

Achieving New Heights



Annual Report 2006 Atradius N.V.

Five years in figures

All figures in compliance with IFRS	2006	2005	2004	2003	2002
Financial information (in EUR million)					
Gross earned premium	1,076.5	1,058.8	1,079.1	1,098.2	1,083.8
Service income	152.9	146.7	132.7	137.4	152.1
Total income	1,229.4	1,205.5	1,211.9	1,262.6	1,262.3
Net investment result	55.5	45.9	65.0	60.6	(50.3)
Total turnover	1,284.9	1,251.4	1,276.9	1,323.2	1,212.0
Net profit	105.3	100.3	50.6	15.3	(77.7)
From continued operations	105.3	82.3	49.0	15.3	(77.7)
From discontinued operations	–	18.0	1.7	–	–
Balance sheet information (in EUR million)					
Equity at year-end	690.2	605.1	503.3	395.5	384.1
Total assets	2,874.9	2,687.9	2,832.7	2,925.1	2,699.7
Technical provisions	1,349.7	1,277.4	1,207.4	1,194.5	1,119.0
Shareholders' information					
Return on equity ¹⁾	16.3%	18.1%	11.3%	3.9%	–
Return on equity based on continued operations ²⁾	16.3%	15.0%	10.9%	3.9%	–
Outstanding shares (at year-end, in EUR million)	56.6	56.6	56.6	50.0	50.0
Dividend paid (in EUR million)	11.3	5.7	–	–	3.6
Pay-out ratio ³⁾	11.3%	11.2%	–	–	42.3%
Earnings per share (in EUR)	1.86	1.77	0.89	0.31	(1.55)
Dividend per share (in EUR)	0.20	0.10	–	–	0.07
Technical ratios					
Gross claims ratio	45.0%	51.8%	46.8%	60.9%	64.7%
Gross expense ratio	39.0%	40.8%	44.8%	40.2%	40.2%
Gross combined ratio	84.0%	92.6%	91.6%	101.1%	104.9%
Net claims ratio	45.8%	43.9%	46.0%	53.1%	65.9%
Net expense ratio	41.0%	47.4%	53.8%	52.4%	61.0%
Net combined ratio	86.8%	91.3%	99.8%	105.5%	126.9%
Employees					
Headcount	3,545	3,452	3,900	3,831	3,691
Full Time Equivalents (FTE)	3,304	3,256	3,632	3,578	3,447
Credit ratings					
Standard & Poor's	A, stable				
Moody's	A2, stable				

Notes:

- ¹⁾ Return on equity is defined as the total net profit for the year divided by the time weighted average shareholders' equity of the year.
- ²⁾ Return on equity based on continued operations is defined as the net profit from continued operations divided by the time weighted average shareholders' equity of the year.
- ³⁾ Pay-out ratio is defined as dividend paid to shareholders divided by the total net profit for the period that is related to this dividend.

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Achieving New Heights



Achieving New Heights

Atradius is one of the world's leading providers of credit insurance and credit management solutions, protecting EUR 400 billion of world trade annually against non-payment and a myriad of other risks. We help our customers trade wherever they want to by researching markets, established or new, by continually updating intelligence on 45 million companies around the world, and by providing security to give them freedom to grow. At our 90+ offices in 40 countries we make 12,000 credit decisions on behalf of our customers every working day. We provide our customers with the security they need to achieve new heights, the safety and knowledge they need to move forward and to broaden their horizons. In 2006 we also stretched ourselves to achieve new heights – geographically, operationally and financially.

Geographically, we strengthened existing markets and entered new ones – Singapore, Hong Kong and China – to maximise the value and quality of service and information we offer our customers facilitating to do business in this region.

We also introduced new product offerings around the globe in order to provide outstanding knowledge and

support to enable our customers to achieve their business goals. The Atradius Modula policy, which tailors insurance cover to meet the needs of any business, is being extended throughout the world.

And if Atradius Modula is not suitable, we have a dedicated team that can create bespoke solutions for any customer around the globe.

Operationally we know that the norm is simply not enough. For us this means continually monitoring, reviewing and improving everything we do – the quality of our services, systems, business practices and products. Our credit management knowledge and expertise coupled with our geographical proximity to so many of our clients' business operations is our unique selling proposition. Because we go the extra mile we have helped creating a necessary anchorpoint for our stakeholders so that they can reach higher pinnacles.

In 2006, we achieved record results. We aimed high, remained focused and achieved our goals. With the ongoing support and involvement of our stakeholders we intend to continue to achieve new heights and demonstrate sustained growth and improvement across our entire business.

The year 2006 at a glance

- Total turnover: EUR 1,285 million
- Shareholders' equity: EUR 690.2 million
- Net profit: EUR 105.3 million
- Return on equity: 16.3 %
- Roll-out of the Atradius Modula Policy, which is aligned worldwide in wording and structure
- Expansion in the non-insurance segment with the introduction of the Atradius Observa News service
- Joint venture with Tokio Marine & Nichido Fire Insurance Co., Ltd.
- Co-operation agreements in China with China Continent Property and Casualty Insurance Company Limited and in Turkey with TEB Sigorta
- Atradius was granted an insurance license in, among others, Hong Kong, New York and California
- Shareholders of Atradius and Crédito y Caución started active discussions to finalise the structure and the terms of a combination of the two companies

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Foreword by the Management Board



Delfin Rueda
Chief Financial Officer

Anno Kamhuis
Chief Risk Officer

Dr. Peter Ingenlath
Acting Chief Executive Officer
Chief Market Officer

Financial results: Achieving New Heights

In 2006 we increased our net profit from continued operations by 28% and increased our Return on Equity based on continued operations to 16.3%. This positive result is all the more satisfying in that it shows a continuation of a positive trend. In 2006 Atradius increased its net profit for the fourth year in a row. This result is a strong endorsement of our strategy of focusing on our core competencies in credit insurance and related services.

The implementation of our strategy, which required downsizing and optimisation of some business units, had a negative impact on our top-line growth, but this was outweighed by the growth in our core businesses of credit insurance and collections. A low claims ratio, which was largely due to the favourable risk environment and our professional risk underwriting, also had a positive effect on the net result.

In 2006, we kept a close eye on our expenses and succeeded in keeping our overall costs at the same level as in 2005. We achieved this despite increased business volumes, considerable investment in geographical expansion and the ongoing improvement of our product and service propositions. The increased cost efficiency is reflected in an improved cost ratio, despite softening prices resulting in a restrained revenue growth in our core markets.

Strategy

Our strategy is to focus on credit insurance and complementary services such as collections, business information, bonding and reinsurance. This will enable us to increase the leverage of our credit insurance operations. There are two aspects to our strategy of focusing on credit insurance, which are an essential part of our offer to new and existing customers. Firstly, we will continue to expand our geographical presence in order to provide greater support for

our existing customers throughout the world and to acquire new customers in fast growing markets such as Eastern Europe and Asia.

Secondly, we will continue to invest in the improvement of our product and service proposition.

In 2006 we made considerable progress in implementing this strategy and created a strong basis for growth in the years to come.

Customer focus

Our ambition is to offer our customers a comprehensive and innovative credit insurance proposition. Atradius Modula is a key product in this respect. This innovative modular solution enables our customers to tailor our offering to meet their specific requirements. The roll-out of the Atradius Modula policy is now well underway and will be completed in 2007. The wording and structure of Atradius Modula has been aligned worldwide. This is unique in the credit insurance industry. The harmonisation of attractive solutions that meet customer needs will improve our operational excellence and productivity.

The credit insurance product offering was expanded to cater for the SME (small and medium-sized enterprise) market. For this segment we rolled out online policies and developed a credit insurance policy with minimal administrative requirements.

Our Special Products team in London enhanced their product suite, structured credit and political risk solutions with the addition of tailor-made products for multinational and global clients.

As a result, as from 2006, Atradius is now operating at a complete customer spectrum and is currently the only credit insurer to offer a complete range of credit insurance policies, including political risk and single transaction cover.

Credit insurance was not the only area in which Atradius made significant strides; 2006 was also a year of strong growth in collection services.

This was facilitated by a dedicated sales force, further improvements in the IT infrastructure and a sincere focus on our core strength of delivering fully integrated international business-to-business collection services.

We also concentrated on expanding the product family in the non-insurance segment. The Atradius Observa News service scans 7,000 internet news sources for articles on specified companies on a daily basis. Sophisticated filtering, extraction and text analysis software ensure that articles have business relevance and avoid information overload to the customer. The service is positioned as an information tool designed to enhance our customers' decision-making processes by providing relevant information about their suppliers, clients or competitors. Observa News is offered via our existing online system, Serv@net.

Besides developing new products that attracted new customers in 2006, we also succeeded in improving the service we provide for existing customers. The extent to which we achieved this is reflected by the fact that the customer retention rate increased from 88.6% in 2005 to 90.2% in 2006. To further improve our customer service we introduced a new group-wide contact management system known as Customiser, which supports our Customer Relationship Management. Among other things this system ensures that we keep a record of all contacts with customers and intermediaries, thereby enabling us to provide higher quality responses to customer enquiries.

We also rolled out Atradius Connect, a service that keeps track of transactions and automates and updates credit limit applications and decisions such that no manual intervention is required. This reduces the workload for our customers.

Market expansion

In terms of geographical expansion 2006 clearly marked a milestone in the strengthening of our presence in Asia. Together with our partner Tokio Marine & Nichido Fire Insurance Co. we set up a joint venture in Japan – the Tokio Marine Nichido and Atradius Credit Management Co. Ltd. – in April, to exploit the export opportunities that arose after the deregulation of credit insurance in Japan. In China we signed a co-operation agreement with China Continent Property and Casualty Insurance Company Limited in which domestic credit insurance is offered to local Chinese companies as well as to existing Atradius customers operating in mainland China. This co-operation agreement significantly reinforces our growth strategy for Asia. Our licence application in Hong Kong was officially approved towards the end of 2006.

In January 2007 our Singapore license was granted. We increased the size of our office in Singapore to be able to offer both commercial and risk underwriting services. Lastly, we strengthened our Asian hub in Hong Kong in order to further develop business in Asia.

We decided to expand our credit insurance operations to Turkey and set up a representative office in Istanbul in the second half of 2006. The application for a licence is pending and we hope to receive a positive reaction in the course of 2007. At the end of 2006 we signed a co-operation agreement with the Turkish Insurer TEB Sigorta.

All of our product development activities and our ongoing geographical expansion were supported by continued efforts to raise awareness of the Atradius brand through collaboration with media partners such as Financial Times Deutschland (which features our European Payment Practices Barometer), Les Échos and The Economist. We joined forces with The Economist and conducted research on trade opportunities in selected emerging markets. The results and subsequent debate were presented

online in a webcast on The Economist website.

Brand awareness was also supported by an active sponsorship strategy in 2006. Atradius sponsored the Museum Het Rembrandthuis in its celebration of the 400th anniversary of Rembrandt's birth. Atradius also sponsored the Welsh Open, the European PGA Golf Tournament, at the Celtic Manor.

Human Resources

Our employees are our greatest assets. We are aware of the contribution they make to the organisation. Therefore we actively seek ways to help our employees in developing their skills. We started to implement a number of HR initiatives in 2006, including the introduction of a structured approach to competency management and appraisal. We aim to promote and challenge our employees. Our envisaged reward model will focus more specifically on performance management and is aligned with our ambitions as a company and the ambitions of our employees. Towards the end of the year we conducted an employee satisfaction survey which was completed by almost 70% of the workforce. Based on the encouraging results of the survey we will continue to seek ways to enhance the satisfaction of our staff.

The number of full-time equivalents fell from around 3,630 in 2004 to around 3,300 in 2006. Measures designed to improve productivity made it possible to handle higher business volumes with fewer staff.

Internal excellence

In 2006 we deployed various initiatives to strengthen our internal processes and resources and improve our internal excellence. As a result we were able to provide an outstanding product and service proposition.

We strengthened our internal control systems and our risk management by increasing our management capabilities in these areas and by establishing an Enterprise Risk

Control unit. This ERC team is charged with the task of broadening the risk management activities within Atradius and further improving and embedding the internal control systems so that we can continue to grow in a sustainable and controlled way.

In addition, we have developed an economic capital model for bonding and further improved our capital model for credit insurance. The model, that was reviewed by external specialists, helps to translate risk into a monetary amount, thereby making it possible to more precisely balance risk with reward. During 2007, steps will be taken to further integrate economic capital into key decision processes within Atradius. This will help to ensure an optimal use of available capital. The model has already been used to assist in the selection of the optimal reinsurance treaty for 2006 and 2007.

Financial reporting and controlling

During the year under review we made a substantial effort to align and enhance the group-wide financial processes. The final phases are expected to be completed in 2008. In tandem with this we are also implementing a knowledge management structure for various areas within our finance organisation. We also made further progress in integrating financial and management accounts, and in reducing the time it takes to produce management reports.

The year 2007

We will continue to further develop Atradius in the frame of our successful strategy. We have the management and financial capabilities to move on even faster than before. A few elements are worthwhile to be mentioned in this perspective.

Crédito y Caución

One of the most exciting events for Atradius in the near future would be Atradius joining forces with Crédito y Caución, the leading Spanish insurance and bonding company. After the establishment of the Atradius Group with the merger of Gerling Credit and

NCM in 2001, the envisaged combination with Crédito y Caución follows compelling business logic. Atradius will contribute its international credit insurance business and know-how and Crédito y Caución will bring in its undisputed leadership of the Spanish market and its cost-effective local operations. The combined group will create new opportunities whilst not affecting Atradius' strategy and status as an international company headquartered in The Netherlands. We are confident that together Atradius and Crédito y Caución will be able to achieve new heights in terms of value for customers, size, geographical coverage, underwriting expertise and portfolio balance.

World economic outlook

A global slowdown is forecasted for 2007 but it is expected to be marginal followed by a swift recovery in 2008. Our major markets in Western Europe and North America have seen strong

levels of activity in the recent past with the result that monetary policy has gradually tightened in an effort to prevent a situation of extreme price pressure. However, policy measures have been such that currently a rebalancing is expected with countries that grew strongly in the past, to come back in line with those that grew at a less rapid pace. Such orderly rebalancing implies that no significant deterioration in overall credit quality is expected in these markets though some countries or sectors are at greater risk than others.

In other parts of the world such as Eastern Europe, Latin America and emerging Asia, the successful growth stories will continue. Strong domestic demand, firm commodity prices and high levels of international trade will support growth in many countries in these regions.

Strategic initiatives

We plan to continue our geographical expansion in 2007. We will be paying

particular attention to our new office in Turkey and intend to seek to strengthen our presence in Russia. Both markets are becoming increasingly important for credit insurance.

