well. In **India**, the partnership with New India Assurance Corporation has blossomed with 70% growth in our gross earned premium. We are the market leader in this rapidly evolving market. Finally in **Dubai**, as the first of the major credit insurers to locate in the United Arab Emirates, we have been able to capitalise on the significant market potential and grew our portfolio value by more than 80%.

In the Northern European region – **the Netherlands and Nordic countries** – strong competition continued during 2005.

In the Netherlands, Atradius remained the dominant market leader and for the first time in several years recorded a small increase in revenues. The new Atradius Modula policy was successfully introduced and more target specific products are to be launched in 2006. In the Nordic markets, our strong market leadership was reinforced with Atradius' growth exceeding the growth of the local economies.

Southern Europe – representing Belgium, France, Italy and Spain – produced a nearly 6% increase in revenues compared to 2004 outpacing growth in all other regions.

In **Belgium**, the 2005 market was characterised by a sustained number of start-ups coupled with an increase in bankruptcies to record levels. Atradius remained market leader in credit insurance in Belgium and **Luxembourg**. Despite the adverse environment we improved our loss ratio. Specific attention has been given to our clients through the implementation of an international office network coupled with upcoming online tools and products.

We gained market share in **France**, despite the strength of our two main worldwide competitors there. This growth was possible through the launch of Special Products supporting key accounts and the roll-out in 2004 of the Secoba/Analyser product, which drove good results due to new partnerships with banks. In the meantime, we further developed new bonding business.

In **Italy**, performance was improved as a result of increased market share and last year's efforts to raise the quality of our credit insurance portfolio. The integration of Italy's IT systems into the Group IT systems was completed. Bonding has focused on managing several claims from previous years, controlling losses and reducing volatility. As a result specific risks and products were no longer covered. Bonding has focused on managing claims for previous underwriting years, which required strengthening of existing reserves, on controlling losses and reducing volatility. As a result, specific risks and products are no longer written.

In **Spain**, the sustainable profitable growth of our primary activity in credit insurance increased further. Due to regional and trade sector diversification, the volatility of the portfolio has been reduced. Focus was on recovery services as well as on online customer contacts; both approaches were beneficial to Atradius.



■ Europe

Austria: Vienna

Belgium: Antwerp, Namur

Czech Republic: Prague

Denmark: Copenhagen, Viby

Finland: Helsinki

France: Aix-en-Provence, Bordeaux, Compiègne, Lille, Lyon, Nancy, Orléans, Paris, Rennes, Strasbourg, Toulouse

Germany: Berlin, Bielefeld, Bremen, Cologne, Dortmund, Dusseldorf,

Frankfurt/Main, Freiburg, Hamburg, Hanover, Kassel, Mannheim, Munich, Münster, Nuremberg, Osnabrück, Stuttgart

Greece: Athens

Hungary: Budapest

Ireland: Dublin

Italy: Milan, Rome

Luxembourg: Luxembourg

The Netherlands: Amsterdam, Gouda, Ommen

Norway: Lysaker

Poland: Krakow, Poznan, Warsaw, Wroclaw

Portugal: Lisbon

Slovakia: Bratislava

Spain: Barcelona, Bilbao, Madrid, Valencia

Sweden: Stockholm

Switzerland: Lausanne, Zurich

United Kingdom: Belfast, Birmingham, Cardiff, Glasgow, London, Manchester

■ Americas

Canada: Almonte (Ontario), Mississauga (Ontario), Duncan (British Columbia)

Chile: Santiago de Chile

Mexico: Guadalajara, Mexico City, Monterrey

Netherlands Antilles: Willemstad

USA: Atlanta, Baltimore, Boston, Chicago, Denver, Los Angeles, Minneapolis, New York, Philadelphia, Portland (Oregon), St. Louis, San Antonio

■ Middle East

Israel: Tel Aviv

Lebanon: Beirut

United Arab Emirates: Dubai

■ Asia

China: Shanghai

Hong Kong: Hong Kong

India: Mumbai

Japan: Tokyo

■ Oceania

Australia: Adelaide, Brisbane, Melbourne, Perth, Sydney

New Zealand: Auckland, Wellington

■ Africa

Kenya: Nairobi

Tunisia: Tunis

Iceland, Russia, South Africa

(Co-operation agreements with local partners. No Atradius office or shareholding.)



Nicki Albers | Manager Claims and Special Risk Management | The Netherlands

Solid Base



“Decades of experience”

Within Claims and Special Risk Management and Atradius as a whole, we have developed a high standard of knowledge and technical expertise over our 80 years of experience. Via this expertise and knowledge, we aim to deliver a high standard of service to our customers and the market.

But we are not complacent about this. We are ambitious and we will increase the depth of our expertise by continually developing the competencies of our people. We are focusing on intensifying the co-operation between all colleagues within Risk Services and Commercial Units in order to deliver excellent customer service and quality to our customers.

Group Management Report

Global Risk Management

Atradius Group Risk Management

The Group Risk Governance Structure has largely remained as it was during 2004, with some exceptions such as the Group Product Committee (GPC). The GPC is the highest authority for decisions on technical insurance and product issues and plays a role in product development. The role and remit of the GPC has remained the same, but in order to support more efficient decision making the membership is now of a more senior level, with the standing members being the Chief Market Officer, and a representation of Directors of the commercial and risk areas.

Buyer and country risks are monitored and controlled on an ongoing basis by Risk Services. In 2005 the Strategic Marketing Unit was formed. This unit is responsible for developing a consistent policy underwriting governance framework, which will be implemented groupwide in 2006.

Starting 2005, the Group Risk Management (GRM) was merged with the Central Risk Office (CRO) into one GRM unit, reporting to the Chief Risk Officer. The merger has ensured various risk management techniques have become more consistent.

Moreover, bringing all the topics requiring modern risk analytics together in one unit has strengthened an aligned and consistent view on risk. The new GRM unit is overseeing and supporting provisioning, pricing, economic capital allocation, buyer credit risk ratings and portfolio management.

Portfolio management

Atradius reports and monitors its exposure according to various views: per country of buyer, by trade sector, by rating, etc. Developments are closely followed and in sensitive areas corrective action is taken.

The Group also employs within the Risk Services units, Special Risk Management (SRM) departments that have expertise in managing buyers and buyer groups of which the probability of default is considered relatively high. These teams often work closely with buyers and other creditors to manage exposures.

Capital modelling

Atradius uses the Standard & Poor's Capital Adequacy model to ensure a balance between available risk capacity and required risk capacity, such that a Standard & Poor's (S&P) rating at 'A' level can be maintained. In addition, Atradius is currently developing an internal economic capital model for credit insurance that allows us to allocate capital on a risk-adjusted basis to a more granular level. It is planned to extend this model to other insurance products and add investment and operational risk to form an enterprise risk management view. This approach will be introduced company wide in the next few years.

During 2005, the internal economic capital model has been considerably improved, moving towards 'best practice', when it comes to (credit) risk modelling. In 2006, the economic capital allocation framework will be extended to include all major risk types (underwriting, investment, and operational) in a consistent way.

Pricing

The Group Credit Insurance Pricing System, which prices for future risk rather than for past experience, has now been rolled out to all major countries of the Group, except for NAFTA due to regulatory requirements. The model was rolled out in France and Italy in the first quarter of 2005 plus remaining smaller countries over the course of the year. The platform can now be used for more than 95% of Atradius Group credit insurance premium volume.

The infrastructure surrounding the Pricing System was enhanced during 2005 to support a new automated tacit renewal process. Policies no longer matching the desired risk profile will automatically be brought to the attention of the account management via a workflow system. This is expected to go live in 2006 and will mark a major step for Atradius, as this will facilitate a group wide consistent way of steering the portfolio when it comes to the pricing of risk.

Credit rating

Atradius has a financial strength ratings from Standard & Poor's and Moody's. Both rating agencies affirmed the sound rating and acknowledged the strong competitive position. The core operating entities of the Atradius Group (Atradius Credit Insurance N.V., Atradius Trade Credit Insurance Inc., Atradius Re Ltd.) have a long term financial strength rating of 'A' (outlook stable) from S&P and 'A2' (outlook stable) from Moody's.

In 2005 the Company made strong progress in the restructuring of the

legal organisational structure of its European operations. This resulted in combining all European insurance business in Atradius Credit Insurance N.V., the single European risk carrier, and transferring all reinsurance activities to Atradius Re Ltd. Consequently, the financial strength ratings of the ceding companies (Società Italiana Cauzioni SpA, Atradius Kreditversicherung AG, Gerling Namur-Assurances du Crédit SA, Atradius Re S.A.) have been withdrawn.

In July 2005 Atradius Credit Insurance N.V. obtained short term financial strength ratings: 'A-1' from S&P and 'P-1' from Moody's, indicating that the liquidity position and cash management of this company are strong.

Asset management

Following 2004, which was marked by centralising and restructuring the Group's investments to comply with the Group Investment Policy, asset management in 2005 was focused on further centralising and streamlining investment activities.

Similarly to 2003 and 2004, the primary goal of the Group's Strategic Asset Allocation (SAA) in 2005 was to maximise the economic value of the Company while maintaining Atradius' creditworthiness and limiting unwanted risk and volatility. The SAA was based on three alternative approaches designed to ensure informed investment decisions. Firstly, the risk-based analysis included a consideration of the behaviour of specific asset classes, specific liquidity requirements, foreign currency exposures, and stress test scenarios. Secondly, an Asset Liability Management study was performed in order to capture the interaction between our business strategy and expected investment performance. This permitted us to identify a range of optimal portfolio choices at different risk points. Lastly, a peer comparison analysis permitted us to benchmark and position ourselves accordingly against our direct competitors.

Tactical Asset Allocation (TAA) with the aim of exploiting and profiting

from short to medium term market opportunities is decided on at Group level by the Group Investment Committee (GIC). The GIC meets on a frequent basis to review the TAA and to discuss all items related to investments. In 2005 the Group exploited its entire TAA risk budget and took significant positions in European equities. Given the positive development of the year for this asset class that positioning was fully rewarded by the market.

Security selection following TAA benchmarks is outsourced to five Global Asset Managers. All the asset managers performed well and contributed positively to the investment result of the Group.

All the investment administration has been centralised at the Corporate Finance department in 2005. Accurate on-demand reporting is now possible while ensuring flexibility of reporting. In addition, this administration system centrally provides uniform accounting investment data to all Atradius' companies and branches increasing reporting reliability within shorter periods.

Financial management

In 2005 the Group had the availability of two committed credit facilities of € 50 million each from two different banks. As the legal restructuring has been mostly finished and the sale of the factoring operations has been closed, there is no longer a need to keep such a large liquidity back-up. Hence, the capacity has been reduced to one committed line of € 35 million in March 2006.

Cash Management took a great leap in 2005. During this year, the Group has selected a global overlay bank to facilitate optimal cash levels and efficient cash usage. Finalisation of the overlay structure implementation is scheduled for the second quarter 2006.

Reinsurance

Atradius has introduced various developments to support its

reinsurance purchasing strategy. An economic capital model has been developed which enables Atradius to calculate the capital equivalent of various reinsurance structures, thus enabling the Reinsurance Committee to design the optimal reinsurance structure for the Atradius Group.

The issuance of the subordinated bond and new shares in 2003 provided additional capital thereby reducing the dependency of Atradius on reinsurance, by increasing the self retention of the Group to 50% for the underwriting year 2005.

Reinsurance partners are very supportive of the strategy launched by Atradius to focus on its core credit insurance business, and the introduction of the Special Products Unit, which is included within the main Atradius reinsurance programme.

There is one reinsurance programme that covers the vast majority of the Atradius portfolio, which consists of a combination of a quota share cession in conjunction with an excess of loss programme protecting the net retention. In addition to these treaties, there is a separate quota share treaty covering the bonding business in Italy, given the longer tail nature of this business. Furthermore there is a small excess of loss treaty covering certain excise bond business of Atradius France.

These treaties build on the historical experience of Atradius as well as the expectations going forward based on the current portfolio composition. The level of Atradius' retention is formulated by considering various elements e.g. business risk, capital and net profitability. Capacity under the treaty is more than sufficient to meet the day-to-day operational needs of Atradius, however for the occasional case where very large limits may be required, a facility exists within the treaty for special acceptance by the leading reinsurers. In view of this arrangement the use of facultative reinsurance placements is not

necessary – although the ability exists to do this if required to meet exceptional circumstances. In respect of our reinsurance treaty

partners, it is Atradius' policy for the Atradius Group Credit Committee to review the reinsurance panel (and any new prospective reinsurers) on a

yearly basis, prior to renewal. The normal acceptance criteria for a reinsurer would be to have a minimum of 'A' level rating or equivalent.

Group Management Report

Global people

Our people form the backbone of our business. Their knowledge about the credit management business is an essential component to our ability to attract and maintain business. At Atradius, it seems that not a month goes by without recognising the contributions of an employee that has been with us for 10, 20 or 25 years. This core of experience provides us with an ingrained base of knowledge and understanding of the receivables management business, the markets and the keys to success.

Success however, also requires continued improvement in cost ratio and skill sets. New departments like the Strategic Marketing Unit, which represent one of the key building blocks for our growth have been created and fortified with talented staff. Also highly qualified people brought new skills into our Special Products Team. We have hired new talent to help drive growth and increase our market effectiveness.

Through cost efficiency projects outlined last year, we have identified

the opportunity to reduce our staff by 600 employees over three years. However, in 2006 we will increase staff to support growth in new products and markets.

In cooperation with European Workers' Councils we have succeeded in reducing our workforce by almost 400 full-time equivalents (FTEs) from 3,600 to 3,230. This reduction was largely achieved through the combination of a voluntary leave programme that resulted in 200 fewer FTEs and a total staff reduction of 240, and through the sale of business units considered not to be core to our future success, such as our factoring business to Fortis.

In 2005 we have focused on global alignment of jobs and career progression models. Competency management is the cornerstone on which these tools are being built. We introduced our job classification programme and individual employee classifications to the entire Company in October.

In 2006 we will intensively focus on increasing professionalism in our

human resource tools and management. The basis for all of this remain our Shared Principles, uniting the multitude of cultures and visions in our Company.

Overall, our goal will be to effectively train both management and staff how to use the new job classification and performance review system, how to improve their competency levels in areas specific to their jobs and how to work together to be more productive. In addition we will give heightened attention to talent development and the finalisation and introduction of a reward model that promotes performance improvement in 2006 and 2007.

We have always valued the individual and cumulative contributions of our employees. This new job classification, and focus on talent development will enable us to improve the reward system in a way that demonstrates this appreciation to our staff.

Staff per region at 31 December 2005	FTE	Headcount
Germany, Austria, Switzerland, Greece, Eastern Europe		733
The Netherlands, Nordic		794
France, Belgium & Luxembourg, Italy, Spain		1,136
United Kingdom & Ireland, NAFTA, Australia & New Zealand, Asia		789
Total	3,230	3,452



Balázs Vanek | Country Manager | Hungary

Emerging Markets



“Tremendous opportunities in Eastern Europe”

At Atradius we identified enormous potential for our customers in the new European Union countries. The Hungarian branch of Atradius started in January 2005 and has grown rapidly since then. We have more than doubled our original staff and are continuing to expand quickly.

In the Budapest office we focus on Hungary, but we also have a regional co-operation with Slovakia, Poland and the Czech Republic. Working together, we contracted our first Hungarian Global customer with subsidiaries in Germany and Slovakia. We are confident that this growth and the growth of our customers will continue in 2006.

Consolidated Financial Statements 2005 (IFRS)

	Page
1 General Information	47
2 Consolidated financial statements	48
3 Summary of significant accounting policies	54
4 Critical accounting estimates and judgements in applying accounting policies	65
5 Management of insurance and financial risk	67
6 Segment information	78
7 Intangible assets	82
8 Property, plant and equipment	84
9 Investment property	85
10 Investments in associated companies	86
11 Financial investments	87
12 Reinsurance assets	89
13 Receivables	89
14 Deferred acquisition costs	90
15 Miscellaneous assets and accruals	90
16 Cash and cash equivalents	91
17 Share capital	91
18 Other reserves	91
19 Subordinated loans	92
20 Underwriting provisions	92
21 Non-underwriting provisions	96
22 Payables	97
23 Miscellaneous liabilities and accruals	98
24 Employee benefit obligations	98
25 Deferred and current income tax	101
26 Net premiums earned	103
27 Service and other income	103
28 Net investment income	104
29 Insurance claims	105
30 Net operating expenses	105
31 Finance income and expenses	106
32 Income tax	107
33 Earnings and dividend per share	107
34 Contingent liabilities	108
35 Operating leases	108
36 Personnel	109
37 Discontinued operations	109
38 Related-party transactions	111

1 General Information

Atradius N.V., based in Amsterdam (the Netherlands), and its subsidiaries (together referred to as 'the Group', 'the Company' or 'Atradius') provide credit management services to their clients. These include credit insurance, bonding and guarantee insurance, financial solutions, information services, collection services, interim credit management, consumer credit insurance and factoring services. The Group has operations in 40 countries and employed 3,452 people at 31 December 2005.

All amounts are shown in thousands of Euros, rounded to the nearest thousand, unless otherwise stated.