In addition to focusing on geographical expansion we will also continue to improve our value proposition to customers. Above all, we will be seeking to improve the technology that facilitates both data exchange with our clients and data analysis. We also intend to strengthen our distribution capacity by entering into co-operation agreements with partners in the insurance and banking industry.

Amsterdam, 11 April 2007

The Management Board

Dr. P. Ingenlath

A.G. Kamphuis

D. Rueda



“Our partnership with Atradius has given us wings”

Name : Stefaan Vandecasteele and Karl Tack
Company: Vandecasteele Houtimport
Industry : Timber import
Location : Belgium

“Although we had been exporting for over twenty years, four years ago we decided to look for ways to become an even bigger player in the export market, and did some research. Broadening our market with neighbouring countries and subsequently the rest of Europe has always presented some risks. That is why we got in touch with Atradius. And we certainly don't regret it. Our partnership with Atradius has 'given us wings' and has removed a lot of unhealthy stress from our company.”

Report of the Supervisory Board

The Supervisory Board is delighted that the positive developments within Atradius have reached yet another level. The company set ambitious targets for 2006 and it has proven to be a successful year for Atradius, especially in terms of earnings performance. The profit for 2006 amounts to a total of EUR 105.3 million compared to EUR 100.3 million in 2005. In addition, the strategic focus on geographical expansion and product development improved Atradius' position as a global player in the credit insurance and debt collection markets, reaffirming Atradius' continuous endeavours to improve its performance.

In 2006 the Supervisory Board assembled four times. The Audit Committee met four times, the Executive Committee met five times and the Risk and Finance committee met four times. During these meetings the Company's general affairs and related businesses as well as specific topics were discussed with the Management Board.

This Annual Report of Atradius N.V. contains the 2006 Financial Statements audited by KPMG Accountants N.V. The Supervisory Board has approved the annual accounts as presented by the Management Board and advises the General Meeting of Shareholders

to adopt the 2006 Financial Statements and to grant the Management Board and the Supervisory Board discharge for the management and supervisory duties respectively, performed during the 2006 financial year.

The shareholders of Atradius have initiated active discussions to finalise the structure and terms of a combination between Atradius and Crédito y Caución. This would bring significant benefits to the combined Group and would emphasise the complementary strengths of Atradius and Crédito y Caución.

Isidoro Unda, currently a member of the Supervisory Board of Atradius and CEO of Crédito y Caución, has been nominated as CEO of Atradius. His appointment will be effective as soon as the relevant regulatory approvals have been obtained.

Wilfried Verstraete stepped down as CEO of Atradius with effect from 1 October 2006. He achieved all of the objectives that were defined when he joined Atradius in May 2004. As a result of the new strategy that was developed and implemented under his leadership, Atradius is now ready for the next step in its corporate development. We would like to express our gratitude to Wilfried Verstraete for everything he has achieved as CEO of Atradius. Peter Ingenlath,

Vice Chairman of the Atradius Management Board, serves as acting CEO until the new CEO will take office.

A much appreciated member of the Supervisory Board, Detlef Bierbaum, resigned with effect from 13 June 2006. We would like to thank Detlef Bierbaum for his valuable insights and contribution to Atradius. Jesús Serra was appointed as a new member of the Supervisory Board from the same date. He is Executive Corporate General Manager and member of the Board of Grupo Catalana Occidente S.A. as well as Chairman of the Board of Crédito y Caución. Jesús Serra has extensive experience in the insurance business in general and credit insurance in particular. I am convinced that he will have a significant influence on the future of Atradius. I am extremely pleased to welcome him as a member of the Supervisory Board.

I would like to thank the Atradius Management Board and all Atradius employees for the positive results achieved in 2006. I am confident that the progress that was made in 2006 will serve as a strong basis for the future of Atradius.

Amsterdam, 17 April 2007

Supervisory Board
Paul-Henri Denieuil (Chairman)



“With Atradius we developed a collections strategy”

Name : Marco Bravenboer
Company: P&O Ferrymasters Ltd
Industry : Transportation
Location : The Netherlands

“With Atradius we got a central contact for all of our cases, easy communication across Europe and high level of skills and knowledge. Together we developed a realistic collections strategy combining our need for speed with the right customer approach. Over the past two years, our number of active customers has increased significantly – but we have managed to keep our credit management team the same size and in spite of growing turnover, our bad debt provision has not increased. Faced with similar challenges, I’d recommend that other companies go to the people at Atradius - without a doubt.”

Corporate Governance

Atradius endorses the importance of sound corporate governance. Key elements of independence, accountability and transparency, create a relationship of trust between Atradius and all of its stakeholders such as employees, customers, suppliers, shareholders and the general

public. Atradius N.V. is a limited company organised under the laws of The Netherlands with a Management Board and a Supervisory Board. The Management Board is responsible for achieving the Company's aims, strategy, policy and results and is guided by the interests of the Company and by

doing so the interests of the Company's stakeholders. The Supervisory Board supervises the Company's general affairs and the policy pursued by and the performance of the managerial duties of the Management Board, taking into account the interests of the Company's stakeholders.

The Management Board

Composition

The Management Board of Atradius N.V. currently consists of three members.

Dr. Peter Ingenlath

(1958, German nationality)
Acting Chief Executive Officer and Chairman of the Management Board, Chief Market Officer
Appointed: 22 December 2003

Anno Kamphuis

(1958, Dutch nationality)
Chief Risk Officer
Appointed: 22 December 2003

Delfin Rueda

(1964, Spanish nationality)
Chief Financial Officer
Appointed: 24 January 2005

Former Chairman of the Management Board and Chief Executive Officer Wilfried Verstraete left Atradius as per 1 October 2006. Since then Peter Ingenlath took both positions on a temporary basis, until Isidoro Unda, who has been nominated Chairman of the Management Board and Chief Executive Officer, is appointed.

Role and procedures

The Management Board as a whole is responsible for the management and the general affairs of Atradius and is supervised by the Supervisory Board. Management Board members are appointed for a term of four years and may be reappointed for additional terms of up to four years. The General Meeting of Shareholders has the authority to appoint, suspend or dismiss a Management Board member on the recommendation of the Executive Committee of the Supervisory Board. The Articles of Association stipulate that the Management Board must consist of at least one member and that in the event of a vacancy the management of the Company will be conducted by the remaining members or sole remaining member.

In accordance with the Articles of Association, the Management Board formulates the Company's operational and financial objectives, the strategy designed to achieve these objectives, and determines the parameters that are to be applied in relation to the strategy. All of these are submitted to the Supervisory Board for approval.

The Management Board is responsible for the internal risk management and control system within Atradius. During 2006, Atradius introduced a Code of Conduct for Atradius employees. The Code of Conduct includes, among others, a whistle blower policy that enables employees to report alleged irregularities in the Company without jeopardising their position within the Company.

Remuneration

The Supervisory Board determines the remuneration and further employment conditions of each member of the Management Board, based on the recommendation of the Executive Committee of the Supervisory Board and in accordance with the remuneration policy adopted by the General Meeting of Shareholders. Options have been granted to the members of the Management Board and senior management and are conditional to determined performance criteria. Information regarding the amount of remuneration received by Management Board members can be found in the explanatory Notes to the Financial Statements.

Conflict of interest

In the event of a potential conflict of interest, the member of the Management Board affected by the potential conflict of interest must

immediately notify the Chairman of the Supervisory Board and the other members of the Management Board.

A member of the Management Board

who has a conflict of interest will not participate in discussions and/or decision-making process on any issues or transactions affected by the conflict of interest.

The Supervisory Board

Composition

The Supervisory Board of Atradius N.V. currently consists of nine members.

Paul Henri Denieuil (Chairman)

(1941, French nationality)

Mr. Denieuil graduated in law from Paris University (1962) and earned an MBA from Ecole des Hautes Etudes Commerciales (1965).

Paul-Henri Denieuil has more than 30 years experience in Investment Banking and Financial Institutions. Until 2003 he was managing partner at Deloitte & Touche Corporate Finance. Before joining Deloitte & Touche Corporate Finance, he was the Chief Executive Officer of the Euler Group. Currently he is the non-Executive Chairman of Deloitte Finance in France. Other positions are: Operating partner of Duke Street Capital General Partner Ltd, and Director of Cacharel.

On 14 July 2004 Paul-Henri Denieuil was awarded Officier de la Légion d'Honneur.

Paul-Henri Denieuil was appointed to Atradius N.V. on 1 May 2004.

Isidoro Unda (Vice Chairman)

(1952, Spanish nationality)

Mr. Unda graduated in law with economics from Deusto University (Bilbao, Spain).

Isidoro Unda has had almost 20 years experience in the financial and insurance sector. Currently he is the Chief Executive Officer of Crédito y Caución. Before joining Crédito y Caución he was a member of the Board of leading Spanish companies such as Inverseguros S.A. and Mutua Madrileña Automovilista.

Isidoro Unda was appointed to Atradius N.V. on 22 December 2003.

John H. Fitzpatrick

(1956, American and Irish nationality) Mr. Fitzpatrick earned a BBA from Loyola University of Chicago (1979), is a CPA (1979) and CFA (1987).

John Fitzpatrick has more than 28 years experience in Corporate Finance in the Insurance & Financial Services industries. Currently he is the Chief Executive of Pension Insurance Corporation Ltd, a new company providing pension insurance to defined benefit pension funds and annuity providers. Before this he worked at Swiss Re as Chief Financial Officer (1998-2003), as Head of the Life & Health Reinsurance Business Group (2003-2005) and as Head of Financial Services (2005-2006). Before joining Swiss Re he worked at Zurich Insurance Group and Kemper Corporation, where he was CFO and a Director.

John H. Fitzpatrick was appointed to Atradius N.V. on 1 December 2005.

Peter Gujer

(1948, Swiss nationality)

Mr. Gujer holds a Masters Degree in Business Administration from the University of St. Gallen.

Peter Gujer is a member of the Executive Team with Swiss Re Asset Management and heads the Alternative Investment Unit. He joined Swiss Re in 1995. Before joining Swiss Re, he was with Swiss Bank Corporation (SBC) for 20 years in various senior positions in corporate and investment banking and spent 7 years in Hong Kong as the Branch Manager covering China, Taiwan and Korea. In Tokyo he held the position of CEO of SBC Japan for 5 years.

He holds various other directorships in Swiss Re companies.

Peter Gujer was appointed to Atradius N.V. on 29 April 2005.

Jan H. Holsboer

(1946, Dutch nationality)

Mr. Holsboer graduated in economics from Amsterdam University (1971).

Jan Holsboer has 34 years broad international experience in (re)insurance, banking and asset management with Delta Lloyd Non-life Insurance Group, Netherlands Reinsurance Group (CEO) and Nationale-Nederlanden/ING (member Executive Board). In addition he is honorary president and member of the Geneva Association. Other current positions include: member of the Executive Board Univar N.V.; member of the Supervisory Boards of PartnerRe, Royal Begemann Group (appointed by the Enterprise Chamber of the Amsterdam High Court), TD Waterhouse Bank N.V., Onderlinge 's Gravenhage; chairman Foundation Vie d'Or and chairman/member of several charitable and other not-for-profit Boards.

Jan Holsboer was appointed to Atradius on 22 December 2003.

Bernd H. Meyer

(1946, German nationality)

Mr. Meyer graduated in law from Hamburg University (1973) and passed his second state examination in law also in Hamburg (1976).

Bernd Meyer worked for 25 years in Gerling-Konzern in Germany where his main assignment for 22 years was the credit insurance business. In 1997 he was appointed Chief Executive Officer

of Gerling Credit Insurance Group and in 2001 of Gerling NCM Credit and Finance AG. Bernd Meyer is also a member of the Supervisory Board of Carl Spaeter GmbH, in Germany.

Bernd H. Meyer was appointed to Atradius N.V. on 22 December 2003.

Jesús Serra

(1950, Spanish nationality)
Mr. Serra graduated in Economics (Business Administration) and Actuarial Insurance from Barcelona Central University (1979) and PGD from IESE (1983).

Jesús Serra has more than 30 years experience in Finance and Insurance through his various positions in the Catalana Occidente Insurance Group. Currently, Jesús Serra is member of the Board and Executive Corporate General Manager of Catalana Occidente, and Chairman of the Board of Crédito y Caución. He is also a member of the Board of Mutua Asepeyo and has been member of the Board of the Spanish Actuarial Association and Chairman of the Actuarial Catalan Association, of which he is now a Member of Honour.

Jesús Serra was appointed to Atradius on 13 June 2006.

Dick Sluimers

(1953, Dutch nationality)
Mr. Sluimers studied economics at Erasmus University in Rotterdam and read politics for a number of years at Amsterdam University.

Dick Sluimers is Chairman of the Board of Directors of ABP Pension Fund. He joined ABP in 2003 as Chief Financial Officer. Before joining ABP he had various positions at the Ministry of Finance, ultimately in the function of Director-General of the Budget. Other positions include: chairman of the Board of Governors of the Post-graduate Course Treasury Management at the University of Amsterdam, Chairman of the Netherlands Foundation for Pension Science and member of the Board of Governors of the State academy of Finances and Economics.

Dick Sluimers was appointed to Atradius on 22 December 2003.

Dr. Axel Wieandt

(1966, German nationality)
Dr. Wieandt holds a Masters degree and a doctorate in Business Administration from the Koblenz School of Corporate Management (WHU), Vallendar/Germany (1990, 1993) and a 'Master of Management' degree from the J. L. Kellogg Graduate School of Management, Northwestern University Evanston, IL/USA (1992).

Axel Wieandt is Global Head of Corporate Development (AfK) and Global Head of Corporate Investments (CI) of Deutsche Bank AG. He joined Deutsche Bank Group in 1998. Before joining Deutsche Bank he worked at McKinsey & Company Inc. in Germany and the USA and at Morgan Stanley Ltd. & Co. in the UK. Other directorships include Board positions in various Deutsche Bank companies. Since 2005 he serves as Professor honoris causa for Banking/Business Administration of the Koblenz School of Corporate Management (WHU).

Axel Wieandt was appointed to Atradius N.V. on 22 December 2003.

Role and procedures

The General Meeting of Shareholders has the authority to appoint the members of the Supervisory Board on recommendation of the Executive Committee.

The members of the Supervisory Board are appointed for a term of three years. They may be reappointed but may not serve on the Supervisory Board for more than twelve years. The Supervisory Board regulations describe the division of duties and the procedures of the Supervisory Board. Supervisory Board members shall retire early in the event of inadequate performance, structural incompatibility of interests and in other instances in which resignation is deemed necessary by the other members of the Supervisory Board.

The expertise of the Supervisory Board

The composition of the Supervisory Board is such that the combined experience, expertise and independence of its members ensure that the Supervisory Board is able to carry out its duties as competently as possible. The current members of the Supervisory Board have extensive international experience in insurance and reinsurance, investment banking, strategic consulting and regulatory matters.