2 Consolidated financial statements

2.1 Consolidated balance sheet

Assets	31.12.2005	31.12.2004
Notes		
7 Intangible assets	28,324	46,947
8 Property, Plant and Equipment	41,603	40,369
Investments	1,224,143	1,021,306
9 Investment property	11,065	13,595
10 Investments in associated companies	25,393	17,688
11 Financial investments	1,187,685	990,023
12 Reinsurance assets	725,579	691,887
13 Receivables	372,320	740,654
13.1 Accounts receivable on insurance and reinsurance business	355,812	307,416
13.2 Factoring receivables	–	389,936
13.3 Other accounts receivable	16,508	43,302
Other assets	41,976	39,320
14 Deferred acquisition costs	16,377	13,793
15 Miscellaneous assets and accruals	25,599	25,527
25 Deferred income tax receivables	129,983	89,156
25 Current income tax receivables	61,153	46,508
16 Cash and cash equivalents	62,792	116,511
Total assets	2,687,873	2,832,658

Equity		31.12.2005	31.12.2004
Notes			
17-18	Capital and reserves attributable to the equity holders of the Company	605,074	503,302
	Minority interest	394	665
	Total equity	605,468	503,967
Liabilities			
Notes			
19	Subordinated loans	116,374	115,781
20	Underwriting provisions	1,277,441	1,207,390
21	Non-underwriting provisions	33,126	59,478
22	Payables	178,916	540,662
22.1	Accounts payable on insurance and reinsurance business	124,861	145,000
	Factoring payables	–	371,160
22.2	Trade and other payables	54,055	24,502
23	Other liabilities	228,696	215,619
	Deposits received from reinsurers	98,829	107,108
	Miscellaneous liabilities and accruals	129,867	108,511
24	Employee benefit liabilities	95,982	82,308
25	Deferred income tax liabilities	107,107	74,335
25	Current income tax liabilities	44,763	33,118
	Total liabilities	2,082,405	2,328,691
	Total equity and liabilities	2,687,873	2,832,658

2.2 Consolidated income statement

	2005	2004
Continuing operations		
Notes		
Insurance premium revenue	1,058,794	1,079,113
Insurance premium ceded to reinsurers	(521,202)	(631,015)
26 Net premiums earned	537,592	448,098
27 Service and other income	146,725	132,748
28 Share of profit of associates	6,830	6,175
28 Net investment income	39,065	58,826
Total income after reinsurance	730,212	645,847
29 Insurance claims and loss adjustment expenses	(597,448)	(550,975)
29 Insurance claims and loss adjustment expenses recovered from reinsurers	321,102	299,636
Net insurance claims	(276,346)	(251,339)
30 Net operating expenses	(341,616)	(318,475)
Total expenses after reinsurance	(617,962)	(569,814)
Operating result before amortisation of goodwill & finance costs	112,250	76,033
7 Impairment and amortisation of goodwill	(735)	(4,812)
31 Finance income and (expenses)	(7,542)	(13,501)
Profit before tax	103,973	57,720
32 Income tax	(21,655)	(8,745)
Profit for the year from continuing operations	82,318	48,975
Discontinued operations		
Notes		
37 Profit for the year from discontinued operations	17,964	1,666
Profit for the year	100,282	50,641
Attributable to:		
Equity holders of the Company	100,443	50,590
Minority interest	(161)	51
	100,282	50,641
	2005	2004
33 Earnings per share for profit attributable to the Company		
From continuing and discontinued operations	1.77	0.89
From continuing operations	1.45	0.87
Outstanding ordinary shares	56,600,000	56,600,000

2.3 Consolidated statement of recognised income and expenses

	Attributable to the equity holders of the company					Total
	Revaluation reserve	Currency translation reserve	Pension reserve	Revenue reserve	Minority interest	
Profits and losses not recognised in the income statement	26,908	(4,397)	1,871	–	(2)	24,380
of which currency translation differences	–	(4,397)	–	–	(2)	(4,399)
of which unrealised profits and losses on investments	26,908	–	–	–	–	26,908
of which unrealised actuarial gains and losses	–	–	3,389	–	–	3,389
of which planned assets ceiling	–	–	(1,518)	–	–	(1,518)
Profits and losses recognised in the income statement	(31,928)	–	–	–	–	(31,928)
Profit for the year	–	–	–	50,590	51	50,641
Total net recognised income and expense for the year 2004	(5,020)	(4,397)	1,871	50,590	49	43,093
Profits and losses not recognised in the income statement	20,114	6,179	(13,174)	–	20	13,139
of which currency translation differences	–	6,179	–	–	20	6,199
of which unrealised profits and losses on investments	20,114	–	–	–	–	20,114
of which unrealised actuarial gains and losses	–	–	(17,695)	–	–	(17,695)
of which planned assets ceiling	–	–	4,521	–	–	4,521
Profits and losses recognised in the income statement	(6,130)	–	–	–	–	(6,130)
Profit for the year	–	–	–	100,443	(161)	100,282
Total net recognised income and expense for the year 2005	13,984	6,179	(13,174)	100,443	(141)	107,291

2.4 Consolidated changes in equity - group equity

	Attributable to the equity holders of the Company							Total
	Subscribed capital	Capital reserve	Revaluation reserve	Currency translation reserve	Pension reserves	Revenue reserves	Minority interest	
Equity at 1 January 2004 (note 17/18)	50,000	390,623	18,179	(18,206)	(35,353)	(30,966)	1,615	375,892
Total net recognised income and expense for the year 2004	–	–	(5,020)	(4,397)	1,871	50,590	49	43,093
Issue of shares	6,600	79,381	–	–	–	–	–	85,981
Acquisitions	–	–	–	–	–	–	(999)	(999)
Dividends	–	–	–	–	–	–	–	–
Equity at 31 December 2004	56,600	470,004	13,159	(22,603)	(33,482)	19,624	665	503,967
Equity at 1 January 2005	56,600	470,004	13,159	(22,603)	(33,482)	19,624	665	503,967
Total net recognised income and expense for the year 2005	–	–	13,984	6,179	(13,174)	100,443	(141)	107,291
Acquisitions	–	–	–	–	–	–	(130)	(130)
Dividends	–	(5,660)	–	–	–	–	–	(5,660)
Equity at 31 December 2005	56,600	464,344	27,143	(16,424)	(46,656)	120,067	394	605,468

2.5 Consolidated cash flow statement

	2005	2004
I. Cash flows from operating activities		
Profit for the period before tax	120,033	58,861
Adjustments for:		
Realised and unrealised capital (gains) and losses on investments	(5,542)	(34,114)
Impairment losses	2,557	1,402
Share in income from investments in associates	(6,830)	(6,175)
Release of impairment on financial investments	–	(5,904)
Depreciation and amortisation	25,601	35,358
Other non-cash items	(22,940)	12,120
Changes in operational assets and liabilities:		
Underwriting provisions, gross	76,942	3,875
Reinsurance assets, net	(33,693)	24,885
Deferred acquisition costs and unearned reinsurance commission	(2,584)	3,840
Accounts receivable and payable on insurance and reinsurance business	(67,133)	(135,460)
Factoring receivables and payables	–	2,914
Other operating assets and liabilities:		
Cash (used in)/generated by operating activities	38,544	(12,034)
Income taxes paid	(20,510)	(61,456)
Net cash generated by operating activities	104,445	(111,888)

	2005	2004
II. Cash flows from investing activities		
Investments and acquisitions (cash outflows):		
Investment property and property for own use	(298)	(458)
Loans and receivables	10	(35)
Financial investments available-for-sale	(2,043,191)	(1,318,774)
Property, plant and equipment and intangible assets	(123,84)	(13,369)
Divestments, redemptions and disposals (cash inflows):		
Investment property and property for own use	65	2,339
Loans and receivables	17,086	224,323
Financial investments available-for-sale	1,836,705	1,018,269
Property, plant and equipment and intangible assets	1,801	1,858
Dividend paid	(5,660)	–
Dividends received from associated companies	3,768	4,333
Divestment of factoring companies	43,341	–
Net cash (used in)/generated by investing activities	(158,757)	(81,514)
III. Cash flows from financing activities		
Issuance of shares	–	85,982
Issuance of debt instruments	–	120,000
Payments on outstanding debt	(72)	(116,772)
Changes from other financing activities	665	–
Net cash (used in)/generated by financing activities	593	89,210
Changes in cash and cash equivalents (I + II + III)	(53,719)	(104,192)
Cash and cash equivalents at the end of the preceding year	116,511	220,703
Cash and cash equivalents at the end of the financial year	62,792	116,511
Other supplementary cash flow disclosures		
Interest income received	47,804	23,779
Dividend income received	5,470	2,409
Interest expenses paid	(12,403)	(9,725)

The cash and cash equivalents are disclosed net of cash and bank overdrafts

3 Summary of significant accounting policies

The principal policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of presentation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. Since Atradius does not use the IAS 39 carve-out clause as adopted by the EU, these financial statements are also in accordance with IFRS as adopted in the EU.

These consolidated financial statements form part of the statutory financial statements, prepared under generally accepted accounting principles in the Netherlands. As per 2005 the Group uses the option in Dutch Law, which allows that for financial statements based on Dutch GAAP the same measurement principles are used as under IFRS. The financial statements based on Dutch GAAP however require some additional disclosures.

A copy of the statutory financial statements prepared under Dutch GAAP can be requested from the head office of the Group.

3.2 New and revised standards

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application.

3.2.1 Standards adopted in 2005

The Group has adopted the following IFRS in 2005, which are relevant to its operations:

- IAS 1 (revised 2003) Presentation of Financial Statements (effective date 31 March 2004)
- IFRS 3 (issued 2004) Business Combinations (effective date 31 March 2004)
- IFRS 4 (revised 2004) Insurance Contracts (effective date 1 January 2005)
- IAS 24 (revised 2003) Related Party Disclosures (effective date 1 January 2005)
- IAS 27 (revised 2003) Consolidated and Separate Financial Statements (effective date 1 January 2005)
- IAS 36 (revised 2004) Impairment of Assets (effective date 31 March 2004)
- IAS 38 (revised 2004) Intangible Assets (effective date 31 March 2004)

In addition, the Group early adopted the following IFRSs in 2005:

- IAS 19 Amendment: Employee Benefits Actuarial Gains and Losses, Group Plans and Disclosures: Recognition and measurement (effective date 1 January 2006)
- IAS 39 Amendments: Financial Instruments Recognition and Measurement and IFRS 4: Insurance Contracts: Financial Guarantee Contracts (effective date 1 January 2006)

The adoption of IAS 1 and IAS 27 (revised 2003) affected the presentation of minority interest in the income statement (separate allocation at the bottom of the income statement), in the statement of changes in equity (separate column for minority interests) and in other disclosures.

The adoption of IFRS 3, IAS 36 (revised 2004) and IAS 38 (revised 2004) will result in a change in the accounting policy for goodwill. The Group ceased the amortisation of goodwill from 1 January 2005. The effect on the income statement for the year ended 2004 is approximately € 5.8 million. From the year ended 31 December 2005 onwards, goodwill is tested annually for impairments, as well as when there are indications of impairment. The Group has reassessed the useful lives of its other intangible assets in accordance with the provisions of IAS 38 (revised 2004). No adjustments resulted from this reassessment.

The adoption of IFRS 4 affected the disclosures with respect to insurance contracts issued and reinsurance contracts held.

The group has previously asserted and explicitly stated that it regards financial guarantee contracts (credit insurance) as insurance contracts and has chosen for the accounting applicable for insurance contracts, which is described in IFRS 4. The early adoption of amendments to IAS 39 and to IFRS 4 affected the disclosures with respect to insurance contracts issued and reinsurance contracts held. As part of the IFRS 4 Project, the Group reassessed all current insurance contract details. Regarding one particular contract the Group decided that the financial instrument component is not closely related to the insurance contract. The financial instrument is now being disclosed as being part of financial assets. The impact on equity 2004 and the income statement are disclosed below:

The adoption of IAS 24 affects the identification of related parties and some other related party disclosures.

The early adoption of the IAS 19 amendment affected the recognition of actuarial gains and losses that arise, subsequent to year-end, in calculating the Group's obligations and fair value of the assets in respect to a defined benefit plan. As a result, the corridor approach of recognising actuarial gains and losses in the income statement on a deferred basis is no longer applied. According to the previously applied corridor approach the unrecognised gains and losses exceeding 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets were amortised over the average remaining service years.

By the early adoption of IAS 19 actuarial gains and losses that arise in calculating the Group's obligations and fair value of the plan assets in respect to a defined benefit plan are now recognised in the period in which they occur. These actuarial gains and losses are recognised outside the income statement and are presented in the "statement of recognised income and expense".

The derecognition of assets that can occur when the planned assets are higher than the projected benefit obligation and the company can not recover any surplus through refunds from the pensions vehicle due to solvency and control requirements are now presented in equity as part of the pension reserve. According to the previous accounting principle the costs associated to the derecognition of assets were accounted for in the income statement.

The comparative figures for the year 2004 have been restated for the early adoption of amendments to IAS 39, IFRS 4 and IAS 19. The effect of the restatement on the financial statements is summarised below:

Equity at 1 January 2004 before restatement	397,120
Restatement IAS39/IFRS4	(200)
Restatement IAS19 recognition actuarial gains/losses	(21,028)
Equity at 1 January 2004 after restatement	375,892
Income 2004 after taxes before restatement	50,047
Restatement IAS39/IFRS4	(35)
Restatement IAS19 recognition actuarial gains/losses	-
Restatement IAS19 planned assets	629
Income 2004 after taxes after restatement	50,641

3.2.2 Standards not early adopted

- The Group did not early adopt IAS 1 (revised August 2005) Presentation of Financial Statement Capital Disclosures (effective date 1 January 2007)
- IFRS 7 (issued August 2005): Financial Instruments Disclosures (effective date 1 January 2007)

The adopting of the revised IAS 1 and IFRS 7 will affect the disclosure of the entity objectives, policies and processes for managing capital and the disclosures of financial instruments.

3.3 Consolidation

The following principles of consolidation and measurement are applied to the financial statements.

3.3.1 Subsidiaries

Subsidiaries over which the Group exercises a controlling influence are fully consolidated. Minority interests are presented separately in the financial statements.

Generally, a controlling influence is presumed to exist when the interest in the Company's share capital or voting rights (including potential voting rights) represents more than 50%. The results of subsidiaries acquired and sold during the year are included in the consolidated income statement from the date of acquisition or up to the date of sale.

Where the financial statements of the subsidiaries do not conform with Atradius' accounting principles, appropriate adjustments have been made in order to present the financial statements on a consistent basis. Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.3.2 Associates

Associates over which the Group exercises significant influence (generally when the participation in the share capital (including potential voting rights) is between 20% and 50%) are accounted for using the equity method, based on Atradius' accounting principles. Investments in associates held by venture capital organisations, mutual funds, unit trusts and similar entities will be measured at fair value, with changes to fair value in the income statement.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted again when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

3.3.3 Participating interests

Participating interests in companies in which Atradius does not exercise significant influence are accounted for at fair value, in accordance with the accounting principle for available-for-sale investments.

A list of all Group companies and other participating interests has been deposited with the Trade register of the Chamber of Commerce in Amsterdam and is available on request. The main subsidiaries are listed in the table below.

Subsidiaries at 31 December 2005	Registered office	Holding as a percentage	
		2005	2004
Name			
Atradius Collections B.V.	Ommen, The Netherlands	100	100
Atradius Credit Information Consulting Co. Ltd.	Shanghai, China	100	100
Atradius Credit Insurance Agency, Inc	Baltimore, USA	100	100
Atradius Credit Insurance N.V.	Amsterdam, The Netherlands	100	100
Atradius Dutch State Business N.V.	Amsterdam, The Netherlands	100	100
Atradius Factoring AB	Stockholm, Sweden	–	100
Atradius Factoring A/S	Copenhagen, Denmark	–	100
Atradius Factoring GmbH	Cologne, Germany	–	100
Atradius Factoring S.A.	Levallois Perret, France	–	99.98
Atradius Factoring S.p.A.	Milan, Italy	–	100
Atradius Finance B.V.	Amsterdam, The Netherlands	100	100
Atradius Information Services B.V.	Amsterdam, The Netherlands	100	100
Atradius Reinsurance Ltd.	Dublin, Ireland	100	100
Atradius Seguros de Crédito, S.A.	Mexico City, Mexico	100	100
Atradius Trade Credit Insurance, Inc.	Baltimore, USA	100	100
Groupe Étoile S.A.R.L.	Levallois Perret, France	99.8	99.8
NCM Eurocollect B.V.	Gouda, The Netherlands	100	100
NCM Eurocollect Detaching B.V.	Gouda, The Netherlands	100	100
NCM Eurocollect Holding B.V.	Gouda, The Netherlands	100	100
NCM Eurocollect Ltd.	Cardiff, United Kingdom	100	100
NCM Holding N.V.	Amsterdam, The Netherlands	100	100

3.4 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3.5 Foreign currencies

The financial statements of the Group are stated in thousands of Euros, the currency of the country in which Atradius N.V. is incorporated.

3.5.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in thousands of Euros, which is the Group's presentation currency.

3.5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

3.5.3 Group companies

The results and financial position of all the Group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised on the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate.

	End rate		Average rate	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
GBP	1.459	1.418	1.462	1.474
USD	0.847	0.734	0.803	0.804
DKK	0.134	0.134	0.134	0.134
NOK	0.125	0.121	0.125	0.119
SEK	0.106	0.111	0.108	0.110
MXN	0.080	0.066	0.074	0.071
AUD	0.621	0.573	0.613	0.592

3.6 Intangible assets

3.6.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the acquisition date. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill has an indefinite useful life and is tested annually for impairment and carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Gains and losses on the disposal of a cash-generating unit include the carrying amount of goodwill relating to it.

3.6.2 Computer Software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and to bring to use the specific software. These costs are amortised on the basis of the expected useful life (3 to 5 years).

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development team's employee costs and an appropriate portion of relevant overhead. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of five years.

Subsequent expenditures on capitalised intangible assets are capitalised only when they increase the future economic benefits embodied in the specific assets to which they relate. All other expenditures are expensed as incurred.

3.6.3 Insurance portfolios

Included in intangible assets is an amount for acquired insurance portfolios, which is equal to the present value of estimated future profits of insurance policies, of the acquired business, that are in force at the time of acquisition. The insurance portfolios are amortised using the straight-line method over the estimated life of the acquired contracts. The estimated life is re-evaluated regularly.

3.7 Property, plant and equipment

Land and buildings comprise mainly offices occupied by the Group. Land and buildings are stated at the cost of acquisition or construction, less any subsequent accumulated depreciation and subsequent accumulated impairment losses, but not below its residual value. The depreciation period is based on the estimated economic useful life of the property. All other property, plant and equipment are stated at the lower of historical cost less accumulated depreciation or the net realisable value.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their costs over the estimated useful lives as follows:

	Depreciation years
Property for own use	50
Information systems hardware	2.5 – 5
Furniture and fixtures	2 – 10

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

3.8 Investment property

Property held for long term rental yields that is not occupied by the companies in the Group is classified as investment property.

Investment property comprises freehold land and buildings. It is stated at the cost of acquisition or construction, less any subsequent depreciation and subsequent accumulated impairment losses, but not below its residual value. The depreciation period, based on the estimated economic useful life of the property, is 50 years. Depreciation and realised results on the

sale of investment property are posted to net investment income on the income statement. Rental income from investment property is recognised on the income statement as investment income.

The fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition.

3.9 Financial investments

The Group classifies its investments into three categories: loans and receivables, financial assets at fair value through income and investments available-for-sale. The classification depends on the purpose for which the investments were acquired.

3.9.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market other than those that Atradius intends to sell in the short term or that it has designated as at fair value through income or available-for-sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

3.9.2 Financial assets at fair value through income

This category has two sub-categories: financial assets held for trading and those designated at fair value in the income statement at inception. A financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management. Derivatives are also classified as held for trading unless they are designated as hedges.

3.9.3 Investments available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are neither loans or receivables, nor financial assets at fair value through income

Regular way purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs that are directly attributable to their acquisitions. Investments are no longer recognised when the rights to receive cash flows from the investments have expired or when they have been transferred and the Group has also transferred substantially all risks and rewards of ownership. Unrealised gains and losses arising from changes in the fair value securities classified as available-for-sale are recognised in equity net of deferred tax. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included on the income statement as net realised gains/losses on financial assets.

The fair value of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

3.9.4 Impairment of assets

3.9.4.1 Impairment of financial assets carried at fair value

The Group assesses at each balance sheet date whether there is objective evidence that an available-for-sale financial asset is impaired, including in the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on shares and other variable yield securities are not subsequently reversed.