Role of the Chairman and the Company Secretary

Among other things, the Chairman of the Supervisory Board determines the agenda, chairs the Supervisory Board meetings, monitors the functioning of the Supervisory Board and its committees, ensures that there is sufficient time for decision-making, and acts on behalf of the Supervisory Board in serving as the principal contact person for the Management Board. The Chairman of the Supervisory Board is assisted in his role by the Company Secretary.

Committees of the Supervisory Board

The Supervisory Board has set up the following committees.

Audit Committee

The Audit Committee helps the Supervisory Board fulfil its supervisory and monitoring duties with respect to the assurance of the integrity of the Company's financial statements and its compliance with legal and regulatory requirements, the external auditor's qualifications, and the performance of internal and external auditors. The Audit Committee monitors, independently and objectively, the financial reporting process within Atradius and the system of internal controls. It also facilitates the ongoing communication between the external auditor, the Management Board, the Internal Audit department and the Supervisory Board on issues concerning the Company's financial position and financial affairs. In 2006 the Audit Committee met four times. The Audit Committee consists of Jan Holsboer (Chairman) and Dick Sluimers.

Risk and Finance Committee

The Risk and Finance Committee helps the Supervisory Board fulfil its supervisory and monitoring duties with respect to risk management and control, the monitoring of the balance sheet and investment portfolio, and the financing of Atradius' activities. In 2006 the Risk and Finance Committee met four times.

The Risk and Finance Committee consists of Isidoro Unda (Chairman), John Fitzpatrick, Bernd Meyer and Axel Wieandt.

Executive Committee

The Executive Committee helps the Supervisory Board fulfil its supervisory and monitoring duties with respect to strategy, proposals for the nomination of members of the Supervisory and Management Boards,

the remuneration policy and the remuneration of senior management and other corporate governance matters. In 2006 the Executive Committee met five times.

The Executive Committee consists of Jesús Serra (Chairman), John Fitzpatrick, Peter Gujer, Isidoro Unda and Axel Wieandt.

Conflict of interest

In the event of a (potential) conflict of interest, the member of the Supervisory Board affected must immediately notify the Chairman of the Supervisory Board and must provide all relevant information. The Chairman of the Supervisory Board will then determine whether there is indeed a conflict of interest. A member of the Supervisory Board who has a conflict of interest with the

company will not participate in discussions and/or decision-making processes on any issues or transactions affected by the conflict of interest.

Remuneration

The General Meeting of Shareholders determines the remuneration of the members of the Supervisory Board. This is done on the recommendation of the Executive Committee and in accordance with the remuneration policy adopted by the General Meeting of Shareholders. Members of the Supervisory Board are reimbursed for their expenses. Information regarding the amount of remuneration received by Supervisory Board members can be found in the explanatory Notes to the Financial Statements.

General Meeting of Shareholders

Shareholders are able to exercise their rights at the General Meeting of Shareholders. Shareholders are entitled to suggest items to be included on the agenda of any

General Meeting of Shareholders provided they represent, in the aggregate, at least one-twentieth of the issued capital. The General Meeting of Shareholders is also

authorised to approve important decisions regarding the identity or character of Atradius and major acquisitions and divestments.

The internal and external Audit

External Auditor

The General Meeting of Shareholders appoints the external auditor on the recommendation of the Audit Committee of the Supervisory Board. The Audit Committee evaluates the performance of the external auditor and also pre-approves the fees for audit and permitted non-audit services to be performed by the external auditor. The Audit Committee ensures that the external auditor is not appointed to render services that are

explicitly prohibited in the Atradius Policy on Auditor Independence. This policy was approved on 6 December 2006. The General Meeting appointed KPMG Accountants N.V. as the company's external auditor for the financial year 2006 on 29 March 2006.

Internal Auditor

The internal auditor fulfils an important role in assessing and testing the internal risk management and

control system. The Director of Internal Audit reports to the Chairman of the Audit Committee. Functionally, the Director of Internal Audit reports to the CEO of Atradius for day-to-day activities. Until the new CEO is appointed, the Director of Internal Audit reports to the CFO.

Company Profile

Our philosophy

Our mission is to help all our stakeholders realise their growth ambitions. In doing so, our ambition is to become the world's leading credit insurance provider. Offering superior value for our customers, no matter how large or small or what industry they operate in, is an essential part of this endeavour.

At Atradius, we firmly believe in putting the customer at the heart of everything we do. In 2006, our efforts were focused on:

- **Strengthening our product offering**
Products are as closely tailored to our customers' needs as possible, and we are increasing the accessibility of our products for a growing number of customers, particularly small and medium-sized enterprises.
- **Strengthening service delivery**
Our service proposition to customers is strengthened by making operational improvements, which are achieved by implementing best customer service practices and high quality standards in order to deliver value.

Product philosophy

Product innovation and development are inspired by three guiding principles:

- **Customer-centric** - Our product development is fuelled by concrete customer needs and driven by insights gained from customer research.
- **Global** - Products are developed in such a way that they can be launched in any market served by the Atradius Group.

- **Flexible** - We deliberately develop modular products so our customers can substitute one Atradius product for another and add other Atradius products and services to their existing Atradius portfolio.

We refer to this as the 'Product Family' approach. Besides enabling us to offer products for every stage of the customer's life cycle, it also enables us to cover every stage of the customer's credit management cycle – from business information products that support their sales and marketing through to credit insurance and debt collection solutions that support their credit management procedures and protect their relationships with their customers.

Service philosophy

To provide excellent solutions to our customers' needs, our products and services have to be outstanding. We have therefore launched several initiatives to raise the standard of our customer service.

Easy access

Online services make customer access to Atradius as easy as possible. We have enhanced our online policy management system, Serv@Net, in order to make it easier for customers to manage their credit insurance policy.

Our collections service has been similarly strengthened with the launch of Collect@Net, an online real-time debt-management platform that enables customers to keep track of all

of the debts they have placed with Atradius. All debt-management activities, from entering to tracking outstanding invoices, are incorporated in one integrated platform.

We also launched Atradius Connect in 2006. This is a fast-track system that automatically transfers credit limit applications from customers' ledgers directly to the Atradius underwriting platform. The credit limit decisions are transferred back to the customers' ledgers in the same way. This significantly reduces the administrative burden on both sides.

Quality

Improving access for our customers is not the sole focus of our service philosophy. Quality monitoring and related initiatives were also key elements of our operating strategy in 2006.

First of all, we rolled out a quality management framework across the Atradius Group. This includes customer and broker panels that provide feedback on service levels and information updates that the product development teams can use throughout the product development process.

Secondly, our commitment to moving underwriters closer to our customers continued to prove its relevance in 2006. Customers receive added value through a clearer explanation and understanding of decisions on credit limits. This information can alert customers to potential future problems

with buyers that could limit their financial flexibility and inhibit growth. And lastly, in 2006 we were able to

increase the speed with which we deliver credit decisions still further, as a direct result of our continued focus

on the automation of underwriting processes.

Corporate strategy

In December 2004 Atradius announced a revised corporate strategy and went on to introduce and implement this strategy in 2005 and developed it further in 2006.

At Atradius, our primary goals are to create sustainable growth in revenues and profits and to reduce profit volatility. To achieve these goals we have implemented a multi-pronged strategy that focuses on strengthening our core credit insurance offering and complementary activities that leverage our existing expertise and resources to further establish our position as a market leader in these activities.

Following the re-focus of its activities in 2005, Atradius was able to concentrate on strengthening the business in existing markets in 2006 and continued to implement clear customer, market and product strategies. Moving forward we intend to do the following:

- *Customers* - Further fine-tune the differentiated proposition for customer segments which addresses their distinct needs and supports the achievement of their business goals, particularly by presenting a global offering, an enhanced value proposition for the middle market and new products for the SME market.
- *Markets* - Continue to expand operations in highly developed markets by offering complementary products and improving service, thereby increasing customer loyalty. Further strengthen our position in new markets, particularly Central and Eastern Europe, China and South-East Asia.
- *Products* - Expand our product offering, continue to roll out the Modula Product Family, particularly innovations for SMEs, and further expand Special Products and our collection activities.

Customer segmentation

Atradius is now building a product portfolio around three primary market segments based on the volume of business of the companies in question: multinationals, large local companies and small and medium-sized enterprises. This segmented client strategy enables us to offer a more targeted approach to these segments and to be far more effective in meeting the unique requirements of the respective customers.

- *Small and Medium-sized Enterprises (SMEs)* - Cost leadership is delivered by a business model that allows for a broad distribution strategy and supports a user-friendly product with minimal conditions.
- *Large local companies* - Focus on 'best operator' quality positioning for customers and distributors, which results in quality monitoring and segmentation based on client needs.
- *Multinationals* - Focused approach based on partnership, underpinned by continuous improvements in our product and service proposition.

Geographic strategy

Atradius' geographic strategy is primarily client-driven. Our main objective is to provide local support for the existing customer portfolio. As part of this we recognise the need to strengthen the presence of local risk underwriters, thereby ensuring that credit-limit decisions are underpinned by local knowledge and support to the benefit of all customers worldwide.

Geographic expansion is accomplished by means of a combined approach of direct market entry and partnerships with leading (insurance) providers. One of the focus areas is Asia, where Atradius has established a joint venture with the leading Japanese

insurer Tokio Marine & Nichido Fire in order to support credit insurance for Japanese clients. The Atradius Group recently entered into a partnership with China Continent Property and Casualty Insurance which opens up the Chinese market for Atradius and its new and existing customers.

The newly licensed operations in Singapore look promising. In Shanghai and India the business will be strengthened with existing local partners. The product offering in the Russian market will also be expanded in collaboration with a local partner. We have high expectations of the licenses for New York and California that were obtained in 2006.

Product strategy

In addition to traditional credit insurance and bonding products Atradius continues to develop non-traditional propositions. These structured credit and political risk solutions offered by the Special Products team enable us to offer specialised commercial and political risk insurance products for large and complex transactions.

Apart from developing risk-based products Atradius also makes a point of developing non-insurance products and services. These are adding value to new and existing customer relationships and are also contributing to a diversified product portfolio. In 2006, the emphasis was on growing the recoveries and collections business.

Credit insurance

Atradius' core business is credit insurance. We are however well aware that one size does not fit all. For this reason we develop credit insurance products that meet the specific needs of SMEs, large local companies and multinationals.

Small and Medium-sized Enterprises (SMEs)

Atradius aims to offer products that support SMEs through each stage of their growth. In 2006 we rolled out Atradius Modula Focus in several European markets. The Modula Focus policy enables small businesses to select the risks they want to cover and buy a policy online.

For the SME segment our distribution partners continue to be important to us. We have started to develop dedicated products for our distribution partners. We will further strengthen our distribution network in this segment.

Large local companies

For large local companies we developed Atradius Modula, a modular credit insurance policy that allows Atradius and its customers to select specific terms and conditions of cover.

This enables the customer to build protection against non-payment, regardless of whether they are driven by the specific characteristics of their customer base, or the nature of the sector in which they operate.

Atradius Modula can easily be combined with other Atradius product offerings such as collection services to create comprehensive solutions.

Multinationals

Atradius continues to offer the most sophisticated tailored credit management solution for multinationals in the form of its *Global Policy*.

This means that our customers have access to 'best in class' features of:

- **Insurance Cover** - Customers can choose between a policy with standard terms and conditions within which the parent and all subsidiaries have to operate and stand-alone policies that accommodate varying performance levels and country conditions.
- **Service** - Dedicated account teams located in the same country as the customer's head office and locally at subsidiary level offer extensive cross-border customer service. A dedicated underwriter who understands the customer's needs ensures consistent and quality

decision-making across the multinational organisation and its customer portfolio.

- **Expertise** - Worldwide centres of underwriting expertise cover every region of the globe, providing a truly universal perspective of risk levels. We understand that this is especially critical for companies that operate across borders.

Our Global policy provides customers with a combination of access to tailored risk management solutions, dedicated risk advice and outstanding service, which enables them to focus on their own core businesses.

Multinationals can also gain further value by complementing their policies with our financing solutions and/or structured credit and political risk solutions.

Special Products

Sometimes 'whole turnover' coverage is insufficient. Atradius Special Products understands the complexities involved in trading in a challenging and competitive global environment.

We have therefore designed practical bespoke solutions for exposures that often cannot be effectively addressed by more traditional credit management tools. Regardless of whether the customer needs a solution that provides improved credit protection for a single contract or buyer, a safety net against the unfair calling of a bond, pre-export finance, a hedge against adverse exchange rate fluctuations between tender and contract, credit enhancement, or a combination of all of these, Atradius is able to offer an effective solution.

Instalment Credit Protection

Atradius Instalment Credit Protection manages and covers the short and medium-term risks involved in multiple instalment agreements with private individuals and businesses (such as consumer credit, leasing and renting) for financial and corporate policy-holders in France, Belgium and Luxembourg. Atradius can help its customers to grow their business by helping to reduce equity requirements

within the framework of the (Basel II) financial regulations and by making it easier for companies to obtain financing.

Reinsurance

Atradius Reinsurance underwrites the credit and surety business of primary insurers operating in many markets around the world. A dedicated team of underwriters, which operates legally and organisationally separate from the rest of the Atradius Group, allows primary insurers to use the capital and expertise of Atradius Reinsurance to expand their businesses and manage their risk profiles.

Bonding and guarantees

When it comes to bonding and guarantees, Atradius offers companies a wide range of bonding products that puts them in a stronger financial position when dealing with clients. A bond protects the buyer if the supplier fails to meet the agreed performance level. Atradius leads the French, Italian and Nordic non-banking bonding markets and has an international network of business partners that have access to outstanding guarantee facilities in additional markets. Within this framework Atradius offers a wide range of bonds and guarantees including Bid bonds, Performance bonds, Advance Payment bonds, Maintenance bonds, Legal bonds, EU bonds and Customs bonds.

Debt collection

Atradius helps its customers collect and recover trade debts whilst maintaining sound business relationships with their clients. With a local presence in 14 markets and a global network of collections specialists, lawyers and insolvency practitioners, we cover a total of 220 countries.

Atradius stands out within the debt collection market as a dedicated business-to-business collection specialist, leveraging the strength and information database of its core business of credit insurance. Atradius' competitive advantage derives from cross-border and overseas collections facilitated by an international network. Within this framework Atradius Collections offers international and

local debt collection, efficient and result-driven collections that support all of our customers' commercial business relationships, a single point of contact for all national and international collections cases and collections expertise 'on the ground' worldwide.

Collections customers can also make use of the newly launched Collect@Net facility, which is our online real-time debt-management platform that enables customers to keep track of all of the debts they have placed with Atradius. The inclusion of all debt-management activities, from entering to tracking outstanding invoices, in one integrated platform is entirely consistent with Atradius'

comprehensive global service proposition.