The impairment loss is reversed through the income statement if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised on the income statement.

3.9.4.2 Impairment of financial assets

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial

recognition of the asset and the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

3.9.4.3 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

3.10 Derivative financial instruments that do not qualify for hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of such derivative instruments are recognised immediately in the income statement. Those derivative instruments that are not designated as hedges are classified under held-for-trading and included in financial instruments at fair value through income.

3.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

3.13 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

3.14 Subordinated loans

Subordinated loans are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. The difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the fixed period of the loans using the effective interest method.

3.15 Insurance contracts

The Group issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

When this test is not met the instrument will be unbundled, if possible, and only the insurance component of the contract will be accounted for in accordance with IFRS 4, Insurance Contracts. The other part will be accounted for in accordance with IAS 39, Financial Instruments.

Insurance contracts are classified into two main categories, depending on the duration.

- Credit Insurance Contracts (definition IFRS 4). Contracts that provide for specific payments to be made to reimburse the holder for the loss it incurs because a specified debtor fails to make a payment when due under the original or modified terms of a debt instrument.
- Bonding Contracts (definition IFRS 4). Contracts that provide compensation if another party fails to perform a contractual obligation.

3.15.1 Deferred acquisition costs

Commissions that vary with and are related to securing new contracts and renewing existing contracts are capitalised as deferred acquisition costs. The deferred acquisition costs are subject to recoverability testing at the time of policy issuance and to loss recognition testing at the end of each accounting period.

Deferred acquisition costs are expenses of the insurance company that are incurred in connection with the acquisition of new insurance policies or the renewal of existing policies. Deferred acquisition costs are amortised in equal instalments over the life of the insurance contracts, to the extent that they are recoverable from future expense loadings or expected profits in the premiums, depending on the nature of the contract. The amortisation is included in the operating expenses.

3.15.2 Provision for unearned premiums

The provision for unearned premiums represents the unearned share of premiums for own account, for both the credit insurance and for bonding/guarantee businesses. The provision is calculated for each policy on an accrual basis, in proportion to the insurance risk of the contract.

3.15.3 Provision for outstanding claims

The management of Atradius reviews the adequacy of provisions for each reporting period. The underwriting provisions are not discounted, given the cycle of the Company's business. The reasonableness of the assumptions is reviewed each reporting period through loss recognition testing. If the tests show that technical provisions are inadequate, the provisions are increased accordingly.

The provision for outstanding claims relates to insurance claims that have not been settled at balance sheet date, including claims incurred but not reported, and are determined either on a case-by-case basis or statistically. In determining the provisions, reliable estimates of costs still to be incurred for claims handling have been taken into account.

When appropriate, deductions are made for salvage, subrogation's and other expected recoveries from third parties.

Based on the type of business, the following methods are used to determine the provision for outstanding claims:

- Direct insurance business: provision calculated based on statistical methods. For large cases, individual assessments are made. Estimates of expected losses are developed using historical claims experience, actual versus estimated claims experience and other known trends and developments.
- Bonding and guarantee business: provisions are calculated on a case-by-case basis.
- Indirect business: provision are determined based on data supplied by the ceding companies.

3.15.4 Liability adequacy test

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related Deferred Acquisition Costs (DAC) and intangible assets due to insurance portfolios. Any deficiency is immediately charged to profit by establishing a provision for losses arising from liability adequacy testing (the unexpired risk provision). The majority of the Group underwriting provisions are calculated centrally using one consistent methodology as described in Note 20.1. This methodology is in line with the requirements of a liability adequacy test as described in IFRS 4. For a small part of the Groups underwriting provisions, calculations are being performed locally. These underwriting provisions are subject to external actuarial review and central evaluation of the local methodologies used. The group feels that these liabilities are effectively tested for adequacy as well.

3.15.5 Reinsurers' share of underwriting provisions

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet the classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inward reinsurance) are included in insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short term balances due from reinsurers (classified within loans and receivables), as well as longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premium payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets (see Note 5.2).

The Group has profit commission arrangements with its reinsurance companies that are based on the loss ratio per underwriting year. The group accounts for these commissions based on detailed assessments of the expected loss ratios.

3.15.6 Income from reinsurance contracts

The Group recognises the gains and losses on buying reinsurance directly in the income statement.

3.15.7 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. The carrying amount of receivables and payables are stated at their fair value.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets (see Note 5.2).

3.15.8 Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell goods acquired in settling a claim (i.e. salvage). The Group may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. The allowance is the amount that can reasonably be recovered from the disposal of the goods required.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

3.16 Non-underwriting provisions

Provisions for restructuring costs, onerous contracts and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise employees termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

3.17 Deposits received from reinsurers

Deposits received from reinsurers represent amounts received from reinsurance companies in respect to ceded claims and premium provisions and are stated at face value.

3.18 Employee benefits

3.18.1 Pension obligations

Group companies operate various pension schemes. The schemes are determined by periodic actuarial calculations and are generally funded through payments to state plans, insurance companies or trustee-administered funds. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, dependent on one or more factors such as age, years of service and compensation. The Group and in some cases the employees who are participating fund a defined benefit plan and the Group has a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognised in the balance sheet in respect to defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of qualifying plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The recognition of assets that arise by over funding of the defined benefit plan is limited to the ability to use the surplus to generate future benefits. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related pension liability.

Actuarial gains and losses that arise in calculating the Group's obligations and fair value of the plan assets in respect to a defined benefit plan are recognised in the period in which they occur. These actuarial gains and losses are recognised outside the income statement and are presented in a statement of recognised income and expense.

The derecognition of assets that can occur when the plan assets are higher than the projected benefit obligation and the company and/or foundation cannot recover any surplus through refunds from the pensions vehicle due to solvency and control requirements are presented in a statement of recognised income and expense.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

3.18.2 Other long term employee benefits

The Group's net obligation in respect to long term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The net obligation is calculated annually by independent actuaries using actuarial techniques.

3.18.3 Share-based compensation

The Group operates a cash-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the grant date, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement. The group liability is included as part of non-underwriting provisions.

3.18.4 Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value. The Group liability is included as part of the non-underwriting provisions.

3.18.5 Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing based on a formula that takes into consideration, amongst others, individual targets and the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3.19 Tax liabilities

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantially enacted at balance sheet date, and any adjustment to tax payable in respect to previous years.

Income tax in the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly as equity, in which case it is recognised in equity.

3.20 Revenue recognition and expenses

3.20.1 Revenue

Revenue comprises the fair value for services, net of value-added tax, after eliminating revenue within the Group. Income and expenses are allocated to the related accounting year. Revenues, net of taxes and discounts, and expenses are recorded on an accrual basis, regardless of the timing of receipt or payment. Research and development costs, including start-up expenses of e-business initiatives, are added to costs.

Revenue is recognised as follows:

Premium income

Written premium includes both direct and indirect business and is defined as all premiums invoiced to third parties, excluding tax, in respect to:

- Commercial and instalment credit protection
- Bonding

Written premium includes an estimate of pipeline premium. Accruals for premium refunds are charged against premiums written. Premiums earned include a correction for the unearned share of premiums, matching risks and rewards.

Factoring income

Factoring income consists of both the service fee and the financing interest income of the factoring receivables.

Service income

Service income includes the income from information services, collections and interim credit management services, and the income from activities while acting as an agent on behalf of the Dutch Government. Service income fees comprise up-front fees and periodic fees.

Up-front fees are recognised over the life of the contract on a straight-line basis. The fees that cannot be recognised as income are deferred and presented as part of trade and other accounts payable and deferred income.

Regular fees charged to the customer periodically (monthly, quarterly or annually) and billed in advance are recognised on a straight-line basis over the billing period, which is deemed to be equivalent to the period over which the service is rendered. Fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

Net investment income

Net investment income is the result of investment income minus investment expenses, including interest income, dividend income, net realised gains or losses from investments and depreciation on investment property.

Interest income

Interest income for financial assets that are not classified as fair value through the income statement is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Dividend income

Dividend income for available-for-sale equities is recognised when the right to receive payment is established – this is the ex-dividend date for equity securities.

3.20.2 Expenses

Expenses comprise net claims charges and net operating expenses.

Net claims charges

Net claims charges include paid claims and the change in claims provision. Paid claims correspond to the insurance settlements net of recoveries, including the claims handling expenses.

Net operating expenses

Net operating expenses comprise administrative expenses, commissions paid on premiums earned and the change in deferred acquisition costs. Administrative expenses include underwriting expenses, factoring expenses, service expenses and other expenses.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Finance costs

Finance costs include interest and expenses for subordinated loans and foreign exchange results.

3.20.3 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3.21 Cash flow statement

The cash flow statement has been created according to the indirect method with a breakdown into cash flow from operating, investing and financing activities.

4 Critical accounting estimates, and judgements in applying accounting policies

Atradius makes estimates and assumptions that affect the reported assets and liabilities within the next financial year. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1.1 The ultimate liability arising from claims made under insurance contracts

The Group makes estimates and assumptions that affect the reported assets and liabilities and contingent assets and liabilities. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimate of the ultimate liability arising from claims made, or to be made, under insurance contracts is Atradius' most critical accounting estimate. Although management has endeavoured to adequately take all facts into account, by their very nature, estimates remain uncertain and the eventual outcome may differ significantly from the projected amount. Sources of uncertainty in these estimates, the process by which Atradius makes these estimates and the sensitivity to assumptions are discussed in Note 5.1.7 and Note 20.1.

4.1.2 Impairment of available-for-sale equity financial assets

Atradius determines that an available-for-sale equity financial assets is impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, Atradius evaluates among other factors, the normal volatility in share price, the financial health of the investment, industry and sector performance, changes in technology and operational and financing cash flows. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investment, industry and sector performance, changes in technology, and financing and operational cash flows.

Had all the declines in fair values below cost been considered significant or prolonged, Atradius would have suffered an additional € 2.0 million loss in its 2005 financial statements, being the transfer of the total equity reserve for unrealised losses to the income statement.

4.1.3 Estimated impairment of goodwill

In accordance with the accounting policy, stated in Note 3.6.1, the Group annually tests whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see Note 7).

If the actual gross margin had been more than 10% below management's estimates, the impairment charge would have been an estimated € 557,000 higher. Were the actual pre-tax discount rate applied to the cash flow projections increased by 10% from management's estimates, the impairment charge would have been an estimated € 766,000 higher.

4.1.4 Pension and post-retirement benefits

The cost of these benefits and the present value of the pension and other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost (income) for pension and post-retirement benefits include the expected long term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long term historical returns, asset allocation and future estimates of long term investment returns. The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-retirement benefit obligations.

In determining the appropriate discount rate, the Group considered interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for the pension and post-retirement benefit costs and credits are based in part on current market conditions. Additional information is disclosed in Note 24.

Were the actual expected return on plan assets to differ 10% from management estimates, the consolidated net income would be an estimated € 1,4 million higher or lower. Were the actual discount rate used to differ by 10% from management estimates, the consolidated net income would be an estimated € 1,0 million higher or lower.

5 Management of insurance and financial risk

Atradius issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way Atradius manages them.

5.1 Insurance Risk

5.1.1 Insurance products, their characteristics, and sensitivity to insurance risk

Atradius distinguishes two main direct insurance products: Credit Insurance and Bonding. In addition, Atradius writes Credit and Surety business as a reinsurer. Credit Insurance can be divided into three subcategories: Traditional Credit Insurance, Instalment Credit Protection, and Special Products. Each of these categories has particular risk characteristics. Atradius manages the risks of each product in a way that best suits that product. All risk acceptance takes place within well-defined authority structures, and within the overall framework of Risk Governance (see Note 5.1.2).

Traditional credit insurance

In traditional credit insurance, we insure our customers against the risk of non-payment of trade receivables. The causes of loss covered differ by policy. They usually include all forms of legal insolvency. Policies can also cover so-called political causes of loss, which among others include the risk of non payment due to transfer problems, cancellation of export/import licenses, and contract frustration. This enumeration is not exhaustive. Traditional credit insurance does not cover non-payment of trade receivables due to commercial disputes. Each policy has a maximum credit period that the policyholder can offer to their buyers without prior approval from Atradius. In traditional credit insurance we usually only cover portfolios of buyers, to mitigate the risk of adverse selection. Here, as below, 'buyers' are the customers of Atradius' customers, the parties that Atradius insures credit risk on.

Policies are issued for a fixed period, usually not longer than three years. Customers mostly have a self-retention, to protect us from the risk of moral hazard. Self-retention can take the form of, among others, a cover percentage, per claim deductibles, aggregate first losses, and combinations thereof. Policies have a maximum liability. A customer is covered for the credit risk on one of his buyers only after he has established a credit limit on the buyer. Most policies allow customers to establish credit limits for smaller amounts themselves, under conditions specified in the policy. Larger credit limits have to be issued by Atradius. Credit limits are an important risk management instrument for Atradius, because they limit the amount that Atradius would have to pay out to a customer for a claim, but also because Atradius can withdraw credit limits on any buyer at any moment. Atradius uses this right to reduce exposure where it is no longer comfortable with its aggregate exposure on a buyer – typically in cases where in Atradius' judgement the buyer will no longer be able or willing to pay its trade payables.

Atradius can also impose conditions for cover on a country, or even withdraw cover on an entire country altogether. These are important tools in managing our political risk exposure.

It should be noted in the above that, for traditional credit insurance, there are two underwriting processes: the policy underwriting and the buyer underwriting. Policy underwriting is the process by which Atradius decides which customers to accept as policyholders, and which terms and conditions for cover are applied to the account. Buyer underwriting is the process by which Atradius sets capacities per buyer, and issues credit limits. Buyer underwriting allows us to manage risk on the portfolio of existing policies. The policy underwriting takes place in the Commercial Units, the buyer underwriting in Risk Services.

Instalment credit protection

In instalment credit protection we insure our customers against non-payment by consumers. Here we typically insure portfolios of consumer loans. This business is characterised by high recovery rates on paid claims. We offer this product in Belgium, France and Luxembourg and was previously called Consumer Credit.

Special Products

In our special products business we offer a range of tailor-made policies to insure against a number of trade related risks. These include policies covering single transactions, single trade relationships and a number of other risks. One distinguishing feature of the special products policies is that often we are restricted, contrary to traditional credit insurance, in withdrawing limits. On the other hand, for special products stricter policy wordings are commonly used.

Bonding

We issue bonds for customers in Italy, France and in the Nordic region. The bond types issued vary by location due to differing legal and market environments, but typically include bid bonds, performance bonds and maintenance bonds of varying tenor. We manage risk by underwriting the obligations to be covered by the bond, the financial strength of customers, their ability to perform, and by working with customers and beneficiaries of bonds to resolve any conflicts. We no longer write bonding business in Belgium and The Netherlands. In Germany we only write bonds for existing customers in the context of a managed run-off of that portfolio.

Inward Reinsurance

Atradius Re underwrites credit and surety business written by other primary insurers. This continues a long tradition of writing indirect credit and surety business by Namur Re, and by NCM Re. Underwriting guidelines define the types of business Atradius Re is allowed to write.

5.1.2 Authorities and Risk Governance

Staff in Commercial Units have well-defined authorities specifying who can bind which policies. Authorities typically require the four eyes principle. Conditions are more onerous as policies become larger. The largest policies need signoff of both the Commercial Director of a commercial unit and the Chief Market Officer.

Staff in Risk Services also have well-defined authorities specifying who can set what capacity on a buyer, or who can sign off what limit. Conditions become more onerous as the amounts grow. Directors of Risk Service Centres can sign off capacities to a certain threshold, and individual limits up to another, lower, threshold, but never on their own. Beyond these thresholds, the Local Credit Committee of the Risk Service Centre takes decisions. The Local Credit Committees again can only sign off amounts up to certain thresholds. Beyond these thresholds Group Credit Committee takes decisions. Group Credit Committee thus underwrites the largest buyers in terms of exposure, including the top ranked buyers, by exposure, of each of the Local Credit Committees.

In Bonding, all bonding facilities and individual bonds are underwritten by technical underwriters, who are part of the Commercial Units. Financial underwriters, who are not part of the Commercial Units, must approve the acceptance of facilities and individual bonds over certain thresholds. There is an authority structure in which decisions are escalated further up depending on the amounts involved. The last two steps in this authority structure are the Local Credit Committee and the Group Credit Committee mentioned above.

Additional checks on the largest exposures are imposed by Atradius' reinsurance structure. Exposures beyond a certain threshold are subject to so-called special acceptance by our reinsurers. The authority structure takes into account all sources of exposure on a buyer through direct business, i.e., including exposure for special products and bonding, although threshold amounts depend on the source of exposure.

Local Credit Committees and Group Credit Committee are bodies in Atradius' Risk Governance Structure. The Risk Governance Structure consists of a number of bodies that report into the Risk Strategy Managing Board, the highest risk decision body in Atradius. The Risk Governance Structure is the structure, and defines the process, by which Atradius decides what risks it takes on, and how it manages those risks. The other main bodies in the Risk Governance Structure are:

- Group Product Committee – which decides what products the Group will offer. It also decides on deviations from existing products, or variations of existing products. Certain types of deals will only be done on approval of Group Product Committee.
- Country Committee – which sets Atradius' underwriting policy by country: whether Atradius will cover or not, and under what conditions. Country Committee monitors Atradius' exposure to country risk and sets Country Limits for political risk exposure. Thus, Country Committee is the prime body through which Atradius manages country risk.
- Provisioning Committee – which sets Atradius' Claims Provisions. It sets provisioning policy, signs off claims provisions set by actuarial models, and decides on claims provisions for specific high value cases.
- Group Reinsurance Committee – which supervises Atradius' inward and reinsurance business. It sets the remit for Atradius Re to obtain and negotiate reinsurance coverage from third party reinsurers.

- Group Investment Committee – which defines Atradius’ investment mix at its own discretion within the ranges of the Group’s Strategic Asset Allocation set by the Supervisory Board’s Risk and Finance Committee. The Group Investment Committee reports directly to the Management Board.

5.1.3 Risk Management Tools

Atradius monitors exposure by counter-party, sector and country across all sources of insurance risk. Atradius operates one single database, Symphony, that holds all credit insurance policies, all credit limits, all buyers. Symphony enables the Company to set global limits per buyer or per buyer group. Management information derived from Symphony allows the Company to monitor aggregate exposure by country, sector of buyer, or sector of insured – and in many different ways. Information on Italian and French Bonding portfolios is not yet held in Symphony – yet Atradius does monitor exposures from these portfolios together with exposure from credit insurance.

All buyers with significant exposure are reviewed at least annually. Atradius continually receives information on buyers through on-line connections with information providers and from customers reporting negative payment experiences. Buyers are reviewed whenever new information requires this. Atradius assigns an internal credit rating to all buyers on which it has exposure in excess of an internally determined threshold. The review process takes into account all sources of exposure on a buyer through direct business, i.e. including exposure for special products and bonding. The authority structure described in Note 5.1.2 applies to buyer reviews.

As part of Symphony, Atradius operates a risk and cost based pricing system for credit insurance. Most new policies and non-tacit renewals are priced by the pricing system. The pricing system is now rolled out group-wide, with the exception of the NAFTA region, where Atradius currently lacks the required regulatory approval for using the model. The pricing system is forward looking in the sense that it takes into account Atradius’ risk outlook as captured in country, sector and buyer ratings. It prices policies according to the credit risk under the policy, taking into account the buyers that each customer trades with.

For the traditional credit insurance business, Atradius has developed an economic capital model. This capital model will increasingly be used to judge performance of sections of the portfolio in relation to the risk capital those sections require.

5.1.4 Reinsurance

Atradius’ balance sheet and income statement are protected by a number of reinsurance treaties. The main treaty for 2005 consists of a 50% Quota Share treaty, and a series of Excess of Loss Treaties that further protect Atradius’ own retention. The attachment point of the Excess of Loss Treaties has been set such that Atradius’ net retention of any buyer group does not exceed € 20 million. The top of the Excess of Loss layers is chosen so that, in the judgement of management, there remains only a remote possibility that failure of any single buyer, or group, will lead to a loss net of reinsurance greater than € 20 million. Quota Share and the attachment point for the Excess of Loss Treaties have not changed with the 2006 treaties, the top of the excess of loss layers has, however been increased.

The main treaty covers all of Atradius’ business, with the exception of the Italian Bonding business, the French Excise Bond business, and most of Instalment Credit Protection. Atradius has a separate treaty for the Italian Bonding business, a Quota Share Treaty with an own retention of 30% for 2005. This will also be the own retention for the 2006 treaty. For other, older, treaty years Atradius’ retention varies by year, between 25% and 35%. The French Excise Bond business is protected by a separate Excess of Loss Treaty.

The reinsurance treaties are renewed annually. On renewal, Atradius re-assesses the structure of the treaties, including the attachment points, sizes, and number of reinstatements of Excess of Loss layers. There are a number of considerations that go into these choices. These include the cost of the synthetic capital that reinsurance provides as measured by the economic capital model and a low probability of exhausting Excess of Loss cover.

With regard to Atradius’ treaty partners, it is Atradius’ policy to select only reinsurers that have a high quality standard of solvency/rating. The normal minimum requirement is an ‘A’ level rating. Reinsurers whose rating is below this threshold are required to post appropriate security.

5.1.5 Concentration risk

Atradius is exposed to concentration risk in a number of ways: by buyer, by sector of buyer, by country of buyer.

Tables 5.1.1-5.1.3 below illustrate the exposure as per 31 December 2005 in terms of the sum of limits issued under policies, the so-called Total Potential Exposure (TPE).

TPE is an approximate measure of the upper bound to real exposure, in the sense that a limit that Atradius has issued does not necessarily give rise to credit risk at a specific point in time. Atradius does not normally know the real outstanding exposure under its limits on any specific buyer. The 'usage' of limits, is on average, much smaller than the amount of the limits. At the portfolio level, real outstanding exposure tends to be in the range of 10% to 30% of TPE. In addition, customers are typically allowed to bring exposure under the policy through so-called discretionary limits, and potential exposure resulting from a discretionary limit on any buyer can not be held on Atradius' system. Each policy specifies the maximum discretionary limit allowed under the policy. All this illustrates that TPE is a coarse measure of exposure, and one that, in aggregate will be a very generous upper bound to real exposure.

Tables 5.1.1 through 5.1.3 only show TPE gross of reinsurance. Because of the non-linear nature of the Excess of Loss cover in Atradius' reinsurance program, which has a finite number of reinstatements for each layer, there is no natural way to show TPE net of reinsurance.

In Tables 5.1.1 and 5.1.2 TPE has been aggregated starting from single legal entities. Tables 5.1.1 through 5.1.3 show exposure for Credit Insurance only. Exposure for Bonding and for instalment Credit Protection have entirely different characteristics and therefore have not been included in these tables. At Group level, Atradius has € 24 billion in bonding exposure, of which € 15 billion is for customers based in Italy.

Table 5.1.1 – Exposure by buyer country

Buyer country	Region	TPE (€ million)
Germany, Central/Eastern Europe & Greece	Germany	61,688
	Other	23,754
Southern Europe	France	46,728
	Italy	26,988
	Other	29,768
The Netherlands & Nordic	The Netherlands	33,495
	Other	19,992
United Kingdom, NAFTA & Australasia	United Kingdom	35,384
	North America	23,446
	Other	45,771
Total		347,010

This table illustrates that the top six buyer countries by TPE (Germany, France, the United Kingdom, the Netherlands, Italy and the United States of America) are together responsible for 66% of TPE. The remaining 34% is spread over all other countries where customers of the Group have exposure.

Table 5.1.2 – Exposure by sector

Industry sector	TPE (€ million)
Consumer Durables	43,934
Metals	37,217
Chemicals	34,173
Construction	34,420
Electronics	32,547
Food	28,930
Transport	25,766
Machines	24,905
Construction Materials	19,893
Textiles	17,028
Services	16,467
Agriculture	12,310
Finance	11,011
Paper	8,409
Total	347,010

Table 5.1.3 – Exposure by value band of buyer group

Value band (€ million)	Number of Buyers	TPE (€ million)
0 - 20	1,749,119	208,968
20 - 100	1,411	57,166
100 - and more	323	80,876
All	1,750,853	347,010

Table 5.1.3 shows TPE aggregated by group. This is the way of aggregating that is relevant for Atradius' Excess of Loss Treaties. Assuming real outstanding exposure of 20% of TPE, only buyers with TPE in excess of € 100 million could give rise to hits to the Excess of Loss Treaty.

5.1.6 Frequency and severity of claims

The frequency and severity of claims is affected by several factors. These include all factors that affect credit risk in general. Thus the status of the economy is a major driver for frequency and severity of claims. Its effect may vary by country and sector. For trade credit risk, the behaviour of customers may affect the frequency and severity of claims as well, for instance through risks inherent to their business activities and their risk management practices. Specific events (e.g. natural disasters) may impact on frequency and severity of claims. But so do structural changes in the economy (e.g. easier access to European markets to producers in low cost countries). What specific events or structural changes are relevant in this respect will vary over time. In addition, the political risk coverage that Atradius provides has its own dynamics of frequency and severity of claims.

The Bonding business usually only incurs unrecoverable losses when, after bond call, any payments to beneficiaries cannot be reclaimed from the bonding customer, or its guarantors. This is almost always due to either insolvency or bankruptcy of the bonding customer. Thus, in the end, frequency and severity of claims is affected by similar factors as credit insurance.

Atradius' business processes are designed to effectively manage the impact of the many risk factors that affect frequency and severity of claims. In part, these have been described in Note 5.1.1 through Note 5.1.4. The business processes continually evolve in response to how the Company views these risk factors in the context of its overall business strategy.

5.1.7 Sources of uncertainty in the estimation of future claims payments

Estimates for future claims payments are made either on a case-by-case basis, or by statistical methods.

Statistical estimates are used for traditional credit insurance. These estimates are done by country of customer.

Sources of uncertainty for these estimates include the following:

- a) For reported claims: the amounts that will be paid out as a fraction of the pro forma liability under the claim.
- b) For claims that have not yet been reported: sources of uncertainty include the speed with which customers submit claims, as measured from the moment that the insured shipment took place, the expected average claims payment for these claims, and the expected fraction of cases that do not lead to a payment. These four parameters are reviewed at least twice a year, and adjusted as is required by the statistical evidence available at the time. Factors other than strict statistical evidence may lead to adjustment of parameters as well, e.g. knowledge of changes in business processes, changes in portfolio composition, and Atradius' view of economic developments.

These estimates are produced per period that policy holders brought risk under the cover of the policy (the period that the insured shipment took place) and they aim to give the best estimate for ultimate loss net of salvage, subrogation and other recoveries. The estimation process starts with the number of claims that have been reported per period of risk to estimate the final number of claims for the period. By the nature of the product, very few claims will have been reported for the most recent four to six months (depending on the country of the customer). Consequently, the expected number of claims for risks taken on during the most recent year is a separate source of uncertainty in the estimation of future claims payments.

Experience shows that the uncertainty resulting from the statistical estimates for traditional credit insurance is limited.

Large claims cases are not statistically provisioned. They are provisioned on a case by case basis for expected ultimate loss, net of salvage, subrogation and other recoveries taking into account all known facts available at that time.

Of the outstanding claims reserves, per year end 2005, for Credit Insurance, 65% have been set by this statistical method. The remainder of outstanding claims reserves for Credit Insurance are for Inward Reinsurance (11%), for which claims provisions are set on the basis of what cedents report, and credit insurance books for which reserves are set on a case by case basis. Instalment Credit Protection contributes a negative amount, net of salvage, subrogation and other recoveries, of 10% of the total claims provisions for Credit Insurance.

Estimates for future claims payments for Bonding have a greater uncertainty than estimates for future claims payments for Credit Insurance. Bonding tends to be longer tail business; i.e. the time between issuance of the bond and receipt of the bond call tends to be much longer than that for traditional short term credit insurance. For example, most credit insurance covers credit periods up to 180 days, around half the number of bonds written have tenors of over two years. After receipt of a bond call, it will take longer to settle the claim, and litigation is not uncommon, either following the bond call or when trying to realise recoveries. Especially in Italy, litigation tends to be a lengthy process. Outcomes of litigation cannot be predicted with certainty.

All forms of Credit Insurance and Bonding bear the risk that changes in legislation, in particular of insolvency law, may affect the amount and timing of claims payments or recoveries.

5.2 Financial risk

Atradius is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk.

- Credit risk is the risk of loss resulting from client or counter party default and arises on credit exposure in all forms, including settlement risk.
- Liquidity risk is the risk that Atradius is unable to meet its payment obligations when due.
- Market risk is exposure to market variables such as interest rates, exchange rates and equity markets, and to price movements on securities and other obligations which Atradius trades.

These risks arise from open positions in interest rate, currency, equity products, credit rating and liquidity, all of which are exposed to general and specific market movements.

5.2.1 Credit risk

The group has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- reinsurers' share of insurance liabilities,
- amounts due from reinsurers in respect to claims already paid,
- amounts due from insurance contract holders,
- amounts due from insurance intermediaries, and
- counter party risk with respect to derivative transactions and fixed income securities.

The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counter party, or groups of counter parties, and to geographical and industry segments. Such risks are subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved quarterly by the Risk Strategy Management Board.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. The Group policy is to select only reinsurers that are very solvent and have a high quality rating. The normal minimum requirement is an 'A' level rating. Reinsurers whose rating is below this threshold are required to post appropriate security.

Individual operating units maintain records of the payment history for significant contract holders with whom they conduct regular business. The exposure to individual counter parties is also managed by other mechanisms, such as the right of offset where counter parties are both debtors and creditors of the Group. Management information reported to the Group includes details of provisions for impairment on loans and receivables and subsequent write-offs. Internal audit makes regular reviews to assess the degree of compliance with the Group procedures on credit exposures to individual policyholders. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Group Risk department.

Credit risk to business partners, such as insureds and brokers are monitored closely. Bad debt provisions are regularly reviewed and updated.

The Group structures the level of credit risk it accepts by placing limits on its exposure to geographical (country level) and industry segments.

With regard to asset management, the investment policy of the Atradius Group is directed towards holding an internationally diversified portfolio while avoiding large risk concentrations. All ratings refer to Moody's and S&P ratings. The minimum rating for government bonds is AA-. The average weighted rating of the non-government bond portfolio should be A- or better. In 2005, € 39 million of money market funds is included in the non rated portfolio.

As at 31 December 2005 (€ million)	AAA	AA	A	BBB	BB	B	Non Rated	Total
Assets arising from reinsurance:								
Receivables and claims and loss expenses	7	423	228	18	-	-	44	720
Bonds and other fixed rate securities	586	197	117	46	4	-	43	993
Total	593	620	345	64	4	-	87	1,713

The concentration on reinsurance assets slightly decreased due to claims arising on old underwriting years.

As at 31 December 2004	AAA	AA	A	BBB	BB	B	Non Rated	Total
(€ million)								
Assets arising from reinsurance:								
Receivables and claims and loss expenses	6	402	217	17	–	–	16	658
Bonds and other fixed rate securities	577	113	70	41	–	–	24	825
Total	583	515	287	58	–	–	40	1,483

5.2.2 Liquidity risk

The group is exposed to daily calls on its available cash reserves mainly from claims arising from insurance contracts.

Liquidity risk is the risk that the cash may not be available to pay the obligations, when due, at a reasonable cost. Premiums, fees and investment income are the Group's main sources of liquidity. This liquidity is used to pay claims and operational costs on an ongoing basis. Liquidity risks originate from short term fluctuations in cash flow patterns either on incoming cash or outgoing cash. It is the Group's policy to maintain sufficient cash and marketable securities to manage its liquidity risks. In addition, it holds an adequate amount of credit facilities to prevent liquidity shortages due to larger cash flow disruptions. The credit lines enable Atradius to capture peaks of liquidity needs without losing the benefit of holding a large and stable investment portfolio. Generally, the liquidity risk of the Atradius Group is managed at Group level, in close co-ordination with its local operations.

In 2005, the Group had two committed credit facilities in place of € 50 million each.

The large majority of the investments of Atradius Group consist of highly tradable listed securities. Bonds are primarily government bonds or bonds from major public issuers. The maturity profile of the fixed income portfolio is spread as it follows:

Bonds and other fixed income securities	Exposure		Exposure	
	2005 € million	2005 %	2004 € million	2004 %
Maturity band in years				
0 - 1	113	12	47	6
1 - 5	822	83	720	87
5 - 10	54	5	50	6
10+	4	0	8	1
Total	993	100	825	100
Duration	2.4 years		2.7 years	
Average maturity	2.9 years		3.0 years	

5.2.3 Market risk

Market risk is the risk of economic losses triggered by changes in the market price of the Group's investment portfolio. Atradius is exposed to currency, interest rate and equity price risk. Our current investment portfolio is regularly assessed against a long term strategic benchmark in terms of risk and performance. This benchmark was based on various considerations such as expected risk/return ratio's, liquidity needs, the results of an Asset and Liability Management study and a peer comparison. It is designed to ensure the going concern of the Group, even under extreme market conditions. Risk measurement techniques include Value-at-Risk (VaR) and analysis of the effect of predefined market scenarios.

5.2.3.1 Currency risk

The Group operates internationally and its exposure to foreign exchange risk arises primarily with respect to US dollars and UK pounds. The Group's US and UK insurance business generally invests in assets denominated in the same currencies as their insurance liabilities, which mitigates the foreign currency exchange risk for these operations. As a result, foreign exchange risk arises from recognised assets and liabilities denominated in other currencies and net investments in foreign operations.

The Group's exposure to foreign currency risk within the investment portfolios supporting the Group's eurozone insurance and investment operations arise primarily from purchase investments that are denominated or payable in currencies other than euros.

The Group's foreign operations create two additional sources of foreign currency risk:

- the operating results of the Group's foreign branches and subsidiaries in the Group financial statements are translated at the average exchange rates prevailing during the period; and
- the equity investment in foreign branches and subsidiaries is translated into euros using the foreign currency exchange rate at the financial statement period-end date.

The group exposure to foreign currency exchange rate risk as at 31 December 2005 and 31 December 2004 follows:

Assets as at 31 December 2005	EUR	GBP	USD	Other	Total
Intangible assets	21,712	2,463	339	3,810	28,324
Investments:					
Investment property	11,065	–	–	–	11,065
Investments in associated companies	14,338	654	–	10,401	25,393
Shares and other variable yield securities	154,797	–	221	7,192	162,210
Bonds and other fixed income securities	907,353	–	45,646	39,908	992,907
Loans	125	–	–	180	305
Short term investments	29,373	–	2,068	360	31,801
Derivatives	–	462	–	–	462
Reinsurance assets	646,730	44,893	33,535	421	725,579
Receivables	316,232	33,749	9,190	13,149	372,320
Other assets	224,878	22,225	7,283	20,329	274,715
Cash and Cash equivalents	18,583	8,266	26,607	9,336	62,792
Total assets	2,345,186	112,712	124,889	105,086	2,687,873

Equity as at 31 December 2005	EUR	GBP	USD	Other	Total
Capital and reserves attributable to the equity holders of the Company	605,074	–	–	–	605,074
Minority interest	394	–	–	–	394
Total equity	605,468	–	–	–	605,468

Liabilities as at 31 December 2005	EUR	GBP	USD	Other	Total
Subordinated loans	116,374	–	–	–	116,374
Underwriting provisions	1,083,372	89,203	62,120	42,746	1,277,441
Non-underwriting provisions	28,148	3,022	–	1,956	33,126
Payables	116,443	32,680	26,551	3,242	178,916
Other liabilities	419,737	32,120	2,565	22,126	476,548
Total liabilities	1,764,074	157,025	91,236	70,070	2,082,405
Total liabilities and equity	2,369,542	157,025	91,236	70,070	2,687,873

Assets as at 31 December 2004	EUR	GBP	USD	Other	Total
Intangible assets	34,999	3,037	221	8,690	46,947
Investments:					
Investment property	13,498	–	–	97	13,595
Investments in associated companies	11,074	308	–	6,306	17,688
Shares and other variable yield securities	109,353	–	–	4,510	113,863
Bonds and other fixed income securities	766,705	1,429	33,327	23,741	825,202
Loans	137	–	–	198	335
Short term investments	48,462	–	–	440	48,902
Derivatives	–	1,721	–	–	1,721
Reinsurance assets	662,945	13,912	7,187	7,843	691,887
Receivables	570,850	32,841	11,017	125,946	740,654
Other assets	172,771	24,938	5,070	12,574	215,353
Cash and Cash equivalents	95,749	8,638	2,242	9,882	116,511
Total assets	2,486,543	86,824	59,064	200,227	2,832,658

Equity as at 31 December 2004	EUR	GBP	USD	Other	Total
Capital and reserves attributable to the equity holders of the Company	503,302	–	–	–	503,302
Minority interest	665	–	–	–	665
Total equity	503,967	–	–	–	503,967

Liabilities as at 31 December 2004	EUR	GBP	USD	Other	Total
Subordinated loans	115,781	–	–	–	115,781
Underwriting provisions	1,056,339	67,649	35,733	47,669	1,207,390
Non-underwriting provisions	46,845	10,278	–	2,355	59,478
Payables	396,408	20,820	10,671	112,763	540,662
Other liabilities	382,978	9,566	1,705	11,131	405,380
Total liabilities	1,998,351	108,313	48,109	173,918	2,328,691
Total liabilities and equity	2,502,864	108,313	48,109	173,918	2,832,658

5.2.3.2 Interest rate risk

This risk can be defined as the risk resulting from interest rate changes affecting the Group's fixed income investments. The Group has a policy of matching interest sensitive assets and liabilities while small deviations from the liability benchmark are allowed in the Group's tactical asset allocation process. It monitors interest rate risk by calculating the duration of the investment portfolio and the liabilities issued. The duration is an indicator of the sensitivity of the assets and liabilities and is determined by projecting expected cash flows. Any gap between the duration of the assets and the duration of the liabilities is held within limits by means of buying and selling interest sensitive securities of different durations.