Business information

Business information is a good example of the successful implementation of the corporate strategy that was implemented in 2005, which enables Atradius to further diversify its business portfolio. In 2006 we launched Atradius Observa News - an internet news monitoring service designed to complement our core offering of credit insurance and related services. Atradius Observa News was launched in the UK, France and Germany in 2006. The service will be enhanced and extended to other countries in 2007.

Atradius will continue to develop products and services that strengthen its information offering in the years to come.

Factoring

After selling its factoring operations to Fortis Commercial Finance, both companies have entered in a cross distribution agreement regarding factoring, credit insurance and related products. This agreement enables Atradius to offer a wide product range to customers that have finance needs in addition to insuring their receivables. This offering is available in an increasing number of countries.



Key strengths

Strong market position

We are a leading global credit insurer with a 24% market share, a strong presence in key markets in Europe, Australia and North America, and a rapidly growing presence in Asia and Eastern Europe.

Strong financial position

Our financial stability and independence are underpinned by solid 'A' ratings, a committed shareholder base and well-spread risk.

Wealth of experience

Dedicated and committed employees with decades of experience and a wealth of risk assessment knowledge help our customers achieve their growth ambitions and guide them safely and efficiently through an

increasingly challenging trading environment.

Customer-centric product and service proposition

We offer credit insurance, information and collections products and services based on market research that support our customers throughout the credit management cycle. These products are backed by attentive customer service and account management together with online systems that provide easy access to Atradius, 24 hours a day, 365 days a year.

'Best in class' integrated global network

All our offices across the globe are connected by a single, unified and integrated IT network that ensures

that all customers, large or small, get what they need wherever they are, through a single login.

We offer truly integrated solutions for multinationals giving them a global view of their group credit management performance through one IT platform.

Distribution network

Atradius pursues a multi-channel distribution approach and utilises its strong relationship with the insurance brokerage network, direct distribution or distribution via partners. These are primarily other financial services groups, often in strategic alliances with quality brands such as Fortis, Tokio Marine & Nichido Fire and China Continent Property and Casualty, depending on client preference and national market structure.

Global presence



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, Ommen
Norway: Oslo (Lysaker)
Poland: Krakow, Poznan, Warsaw, Wroclaw
Portugal: Lisbon
Slovakia: Bratislava
Spain: Barcelona, Bilbao, Madrid, Valencia
Sweden: Stockholm
Switzerland: Lausanne, Lugano, Zurich
United Kingdom: Belfast, Birmingham, Cardiff, Glasgow, Leeds, London, Manchester

Middle East

Israel: Tel Aviv (*)
Lebanon: Beirut (*)
United Arab Emirates: Dubai (*)

Asia

China: Shanghai
Hong Kong: Hong Kong
India: Mumbai
Japan: Tokyo
Singapore: Singapore

Africa

Tunisia: Tunis (*)

Americas

Brazil: Sao Paulo
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

Oceania

Australia: Adelaide, Brisbane, Melbourne, Perth, Sydney
New Zealand: Auckland, Wellington

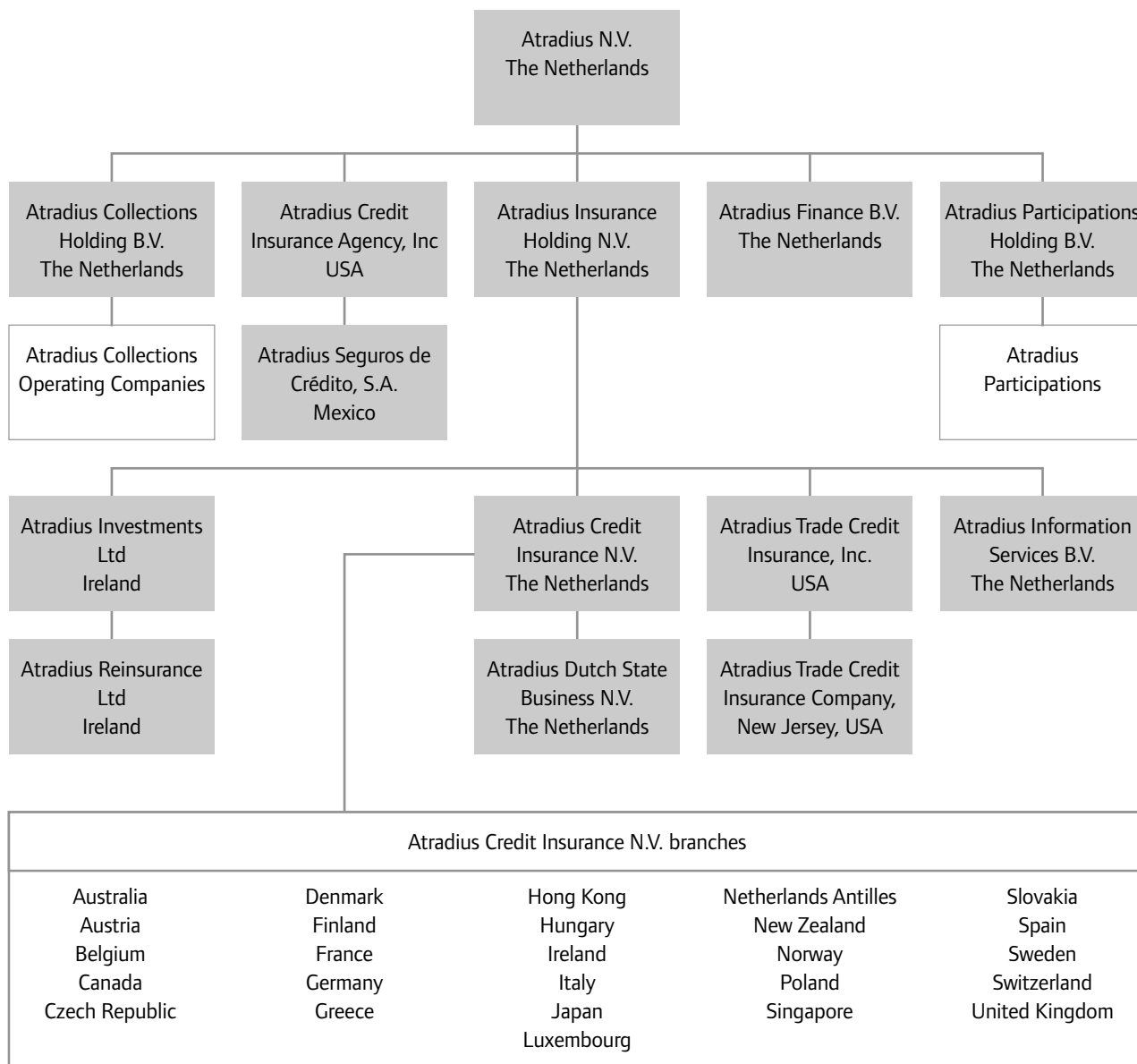
Iceland, Russia, South Africa

Co-operation agreements with local partners.

(*) Associated companies or minority shareholdings

Atradius Group at a glance

General overview, per 31 December 2006



Shareholder structure

The shareholder structure of Atradius N.V. as per 31 December 2006 (rounded figures)

	Percentage of shares
Swiss Reinsurance Company	34.95%
Seguros Catalana Occidente Sociedad Anonima de Seguros y Reaseguros, Sociedad Unipersonal	28.26%
Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.	21.73%
DB Equity S.à.r.l. (subsidiary of Deutsche Bank AG)	12.73%
Betrados B.V. (subsidiary of Sal. Oppenheim Jr. & Cie. KGaA)	2.33%
Total	100.00%

Management Report

The global economy: issues and prospects

The world of Atradius

The process of global integration has advanced steadily over the course of this decade and it is a process in which Atradius, as a leading international credit insurer, has been closely involved. 2006 has proven to be another good year for the global economy and several common themes emerged across many industrialised and emerging economies. While these elements helped boost the global economy in 2006 and should continue to bolster performance in a measured manner in 2007, some of them also point to a need for caution.

Trade, investment and growth

Global Gross Domestic Product (GDP) has grown at a steady pace since 2001, strongly outperforming historical long term averages in many parts of the world and 2006 was no exception. International flows of capital increased yet again with emerging markets proving to be ever attractive destinations for foreign capital. The current global boom has been helped considerably by the strong increase in international trade, with export volumes growing by more than 10% in 2006 up from approximately 7.5% growth in 2005.

Economic policy cycle

The high income economies of the world display considerable co-

movement through the economic policy cycle. Many of these economies were faced with rising interest rates in 2006 as monetary authorities sought to remove excess stimulus and bring about a managed turnaround. Economic results in the face of such tight policy have largely been positive, providing support for the belief that many of these countries may witness a 'soft landing'. Thus far, any negative impact on the corporate sector in terms of insolvencies has been minimised. Aggregate default rates in many of these countries remained low thanks to strong external and internal demand as well as sound corporate profitability brought about by previous rounds of restructuring.

Commodity prices

Oil prices remained a concern throughout 2006 but the actual passing on of increased fuel costs from companies to the final consumer was limited. While oil prices eased in the latter half of the year, wiping out the gains made in the first half, other commodity prices remained firm. In fact, prices for ores and metals reached new highs in 2006, underpinned by strong growth from emerging countries in Asia such as India and China.

Housing markets

In several major markets – the USA, Canada, France, Spain and Denmark being good examples – strong demand for residential housing has been a mainstay of economic growth in recent years. This has translated into robust growth in house prices, which, combined with low interest rates, has boosted domestic consumption. While concerns about over-valuations in house prices have been expressed for some time now, the fall witnessed in the USA in residential construction activity in 2006 and the moderation in house price growth have sparked alarm. Peaking house prices would not only have an adverse effect on the construction sector but in addition, falling house prices in a rising interest rate environment could act as a significant brake on consumption. The timing and extent of any correction in house prices and the spillover effect onto economic activity in other parts of the world remain concerns.

International rebalancing

The US current account deficit continued to grow in 2006. Reserve accumulation by Asian central banks in the aftermath of the Asian financial crisis has provided easy financing conditions which, coupled with strong

demand in the US, has resulted in steady increases in the trade deficit. There are deepening concerns of a

global recession in the event of a steep rebalancing but thus far financial asset prices suggest that the market views

the possibility of a steep correction as remote. It is however, a situation that adds to the downside risks in 2007.

2006 Market Analysis

High income - Eurozone

Economic performance begins to sparkle...

After a lacklustre performance for a number of years, economic growth in the Eurozone took firm hold in 2006. The region grew at 3.5% in the first half of the year and while inflationary fears and monetary policy tightening curbed this exuberance in the latter half of the year, overall GDP growth for 2006 was very respectable at 2.6%. Furthermore, the differential in GDP growth rates noted in recent years across the Euro area narrowed noticeably and almost all Eurozone countries contributed to the overall economic performance of the area.

Several countries such as *Spain, The Netherlands* and *Finland* grew at above the Eurozone average in 2006. Firms in all three countries benefited from strong domestic and international demand, though in Spain there were some signs of cooling private consumption in the latter part of the year. Finland cast aside the adverse effects of a prolonged strike in the paper and wood industries in 2005 while The Netherlands shrugged off previous uncertainty over an economic downturn. Finland and Spain both enjoyed strong growth in the construction sector – construction plays a major part in the Spanish economy, contributing some 10% to GDP – while the residential housing market continued to improve in The Netherlands.

Other Eurozone economies such as *Germany, France* and *Italy* all recorded higher rates of growth in 2006 compared to 2005 but while common themes of strong international trade and a pick up in domestic demand

prevailed, each of these countries had their own economic issues to contend with.

In *Germany* there have also in 2005 been fears that a dual system may be emerging, with a buoyant, highly productive export-orientated sector and a languishing domestic sector weighed down by a lackadaisical German consumer. While these fears were not entirely erased in 2006, there was some evidence of a turnaround in private domestic consumption. More evident, however, was investment activity by firms who shook off some of their previous apathy towards capital spending in the face of economic uncertainty.

In *France*, consumer spending in 2006 made a strong contribution towards GDP growth. Export performance also picked up speed, which was welcome news for French firms after slow growth during the previous two years. However, France's import bill continued to grow while net exports, as in previous years, acted as a drag on GDP growth.

After nearly five years of stagnation, 2006 heralded a much awaited recovery for *Italy*. Italian firms benefited from strong growth in international trade, which in turn led to business investment increasing, while falling unemployment and brighter prospects gave a boost to confidence and fed into increased consumer spending. Main indicators of economic activity such as industrial production, business confidence, business investment and export orders all convey a positive message but, going forward, the momentum may be too fragile to maintain, given longer term issues of lower productivity. In fact, in 2007 GDP growth is expected

to moderate as Italian firms continue to deal with these structural issues.

...but policy measures will impact in 2007.

The monetary policy cycle continued to tighten through the year and the ECB, by the end of 2006, had undertaken a total of 5 increases in the current round of tightening. Markets, through 2006, largely took the rate rises in their stride, suggesting that people's expectations are well matched with policy.

High income Europe - Other

A similar picture of robust demand...

Large non-Eurozone economies such as the *United Kingdom, Denmark, Norway, Sweden* and *Switzerland* all saw robust GDP growth in 2006 with strong performance by virtually every component of demand. Private consumption in these countries expanded for several reasons including rising house prices and falling unemployment. Strong corporate profitability helped domestic firms increase their business investment while robust growth in international trade has stimulated order books of export-orientated firms. In *Norway*, export gains were also helped by the high international price of oil. While some sectoral weaknesses emerged in 2006, in UK retail and agriculture for instance, corporate performance was solid and insolvencies remained low.

...and monetary tightening.

Given sustained growth in these countries alongside upward pressures from commodity prices, it comes as no surprise that these countries face a

policy environment similar to other high income economies. 2006 saw interest rates rise in the *UK, Denmark, Norway, Sweden* and *Switzerland* as authorities sought to remove stimulus. The inflationary pressures prevalent in these countries is being removed at different rates which means that while some economies such as the *UK* will see a moderation in activity in 2007, others such as *Norway* may see rate rises through 2007 and moderation into 2008.

Transitional Europe

Strong but varied prospects throughout the region

Eastern Europe, a key component of Atradius' growth strategy, continues to offer exciting investment and trade opportunities. Regional economic growth was solid in 2006, though there was considerable variation across the region. Some countries, such as the *Czech Republic*, the *Baltic States* and *Turkey*, grew strongly in 2006, while others, such as *Hungary* and *Poland*, lagged behind. Integration into Western European automotive markets boosted exports in the *Czech Republic*, but the high rate of growth in imports meant that the net contribution of external trade to GDP growth was low. Favourable external conditions and high commodity prices also boosted activity in other countries, such as *Hungary*, *Poland* and *Russia*. However, in many countries fiscal spending remains a problem and austerity measures have either been introduced or are urgently required. In both cases this implies a moderation in growth over the next two years. In some countries, such as *Hungary*, structural problems are already resulting in a downturn in economic activity and a loss in confidence with a knock-on effect on corporate insolvencies.