The table below summarises the effective interest rate at the balance sheet date by type of interest bearing assets and liabilities as of the balance sheet date.

As at 31 December	2005 %	2004 %
Interest bearing assets		
Bonds and other fixed rate securities	3.1	3.0
Deposits withheld by ceding companies	–	–
Bank deposits	2.00	2.10
Cash	1.00	0.75
Interest bearing liabilities		
Subordinated loans	5.875	5.875
Bank overdrafts	3.30	3.20

The following table indicates the estimated amount and timing of cash flows as at the balance sheet date of interest bearing assets and liabilities.

As at 31 December 2005	Expected cash flows (undiscounted)				Carrying amount
	0-5 years	5-10 years	10-15 years	>15 years	
Interest bearing assets					
Bonds and other fixed rate securities	975	79	17	47	1,118
Deposits withheld by ceding companies	22	–	–	–	22
Bank deposits	9	–	–	–	9
Cash	100	–	–	–	100
Total interest bearing assets	1,106	79	17	47	1,249
Interest bearing liabilities					
Subordinated loans	–	–	–	120	120
Bank overdrafts	37	–	–	–	37
Total interest bearing liabilities	37	–	–	120	157
As at 31 December 2004					
	Expected cash flows (undiscounted)				
	0-5 years	5-10 years	10-15 years	>15 years	Carrying amount
Interest bearing assets					
Bonds and other fixed rate securities	850	54	7	10	921
Deposits withheld by ceding companies	38	–	–	–	38
Bank deposits	9	–	–	–	9
Cash	118	–	–	–	118
Total interest bearing assets	1,015	54	7	10	1,086
Interest bearing liabilities					
Subordinated loans	–	–	–	120	120
Bank overdrafts	1	–	–	–	1
Total interest bearing liabilities	1	–	–	120	121

5.2.3.3 Equity price risk

The Group is exposed to movement in equity markets by its direct equity holdings within its investment portfolio. Potential changes in the Group's holdings due to price fluctuations in the equity markets are measured by scenario analyses and VaR calculations (see above). Furthermore, the equity portfolio is diversified over the following industry sectors as shown on the next table.

Shares Industry Sector	Exposure		Exposure	
	2005 million	2005 %	2004 million	2004 %
Communications	24	15	21	18
Consumer, Cyclical	6	4	7	6
Consumer, Non-cyclical	14	9	7	6
Diversified	2	1	12	11
Energy	18	11	14	12
Financial	71	44	36	32
Funds	6	4	–	–
Industrial	4	2	7	6
Technology	4	2	2	2
Utilities	13	8	8	7
Total	162	100	114	100

5.2.3.4 Value-at-risk

The Group uses Value-at-Risk (VaR) analysis for determining the impact of changes of market risk factors. This indicator measures the maximum potential loss on a group of securities over some time period, given a specified probability. In other words, once a probability has been set, VaR is the amount that represents the statistical maximum loss for this group of securities for a chosen confidence interval.

The table below shows the VaR of Atradius' fixed income portfolio and Atradius' equity portfolio each on a separate basis as well as at the combined position.

Value-at-risk 12 months period, 1% probability	2005		2004	
	million	%	million	%
Fixed income	37	3.6	30	3.6
Equity	37	22.8	32	27.7
Total portfolio	50	4.2	42	4.3

For the impact on assets and liabilities related to Employee Benefits see Note 4.1.4 and Note 25.

5.2.3.5 Fair value

The fair value of all investment categories is based on quoted market prices, price quotes from brokers, dealers or other independent pricing providers, e.g. SVC and Bloomberg. Independent consultants or banks may be used to provide valuations periodically for certain investments that are not publicly traded or the valuation may be done internally. Internal valuations are reviewed by personnel independent of the investing entity. If the fair value cannot be reliably calculated, the item is shown at cost.

6 Segment Information

At 31 December 2005, Atradius is organised on a world-wide basis into two segments:

1. Insurance
2. Services

All revenue sources are captured by the two business segments.

Primary segmental reporting is according to Atradius' main product lines – Insurance, Services and Factoring. Secondary segmentation is organised on a geographical basis, in order of market size. Geographical segmentation is based on the location of the policyholders from which the transactions originated.

Segmental reporting includes all segment income and segment expenses, including transfers between countries. Transactions between segments are recognised on an arm's length basis. Intergroup relations are eliminated in the Intercompany column. Indirect business is presented in separate lines.

To facilitate the calculation of the cost ratio and claims ratio, within the primary dimension, information fees and costs are allocated to the service income and administrative costs lines in the insurance segment. Comparative numbers have been adjusted.

6.1 Primary segmental reporting – Main business lines

Business Segments - Year ended 31 December 2005	Continuing operations			Discontinued operations	
	Insurance	Services	Total	Factoring	Total Operations
Revenue					
Sales to external customers	1,164,608	40,911	1,205,519	28,852	1,234,371
Share of net profit of associates	6,830	–	6,830	–	6,830
Income from investments	38,604	461	39,065	127	39,192
Segment revenue	1,210,042	41,372	1,251,414	28,979	1,280,393
Expenses	(1,111,260)	(27,904)	(1,139,164)	(24,688)	(1,163,852)
Segment result	98,782	13,468	112,250	4,291	116,541
Impairment and amortisation of goodwill			(735)	–	(735)
Finance income and (expenses)			(7,542)	2	(7,540)
Profit before income tax and minority interest			103,973	4,293	108,266
Income tax			(21,655)	(1,003)	(22,658)
Profit for the year excluding the gain on disposal of discontinued operations			82,318	3,290	85,608
Gain on disposal of discontinued operations				16,060	16,060
Income tax on gain on disposal of discontinued operations				(1,386)	(1,386)
Profit for the year			82,318	17,964	100,282
Capital additions/expenditure	12,249	86	12,335	347	12,682
Depreciation/Amortisation	13,984	331	14,315	(835)	13,480
Impairment losses recognized in the profit or loss	3,593	394	3,987	(588)	3,399
Assets and liabilities					
Investments	1,218,141	6,002	1,224,143	–	1,224,143
Reinsurance share of underwriting provision	725,579	–	725,579	–	725,579
Other segment assets	518,077	28,937	547,014	–	547,014
Unallocated assets	–	–	191,137	–	191,137
Total Assets			2,687,873	–	2,687,873
Underwriting provisions	(1,277,441)	–	(1,277,441)	–	(1,277,441)
Other segment liabilities	(642,622)	(10,472)	(653,094)	–	(653,094)
Unallocated liabilities	–	–	(151,870)	–	(151,870)
Total liabilities (excluding equity)			(2,082,405)	–	(2,082,405)

Business Segments - Year ended 31 December 2004	Continuing operations			Discontinued operations	Total Operations
	Insurance	Services	Total	Factoring	
Revenue					
Sales to external customers	1,178,129	33,732	1,211,861	30,794	1,242,655
Share of net profit of associates	6,175	-	6,175	-	6,175
Income from investments	58,502	324	58,826	51	58,877
Segment revenue	1,242,806	34,056	1,276,862	30,845	1,307,707
Expenses	(1,176,354)	(24,475)	(1,200,829)	(28,741)	(1,229,570)
Segment result	66,452	9,581	76,033	2,104	78,137
Impairment and amortisation of goodwill			(4,812)	(952)	(5,764)
Finance income and (expenses)			(13,501)	(11)	(13,512)
Profit before income tax and minority interest			57,720	1,141	(58,861)
Income tax			(8,745)	525	(8,220)
Net result for the year			48,975	1,666	50,641
Capital additions/expenditures	13,481	363	13,844	231	231
Depreciation and amortisation	23,632	1,222	24,854	527	527
Impairment losses recognized in the profit or loss	(4,502)	-	(4,502)	-	-
Assets and liabilities					
Investments	1,017,316	3,990	1,021,306	-	1,021,306
Reinsurance share of underwriting provision	691,887	-	691,887	-	691,887
Other segment assets	544,695	19,910	564,605	422,412	987,017
Unallocated assets	-	-	132,448	-	132,448
Total Assets			2,410,246	422,412	2,832,658
Underwriting provisions	(1,207,390)	-	(1,207,390)	-	(1,207,390)
Other segment liabilities	(621,575)	(10,385)	(632,360)	(381,488)	(1,013,848)
Unallocated liabilities	-	-	(107,453)	-	(107,453)
Total liabilities (excluding equity)			(1,947,203)	(381,488)	(2,328,691)

6.2 Secondary segmental reporting – geographical

Turnover is defined as income from business activities and includes insurance premium revenue on Credit Insurance, Bonding and Service and other income from external customers. Turnover from Ireland and Luxembourg relates mainly to indirect business.

Turnover	Continuing operations		Discontinued operations		Total	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005	31.12.2004
Belgium	83,667	104,384	–	–	83,667	104,384
France	116,859	110,321	10,246	12,113	127,105	122,434
Germany	238,412	249,060	5,830	4,490	244,242	253,550
Ireland	16,237	18,448	–	–	16,237	18,448
Italy	135,059	137,038	3,213	3,001	138,272	140,039
Luxembourg	57,025	63,744	–	–	57,025	63,744
The Netherlands	158,355	155,012	–	–	158,355	155,012
The United Kingdom	176,462	182,560	–	–	176,462	182,560
Other	223,443	191,294	9,563	11,190	233,006	202,484
Total turnover at 31-12-2005	1,205,519	1,211,861	28,852	30,794	1,234,371	1,242,655

	Segment assets		Additions to property, plant, equipment and intangible assets	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
Belgium	87,308	123,662	2,837	1,608
France	93,865	233,175	1,158	1,653
Germany	216,030	390,139	1,266	1,521
Ireland	771,234	431,410	390	–
Italy	445,775	674,818	896	1,510
Luxembourg	116,904	256,607	–	263
The Netherlands	700,312	332,878	1,472	1,774
The United Kingdom	62,582	79,732	1,588	4,286
Other	193,863	310,237	3,075	1,460
Total	2,687,873	2,832,658	12,682	14,075

The main changes in the assets are mainly due to legal restructuring and the transfer of investments portfolio to Ireland and the Netherlands.

7 Intangible assets

Development	Goodwill	Software acquired	Software self developed	Insurance portfolios	Total
	2005	2005	2005	2005	2005
Gross book value at 1 January	93,035	10,355	36,287	1,473	141,150
Amortisation accumulated for the year prior to adoption of IFRS 3	(59,303)	–	–	–	(59,303)
Additions	–	250	2,191	–	2,441
Disposals	(10,415)	(577)	(1,134)	–	(12,126)
Reclassifications	(3,722)	–	–	206	(3,516)
Effect of movements in foreign exchange	30	–	172	109	311
Gross book value at 31 December	19,625	10,028	37,516	1,788	68,957
Accumulated amortisation and impairments at 1 January	(59,406)	(9,563)	(24,835)	(399)	(94,203)
Amortisation accumulated for the year prior to adoption of IFRS 3	59,303	–	–	–	59,303
Amortisation charge for the year	–	(425)	(3,655)	(409)	(4,489)
Amortisation on disposals	–	526	546	–	1,072
Impairment losses	(735)	–	(624)	(842)	(2,201)
Reclassifications	103	–	–	(103)	–
Effect of movements in foreign exchange	–	–	(80)	(35)	(115)
Accumulated amortisation and impairments at 31 December	(735)	(9,462)	(28,648)	(1,788)	(40,633)
Book value at 1 January	33,629	792	11,452	1,074	46,947
Book value at 31 December	18,890	566	8,868	–	28,324

Development	Goodwill	Software acquired	Software self developed	Insurance portfolios	Total
	2004	2004	2004	2004	2004
Gross book value at 1 January	92,814	9,906	32,144	1,438	136,302
Additions	489	451	4,185	30	5,155
Disposals	(166)	(1)	–	–	(167)
Reclassifications	(40)	–	–	40	0
Effect of movements in foreign exchange	(62)	(1)	(42)	(35)	(140)
Gross book value at 31 December	93,035	10,355	36,287	1,473	141,150
Accumulated amortisation and impairments at 1 January	(53,642)	(8,801)	(19,444)	(73)	(81,960)
Amortisation charge for the year	(5,564)	(762)	(4,888)	(326)	(11,540)
Amortisation on disposals	–	–	–	–	–
Impairment losses	(200)	–	(546)	–	(746)
Effect of movements in foreign exchange	–	–	43	–	43
Accumulated amortisation and impairments at 31 December	(59,406)	(9,563)	(24,835)	(399)	(94,203)
Book value at 1 January	39,172	1,105	12,700	1,365	54,342
Book value at 31 December	33,629	792	11,452	1,074	46,947

Goodwill

In accordance with the transitional rules of IFRS 3, the Group has applied the revised accounting policy for goodwill prospectively from the beginning of its first annual period beginning on or after 31 March 2004, i.e. 1 January 2005. Therefore, from 1 January 2005, the Group has discontinued amortising such goodwill. At 1 January 2005, the carrying amount of amortisation accumulated before that date of € 59.4 million was eliminated, with a corresponding decrease in gross book value of goodwill. Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2004 or prior periods.

The amortisation charge and impairment of goodwill is recognised as a separate item in the income statement. For continuing operations, during 2005 there was no amortisation charged to the income statement (2004: € 4.6 million) and the impairment charge was € 0.7 million (2004: € 0.2 million).

The goodwill allocated to the main cash-generating units or groups of units (CGUs) is presented below.

Cash-Generating Units	2005	2004
Factoring Denmark	–	10,415
Credit insurance USA	4,750	4,750
Collections Ommen	4,512	4,512
ACI NV France	2,767	2,767
Bonding Nordic	2,595	2,599
Eurocollect Gouda	1,914	1,914
Other	2,352	3,156
Associated companies	–	3,516
Total	18,890	33,629

The Factoring business was sold during 2005. The Nordic Bonding unit includes the Group's bonding business in Scandinavia and Finland. Goodwill on associated companies of € 3,516 was reclassified as part of associated companies' book value in 2005.

When testing for impairment, the recoverable amount of a CGU is determined based on value-in-use calculations, for which a discounted cash-flow model is used. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

Management determined budgeted profit based on past performance and its expectations for market development in the next 5 years. The growth rate used in the 6th year does not exceed the long term average GDP expectations of the regions in which the CGU operates.

For each CGU for which the carrying amount of goodwill is significant in comparison to the Group's total carrying amount of goodwill, the key assumptions used for value-in-use calculations are presented below. The CGU's included in 'Other' were not allocated significant goodwill amounts.

Cash-Generating Units	Growth rate	Discount rate
Credit insurance USA	3.3%	13.1%
Collections Ommen	2.5%	10.1%
ACI NV France	2.2%	10.8%
Bonding Nordic	2.3%	10.4%
Eurocollect Gouda	2.5%	10.1%

Following the impairment testing, an impairment charge of € 0.7 million was recognised for several cash generating units included in 'Other' in the overview of goodwill by cash generating unit above. The impairment is related for € 0.3 million to the insurance business segment and for € 0.4 million to the services business segment.

Other intangible assets

Amortisation and impairment of other intangible assets are included in net operating expenses. An impairment for self-developed software of € 0.6 million was charged to insurance business segment. Based on the revised profitability expectations regarding an insurance portfolio part of the Group's insurance business, the related intangible asset of € 0.8 million was impaired.

8 Property, plant and equipment

Development	Land and buildings	Fixtures and fittings	IT hardware	Total
	2005	2005	2005	2005
Gross book value at 1 January	23,960	38,185	33,250	95,395
Additions	295	4,308	5,635	10,238
Disposals	–	(3,434)	(621)	(4,055)
Reclassifications	2,179	(510)	510	2,179
Effect of movements in foreign exchange	561	399	608	1,568
Gross book value at 31 December	26,995	38,948	39,382	105,325
Accumulated depreciation and impairments at 1 January	(6,031)	(23,912)	(25,083)	(55,026)
Deprecation charge for the year	(937)	(3,333)	(5,436)	(9,706)
Impairment losses	(357)	–	–	(357)
Reclassifications	(55)	344	(344)	(55)
Deprecation on disposals	–	1,823	290	2,113
Effect of movements in foreign exchange	(10)	(263)	(418)	(691)
Accumulated depreciations at 31 December	(7,390)	(25,341)	(30,991)	(63,722)
Book value at 1 January	17,929	14,273	8,167	40,369
Book value at 31 December	19,605	13,607	8,391	41,603

Development	Land and buildings	Fixtures and fittings	IT hardware	Total
	2004	2004	2004	2004
Gross book value at 1 January	27,564	36,542	28,957	93,063
Additions	378	3,172	5,290	8,840
Disposals	(3,755)	(1,529)	(997)	(6,281)
Effect of movements in foreign exchange	(227)	–	–	(227)
Gross book value at 31 December	23,960	38,185	33,250	95,395
Accumulated depreciation and impairments at 1 January	(5,549)	(19,256)	(17,730)	(42,535)
Deprecation charge for the year	(3,374)	(5,221)	(7,623)	(16,218)
Deprecation on disposals	2,892	565	270	3,727
Accumulated depreciations at 31 December	(6,031)	(23,912)	(25,083)	(55,026)
Book value at 1 January	22,015	17,286	11,227	50,528
Book value at 31 December	17,929	14,273	8,167	40,369

Land and buildings are held for long term capital appreciation rather than short term sale.

Depreciation expense on land and buildings (property for own use) of € 0.9 million (2004: € 3.4 million) has been charged to net operating expenses. In 2004 the Group reassessed the appropriate depreciation period of some buildings which resulted in an additional depreciation charge during the year. In Italy a property of € 2.1 million was reclassified from investment property as it became of own use. The methodology of the market value is explained in Note 9.

The market value of land and buildings for own use can be presented as follows:

	2005	2004
Italy	17,087	14,721
Belgium/France/Luxembourg	14,036	13,112
Other	5,604	3,302
Total	36,727	31,135

9 Investment property

	2005	2004
Gross book value at 1 January	24,431	26,500
Additions	3	80
Disposals	(142)	(2,033)
Reclassifications	(2,179)	(107)
Effect of movements in foreign exchange	15	(9)
Gross book value at 31 December	22,128	24,431
Accumulated depreciation at 1 January	(10,836)	(9,744)
Depreciation charge for the year	(357)	(1,351)
Impairment losses	–	(303)
Reclassifications	55	–
Depreciation on disposals	77	557
Effect of movements in foreign exchange	(2)	5
Accumulated depreciation at 31 December	(11,063)	(10,836)
Book value at 1 January	13,595	16,756
Book value at 31 December	11,065	13,595

The market value of investment property can be presented as follows:

	2005	2004
The Netherlands	1,893	2,040
Italy	21,926	23,349
Belgium/France/Luxembourg	7,185	8,884
Other	–	1,016
Total	31,004	35,289

The properties are independently valued in accordance with International Valuation Standards on the basis of determining the open market value of the investment property on a six-monthly basis. The majority of the property is located in Belgium and Italy (83% of total amount). In Belgium the latest valuation was conducted on 31 December 2005 by Jones Lang Lasalle, and in Italy on 31 December 2005 by Studio Desiderio and on 30 September 2005 by Pirelli & C. Real Estate Agency S.p.A. All valuers are registered in the relevant countries and have appropriate qualifications and recent experience in the valuation of properties.