High income - North America

There is promise of gentle cyclical easing...

The *USA* has been a major stimulus to global growth, trade and investment

since the turn of the millennium. Strong demand from the *US* consumer has helped boost world trade, while increasing corporate profitability has both made the *USA* an attractive place to invest in and at the same time has helped finance a number of international investment opportunities. The *Canadian* economy similarly turned in a solid performance and, despite some weakness in the latter half of 2006, is expected to continue to do well in 2007.

The current cycle of monetary policy tightening in the *USA* which started halfway through 2004, continued unabated through 2005 and into the first half of 2006. This tightening has affected businesses and consumers alike and *USA* data through 2006 displayed moderation, which is expected to continue in 2007. Despite this moderation, consumers have responded positively and corporate profits remained stable in the *USA* in 2006. While economic activity sent mixed signals to the market in the latter half of the year, with growth slowing but with unemployment also easing, market sentiment remained calm, suggesting widespread expectations of a measured slowdown.

...but triggers of a steeper slowdown exist.

Continued growth in the *USA* current account deficit and the recent slow down in North American housing markets occupied considerable attention in 2006. These factors add to downside risks in 2007 as they have the capacity to erode confidence and trigger a steep correction, with a corresponding negative impact on industrial output worldwide.

High income and Emerging Asia

Asia increasingly powers the global economy...

Emerging Asia surged forward yet again in 2006, powered by the twin giants of *China* and *India*. *China's* contribution to global growth is

significant and it has become a price maker in the market for many commodities. While its industrial capabilities have made it a leading exporter both of low-cost and sophisticated high value-added products such as data-processing equipment, the growth of the *Chinese* domestic market now holds significant promises. *Indian* GDP grew at approximately 8.5% in 2005 and 2006, which some observers believe to be below what it is capable of achieving. Despite inflationary concerns and an increase in interest rates, GDP growth is still expected to be healthy, and certainly in excess of 7% over 2007 and 2008. *India's* manufacturing base continues to expand, as does its export of manufactured goods, but its mainstay continues to be its service-orientated industries – IT services, biotechnology and, increasingly, research and development activities.

Several countries in Asia-Pacific continue to deal with various economic and political issues. These include increasing regional competition, political uncertainty in countries such as the *Philippines* and *Thailand* and rising real estate prices in *South Korea*. However, the buoyant global economy provided the impetus for yet another year of strong GDP growth for many of the countries in the region.

The end of a zero interest rate policy in *Japan* was a noteworthy event in 2006 and, with rising business investment and increasing private consumption, heralds the start of a new recovery after a decade of stagnation.

...and it holds the promise of much more.

Several countries in emerging Asia have, in recent history, displayed an extensive period of impressive growth and the trend continues across the region, with increasing levels of intra-industry trade and deepening supplier chain relationships. Ten years on from the *Asian* financial crisis it is worth noting that *Asian* economies now are more resilient in the face of adverse

shocks than before and events such as the scheduled entry of Vietnam into the World Trade Organisation in 2007, only serve to increase this robustness. This increased global integration brings with it new risks which we continue to monitor closely, but it is clear that Emerging Asia offers exciting trade and investment opportunities.

Central and South America

International trade and investment fuel growth...

Favourable international conditions have supported major economies in this region though net exports have not always contributed positively to growth. The agribusiness sector in *Brazil* and the copper sector in *Chile* both benefited from firm prices for commodities while international flows of investment continued to head towards *Mexico* as corporates sought to take advantage of its low cost base and recognised manufacturing capabilities. Growth in Mexico slowed over the year though industrial production recorded the best performance since 2000, thanks to export growth in the automotive sector. Regional supply chain integration in the automotive sector also helped *Argentina*, where exports of both automobiles and auto components recorded strong growth.

...and regional integration increases stability...

Moves towards regional integration continue throughout the Americas. Negotiations to establish DR-CAFTA – a proposed free trade zone between the USA and several Central American countries – progressed in 2006. Chile continued its negotiations with Japan over the establishment of a mutual free trade area, while its agreement with China, which promises to provide a significant boost to Chilean GDP, entered into effect in 2006.

...but populist measures increase instability.

Changes have taken place in economic policy in a couple of countries with governments signalling an intention to nationalise companies in strategic sectors. 2006 saw a declaration of nationalisation being made in the gas industry in Bolivia, later followed by a renegotiation of contracts. Further nationalisation developments are awaited in Venezuela. To the extent that such policy reduces corporate governance and removes the market incentive for efficient investment, these measures cast some doubt over the sustainability of growth in particular countries.

Central Asia

Commodity prices drive growth but this poses problems.

Central Asian countries recorded strong growth in 2006 – in the region of 7% – aided by the strong price of oil during the year. High oil prices have led to large investment inflows, either in oil and gas exploration and extraction or in oil and gas transportation, in countries such as *Kazakhstan*, *Azerbaijan* and *Turkmenistan*.

In addition to hydrocarbon prices, other commodity prices have also been firm which has benefited countries such as *Uzbekistan*. Windfall gains from commodity exports continue to fuel domestic spending from which sectors such as telecoms, transport and construction stand to benefit. Inefficient usage of oil windfalls and political instability in several countries could however, undermine economic progress in the medium term.

Middle East

Hydrocarbon prices lift growth in the region...

Saudi Arabia, the world's largest oil producing nation, continued to reap the benefits of a buoyant oil price as did other hydrocarbon producing states such as *Bahrain*, *Qatar* and *Kuwait*. Economic growth remained

robust in these countries and should continue to do so, supported by government spending and increased foreign investment. Economic reforms in the *UAE*, which include a strong drive to enlarge the non-oil economy, coupled with high oil revenues, will support GDP growth.

...but armed conflict poses a threat to the global economy.

Political issues remain high on the agenda and introduce a sombre note in a region that otherwise stands to benefit greatly from the current round of high hydrocarbon prices. The conflict in *Iraq* entered its fourth year in 2006 with ever-increasing numbers of casualties. The outlook remains extremely uncertain and a position of all-out civil war and total anarchy cannot be ruled out. The tension over *Iran's* nuclear programme continues, with US-led sanctions being the latest phase in the hostilities. There was also further tension between *Israel* and the forces it sees as being inimical to its peace and prosperity, with an attack on Hezbollah in Southern Lebanon in August 2006. Given the importance of the Middle East as a hydrocarbon producer, the need for regional stability hardly needs to be emphasised.

Sub Saharan and Southern Africa

Demand for hydrocarbons and other commodities boosts outlook

The growth story seen in so many parts of the world in 2006 also extended to Sub-Saharan and Southern Africa. Trade, investment and growth in the region benefited from strong global demand and high international prices for commodities. Oil exporters, such as *Angola* and *Nigeria*, reported significant results, and oil exploration and production activities were supported by international investment in *Angola* and *Equatorial Guinea*. Firm international prices for other commodities boosted extractive output in South Africa and major coffee producers benefited from high coffee prices.

Economic outlook 2007

Global GDP growth is expected to slow in 2007, but the overall slowdown is expected to be very modest, followed by a subsequent revival in 2008. When analysed by country, there is considerable variation in the projections. For our industrialised markets, the largest slowdown expected is in the USA off the back of a cooling housing market and falling consumer spending but this slowdown is large only when compared to the strong growth recorded in recent years. In Western Europe, prospects are mixed with a moderate fall in the growth rate predicted for the Eurozone but with constant or even increasing rates of growth predicted for other countries. Some major emerging market economies may witness a moderation in growth in keeping with global cyclical developments. Others will be more able to shrug off such effects and maintain their recent strong track records by either relying on growing domestic demand or by taking advantage of firm commodity prices.

While there are good reasons to believe that the overall loss in momentum, if any, will be slight, this benign forecast faces some threats. We have already mentioned the major themes that give market watchers cause for concern namely, developments in international housing markets, further interest rate hikes, a possible unwinding of the US current account deficit and the level of commodity prices. Fears of a steep

correction in one or more of these areas has led to several jitters recently, thereby increasing market volatility in the early part of 2007. Such volatility is characteristic of greater uncertainty and one can expect that every additional piece of negative news, be it economic or geo-political, will add further to market volatility in 2007.

House owners, policy makers, consumers and in fact the wider economic community will hold their collective breath in 2007 as they observe developments in housing markets in several major economies of the world. Weaknesses in the US have already become apparent with danger signals emanating from the subprime mortgage market. While such weaknesses certainly do not, at this point, equate to a wider economic downturn, they do cause alarm bells to sound given the possible impact in this era of global integration of a housing crash on worldwide consumer spending.

Similarly, economic policy tightening in major economies may proceed for longer than initially anticipated if inflationary pressures prove to be recalcitrant. It is currently unclear whether prevailing policy rates in major economic areas such as the USA, the UK and the Eurozone are at the top of the cycle or whether monetary authorities will ratchet up rates one or two steps further. The main concern is whether such belt tightening results in a move away from orderly cyclical

management towards more disorder and a steeper than expected contraction.

On the industrial front, weaknesses have become apparent in certain countries/sectors. The key danger for 2007 is not that overall counts of insolvencies start to increase, though certainly in some countries/sectors we will see this happen. However successful restructuring and strong demand to date has left many companies comfortably off and should enable a largely smooth ride through any mild slackening in the pace of world growth. A greater danger stems from the possibility that one or two global corporations might not be able to adapt successfully to their current competitive environment. This could result in a strong negative impact on confidence and subsequently on activity and some industry sectors such as automotives will bear watching.

Despite these cautionary points, the overall picture is that of only slight moderation in global GDP growth in 2007. This projected mild easing bears testimony to the robust state of many economies today as does the fact that any cyclical easing is expected to be short lived. Growth in industrial output, investment and international trade present Atradius with several opportunities but we remain mindful of the current threats and will continue to monitor the potential impact such threats pose to our own portfolio.



“We fully trust Atradius
and can therefore focus
on what we are good at”

Name : Lars Rindekvist
Company: Netlogic
Industry : Consumer electronics wholesale
Location : Sweden

“We just don’t have the bandwidth to evaluate our customer finances. Our sales organisation consists of nine people who are time pressured and aren’t experienced in credit analysis. It is more efficient for us to focus on what we are good at, launching new products and selling them to new and existing customers. We can fully trust Atradius, with its knowledge and information, to make an accurate judgement call on the creditworthiness of any new customers.”

Business performance

Atradius Group (in EUR million)	2006	2005	%
Insurance income	1,184.9	1,164.6	1.7
Gross claims	(533.7)	(603.3)	(11.5)
Gross insurance operating expenses	(462.0)	(475.6)	(2.9)
Reinsurance result	(103.5)	(29.8)	247.1
Technical (insurance) result	85.7	55.9	53.3
Service result	5.2	10.4	(50.2)
Investment result (incl. income from associated companies)	55.5	45.9	20.8
Profit for the year ¹	105.3	82.3	27.9

¹ From continued operations

In 2006 Atradius achieved a **net profit of continued operations** of EUR 105.3 million. This increase of 27.9% over the last year is mainly due to higher insurance income and lower claims and expenses. In addition the service result and the investment result contributed positively to the profit for the year. These positive developments were only partially off-set by a higher cost of reinsurance.

Insurance income, which includes insurance premium income and the credit checking fee income associated to the underwriting of credit limit applications, increased by 1.7% compared to 2005. This increase is mainly coming from the Global business, the new markets in Eastern Europe, and the growth of the underwriting of structured credit and political risks (by our Special Products team). The success in new markets was partly off-set by fierce competition and price erosion in the traditional credit insurance markets, which limited the revenue growth. In addition the top-line was partially impacted by a one-off effect in the assumed reinsurance business (whereby Atradius offers reinsurance to third parties). In 2006 we changed the accounting assumptions for the earnings pattern, resulting in a shift in earned revenue of EUR 25 million to later years. Without this change in

accounting assumptions the insurance income would have presented a growth of 3.9% compared to 2005. The total bonding revenues are EUR 10 million lower than last year, but this is in line with the corporate strategy to optimise the Bonding operations and to bring this business line back to profitability.

Gross claims are significantly lower than last year. In combination with the higher insurance income the gross claims ratio shows an improvement, going down from 52% to 45%. The lower gross claims result is a combination of lower claims paid, lower additions to the claims provision and higher recoveries. In particular, gross claims expenses in 2006 were in particular very favourable in the bonding, the instalment credit protection and the assumed reinsurance business. Conversely, gross claims in credit insurance are higher than last year, which is in line with our expectations. Nevertheless, the overall claims environment is still beneficial which adds to the low risk perception of customers.

The **gross insurance operating expenses** in 2006 were reduced by 2.9%, resulting in a cost ratio to insurance revenues going down from 41% in 2005 to 39% in 2006. Tighter cost control and an enhanced

cost allocation methodology are the main drivers for this achievement.

The reinsurance result for the year under review shows a cost of reinsurance of EUR 103.5 million, which is higher than last year.

The **service result** comprises mainly the income and expenses for collections activities and the export credit agency fees Atradius receives from the Dutch State. Service revenues show a strong growth, driven by increased economic activity and higher demand. This clearly supports the strategic decision to focus on this business segment. The contribution margin is however much smaller than last year because of investments in our collections business and the allocation of more indirect costs following the enhanced cost allocation methodology mentioned above.

The **investment result** including income from associated companies increased to EUR 55.5 million, mainly driven by strong equity markets and increased interest rates.

Business segment: Insurance

- Credit insurance
- Bonding
- Instalment credit protection
- Assumed reinsurance business

Insurance segment (in EUR million)	2006	2005	%
Gross earned premium	1,076.5	1,058.8	1.7
Checking fees	108.4	105.8	2.4
Gross claims	(533.7)	(603.3)	(11.5)
Gross operating expenses	(462.0)	(475.6)	(2.9)
Gross segment result	189.2	85.7	120.8
Reinsurance result	(103.5)	(29.8)	247.1
Net segment result ¹	85.7	55.9	53.3

¹ From continued operations, before investment income and taxes

Credit insurance is the core product in our product offering and next to traditional credit insurance also includes fronting business and the structured credit and political risk business of our Special Products team. In traditional credit insurance the revenues increased by 3.4% compared to last year. Important growth markets are Eastern Europe, the USA and Australia. The overall growth was achieved despite price pressure in many of the mature markets, mainly due to higher business volumes of existing customers and the attraction of new business. Gross claims are still favourably low, although higher than last year, which is in line with expectations. The offering of Special Products was launched in April 2005 in order to meet non-standard customers' demands. The year 2006 turned out to be successful for these structured credit and political risk solutions with an increase in revenues of EUR 19 million compared to the year before.

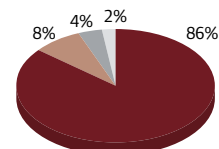
Bonding is offered in Italy, France and the Nordic countries. Revenues for bonding business in Italy are lower than last year which is in line with the portfolio optimisation in order to come back to profitability. This approach starts to pay-off, since claims are

substantially lower in Italy and there is tighter cost control. France and the Nordic countries are developing according to plan. Bonding claims show a much better result than last year due to substantial releases from the claims provisions, successful recoveries and claims paid that are significantly below last year, particularly in Italy, as mentioned above.

Instalment Credit Protection (ICP) covers the short and medium-term risks involved in multiple instalment agreements with private individuals and business for financial and corporate policyholders. ICP is offered in Belgium and France. In 2006 the revenues for ICP remained at EUR 26 million compared to last year. Gross claims have a positive result, due to high recoveries and lower claims.

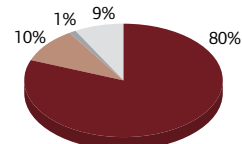
Assumed reinsurance business includes the activities whereby Atradius offers reinsurance to third parties, to a large extent in emerging markets where Atradius is not present itself. The team is reporting less earned premium than in 2005 solely due to a change in accounting treatment for revenue recognition. Claims and costs were reduced accordingly.

Insurance revenues



2006: EUR 1,185 million
(2005: EUR 1,165 million)

Employees



2006: 1,317 full time equivalents
(2005: 1,646 full time equivalents)

- ◆ Credit insurance*
- ◆ Bonding
- ◆ Assumed reinsurance business
- ◆ Instalment credit protection

Gross claims ratio**

	2006	2005
Credit insurance*	49.9%	42.3%
Bonding	19.2%	124.1%
Assumed reinsurance business	33.9%	34.2%
Instalment credit protection	(30.4%)	67.9%

*Includes Credit insurance, business from Special Products, and some smaller insurance products

**Gross claims ratio is defined as claims gross of reinsurance over the total of insurance premiums earned gross of reinsurance plus credit checking fees

Business segment: Services

- Collections
- Dutch State Business
- Other services

Services segment (in EUR million)	2006	2005	%
Service income	55.0	48.9	12.5
Operating expenses	(49.8)	(38.5)	29.3
Segment result	5.2	10.4	(50.0)

Service income forms a relatively smaller part of our business.

The strategic focus is however to grow this segment going forward, since it gives the opportunity to offer products and services that are complementary to credit insurance.

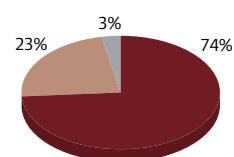
The Services segment includes mainly the income and expenses for collection activities as well as the export credit agency fees Atradius receives from the Dutch State. These product offerings show a strong growth, driven by increased economic activity and higher demand. However, the service result is below the 2005 level, mainly due to higher direct and indirect costs.

The commercial debt collection business of **Collections** is offered to Atradius' insurance clients as well as to third parties. In 2006 the revenues of

the collections activities (amounting to EUR 41 million) showed an increase of 21% compared to last year. Demand has grown substantially since 2005, especially for third party debt collection in the UK and Germany. Investments in growth led to higher expenses as well as an improved allocation key for indirect costs, resulted in a lower contribution margin than last year. Revenues however are performing better than plan, which is a clear signal of the success of the strategic decision to invest in expanding this business line.

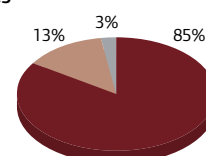
Dutch State Business represents the export credit agency fees for the medium term credit and investment insurance business that Atradius offers on behalf of the Dutch State. The risk element of the business is fully covered by the Dutch State.

Service income



2006: EUR 55 million
(2005: EUR 49 million)

Employees

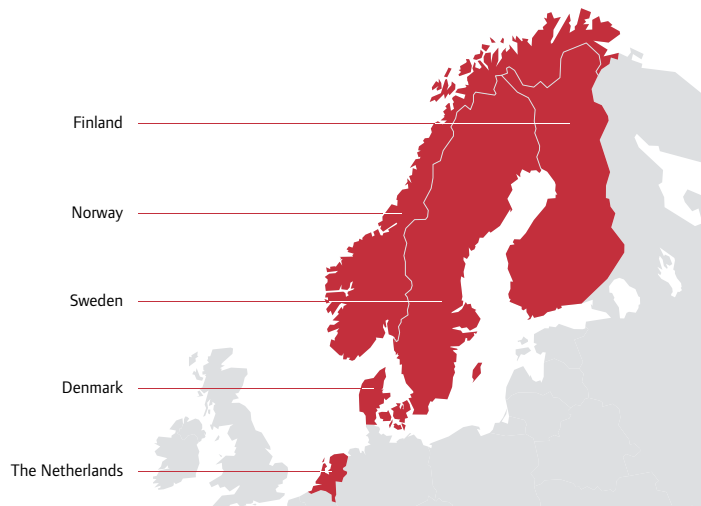


2006: 350 full time equivalents
(2005: 325 full time equivalents)

- ◆ Collections
- ◆ Dutch State Business
- ◆ Other services

Geographical review

The Netherlands and the Nordic countries



Developments

Atradius entered into new distribution agreements with a number of financial institutions and trade sector organisations in key markets that are expected to support its continued strong position in these countries. Strong competition and a low claims environment in the region continued to put pressure on premiums. However, favourable changes in the local and export claims situation towards the end of the year improved the regions' performance.

Business review

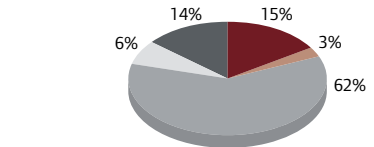
This region includes The Netherlands as well as the four Nordic countries. The Netherlands is by far the largest market in the region, where Atradius has traditionally a dominant market share. The Nordic countries are comparatively small in total revenues, but contribute to the growth of the region with growth rates of up to 21%.

Revenue increased by 3.5% in this region to EUR 258 million. Due to fierce competition and price erosion, The Netherlands' full year revenues are just 1% above 2005, mainly a result from higher revenues from Global clients.

The revenue from the other countries in the Northern European region is well above last year where we were able to profit from the overall growth in the market for credit insurance in the region. Denmark however, experienced lower than expected new sales but still showed increased revenues from their existing portfolio. Despite two large claims in Denmark there is a low risk perception in the Nordic region and this has made it difficult to maintain the anticipated price levels and close larger deals. The service income in the Dutch market is much higher than in other markets since it not only contains the collections activities as in most other regions but as well the Dutch State Business export credit agency fees for the medium term business on behalf of the Dutch State.

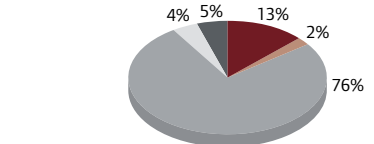
Total gross claims increased considerably in 2006 compared to the exceptionally low 2005 level, but the overall claims ratio is still in line with expectations. This is despite the aforementioned two larger claims in Denmark which were offset by the positive development of bonding and the lower claims from multinational customers.

Total revenues



2006: EUR 258.3 million
(2005: EUR 249.5 million)

Employees

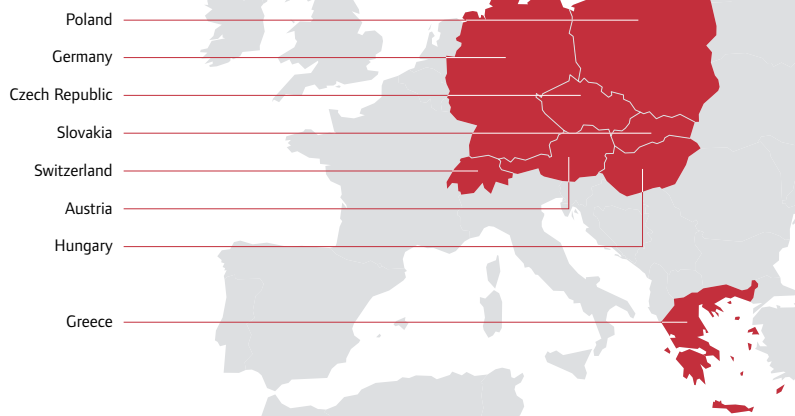


2006: 733 full time equivalents
(2005: 751 full time equivalents)



Geographical review

Central and Eastern Europe and Greece



Developments

The introduction of the product offering from Special Products strengthened the competitive position in Germany. Eastern Europe is one of our target areas for growth. Business development efforts in Poland, Czech Republic, Hungary and Slovakia paid-off in a doubling of revenues and an out-performance of the market growth. As a result we achieved significant increases in our respective market shares.

Following the decision to expand our credit insurance operations to Turkey we are in the process of establishing a representative office in Istanbul. At the end of the year this was supported with a co-operation agreement with the Turkish Insurer TEB Sigorta.

Business review

The region comprises of Germany, Austria, Switzerland, Greece and the Eastern European countries. Germany is by far the largest market in the region. Our presence in Eastern Europe is much smaller, with Poland and the Czech Republic being the biggest markets for Atradius next to Hungary and Slovakia, but a strong contributor to Atradius' growth.

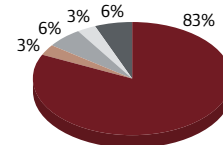
The positive claims environment in Germany led to additional premium refunds being paid to customers and as

a result the revenue reduced in 2006 compared to 2005. This is also due to price erosion on renewed business, which could only be partially offset by increases in insured shipments. Revenues in Eastern Europe however grew considerably compared to last year. Growth rates for these countries are up to 100% on the back of strong sales, few cancellations, and much stronger than expected insured turnover.

Income from collections activities increased considerably mainly due to a higher number of recovery cases and successful acquisition of new business. The service income of the region not only comprises the collections activities as in most of the other regions, but also e-commerce, an internet related payment security service, which expanded during 2006 but still remains at a relatively low level of EUR 1.6 million revenues and is offered in Germany only.

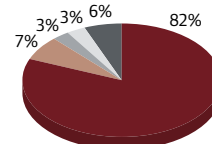
The claims situation in this region is mixed. While Germany has again improved in 2006 compared to the already exceptionally low 2005 level, Eastern Europe shows higher claims than 2005, which was exceptionally low due to a reassessment of old cases. The overall region claims level remains better than expected.

Total revenues



2006: EUR 274.9 million
(2005: EUR 267.7 million)

Employees



2006: 694 full time equivalents
(2005: 659 full time equivalents)

- ◆ Germany
- ◆ Poland
- ◆ Switzerland
- ◆ Czech Republic
- ◆ Other

Geographical review

Southern Europe



Developments

In 2006 the region focused on improved customer service, broadening distribution channels and expanding the range of product offerings. In Belgium and Luxembourg this strategy has been implemented through important partnerships with banks. In France the acceptance of the new Atradius Modula policy is high. Also the launch of the offering of structured credit and political risks solutions by our Special Products team in 2005 produced substantial results in 2006. In Italy we relocated our claims handling unit to Milan, which will set the foundation for further growth in revenues and earnings due to economies of scale and other efficiencies. Lastly, Atradius Spain leveraged our international capabilities in credit insurance and in collections activities, which resulted in an increase in market share. The overall efficiency increased to the benefit of customers through the successful introduction of the Modula Policy and by tight cost controls.

Business review

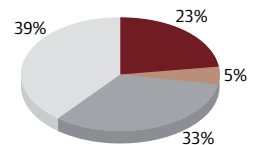
The region is not dominated by one market but has a balanced mix with France and Italy leading the region, but Belgium being of considerable size as well. Only Spain and Portugal are currently much smaller markets for Atradius.

Overall revenue for the region has not developed according to expectations. As a result a marginal revenue increase of around 1% was seen. This was partly the result of price decreases in credit insurance. In the region only Italy is a positive exception with a more than 3.5% increase in total revenues.

Our collections business and the Special Products teams performed very well. Included in the insurance revenues is Instalment Credit Protection (ICP), which contributes revenues of EUR 26 million. The ICP product, which is offered in Belgium and France, provides cover for short and medium-term risks involved in multiple instalment agreements with private individuals and business for financial and corporate policyholders. Belgium is contributing the majority of the business.

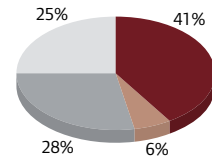
Claims showed a significant reduction in all Southern European countries except for France. This improvement is mainly driven by the improved situation in Italian bonding business and the Instalment Credit Protection business.

Total revenues



2006: EUR 358.6 million
(2005: EUR 355.2 million)

Employees



2006: 1,018 full time equivalents
(2005: 1,036 full time equivalents)

- ◆ Belgium and Luxembourg
- ◆ Spain and Portugal
- ◆ France
- ◆ Italy

Geographical review

United Kingdom and Ireland

Ireland
United Kingdom



Developments

The UK is the second largest market for Atradius. In 2006 Observa News was successfully introduced in the market, which is a complementary offering to the credit insurance business.

The region also includes Atradius Reinsurance Ltd. Early in 2007 this company was upgraded by Moody's to A2. Main driver is the strategic importance of the company to the Atradius Group as well as its improved stand-alone credit fundamentals in recent years. Atradius Reinsurance includes 'assumed reinsurance business' whereby Atradius provides reinsurance solutions to third parties.

Business review

Total revenues for the region are 4% below 2005. This is mainly because of a change in earnings pattern for the assumed reinsurance business, which results from a change in accounting assumptions. This shortfall however is

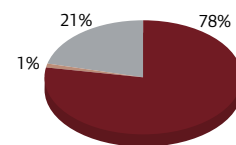
a one-off effect that will be compensated in later years. The assumed reinsurance business is provided out of Ireland, but the business characteristics are global by nature.

In the traditional credit insurance segment, revenue remained more or less flat due to price erosion and competitive pressures, despite positive portfolio developments, improved retention and the positive development of checking fee income.

The credit insurance growth in UK is 4.2%, which stemmed from positive turnover changes that outweighed the negative price changes, and was supported by strong retention and acquisition.

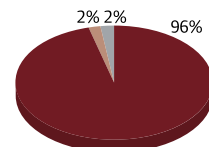
Claims are substantially above 2005 for the whole region, whereas the assumed reinsurance business shows less compared to 2005.

Total revenues



2006: EUR 236.7 million
(2005: EUR 246.8 million)

Employees



2006: 566 full time equivalents
(2005: 534 full time equivalents)

- ◆ UK
- ◆ Ireland
- ◆ Assumed reinsurance business

Geographical review

North America



Developments

In 2006 we obtained new licenses for the States of New York, California, Connecticut, Alabama, Hawaii and Louisiana, bringing the total number of States we are licensed in to 47.

In Canada, we obtained new provisional licenses in all provinces except Quebec.

In Mexico, Atradius is the market leader with a market share of approximately 55%. Early in 2007, Standard & Poor's assigned an mxAA rating to Atradius Seguros de Crédito, clearly reflecting the strong and sound financial characteristics of the company. This rating is expected to create new market opportunities particularly for finance driven transactions in Mexico.