The reclassification amount of € 2.1 million is regarding a property that was transferred to own use.

10 Investments in associated companies

The following table shows the changes in investments in associated companies valued by the equity method.

	2005	2004
Balance at 1 January	17,688	15,716
Share of (loss)/profit	6,830	6,175
Dividends received	(3,768)	(4,333)
Reclassifications	3,516	-
Impairment losses	-	(356)
Other movements	(78)	490
Effect of movements in foreign exchange	1,205	(4)
Balance at 31 December	25,393	17,688

Goodwill related to investments in associates is € 3.5 million (in 2004 goodwill relating to investments in associated companies was included in intangible assets).

Total income from associated companies amounts to € 6.8 million (2004: € 6.2 million) and is included in the income statement. A dividend of € 3.8 million was received (2004: € 4.3 million).

The Group's interests in its principal associates, all of which are unlisted, were as follows:

	Country of incorporation	Assets	Liabilities	Revenues	Share of profit/(loss)	% interest held
Graydon Holding N.V., Amsterdam	The Netherlands	24,291	14,399	30,691	5,211	45.00
Conteco Srl, Milan	Italy	540	427	671	34	30.00
CLAL Credit Insurance Ltd, Tel Aviv	Israel	4,746	3,211	815	173	20.00
Al Mulla Gerling Insurance Consultancy L.L.C., Dubai	UAE	510	430	681	84	49.00
Comp. de Seguros de Crédito Continental S.A., Santiago	Chile	7,138	2,056	1,205	736	49.99
Company Watch (Holdings) Ltd, London	UK	434	51	367	38	23.00
DF Deutsche Forfait AG, Cologne	Germany	27,576	24,499	3,042	538	47.00
The Lebanese Credit Insurer S.A.L., Beirut	Lebanon	1,940	761	389	26	49.00
Les Assurances des Crédits Commerciaux S.A., Tunis	Tunisia	743	207	95	(10)	34.99
Total at the end of 2005		67,918	46,041	37,956	6,830	

	Country of incorporation	Assets	Liabilities	Revenues	Share of profit/(loss)	% interest held
Graydon Holding N.V., Amsterdam	The Netherlands	22,034	13,979	28,048	4,478	45.00
Conteco Srl, Milan	Italy	540	427	671	34	30.00
CLAL Credit Insurance Ltd, Tel Aviv	Israel	3,381	2,135	1,894	236	20.00
Al Mulla Gerling Insurance Consultancy L.L.C., Dubai	UAE	–	–	–	–	49.00
Comp. de Seguros de Crédito Continental S.A., Santiago	Chile	5,434	1,824	1,319	991	49.99
Company Watch (Holdings) Ltd, London	UK	364	56	285	20	23.00
DF Deutsche Forfait AG, Cologne	Germany	10,921	8,015	3,990	389	47.00
The Lebanese Credit Insurer S.A.L., Beirut	Lebanon	1,431	384	247	54	49.00
Les Assurances des Crédits Commerciaux S.A., Tunis	Tunisia	620	217	79	(27)	34.99
Indo European Credit Guarantee Pvt. Ltd, Delhi	India	–	–	–	–	26.00
Total at the end of 2004		44,725	27,037	36,533	6,175	

All information from the associates are, except for Conteco Srl Milan, based on balance sheet dates between 30 September 2005 and 31 December 2005

The participation in Indo European Credit Guarantee Pvt. Ltd, Delhi has been disposed of as of 31 May 2005. The fair value of the investments in associates equals € 126 million (2004: € 54 million). In 2005 the valuation of associated companies was brought in line with IAS 36. Relative to 2004, this resulted in use of a single valuation method instead of multiple methods, causing an increase in market value of associates.

11 Financial investments

Investments classified by type and nature 2005	Loans and receivables	Held for trading	Available-for-sale	Total 2005
Shares and other variable yield securities	–	–	162,210	162,210
Bonds and other fixed income securities	–	–	992,907	992,907
Loans	305	–	–	305
Short term investments	31,801	–	–	31,801
Derivatives	–	462	–	462
Total investments	32,106	462	1,155,117	1,187,685
Listed	–	–	1,152,266	1,152,266
Unlisted - published price	31,801	462	2,851	35,114
Unlisted - valuation technique/nominal value	305	–	–	305
	32,106	462	1,155,117	1,187,685

Investments classified by type and nature 2004	Loans and receivables	Held for trading	Available-for-sale	Total 2004
Shares and other variable yield securities	–	–	113,863	113,863
Bonds and other fixed income securities	–	–	825,202	825,202
Loans	335	–	–	335
Short term investments	48,902	–	–	48,902
Derivatives	–	1,721	–	1,721
Total investments	49,237	1,721	939,065	990,023
Listed	–	–	913,242	913,242
Unlisted - published price	48,902	1,721	25,823	76,446
Unlisted - valuation technique/nominal value	335	–	–	335
	49,237	1,721	939,065	990,023

11.1 Shares and other variable yield securities

	2005	2004
Shares	156,273	106,494
Investment funds	5,937	7,369
Total shares and other variable yield securities	162,210	113,863

11.2 Bonds and other fixed income securities

	2005	2004
Government bonds	769,857	674,720
Corporate bonds	182,681	128,060
Private loans	1,023	22,422
Investment funds	39,346	-
Total bonds and other fixed income securities	992,907	825,202

In 2005 the ownership of the German pension company was transferred to Atradius N.V. and the company has been consolidated. The assets of this company consisted of investment funds in the amount of € 38.6 million. In 2004 the assets of this company were part of other accounts receivable. The related pension liability is incorporated in the defined benefit obligation (see Note 24).

The bonds and other fixed income securities are unencumbered except for an amount of € 39.6 million (2004: € 47.7 million), which is pledged as collateral for counter parties and/or regulators based on local supervisory laws and regulations

11.3 Short term investments

	2005	2004
Deposits withheld by ceding companies	22,462	32,675
Bank deposits	8,972	16,227
Other short term investments	367	-
Total short term investments	31,801	48,902

Breakdown of short term investments by counter party and geography

	2005	2004
Deposits with ceding companies	-	-
Within the EU	22,451	24,845
Outside the EU	11	7,830
Total deposits withheld by ceding companies	22,462	32,675
Bank deposits and commercial paper	-	-
Within the EU	6,980	15,787
Outside the EU	1,992	440
Total bank deposits and commercial paper	8,972	16,227

11.4 Derivatives

	2005	2004
Currency options	462	1,721
Notional amounts and underlying currencies:		
Currency		
EUR	108,950	11,000
GBP	19,200	48,364
USD	1,860	28,000
AUD	6,550	101,900

The derivatives contracts are over-the-counter currency options. All contracts have a maximum remaining period of 6 months. The Group purchases currency options to be able to offer integrated insurance solutions to its clients.

12 Reinsurance assets

	2005	2004
Reinsurers' share of insurance liabilities		
Provisions for unearned premiums	108,783	116,569
Claims and loss adjustment expenses	616,796	575,318
Total assets arising from reinsurance contracts	725,579	691,887
Current	274,864	253,121
Non-current	450,715	438,766

Amounts due from reinsurers in respect to claims already paid by the Group on the contracts that are reinsured are included in receivables (see Note 13).

The split between current and non-current business is assessed by Atradius based on amounts still outstanding.

The changes in the Reinsurers' share of underwriting provisions are included in Note 20.

13 Receivables

The estimated fair values of receivables are comparable with the book value of the receivables due to the short term nature of the balance.

	2005	2004
Accounts receivable on insurance and reinsurance business	355,812	307,416
Factoring receivables	–	389,936
Other accounts receivable	16,508	43,302
Total receivables	372,320	740,654
Current	372,320	740,654
Non current	–	–

There is no concentration of credit risk with respect to loans and receivables, as Atradius has a large number of internationally dispersed debtors (see Note 5.2)

Atradius has recognised a loss of € 3.7 million (2004: € 2.1 million) for the impairment of its trade receivables during 2005.

All receivables are of a short term nature and have a remaining period of less than one year.

13.1 Accounts receivable on insurance and reinsurance business

	2005	2004
Amounts owed by policy holders	183,473	178,441
Receivables arising out of reinsurance operations	102,870	45,938
Other direct insurance receivables	69,469	83,037
Total accounts receivable on insurance and reinsurance business	355,812	307,416

The increase in insurance and reinsurance receivables relates to normal business fluctuations on settlements of outward reinsurance amounts.

13.2 Other accounts receivable

	2005	2004
Other accounts receivable	16,508	43,302

In 2004, included as part of other accounts receivable is the current account with the German pension vehicle amounting to € 37 million (see Note 11.2)

14 Deferred acquisition costs

	2005	2004
Balance at 1 January	13,793	17,633
Change in deferred acquisition costs	2,233	(3,768)
Effect of movements in foreign exchange	351	(72)
Balance at 31 December	16,377	13,793

15 Miscellaneous assets and accruals

	2005	2004
Miscellaneous assets and accruals	25,599	25,527

Included in miscellaneous assets and accruals are accrued interest and rent of € 10.1 million (2004: € 7.4 million) and prepaid expenses of € 6.0 million (2004: € 13.8 million).

16 Cash and cash equivalents

	2005	2004
Cash at bank and in hand	91,135	100,125
Short-term bank deposits	8,686	17,401
Total cash and cash equivalents	99,821	117,526
Bank overdrafts	(37,029)	(1,015)
Total in balance sheet	62,792	116,511

The effective interest rate on short term bank deposits was 1.00% (2004: 0.75%) and has an average maturity of 3 days.

17 Share capital

The movements in shareholders' equity are specified in the consolidated statement of changes in equity.

Subscribed capital and capital reserve

The share capital of € 56.6 million (2004: € 56.6 million) is divided into 56,600,000 fully paid shares of € 1.00.

18 Other reserves

Revaluation reserve

The revaluation reserve comprises the difference between the acquisition costs and the market value of the securities available-for-sale after the deduction of deferred taxes, except for impairments that are charged directly in the income statement. Reversals of impairment losses in shares and other variable yield securities are also credited directly to this reserve. For bonds and other fixed income securities, any reversals of impairments above the original cost are included in the revaluation reserve. Movements in the revaluation reserve for available-for-sale investments were as follows:

	2005	2004
Balance at 1 January	13,159	18,179
Revaluation – gross	23,715	31,387
Revaluation – tax	(3,601)	(4,479)
Net gains transferred to net profit on disposal and impairment – gross	(6,404)	(36,786)
Net gains transferred to net profit on disposal and impairment – tax	274	4,858
Balance at 31 December	27,143	13,159

Pension reserve

Movements in the pension reserve were as follows:

	2005	2004
Pension reserve		
Notes		
Balance at 1 January	(33,482)	(35,353)
Unrealised actuarial gains and losses	(17,695)	3,389
Retained earnings – gross (see Note 24)	(26,781)	4,939
Retained earnings – tax (see Note 25)	9,086	(1,550)
Planned asset ceiling	4,521	(1,518)
Retained earnings – gross (see Note 24)	5,998	(2,336)
Retained earnings – tax (see Note 25)	(1,477)	818
Balance at 31 December	(46,656)	(33,482)

Currency translation reserve

The currency translation reserve consists of the difference between the consolidated Group companies' equities converted at the year-end currency rates and the book value of the equity, as well as the difference resulting from the conversion of the Group companies' income statement denominated in foreign currencies at average exchange rates.

19 Subordinated loans

	2005	2004
Balance at 1 January	115,781	110,250
Redemptions	–	(110,000)
Additions	(72)	113,006
Effective interest	665	2,525
Balance at 31 December	116,374	115,781

In September 2004 the Group issued subordinated bonds of € 120 million. These bonds will be redeemed in 2024, unless earlier redeemed or cancelled. The interest rate amounts to 5.875% per annum fixed in the first 10 years, which will be reset to a floating 3 month-EURIBOR plus a margin of 2.75% per annum for the last 10 years. The interest due will be payable on a quarterly basis. The bonds are issued by Atradius Finance BV and are guaranteed by Atradius N.V. and Atradius Credit Insurance N.V., which are all part of the Group. The subordinated loan of € 110 million that was issued in 2003 was redeemed in 2004. The bonds issued in September 2004 are listed on the Luxembourg Stock Exchange.

The balance at each year end includes € 2.3 million of interest payable in the following year.

20 Underwriting provision

	Gross 2005	Reinsurance asset 2005	Net 2005	Gross 2004	Reinsurance asset 2004	Net 2004
Credit insurance						
Claims reported and loss adjustment expenses	420,623	(223,758)	196,865	365,703	(210,615)	155,088
Claims incurred but not reported	215,012	(114,379)	100,633	202,125	(116,407)	85,718
Unearned premiums	150,016	(50,420)	99,596	145,002	(48,371)	96,631
Balance at 31 December	785,651	(388,557)	397,094	712,830	(375,393)	337,437

	Gross 2005	Reinsurance asset 2005	Net 2005	Gross 2004	Reinsurance asset 2004	Net 2004
Bonding						
Claims reported and loss adjustment expenses	322,104	(223,695)	98,409	321,277	(206,955)	114,322
Claims incurred but not reported	79,144	(54,964)	24,180	64,177	(41,341)	22,836
Unearned premiums	90,542	(58,363)	32,179	109,106	(68,198)	40,908
Balance at 31 December	491,790	(337,022)	154,768	494,560	(316,494)	178,066
Total insurance liabilities at 31 December	1,277,441	(725,579)	551,862	1,207,390	(691,887)	515,503
Current	523,658	(274,865)	248,794	491,529	(253,121)	238,408
Non-current	753,783	(450,714)	303,068	715,861	(438,766)	277,095

The liabilities for gross claims reported, loss adjustment expenses and claims incurred but not reported are net of expected recoveries from salvage and subrogation. Salvage and subrogation for 2005 amounts to € 261.3 million (2004: € 259.8 million).

The decrease in the reinsurance share of the credit insurance provision can be explained by an increase of the retention on the quota-share contract as per underwriting year 2005.

The increase in the reinsurance share of the bonding provision can be explained by the fact that on certain bonding contracts the Group has no self-retention as per 2005.

20.1 Assumptions, change in assumptions and sensitivity

20.1.1 Assumptions

The risks associated with Credit Insurance and Bonding are complex, as will be clear from Note 5, and are subject to a number of influences that are not very amenable to quantitative sensitivity analysis. Note 5.1.7 describes the essence of the process by which Atradius sets its outstanding claims provisions. As described in Note 5.1.2, the final step in the process by which Atradius sets its outstanding claims provisions are the formal decisions made by the Provisioning Committee.

In the statistical method for claims reserving for credit insurance, the ultimate number of claims for the most recent months of earned premium is set by judgement, taking into account a number of factors. These include:

- Seasonality in the number of claims received per month
- The number of claims received per month
- Growth of the book and quality of the credit risks insured in the book
- The economic outlook for the countries that the book is exposed to

For each customer country we consider the domestic business and export business separately. Where deemed appropriate, e.g., due to perceived uncertainty, explicit scenarios are presented to the Provisioning Committee.

An indication of the sensitivity to the judgement made in setting the ultimate number of claims for the most recent months is the following. If the estimated ultimate number of claims for the most recent months changed by 10% in all books for which outstanding claims provisions are set by the statistical method, then the total outstanding claims provision for these books changes by 2.8% or € 10 million gross of reinsurance (around € 5 million net of reinsurance). Recall from Note 5.1.7 that 'most recent months', means four to six months, depending on the book, as defined by the country of the customer.

The part of the outstanding claims reserves with the largest uncertainty are those for Bonding Italy. Out of € 401 million of outstanding claims reserves for Bonding, € 293 million is for Bonding Italy. In management's judgement the provision is a best estimate, but a conservative case scenario would lead to an increase in the order of € 43 million gross of reinsurance (around € 12 million net of reinsurance). A positive case scenario would lead to a decrease in the order of € 43 million gross of reinsurance (around € 12 million net of reinsurance).

Italy Bonding has shown a negative development in estimated ultimate loss for a) risk types that are no longer written since end 2003 and b) a few large cases, also dating back to before 2003. A change of the currently estimated ultimate loss of 10% would amount to approximately € 20 million, gross of reinsurance (€ 7 million net of reinsurance) for each of these categories.

20.1.2 Claims development tables

The development of insurance liabilities provides a measure of Atradius' ability to estimate the ultimate value of claims. The top half of each table below illustrates how Atradius' estimate of total claims outstanding for each underwriting year has changed at successive year ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the balance sheet (see Note 20). An underwriting year basis is considered to be most appropriate for the business written by Atradius.

Credit insurance - gross

Underwriting year	2003	2004	2005	Total
Estimate of ultimate claims costs:				
at end of underwriting year	474,475	405,633	491,634	
one year later	472,603	434,450		
two years later	494,738			
Current estimate of cumulative claims	494,738	434,450	491,634	1,420,822
Cumulative payments to date	452,354	350,822	134,584	937,760
Liability recognised in the balance sheet	42,384	83,628	357,050	483,062
Liability in respect to prior years (before 2003)				152,573
Total liability included in the balance sheet				635,635

The increase of the estimate of ultimate claims costs in underwriting year 2004 compared to underwriting year 2005 is explained by the exceptionally good underwriting result of last year and a deterioration of the results in France, the UK and the USA due to large claims and the result of the Group's increased risk appetite.

Bonding – gross

Underwriting year	2003	2004	2005	Total
Estimate of ultimate claims costs:				
at end of underwriting year	14,170	32,975	6,945	
one year later	34,530	36,412		
two years later	53,405			
Current estimate of cumulative claims	53,405	36,412	6,945	96,762
Cumulative payments to date	9,831	7,360	1,017	18,208
Liability recognised in the balance sheet	43,574	29,052	5,928	78,554
Liability in respect to prior years (before 2003)				322,694
Total liability included in the balance sheet				401,248

As described in Note 5.1.7, bonding tends to be longer tail business and around half of the bonds written have tenors of over two years. When examining the loss development table it should be taken into account that the unearned premium reserve, as described in the accounting policies, is also earned over the tenor of the bonds. The total unearned premiums relating to these underwriting years amount to € 46,7 million.