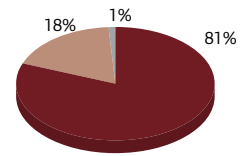
Business review

The region is relatively small compared to other parts of the Group, but the importance for future growth is evident. The market for credit insurance in the USA is relatively small, despite being one of the largest economies in the world. This illustrates its potential for substantial growth.

Credit Insurance in the region has grown considerably and is close to 17% up in revenue compared to 2005. The US is performing well with a growth rate of 16%, closely followed by Mexico that reports an increase in total revenue of 13%. The performance is even more impressive as this includes the negative impact of the weakening exchange rate of the US dollar versus the euro. At constant year-on-year exchange rates, the growth for the region is well above 20%. This is mainly due to higher new business and higher insured turnover and was achieved despite pressure on prices and cancellations. In Canada we experienced tough competition in the first half of the year whilst the competition in the US and Mexico continued to be fierce all year long.

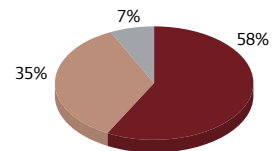
Claims in this region are higher than in 2005 (where larger recoveries impacted positively), mainly driven by domestic Mexican customers and multinational customers in the USA and Mexico, but are still overall in line with expectations.

Total revenues



2006: EUR 79.6 million
(2005: EUR 68.2 million)

Employees

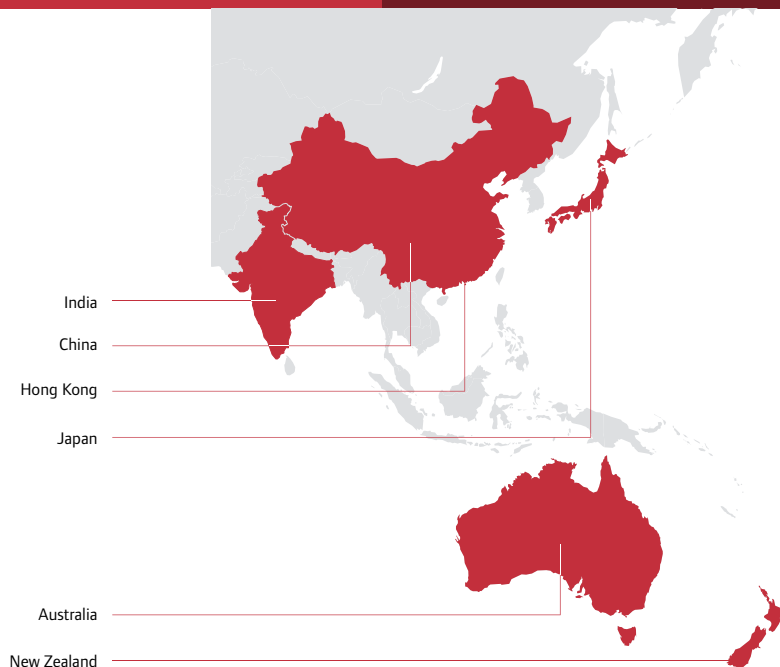


2006: 190 full time equivalents
(2005: 173 full time equivalents)

◆ United States of America
◆ Mexico
◆ Canada

Geographical review

Oceania, Asia and other new markets



Developments

The region, which includes Oceania, Asia and other new markets, enjoyed an active year of expansion. Hong Kong was established as our regional hub providing commercial risk and customer services to companies in Asia.

In China we opened a service office in Shanghai and entered into a partnership with China Continent Property and Casualty Insurance Company giving us a strong foothold and an opportunity to participate in business throughout the country.

In Japan the joint venture agreement with Tokio Marine & Nichido Fire in Japan was expanded and strengthened.

Australia and New Zealand have recently been included in this region to logically combine the growing Asia-Pacific region. In Australia and New Zealand we increased our market share. The year 2006 also marked the successful launch of our offerings of Special Products, Global and Collections.

Business review

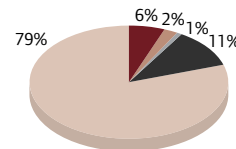
New markets present an excellent opportunity for further growth in the credit insurance business. The total of these countries show an increase in total revenues close to 18% compared to last year.

In Asia, where we only have started recently, we are pleased to already be able to show positive margins in spite of the start-up costs, which is mainly due to the favourable claims situation.

In Australia and New Zealand we managed to realise considerable growth despite costs due to no-claims bonuses resulting from the positive claims environment. Nevertheless, the portfolio is growing considerably in these countries. The increase in revenue for Australia for example, amounted to 18% compared to last year.

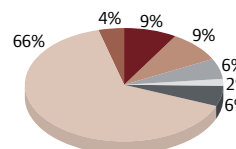
Claims are substantially above 2005 in Australia and New Zealand, mainly due to a release in provisions that was made in previous years, but overall still in line with expectations.

Total revenues



2006: EUR 21.3million
(2005: EUR 18.1 million)

Employees



2006: 105 full time equivalents
(2005: 76 full time equivalents)

- ◆ Japan
- ◆ Hong Kong
- ◆ China
- ◆ India
- ◆ New Zealand
- ◆ Australia
- ◆ Other



“Atradius helped us to unleash cash to feed growth”

Name : David J. Aldrich, CEO
Company: Skyworks Solutions, Inc.
Industry : (Micro) Chip manufacturing
Location : United States of America

“After a merger which ruled out borrowing based on cashflow, we looked to credit risk insurance to help us to grow our business. The trade credit we got from Atradius allowed us to unleash cash at a time when we needed to feed growth.”



Risk and capital management

Risk management

As a global insurance company, Atradius recognises the importance of risk management and internal control systems. In 2006, Atradius continued to strengthen its risk management capabilities by broadening the scope of risk management and enhancing the associated internal control systems within the organisation.

The risk landscape

Atradius has defined its risk landscape as *insurance, financial and operational*.

- *Insurance risks* are the risks of financial loss arising from non-payment by a buyer covered by a policy (credit insurance) or non-performance (bonding).
- *Financial risks* are the risks associated with investments, including credit risk, market risk, and liquidity risk.
- *Operational risks* are the risks associated with people, processes and systems.

The risk management framework

The Management Board is ultimately responsible for risk management within Atradius. This responsibility includes the development of the framework to manage risk as well as the ongoing overview of the risk itself. The Management Board establishes the internal risk control system by determining risk control policies and prescribing risk mitigation activities.

Insurance risk, financial risk and operational risk are managed by the central units Group Risk Management, Corporate Finance and Enterprise Risk Control respectively.

Risk management activities

Atradius has moved towards enterprise-wide risk management. Hence, we have broadened our risk management activities and established an increasingly holistic view on risk.

The relationship between risk and capital is fundamental for Atradius. During 2006, the economic capital allocation framework was further developed to allocate risk-adjusted capital across the risk landscape. This will allow Atradius to better monitor and manage the risk levels within the organisation through the allocation of risk based capital. This model is currently being used for specific risk assessment activities.

The economic capital allocation framework is a critical aspect of risk and capital management which will be further enhanced in 2007 and increasingly embedded in our business processes. In developing our internal model we are closely monitoring the development and potential impact of the Solvency II regulatory regime, which will eventually be adopted in the EU member countries.

Atradius has also broadened its risk management capabilities by establishing the Enterprise Risk Control unit, which is responsible for operational risk management within the organisation.

Insurance risk management

In traditional credit insurance, we insure our customers against the risk of non-payment of trade receivables.

Risk acceptance and monitoring is performed by two core activities: policy underwriting and buyer

underwriting. Policy underwriting is concerned with the underwriting of customers while buyer underwriting focuses on underwriting the buyers with whom the customers trade.

Policy underwriting establishes the terms and conditions of the insurance policies designed to mitigate unacceptable risks. Policy features include maximum credit periods, claim deductibles, insured percentage and maximum liability amounts.

Atradius operates a risk and cost based pricing system for credit insurance. New policies and renewals are priced with the aid of the pricing system. The pricing system is maintained by Group Risk Management and is implemented group-wide, with the exception of countries where regulatory approval for the system has yet to be obtained. The pricing system takes into account Atradius' risk outlook as defined by country, sector and buyer ratings. In 2006, a workflow process was implemented to support an automated tacit renewal process. Policies are automatically analysed before the policy renewal date, and brought to the attention of the account manager if the policy no longer matches the desired risk profile.

Buyer underwriting establishes credit limits that are attached to the policy. These credit limits are an important risk management tool for Atradius, as they set a limit on the exposure to any given buyer with whom a customer trades (and hence limit the potential claim). These credit limits can be reduced or withdrawn at any time when our stance on the buyer risk dictates such a change. Atradius can

also impose conditions or withdraw cover entirely, on a per country basis.

Atradius assigns an internal credit rating to buyers to which it has credit exposure. Atradius continually receives information updates on buyers via online connections with information providers and from customers reporting negative payment experiences. Buyer risk can be reviewed at any time, as required, on the basis of the new information received. However, all buyers representing a significant exposure for Atradius are reviewed at least annually. The review process takes into account all sources of exposure to a buyer through direct business, which includes exposure for credit insurance and bonding.

Controls, including system controls and authorisation structures, are built into the processes to assist in risk management.

The risk governance model determines Atradius' internal risk management and authorisation structure for insurance risk. This model governs both policy and buyer underwriting and makes use of various committees, the most notable ones being the Group Product Committee, the Credit Committees and the Country Committee. The highest body in the risk governance model is the Risk Strategy Management Board, which includes all members of the Atradius Management Board.

The *Group and Local Credit Committees* underwrite the largest buyer exposures. An additional check is performed on large exposures that exceed a certain threshold, which are subject to so-called special acceptance by our reinsurers.

The *Group Product Committee* decides which products will be offered by the Group. It also makes decisions regarding deviations from, or variations of, existing products. Certain types of transactions can only be conducted if prior approval has been obtained from the Group Product Committee.

The *Country Committee* monitors Atradius' exposure to country risk and sets country conditions based on political risk exposure.

The *Group Risk Management* unit oversees and manages the insurance risk at group level. This includes monitoring overall exposure and concentration risks as well as being responsible for the effective operation of the risk governance model mentioned above.

Group Risk Management monitors exposure by counterparty, sector and country across all sources of insurance risk. Atradius runs a single database, called Symphony, which contains all of the information relating to the credit insurance policies, including all credit limits and buyer information. Symphony allows the company to view and enforce global limits per buyer or per buyer group.

Atradius transfers a significant portion of its insurance risk to its external reinsurers. The reinsurance program is reviewed annually and is approved in the Reinsurance Committee.

This review includes an evaluation of actual experience and economic capital considerations, and also factors in advice from reinsurance brokers. The reinsurance brokers also provide advice on things such as the most suitable structures and alternative risk transfer mechanisms and assist with the placement of the reinsurance.

In 2006, the Group ceded 50% of its credit insurance and surety risks.

The bonding activity in Italy has its own reinsurance treaty where approximately 70% is ceded through a quota share treaty. In addition to this, Excess of Loss Treaties protect Atradius' retained credit insurance risks against very large individual or aggregate losses on a buyer or buyer group. The attachment point of the Excess of Loss Treaties has been set such that Atradius' net retention of any buyer or buyer group does not exceed EUR 20 million. The top of the Excess of Loss layer is structured so

that the possibility that the failure of any single buyer, or buyer group, will lead to a loss in excess of EUR 20 million, net of reinsurance, remains extremely remote.

Financial risk

Atradius is mainly exposed to financial risk through its balance sheet positions. The key financial risk is assets being insufficient to fund the obligations arising from its insurance contracts. The core components of financial risk are credit risk, liquidity risk and market risk.

- Credit risk is the risk of loss resulting from client or counterparty default or downgrade and arises on credit exposure in all forms. Atradius has exposure to credit risk because of its portfolio investments and reinsurance counterparties.
- Liquidity risk is the risk that Atradius is unable to meet its payment obligations when due at a reasonable cost.
- Market risk is the risk of loss from adverse movements in interest rates, currency exchange rates and equity market prices.

Financial risk is managed centrally by the Corporate Finance unit. Atradius uses an Asset-Liability Management (ALM) approach to measure the net impact of market risk exposures on the accounting and economic value of the Group.

ALM information forms the basis of our Strategic Asset Allocation (SAA). The goal of SAA is to maximise the economic value of Atradius while protecting its financial strength and mitigating the impact of market risks to which Atradius is subject.

The SAA sets the investment ranges per asset class whereas the Tactical Asset Allocation (TAA) permits the adoption of tactical positions for each asset class within the ranges set by the SAA. The SAA is subject to review at least annually or as needed to ensure that Atradius' investment strategy remains appropriate and suited to its needs.

Both ALM and SAA are presented to the Group Investment Committee for comments. Group Investment Committee members include the CFO and delegates from Corporate Finance, Group Finance, and Group Risk Management. Once the Group Investment Committee has commented on the SAA, the proposed investment strategy is submitted to the Management Board for approval. If approved, it is subsequently presented for approval to the Risk and Finance Committee, which represents the interests of the Supervisory Board with respect to investment allocation. The SAA is implemented by way of a TAA. The TAA is discussed by the Group Investment Committee, which is authorised to change allocations within the ranges set by the SAA.

The credit risks of the fixed-income portfolios are monitored and managed by professional asset managers. The mandates of the asset managers are subject to prudential limits on acceptable quality ratings for individual issues and are based on an overall portfolio weighting. The broad diversification of issuers further reduces credit risk exposure. Atradius monitors compliance with the mandate on a monthly basis.

As for the credit risks associated with our reinsurance counterparties, Atradius chooses a diversified panel of reinsurers with consideration of their financial strength and regularly monitors and analyses their financial ratings to verify that their financial strength is being maintained.

Operational risk

In 2006 Atradius established the Enterprise Risk Control unit. This unit was established to broaden the risk management activities within Atradius and to further enhance the internal controls systems of the organisation.

The Enterprise Risk Control unit is achieving these goals by applying the principles of the COSO framework, which focuses on the Company's operational, financial and compliance objectives.

During 2006, a top-down risk assessment process, implemented with the involvement of senior management, resulted in the Group Risk Map. The Group Risk Map process identifies the current status of operational and strategic risk. The highest priority risks are reviewed against our risk tolerance in light of input from the Management Board,

and the possible need to take mitigating action is considered.

Enterprise Risk Control adopts a bottom-up approach to view the risks of our core business processes of policy underwriting, buyer underwriting and claims. This involves documenting the internal control systems, governing these processes and performing self-assessments across all principal locations. This method makes it possible to identify and monitor anything from structural internal controls weaknesses at group-wide level to specific internal controls weaknesses at a local level and provides a roadmap that can be used to remedy these weaknesses on a prioritised basis.