The Group has a series of quota-share reinsurance covers in place on a number of short term insurance products. Although the Group has also had excess of loss cover in place in each of the last four accident years, there have been no events in any of those years that have resulted in losses of a sufficient size to prompt recovery on these contracts. Reserve movements arising on net short term contracts have therefore followed the pattern of movements on the gross reserves for the same products.

20.2 Movements in insurance liabilities and reinsurance assets

20.2.1 Claims and loss adjustment expenses

	Gross 2005	Reinsurance 2005	Net 2005	Gross 2004	Reinsurance 2004	Net 2004
Credit insurance						
Balance at 1 January	567,828	(327,022)	240,806	592,359	(330,072)	262,287
Claims settled in the year	(378,272)	224,631	(153,641)	(411,131)	220,797	(190,334)
Claims handling expenses	(27,688)	–	(27,688)	(22,813)	–	(22,813)
Effect of movements in foreign exchange and other movements	10,216	(4,430)	5,786	(2,203)	(1,989)	(4,192)
Increase in liabilities	463,551	(231,316)	232,235	411,616	(215,758)	195,858
Balance at 31 December	635,635	(338,137)	297,498	567,828	(327,022)	240,806
Claims reported and loss adjustment expenses	420,623	(223,785)	196,865	365,703	(210,615)	155,088
Incurred but not reported	215,012	(114,379)	100,633	202,125	(116,407)	85,718
Balance at 31 December	635,635	(338,137)	297,498	567,828	(327,022)	240,806
Bonding						
Balance at 1 January	385,454	(248,296)	137,158	327,008	(212,232)	114,776
Claims settled in the year	(112,129)	58,318	(53,811)	(77,220)	48,190	(29,030)
Claims handling expenses	(8,207)	–	(8,207)	(4,196)	–	(4,196)
Effect of movements in foreign exchange and other movements	2,233	1,105	3,338	503	(376)	127
Increase in liabilities	133,897	(89,786)	44,111	139,359	(83,878)	55,481
Balance at 31 December	401,248	(278,659)	122,589	385,454	(248,296)	137,158
Notified claims	322,104	(22,695)	98,409	321,277	(206,955)	114,322
Incurred but not reported	79,144	(54,964)	24,180	64,177	(41,341)	22,836
Balance at 31 December	401,248	(278,659)	122,589	385,454	(248,296)	137,158
Total credit insurance and bonding at 31 December	1,036,883	(616,796)	420,087	953,282	(575,318)	377,964

20.2.2 Provisions for unearned premiums

The movements for the year are summarised below.

	Gross 2005	Reinsurance 2005	Net 2005	Gross 2004	Reinsurance 2004	Net 2004
Credit insurance						
Balance at 1 January	145,002	(48,371)	96,631	158,896	(94,894)	64,002
Movement in the period (see Note 26)	2,358	(2,413)	(55)	(15,203)	47,850	32,647
Effect of movements in foreign exchange and other movements	2,656	364	3,020	1,309	(1,327)	(18)
Balance at 31 December	150,016	(50,420)	99,596	145,002	(48,371)	96,631
Bonding						
Balance at 1 January	109,106	(68,198)	40,908	125,252	(79,574)	45,678
Movement in the period (see Note 26)	(17,737)	11,270	(6,467)	(17,131)	12,374	(4,757)
Effect of movements in foreign exchange and other movements	(827)	(1,435)	(2,262)	985	(998)	(13)
Balance at 31 December	90,542	(58,363)	32,179	109,106	(68,198)	40,908
Total credit insurance and bonding at 31 December	240,558	(108,783)	131,775	254,108	(116,569)	137,539

The decrease in the provision for bonding (2005 and 2004) is caused by an overall decrease in premiums written.

21 Non-underwriting provisions

21.1 Non-underwriting provisions

The provision for non-underwriting provisions developed as follows:

	Restructuring 2005	Onerous contract 2005	Litigations 2005	Option plans 2005	Total 2005	Total 2004
Balance at 1 January	56,451	1,888	770	369	59,478	11,672
Additional provisions	12,795	–	2,516	833	16,144	53,113
Unused amounts reversed	(3,747)	–	–	–	(3,747)	(2,703)
Utilised	(38,784)	(332)	–	–	(39,116)	(2,627)
Translation differences	311	56	–	–	367	23
Balance at 31 December	27,026	1,612	3,286	1,202	33,126	59,478

Restructuring

The restructuring provision relates to the strategy rolled out in 2004 that will result in the reduction of 600 jobs. At year end 2004 detailed restructuring plans have been available for 535 jobs, which have been provided for. In 2005, additional reserves have been set up. The plans were drawn up and announced to the workers' council representatives and employees during 2005. The restructuring program is on track and it is approximately 50% completed. The termination benefits are based on best estimates, taking into account local regulations. The majority of the provision is expected to be utilised during 2006.

Onerous contracts

The onerous contracts are related to lease contracts of buildings in Norway and the United Kingdom. These buildings are not in use by the Group and the future net incoming rental from subletting these properties is expected to fall significantly short of the Group's expenditure commitments until the expiry date of these contracts. The expiry dates of contracts are 2008 and 2015 respectively.

Litigation

The litigation provision is related to disputes with third parties that are not in connection to the insurance business of the Group for which separate provisions are set up as part of the provisions for outstanding claims. The majority of the additions in litigation provision relates to a dispute with respect to social security obligations.

Share based option plans

The Company has option plans that will be settled in cash based on the fair market value of the shares of Atradius N.V. The options are exercisable starting four years from the grant date but will become immediately exercisable upon an IPO or a trade sale of the Company involving between 30% and 50% of the Company's shares. The options have a contractual term of 10 years. The Company has no legal or constructive obligation to repurchase the options.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise prices per share 2005	Options (thousands) 2005	Average exercise prices per share 2004	Options (thousands) 2004
Balance at 1 January	12	420	11	220
Granted	–	–	13.1	200
Balance at 31 December	12	420	12	420

None of the options are currently exercisable.

Share options outstanding (in thousands) at the end of the year have the following expiration date and exercise prices:

Expiration date	Exercise price per share	Number of options
11 August 2013	11.0	220
01 May 2014	13.1	200

The fair value of options is € 2 million. The valuation was based on the Binomial valuation model. The significant inputs into the model were share price of € 15, exercise price as shown above, an expected option life of 7 years, an expected dividend yield of 2% and an annual risk-free interest rate of 3.2%. The volatility measured as the average of 5 years volatilities of insurance companies with significant general operations and volatilities on long term options embedded in any equity linked security that insurance and reinsurance companies have issued.

22 Payables

	2005	2004
Accounts payable on insurance and reinsurance business	124,861	145,000
Factoring payables	–	371,160
Trade and other accounts payable	54,055	24,502
Total payables	178,916	540,662
Current	178,916	540,662
Non current	–	–

22.1 Accounts payable on insurance and reinsurance business

	2005	2004
Payables arising out of direct insurance operations		
Amounts due to policy holders	44,491	52,357
Amounts due to intermediaries	15,313	10,921
Payables arising out of reinsurance operations	65,057	81,722
Total accounts payable on insurance and reinsurance business	124,861	145,000

Payables arising out of direct operations include a provision for profit-related and profit-unrelated premium refunds.

22.2 Trade and other payables

	2005	2004
Trade payables and accrued expenses	19,030	13,871
Current account Atradius Dutch State Business	20,937	2,408
Social security and payroll liabilities	14,088	8,223
Balance at 31 December	54,055	24,502

23 Miscellaneous liabilities and accruals

	2005	2004
VAT liability	24,959	33,050
Deferred reinsurance commission	28,448	15,702
Other liabilities and accruals	76,460	59,759
Balance at 31 December	129,867	108,511

24 Employee benefit assets and liabilities

24.1 Retirement benefits

The employee benefit assets and liabilities relate mainly to pension assets and liabilities for defined benefit plans. The main defined benefit plans are in Germany, the Netherlands and the United Kingdom. The other plans relate to Mexico and Norway.

Under a defined benefit pension plan the beneficiary receives a defined pension from the Company or a pension fund. The contributions payable by the Company for financing the plan are not defined in advance. The recognition of assets and liabilities is determined for each plan separately.

Within the Group there are defined contribution plans. For this type of pension plan the Company pays a fixed contribution into a separate entity or insurance company and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all the employee benefits relating to employee service in the current and prior periods. The contributions to these plans are recognised as expenses and booked in the income statement.

Germany

In Germany the pension rights are based on a percentage of the average salary of the last ten years. This defined benefit pension plan is closed for new employees. At year-end this pension plan had 460 active members. The total calculated pension obligation of this plan at 31 December 2005 was € 62 million (2004: € 48 million). The assets of this pension plan at 31 December € 39 million (2004: € 37 million) are in a separate entity. Because of the fact that the assets, in case of bankruptcy are not fully secured to the members of the pension plan it is under IAS 19 not possible to recognise this amount as a pension asset. Therefore the assets are recognised as financial investments.

United Kingdom

In the United Kingdom the pension rights are based on a percentage of the final salary. This defined benefit pension plan is closed for new employees. At year-end this pension plan had 350 active members. The total calculated pension obligation of this plan at 31 December 2005 was € 126 million (2004: € 107 million). The assets of this pension plan at 31 December are € 104 million (2004: € 82 million). The regular payments to the pension plan will be around € 3 million. Due to the new Pension Act in 2004 and levies under the Pension Protection Fund (PPF) it is foreseen that additional payments have to be made in the coming years. We expect that the additional payments for the coming years will be around € 4 million each year.

The Netherlands

In the Netherlands the pension rights are based on a percentage of the final salary. This defined benefit pension plan is open for new employees. At year-end this pension plan had 600 active members. The total calculated pension obligation of this plan at 31 December 2005 is € 154 million (2004: € 127 million). The assets of this pension plan at 31 December were € 161 million (2004: € 139 million).

Employee benefit liabilities	2005	2004
Pension liabilities	85,543	74,810
Other long term employee benefits	10,439	7,498
Employee benefit liabilities at 31 December	95,982	82,308

Pension assets and liabilities

The following tables summarise the funded status and amounts recognised in the consolidated balance sheet and the components of net benefit expense recognised in the consolidated income statement.

Funded status	2005	2004
Defined benefit obligation	348,403	287,209
Plan assets	269,744	225,281
Pension commitments less plan assets	78,659	61,928
Unrecognised pension assets	6,884	12,882
Balance at 31 December	85,543	74,810

The Dutch pension plan consists of a net pension asset of € 6.9 million (2004: € 12.9 million). The recognition of this asset, that arises through the overfunding of the defined benefit plan, is limited to the ability to use surplus to generate future benefits. The Dutch pension agreement and the local regulations forbid the use of the current asset to the benefit of the Company. This part of the assets is included as part of the pension reserve.

Due to the fact that in 2005 the amendments from IAS 19 were adopted, the comparative figures from 2004 have been changed. In 2004 the unrealised actuarial losses of € 26.6 million were not recognised in the total amount of the pension liability. The pension liability before adopting the amendments of IAS 19 per 31 December 2004 was € 47.3 million.

Expenses and return on assets recorded in the income statement: (gains) and losses	2005	2004
Current service cost (net of participant contributions)	9,406	9,484
Interest cost	14,484	13,628
Expected return on plan assets	(14,749)	(13,152)
Curtailement effects	(1,355)	4,861
Other changes	–	(124)
Total defined benefit costs	7,786	14,697

Expenses in the income statement are recorded under net operating expenses.
The actual return on plan assets in 2005 was € 29.8 million (2004: € 20.2 million).

Changes in the present value of the defined benefit obligation are as follows:

	2005	2004
Balance at 1 January	287,209	262,436
Service cost (including employee contributions)	10,956	9,877
Interest cost	14,484	13,628
Actuarial losses	41,748	3,234
Losses/(gains) on curtailments	(1,355)	4,861
Exchange differences	3,653	(176)
Benefits paid	(8,292)	(6,651)
Balance at 31 December	348,403	287,209

Changes in the fair value of plan assets are as follows:

	2005	2004
Balance at 1 January	225,281	200,978
Expected return on assets	14,754	13,151
Actuarial gains and (losses)	14,967	8,173
Contributions (including employee contributions)	18,290	8,540
Exchange differences	2,995	(651)
Benefits paid	(6,543)	(4,910)
Balance at 31 December	269,744	225,281

The fair value of plan assets at balance sheet date is analysed as follows:

€ million	2005	2004
Equity instruments	120.1	97.4
Bonds and other fixed rate securities	141.0	123.4
Bank deposits	3.5	0.4
Real estate	5.1	4.1
Balance at 31 December	269.7	225.3

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

The expected rates of return on individual categories of plan assets are determined by reference to relevant indices published by the stock Exchange of the particular country. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

The Group expects to contribute approximately € 16 million to the defined benefit plans in 2006.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

Principal actuarial assumptions	United Kingdom		2005	Germany		The Netherlands	
	2005	2004		2004	2005	2004	
Discount rate	5.0%	5.3%	4.5%	5.0%	4.2%	4.7%	
Expected return on plan assets	6.8%	7.3%	0.0%	0.0%	5.7%	5.9%	
Expected increase of future salaries	3.7%	3.7%	4.0%	2.8%	3.2%	3.3%	
Expected increase of future benefit levels	2.5%	2.0%	2.0%	1.5%	1.9%	2.0%	

24.2 Other long term employee benefits

The other long term employee benefits comprise accruals for lump sum payments to employees and agents when leaving the company for the amount of € 8.4 million (2004: € 6.8 million). Early retirement programs amount to € 2.0 million (2004: € 0.7 million).

24.3 Share based payments

The share based payments are included in non underwriting provision (see Note 21).

24.4 Termination benefits

The termination benefits are included in the restructuring provisions (see Note 21).

25 Deferred and current income tax

Assets	2005	2004
Deferred tax assets	129,983	89,156
Current income tax assets	61,153	46,508
Balance at 31 December	191,136	135,664

The current income tax and other tax assets mainly consist of advances paid for local income tax.

Liabilities	2005	2004
Deferred tax liabilities	107,107	74,335
Current income tax liabilities	44,763	33,118
Balance at 31 December	151,870	107,453

The current income and other tax liabilities mainly consist of income and other local taxes payable.

Deferred taxes

Deferred income taxes and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The deferred tax receivables and liabilities are further detailed below:

Deferred tax assets	2005	2004
Deferred taxes on:		
– Tax losses carried forward (net of allowances)	30,844	37,904
– Technical balances	12,898	5,491
– Pensions	24,264	12,290
– Fiscal goodwill	52,041	1,922
– Bad dept provisions	4,941	1,865
– Other	4,995	29,684
Total	129,983	89,156

One of the main Group subsidiaries Atradius Credit Insurance N.V. operates in a branch structure. This results in deferred tax assets recognised in the foreign branches immediately being off-set against current tax liabilities of the Dutch company, if the total fiscal income of Atradius Credit Insurance N.V. is positive. In the case the total fiscal income of Atradius Credit Insurance N.V. is negative a deferred income tax asset is recognised.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. In 2004 the Group did not recognise deferred income tax assets of € 21.4 million in respect of losses amounting to € 58 million, since at that moment in time they were deemed as not recoverable. In 2005 the majority of the balance was either recovered or disappeared due to the transfer of the assets and liabilities in Germany and Belgium respectively as a result of the legal restructuring. In Germany the majority of the losses were recovered and the remainder written off due to the fact that the assets and liabilities were transferred at fair market value. At the same time goodwill of € 24.4 million was established which can be amortised over a period of 15 years. In Belgium the existing losses were lost due to the fact that the assets and liabilities were transferred at book value. Other goodwill movements relate to the transfer of the assets and liabilities at fair market value of the non-German activities of Atradius Kreditversicherung AG and a reclassification related to the Italian legal restructuring that took place at year-end 2004. The Italian goodwill can be amortised over a period of 18 years.

Deferred tax liabilities	2005	2004
Deferred taxes on:		
– Investments	6,682	3,664
– Equalisation provisions	73,629	63,739
– Technical balances	1,934	2,497
– Pensions	5,887	–
– Other	18,975	4,435
Balance at 31 December	107,107	74,335

The deferred and current income tax charged (minus) or credited to equity during the year is as follows:

	2005	2004
Fair value reserves in shareholders' equity:		
Available for sale financial investments	3,327	(379)
<i>Pensions (see Note 18):</i>		
Unrealised actuarial gains and losses	9,086	(1,550)
Planned asset ceiling	(1,477)	818
Total	10,936	(1,111)

26 Net premiums earned

	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
	2005	2005	2005	2004	2004	2004
Credit insurance						
Written premiums	963,937	(470,083)	493,854	964,188	(521,163)	443,025
Change in provision for unearned premiums	(2,358)	2,413	55	15,203	(47,850)	(32,647)
Earned premiums credit insurance	961,579	(467,670)	493,909	979,391	(569,013)	410,378
Bonding						
Written premiums	79,478	(42,262)	37,216	82,591	(49,628)	32,963
Change in provision for unearned premiums	17,737	(11,270)	6,467	17,131	(12,374)	4,757
Earned premiums bonding	97,215	(53,532)	43,683	99,722	(62,002)	37,720
Total earned premiums	1,058,794	(521,202)	537,592	1,079,113	(631,015)	448,098

The change in the provision for unearned premiums mainly relates to the increase of the retention on the quota-share contract compared to 2004 (see Note 20).

27 Service and other income

	2005	2004
Debt collections and credit management services	26,140	19,655
Credit checking fees	105,814	98,422
Other service income	14,771	14,671
Total service income	146,725	132,748

28 Net investment income

By type of investments	2005	2004
Income from		
Property	770	1,146
Bonds and other fixed rate securities	34,451	30,263
Loans	206	527
Shares and other variable yield securities	13,567	45,069
Derivatives	–	411
Other investments	5,017	6,610
Total income from investments	54,011	84,026
Expenses from		
Investment property	(564)	(5,222)
Bonds and other fixed rate securities	(4,837)	(9,196)
Shares and other variable yield securities	(2,232)	(6,636)
Derivatives	(2,201)	–
Other investments	(2,436)	(3,261)
Investment handling expenses	(2,676)	(885)
Total expenses on investments	(14,946)	(25,200)
Total income excluding associated companies	39,065	58,826
Investments in associated companies	6,830	6,175
Net income from investments	45,895	65,001
By nature of income/expenses	2005	2004
Income from		
Interest income	29,160	29,050
Dividends	5,434	2,445
Realised gains	18,526	45,443
Unrealised gains	139	93
Reversal of impairments	–	5,904
Rental income from investment property	752	1,091
Total income from investments	54,011	84,026
Expenses from		
Expenses on sale of buildings	(207)	(3,648)
Interest expenses	(2,696)	(2,904)
Investment handling expenses	(2,676)	(885)
Realised losses	(12,100)	(11,422)
Unrealised gains	(1,023)	–
Impairments	–	(656)
Depreciation of investments	(357)	(1,274)
Net foreign exchange losses	4,113	(4,411)
Total expenses on investments	(14,946)	(25,200)
Total income excluding associated companies	39,065	58,826
Share of income from associated companies	6,830	6,175
Income from investments	45,895	65,001

	Impairments		Realised gains/losses	
	2005	2004	2005	2004
Investment property	–	(300)	16	55
Investments in associated companies	–	(356)	–	–
Bonds and other fixed rate securities	–	–	1,530	3,565
Shares and other variable yield securities	–	5,904	5,963	30,084
Derivatives	–	–	(1,270)	317
Other investments	–	–	187	–
Total	–	5,248	6,426	34,021

29 Insurance claims

	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	2005	2005	2005	2004	2004	2004
Credit insurance						
Claims settled in the year	378,272	(224,631)	153,641	411,131	(220,797)	190,334
Change in provision for outstanding claims	57,591	(6,685)	50,906	(22,328)	5,039	(17,289)
Claims handling expenses	27,688	–	27,688	22,813	–	22,813
Total net claims charges Insurance	463,551	(231,316)	232,235	411,616	(215,758)	195,858
Bonding						
Claims settled in the year	112,129	(58,318)	53,811	77,220	(48,190)	29,030
Change in provision for outstanding claims	13,561	(31,468)	(17,907)	57,943	(35,688)	22,255
Claims handling expenses	8,207	–	8,207	4,196	–	4,196
Total net claims charges bonding	133,897	(89,786)	44,111	139,359	(83,878)	55,481
Total net claims charges	597,448	(321,102)	276,346	550,975	(299,636)	251,339

30 Net operating expenses

	2005	2004
Gross administrative expenses excluding restructuring costs	388,639	383,532
Restructuring costs and termination benefits	9,048	49,298
Total administrative expenses	397,687	432,830
Gross acquisition costs	116,499	115,016
Gross change in deferred acquisition costs	(2,233)	3,768
Gross operating expenses	511,953	551,614
Commissions received for business ceded to reinsurers	(165,525)	(229,035)
Reinsurers' share of change in deferred acquisition costs	(4,812)	(4,104)
Net operating expenses	341,616	318,475

Breakdown of administrative expenses by type of business	2005	2004
Insurance and information expenses	405,678	435,364
Recoveries and collection expenses	18,470	13,696
Other service expenses	9,434	10,779
Subtotal	433,582	459,839
Claims handling expenses allocated to net claims charges	(35,895)	(27,009)
Total administrative expenses	397,687	432,830

Expenses by nature	2005	2004
Included in gross administrative expenses are:		
Employee benefits expenses (see table below)	244,610	292,584
Travelling and company cars	16,324	14,261
Information technology	27,716	31,463
Housing and office expenses	43,855	46,095
Other expenses	101,076	75,436
Total expenses by nature	433,582	459,839

As part of the above classification, depreciation, amortisation and impairment charges of continuing operations amount to € 15.9 million (2004: € 21.6 million). Other expenses include mainly consultancy, marketing and credit information costs. The increase in other expenses is amongst other things a result of Group's investment in new products and marketing.

Employee benefit expenses	2005	2004
Salaries and wages	186,404	187,473
Restructuring costs and termination benefits	9,048	49,298
Social security costs	33,388	30,718
Share options granted to directors and employees	517	342
Pension costs - defined contribution plans	7,467	10,056
Pension costs - defined benefit plans	7,786	14,697
Total employee benefit expenses	244,610	292,584

For an explanation of the restructuring provision please refer to Note 21 and for employee benefit details to Note 24.

31 Finance income and expenses

	2005	2004
Interest and fees paid on subordinated loans	7,743	8,343
Interest	-	1,028
Foreign exchange (gains) losses	(201)	4,130
Total finance costs (income)	7,542	13,501

The subordinated loan costs include interest expenses of € 7.0 million and € 0.7 million of amortisation costs.

32 Income tax

Income tax expense	2005	2004
Income tax expense on continuing operations	21,655	8,745
Income tax expense on discontinued operations, relating to:		
gain on discontinued operations	1,386	–
profit from ordinary activities of the discontinued operations	1,003	(525)
Total	24,044	8,220

Tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2005	2004
Income before tax on continued operations	(103,973)	(57,720)
Tax calculated at domestic tax rates applicable to profits in the respective countries	25,993	14,430
Effects of:		
Differences in tax rates	(6,186)	(13,879)
Tax exempt (gains) and losses on investments	(2,856)	(3,572)
Income not subject to tax	(5,967)	(243)
Tax losses for which no deferred income tax asset was recognised	6,114	4,788
Change in local tax rates used to calculate deferred taxes	–	(3,566)
Reassessment of prior year local tax positions	–	7,951
Other	4,557	2,836
Tax charge for the period	21,655	8,745

The weighted average applicable tax rate was 25% (2004: 25%).

33 Earnings per share for profit attributable to the Company

Basic Earnings per share	2005	2004
Continuing operations		
Net result for the year (€ ,000)	82,318	48,975
Ordinary shares	56,600,000	56,600,000
Earnings per share in Euros	1.45	0.87
Discontinued operations		
Net result for the year (€ ,000)	17,964	1,666
Ordinary shares	56,600,000	56,600,000
Earnings per share in Euros	0.32	0.03

Basic earnings per share is calculated by dividing the net profit of the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The Group has no dilutive potential with respect to the ordinary shares in 2005 or 2004.

A dividend of € 0.10 per share relating to the 2004 annual result was paid in 2005.

34 Contingent liabilities

	2005	2004
Contingent liabilities	33,705	197,702
Other financial obligations	45,523	58,540
Total contingencies	79,228	256,242

Contingent liabilities include a guarantee of Atradius NV for obligations of the German Branch of Atradius Credit Insurance NV. The beneficiary of this guarantee is the Bundesbank and German Financial Supervisory Authority (BaFin), amounting to € 30 million. Furthermore included is a bank guarantee for a counter-claim on a receivable purchased by one of our recovery and collection companies. The beneficiary of the bank guarantee, amounting to € 0.5 million, is ING Bank N.V. It relates to the payment obligations under the lease agreement resulting from the 2003 sale of our Keizersgracht offices in the Netherlands. A parent guarantee has been issued to Credit Suisse Asset Management Kapitalanlagegesellschaft mbH for € 1.5 million.

Other financial obligations include contracted obligations for future payments related to mainframe maintenance, networking, imaging and licences.

The Group, like all other insurers, is subject to litigation in the normal course of business. The Group does not believe that such litigation will have a material effect on its profit or loss and financial condition.

The Dutch tax authorities are currently performing a tax audit of NCM Holding, a subsidiary of Atradius NV, regarding the years 1998 until 2003. During the 2005 financial year the tax authorities have issued pro forma additional assessments regarding the years 1998, 2000 and 2001 in deviation of the filed tax returns. Atradius is of the opinion that the additional assessments are unjustified and has, therefore, formally challenged these assessments. Based on the current information available and the status of tax audit, it is not possible to make any reliable estimate of the outcome.

All guarantees relating to the factoring business expired during 2005, totaling to € 195 million.

35 Operating leases

	2005	2004
Less than one year	19,582	17,080
Between one and five years	40,840	31,045
More than five years	38,998	27,217
Total	99,420	75,342

The Group leases office equipment and office space under a number of operating lease agreements. The lease contracts have a remaining term of between 1 and 22 years. The leasing of office space represents around 90% (2004: 63%) of the total future payments regarding operating leases. The decrease in future payments is mainly caused by expiration or revision of office lease contracts.

36 Personnel

The average number of employees (full-time equivalents) working for Atradius:

	2005	2004
Total average number of employees (full-time equivalent)	3,400	3,600

37 Discontinued operations

On 25 July 2005, Atradius announced that the Group entered into an agreement to sell the Factoring companies. The sale was completed on 1 November 2005, on which date control of Factoring companies passed to the acquirer.

The profit for the period from discontinued operations after intercompany eliminations is analysed as follows:

Discontinued operations	2005*	2004
Factoring income	28,852	30,794
Net investment income	127	51
Total income	28,979	30,845
Net operating expenses	(24,688)	(28,741)
Operating result before amortisation of goodwill & finance costs	4,291	2,104
Amortisation of goodwill	–	(952)
Finance income and (expenses)	2	(11)
Profit before tax	4,293	1,141
Income tax	(1,003)	525
Profit for the year	3,290	1,666
Gain on disposal of discontinued operations	16,060	–
Income tax on gain on disposal of discontinued operations	(1,386)	–
Profit for the period from discontinued operations	17,964	1,666

* Discontinued operations financial statements presented for the period ended 31 October 2005

The net assets of the factoring companies at 31 October 2005 and at 31 December 2004 were as follows:

	2005	2004
Attributable goodwill	10,415	10,415
Other intangible assets	49	125
Property, Plant and equipment	706	656
Factoring receivables	443,722	393,385
Other accounts receivable	1,800	1,188
Miscellaneous assets and accruals	287	13
Deferred tax assets	2,748	3,216
Cash and cash equivalents	19,159	13,404
Subordinated loans	(5,915)	(915)
Factoring payables	(404,418)	(375,098)
Other accounts payable	(22,025)	(1,874)
Miscellaneous liabilities and accruals	(2,630)	(2,482)
Retirement benefit obligations	(633)	(156)
Deferred tax liabilities	(15)	(9)
Current income tax liabilities	(1,345)	(944)
Net asset value	41,905	40,924
Total consideration received on the sale	63,662	
Net asset value	(41,905)	
Costs of sale	(5,697)	
Income tax on gain on disposal of discontinued operations	(1,386)	
Gain on disposal of discontinued operations	14,674	
Of the total consideration on the sale, € 62.5 million was received before 31 December 2005 and € 1.2 million in March 2006.		
Cash consideration received	62,500	
Cash and cash equivalents disposed of	(19,159)	
Net cash flow arising on disposal	43,341	

The factoring companies contributed to the Group's net cash flows up to the date of disposal as follows:

	2005	2004
Net cash (used in)/generated by operating activities	(14,681)	2,351
Net cash (used in)/generated by investing activities	(347)	(121)
Net cash (used in)/generated by financing activities	-	-
Changes in cash and cash equivalents	(15,028)	2,230

38 Related-party transactions

The shareholder structure of Atradius N.V. is listed in the table below.

Shareholder	Number of shares	Percentage of outstanding shares	Percentage of voting rights	Number of shares	Percentage of outstanding shares	Percentage of voting rights
	31.12.2005	31.12.2005	31.12.2005	31.12.2004	31.12.2004	31.12.2004
Swiss Reinsurance Company	19,780,535	34,95%	34,95%	23,750,001	41,96%	41,96%
Deutsche Bank AG	–	–	–	19,182,264	33,89%	33,89%
DB Equity S.à.R.L.	19,182,264	33,89%	33,89%	–	–	–
Crédito y Caución Germany Holding GmbH	–	–	–	3,500,000	6,19%	6,19%
Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.	6,800,000	12,02%	12,02%	3,300,000	5,83%	5,83%
Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, Sociedad Unipersonal	7,337,201	12,96%	12,96%	3,367,735	5,95%	5,95%
Betrados BV	3,500,000	6,18%	6,18%	3,500,000	6,18%	6,18%
Total	56,600,000	100,00%	100,00%	56,600,000	100,00%	100,00%

For an overview of the subsidiaries at 31 December 2005 please refer to general information and accounting and valuation principles. The following table provides the total amount of transactions, which have been entered into with related parties for the financial year.

Related party transactions 2005

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Entities with significant influence over the Group:				
Swiss Reinsurance Company	26,975	34,016	34,554	3,719
Deutsche Bank AG	–	–	–	–
Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.	34	1	72	–
Total	27,009	34,017	34,626	3,719

Related party transactions 2004

	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Entities with significant influence over the Group:				
Swiss Reinsurance Company	26,553	47,231	14,085	10,008
Deutsche Bank AG	60	4,976	–	60
Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.	–	20	36	–
Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, Sociedad Unipersonal	–	2,953	–	–
Total	26,613	55,180	14,121	10,068

Terms and conditions of transactions with related parties

Atradius has a reinsurance relationship with its shareholders. The reinsurance relationships are at arm's length. Atradius also had business relationships in 2004 with its shareholders in respect to fronting and asset management.

Outstanding balances at year end involve mainly the retroceding of Atradius Reinsurance, Ltd. There have been no guarantees provided or received for any related party receivables. For the year ended 31 December 2005, the Group has not raised any provision or expenses for doubtful debtors relating to amounts owed by related parties.

Compensation of key current and former management personnel of the Group

The following table provides details to the remuneration for members of the Management Board and Supervisory Board. The Management Board consisted of 5 members, including one former Board member in 2005 (2004: 4)

	2005	2004
Short term employee benefits	1,801	1,411
Bonus payments	1,350	1,140
Post employment benefits	351	544
Termination benefits	–	150
Share based payments	833	363
Total compensation paid to Management Board members	4,335	3,608
Short term employee benefits	349	406
Total compensation paid to Supervisory Board members	349	406

The Management Board and Supervisory Board members do not have other relationships with the company or its subsidiaries

Auditors' report

Introduction

We have audited the financial statements of Atradius N.V., Amsterdam, for the year 2005 as set out on pages 44 to 120. These financial statements consist of the consolidated financial statements and the company financial statements. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the company as at 31 December 2005 and of the result and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code as far as applicable. Furthermore we have established to the extent of our competence that the annual report is consistent with the consolidated financial statements.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of the company as at 31 December 2005 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code. Furthermore we have established to the extent of our competence that the annual report is consistent with the company financial statements.

Amstelveen, 16 May 2006

KPMG ACCOUNTANTS N.V.
J.W. Schoen RA

Glossary

Atradius Analyser

See 'Secoba'.

Atradius Instalment Credit Protection

See 'Consumer credit'.

Atradius Modula

Our modular credit insurance policy offering companies greater flexibility to tailor their policies to their specific needs.

Atradius Modula Focus

An online credit insurance policy for small and medium-sized enterprises (SME) whereby entrepreneurs are free to determine which payment risk they wish to cover.

Atradius Connect

A product which is designed to increase the efficiency of the receivables management process of companies with turnover in excess of € 150 million.

Bonding

The activity of providing guarantees that one party in a contractual relationship will meet its contractual obligations to the other party in that relationship. Such obligations can consist of performance in accordance with the contract or of payment of amounts due under the contract.

Claim

Application for payment under an unpaid debt/insured loss policy.

Claims ratio

Claims, including claims handling expenses, divided by earned premium, including credit checking fees.

Collections

Recovery of overdue or bad debts for third parties.

Combined ratio

Claims, including claims handling expenses, plus underwriting expenses, including cost for credit information, divided by earned premium, including credit checking fees.

Consumer credit

A service whereby protection is provided to the credit company in the form of a credit insurance policy against the risk that any consumer in the portfolio does not fulfil his or her payment obligations. This is similar to standard trade credit insurance protection, but for business-to-customer instead of business-to-business clients. In 2006 renamed Atradius Instalment Credit Protection.

Credit enhancement

A service whereby additional protection is provided to the purchaser and new owner of trade receivables, for the benefit of the investors in a securitisation programme. Atradius can facilitate such programmes and can provide credit insurance protection against the risk that buyers in the portfolio do not fulfil their payment obligations.

Credit insurance

Commercial and political risk insurance against business-to-business payment default.

Credit limit

The maximum amount set by the insurer, which may be outstanding for payment at any one time and be covered under the policy.

Credit risk

The risk that a buyer does not meet his payment obligations.

Debt collection

Activity to collect monies owed by a company or a third party.

EuReFin

European Receivables Financing, the purchasing and financing of trade receivables from medium-sized companies in Europe.

Expense ratio

Underwriting expenses, including cost for credit information, divided by earned premium, including credit checking fees.

Factoring

The purchase of a trade debt by a third party at a discounted rate.

Global

The Atradius service offered to multinational customers, which provides tailored credit management solutions for customers worldwide, in several languages and currencies.

Insolvency

Legally recognised inability of a debtor to meet his commitments and pay his debts.

Medium term business

Business (capital goods and major projects) transacted on credit terms of between two and five years.

Political risk

1. The risk that a government buyer or a country prevents the fulfillment of a transaction, or fails in meeting payment obligations.
2. The risk that is beyond the scope of an individual buyer or falls outside the individual buyer's responsibility.

Premium

Amount paid by an insured client to the insurer in return for risk coverage.

Receivables management

Management of cash flow and debtor portfolio.

Recoveries

Proceeds of overdue or bad debt for the insured party.

Securitisation

Asset-backed financing achieved through the revolving sale of trade receivables to a special purpose vehicle, which is funded through the issuance of short term debt into the capital markets.

Secoba

Is intended to bring together the interests of banks, the Atradius Group and those of our clients and prospects, through the development of technical solutions, for the benefit of each participant. In 2006 renamed Atradius Analyser.

Single situation cover

Cover for single buyer and transaction and political losses including pre-credit cover.

Standby services

The services provided by a specialised party whereby a process is developed to immediately take over the receivable collection and servicing activities, normally at the request of the financing parties of a Securitisation Facility.

TERI

Tender Exchange Rate Indemnity (TERI) insures companies bidding fixed and firm in foreign currency, against the exchange rate losses that they may suffer if they win the contract and the tender currency has weakened relative to their cost currency during the tender to contract period.

Underwriter

Person charged with risk acceptance, control of that risk, and the setting of cover conditions on buyers/credit limits, including any country-specific terms of cover.

Whole turnover policy

A service whereby protection is provided to the insured in the form of a credit insurance policy that covers the insured company's total trade receivables against the risk of non-payment by their buyers (for commercial risks) and the country of the buyers (for political risks).

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Disclaimer

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Shared Principles for a global company

Atradius has developed a set of Shared Principles governing the way staff treat each other, customers and all other stakeholders.

We work together

I work with others, because I can achieve and learn more than I could do on my own. I use our international network to the benefit of our clients. I respect other cultures and my actions are based on integrity, trust and mutual esteem. I ensure that my skills, expertise and support are available to my clients and colleagues alike.

We are professional

I understand my business and I serve my customers in a competent and dedicated manner to add the highest value I can deliver. I make the most effective use of Atradius' resources and seek the best balance between the

means and the desired result. I am committed to the growth of Atradius as a profitable and a professional company. I seek and take opportunities that are of the mutual benefit of our clients and Atradius.

We value everyone's individual contribution

I add value to my company as does every one of my colleagues around the world. I respect their contributions to our shared goals, and I stimulate and support them. I share my appreciation for their input and provide constructive feedback. I am dedicated to integrate Atradius' know-how to provide the best guidance for our customers worldwide.

We take responsibility

I take ownership for my actions. I am accountable and I avoid raising

expectations which I cannot fulfil.

I carry out my work to the best of my ability to promote sustainable value for our clients and the business world. I care about my own and my colleagues' professional well-being and prioritise work and private life in a balanced way.

We are ambitious

I am proud to be part of Atradius and want our company to be the best in the business. I continuously develop myself to improve my own and Atradius' performance. I do not accept mediocrity or unethical behaviour. I value innovation and see change as a positive and constant element of growth.

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