Atradius recognises the importance of having resilient systems and processes. Hence, in 2006, we further improved our business continuity planning, which incorporates IT disaster recovery planning. This initiative includes an approved business continuity strategy and plan, which will be backed up by annual training exercises. As an example of this, we have developed specific plans to contend with a pandemic flu, which increases the likelihood of our being able to continue to operate effectively under such circumstances.

Capital management

Capital management is a vital concern for Atradius and is closely linked to risk management. Capital is necessary to bear the risks assumed by Atradius and to absorb loss events. The active management of capital has to take into account the various risks to which the Group is exposed in order to ensure that capital remains adequate at all times.

Capital management is guided by the following principles:

- Atradius must be adequately capitalised to maintain its financial strength, even after a large loss event, and to protect the franchise value of the firm.
- Atradius must be adequately capitalised to meet the solvency capital requirements of all Atradius legal entities worldwide.
- The capital adequacy of Atradius and its entities must be carefully managed taking into account both internal economic and accounting views and external rating agency and regulatory solvency requirements.
- Capital structure must be optimised by efficiently allocating funds across Atradius entities and minimising the overall cost of funding while maintaining financial flexibility.

An Asset-Liability Management approach helps Atradius to measure

and manage the available capital both from an accounting and economic perspective. Atradius considers the solvency calculation models of the relevant regulatory authorities and credit rating agencies in actively managing its capital, thereby ensuring that such requirements are met at all times.

The economic capital modelling process, which is still being further developed, determines the base capital requirement taking into account the financial, insurance and operational risks. The base capital requirement is the amount of capital required to bear potential, but rarely occurring, severe losses over a one-year horizon.

The amount of available capital is compared to the amount required to determine capital adequacy for the Group.

Atradius constantly monitors its ongoing liquidity requirements and maintains liquidity reserves to meet its obligations and take advantage of business opportunities as they arise. Atradius adopts a group perspective to optimally allocate capital within the different entities of the group. The allocation is guided by the desire to maintain sufficient liquidity and to reduce uninvested cash balances and debt funding.

Economic capital

Economic capital models measure economic risks and determine the amount of capital required to support these risks. These models permit easy comparison between products, industry sectors and geographic locations.

Atradius recognises the importance of these models and is developing the required infrastructure to implement such a model. Atradius believes that all of its stakeholders will benefit from this investment, not least, its customers. For an economic capital model to be practical for risk management, it must

reflect economic reality to a fair extent. In order to provide valuable information about risks and capital requirements, the model must be sufficiently sophisticated and specifically tailored to reflect the reality of Atradius' activities and risks above and beyond the approaches used by regulators and credit rating agencies.

For this reason, Atradius has developed an internal model to determine the economic capital requirements for the insurance risk for credit insurance (including Special Products) and bonding. The structure of the models is in line with industry standard credit risk models. However, in order to adequately capture the insurance nature of both products, including the features of the reinsurance treaties with which the risks are reinsured, a model infrastructure was custom-built in-house.

In order to complete the picture of the capital required at group level, smaller business lines and other types of risks have been modelled with simpler models as place-holders. Models will be continuously improved, with priority being dictated by materiality. During 2007 steps will be taken to

further integrate economic capital into key decision processes within Atradius, with the emphasis being on risk reporting and risk adjusted performance management.

Regulatory compliance

Atradius needs to comply with local regulatory and statutory requirements. In 2006, Atradius Reinsurance Ltd. started being regulated following the adoption of the EU Reinsurance Directive in Ireland. The solvency and assets of Atradius Group companies are maintained such that the risk of non-compliance is sufficiently remote. Atradius continues to comply with its solvency requirements in every jurisdiction in which it operates.

Credit ratings

The core operating entities of the Group benefit from a strong financial strength rating of "A" (outlook stable) by Standard and Poor's (S&P) and "A2" (outlook stable) by Moody's. Atradius' policy is to maintain its credit rating in the mid "A" range, as defined by S&P and Moody's. In 2006, both rating agencies reaffirmed Atradius' financial strength ratings by acknowledging its strong competitive position and sound capital management.

Information technology

Our products, services and processes rely heavily on information technology (IT) systems. Strategic business objectives need to be solidly underpinned by a vision and a strategy on how IT systems will facilitate and support the achievement of those objectives. All of our business and financial systems are integrated within one common technological platform, which serves all of our customers and all of our employees worldwide.

IT strategy

When it comes to IT, we use 'open standards' technology, which makes it possible to connect any party to the Atradius IT infrastructure without the need for bespoke system development. It also allows technical migrations with minimal development effort and enables the integration of third-party software. This is especially relevant for information suppliers, brokers and agents, large customers and other business partners.

As part of its IT strategy Atradius believes that system components should be independent and makes a point of using service-orientated architectures. This increases flexibility in allowing for changes and therefore reduces time-to-market. Modularised applications and central utility functions allow structural re-use for system components such as credit limit processing, pricing, invoicing, printing and imaging. The use of central facilities makes for greater savings on operating costs.

The target platform to which we aspire is an open architecture based on a

technical infrastructure that is readily available to relevant stakeholders, fully supported by the industry, with an ongoing development programme that is up-to-date with market demands.

The architectural models are complemented by a set of guiding principles that prescribe how the system is operated, maintained and expanded. This helps to ensure that all development complies with our strategic objectives. Strategic sourcing of IT vendors is applied at each stage of the implementation process. Components and services are defined independently of one other and proprietary technology and can therefore be produced in-house, outsourced or off-shored.

Business continuity

Atradius has formulated a permanent IT Disaster Recovery Management Plan as part of its commitment to ensuring continuity of IT Services for its internal and external customers. Incorporated within the overall Atradius Group Business Continuity Plan, the IT department maintains a Disaster Recovery Plan for the Data Centre, adopting a flexible approach to protecting evolving business and customer requirements.

The Disaster Recovery Plan details how essential services are to be recovered at our alternate recovery centre. Biannual drills, which include technical recovery and user testing, verify the effectiveness of the plan and support a process of continual fine tuning and improvement.

A group-wide IT Disaster Recovery Work Program for 2007, harmonisation of the recovery plans formulated in the different countries, and inclusion of customer-facing applications will continue to deliver benefits in this area.

Achievements in 2006

In 2006 the IT efforts concentrated on delivering several main systems. A new policy management system was implemented, which means that all policies are now compiled from a group-wide set of modules that allow us to provide our customers with a flexible service while maintaining the efficiency of the commercial and IT support organisation.

Having completed the integration and harmonisation of the new policy management system, the focus of the IT department shifted to systematically supporting commercial initiatives as far as possible. A new customer contact management system known as Customiser enables our sales force to increase their efficiency and proactivity in dealing with customers. We also developed new marketing and sales systems that will improve our customer relationship management. These systems are expected to be rolled out in 2007.

We launched several other powerful initiatives designed to improve efficiency, which include the development of an automatic buyer review system and ongoing efforts to automate the collection of information for our underwriting processes.



“EMR and Atradius share several core values”

Name : Michael Hughes

Company: EMR

Industry : Scrap metal dealership

Location : United Kingdom

“The Atradius policy underpins our credit control and enables us to maximise business opportunities while concentrating on further acquisition potential. We value the relationship with our Key Account Partners who are prepared to individualise our service delivery requirements. It has been comforting to find that EMR and Atradius share several core values and maintain a high level of professionalism in all business activities.”

Human resources

Having the right people in the right positions is essential in achieving our goals. Atradius aims to attract, retain and develop a highly effective workforce that can increase our competitive advantages and drive our business plans and ambitions. As part of this process we focus on building and maintaining a high-performance culture.

Our employees are the human capital of our organisation. Their experience and knowledge of the receivables business and markets is our primary resource. They are the key to our success and the most important variable in Atradius' ambition to achieve new heights.

People and performance management

In 2006 we aligned a number of our people management tools in constructive co-operation with several local works councils and the European Works Council. This included the introduction of a group-wide approach to competency management and appraisal.

We have started the Atradius Academy, which will drive the competency management initiative and help high-potential employees to achieve more. Our goal is to create a learning organisation that supports the company strategy. The rollout of the Academy in 2007 will be supported by

the establishment of the Management Development and Learning function.

2006 marked a milestone in the redefinition of a group-wide reward model that is more effectively designed to drive the achievement of our ambitions. Besides placing more emphasis on variable pay and commission, it will also challenge employees not just to achieve goals but to exceed them. The model will be rolled out across the Group in due course, taking into account local legislation and market conditions.

Best HR practices and optimal organisation

Drawing on our global presence, in 2006 we also initiated a process to identify and roll out best HR practices throughout the organisation. Hiring procedures were strengthened and aligned across the company, a group-wide Code of Conduct was introduced and a group-wide intranet platform known as ACE (Atradius Connects Employees) was created to share knowledge and news.

The corporate restructuring, announced two years ago, which aimed to improve both quality and efficiency, also began to bear fruit in 2006. The repositioning of personnel resulted in a greater outflow of staff. This led to additional hiring to recruit

people with the right competencies for the organisation to be well prepared for the future. We plan to complete this restructuring in 2007.

Towards the end of 2006 an employee satisfaction survey was conducted that will guide the implementation of improvements in 2007. Almost 70% of Atradius' employees took part in the survey. Most of them gave Atradius a satisfaction rating that was above international benchmark scores. Detailed analyses will provide a clear insight into areas in which we are doing well and areas that still leave room for improvement.

Looking ahead

With the prospect of shifting labour market paradigms (ageing workforce, higher mobility), Atradius will continue to focus on effective retention tools, stimulating diversity and continuous development of the organisation.

We value the individual and collective contributions of our employees. Our continued focus on performance management and development of our personnel will be the motivating force that drives improvements in our services and results. It is this desire to improve our performance and accomplish greater results that will enable us to help our stakeholders to achieve new heights.

Facts and figures, as per 31 December 2006	2006	2005
Headcount	3,545	3,452
Full time equivalents (FTE)	3,304	3,256
FTE inflow	586	413
FTE outflow	512	783
Retention rate	84%	78%
Sick leave	3.6%	4.0%
Training expenses as % of salary costs	2%	2%

Consolidated Financial Statements 2006

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1 Consolidated financial statements

1.1 Consolidated balance sheet

Assets	31.12.2006	31.12.2005
Notes		
7 Intangible assets	30,516	28,324
8 Property, plant and equipment	47,700	41,603
Investments	1,280,225	1,224,143
9 Investment property	9,349	11,065
10 Investments in associated companies and joint ventures	27,960	25,393
11 Financial investments	1,242,916	1,187,685
12 Reinsurance assets	710,759	725,579
13 Receivables	410,679	372,320
13.1 Accounts receivable on insurance and reinsurance business	396,520	355,812
Other accounts receivable	14,159	16,508
Other assets	124,874	92,033
14 Deferred acquisition costs	42,392	16,377
15 Miscellaneous assets and accruals	82,482	75,656
25 Deferred income tax assets	129,610	129,983
25 Current income tax assets	21,340	61,153
16 Cash and cash equivalents	119,192	62,792
Total assets	2,874,895	2,737,930

Equity		31.12.2006	31.12.2005
Notes			
17	Capital and reserves attributable to the equity holders of the Company	690,148	605,074
	Minority interest	422	394
	Total equity	690,570	605,468
Liabilities			
Notes			
19	Subordinated loans	114,495	114,071
20	Underwriting provisions	1,349,698	1,277,441
21	Non-underwriting provisions	27,144	33,126
22	Payables	210,601	228,973
22.1	Accounts payable on insurance and reinsurance business	160,421	174,918
22.2	Trade and other payables	50,180	54,055
23	Other liabilities	251,387	230,999
23.1	Deposits received from reinsurers	87,544	98,829
23.2	Miscellaneous liabilities and accruals	163,843	132,170
24	Employee benefit liabilities	106,272	95,982
25	Deferred income tax liabilities	111,164	107,107
25	Current income tax liabilities	13,564	44,763
	Total liabilities	2,184,325	2,132,462
	Total equity and liabilities	2,874,895	2,737,930

1.2 Consolidated income statement

Continuing operations		2006	2005
Notes			
26	Insurance premium revenue	1,076,474	1,058,794
26	Insurance premium ceded to reinsurers	(535,583)	(521,202)
26	Net premiums earned	540,891	537,592
27	Service and other income	152,857	146,725
10	Share of income from associated companies	9,489	6,830
28	Net income from investments	46,059	39,065
	Total income after reinsurance	749,296	730,212
29	Insurance claims and loss adjustment expenses	(524,468)	(597,448)
29	Insurance claims and loss adjustment expenses recovered from reinsurers	236,552	321,102
	Net insurance claims	(287,916)	(276,346)
30	Net operating expenses	(314,997)	(341,616)
	Total expenses after reinsurance	(602,913)	(617,962)
	Operating result before amortisation of goodwill and finance costs	146,383	112,250
7	Impairment of goodwill	–	(735)
31	Finance income and expenses	(7,755)	(7,542)
	Profit before tax	138,628	103,973
32	Income tax expenses	(33,325)	(21,655)
	Profit for the year from continuing operations	105,303	82,318
Discontinued operations			
Notes			
37	Profit for the year from discontinued operations	–	17,964
	Profit for the year	105,303	100,282
1.3	Attributable to:		
	Equity holders of the Company	105,255	100,443
	Minority interest	48	(161)
		105,303	100,282
		2006	2005
33	Basic earnings per share		
	From continuing and discontinued operations	1,86	1,77
	From continuing operations	1,86	1,45
33	Diluted earnings per share		
	From continuing and discontinued operations	1,85	1,77
	From continuing operations	1,85	1,45

1.3 Consolidated statement of recognised income and expenses

	Revaluation reserve	Currency translation reserve	Pension reserve	Revenue reserve	Total (excluding minority interest)	Minority interest	Total
Profits and losses not recognised in the income statement	20,114	6,978	(13,174)	–	13,918	20	13,938
of which currency translation differences	–	5,773	–	–	5,773	20	5,793
of which unrealised profits and losses on investments	20,192	–	–	–	20,192	–	20,192
of which unrealised actuarial gains and losses	–	–	(17,695)	–	(17,695)	–	(17,695)
of which planned assets ceiling	–	–	4,521	–	4,521	–	4,521
of which share of associates	(78)	1,205	–	–	1,127	–	1,127
Profits and losses recognised in the income statement	(6,130)	(799)	–	–	(6,929)	–	(6,929)
Profit for the year	–	–	–	100,443	100,443	(161)	100,282
Total net recognised income and expenses for the year 2005	13,984	6,179	(13,174)	100,443	107,432	(141)	107,291
Profits and losses not recognised in the income statement	9,572	(6,372)	(6,687)	–	(3,487)	(20)	(3,507)
of which currency translation differences	–	(5,333)	50	–	(5,283)	(20)	(5,303)
of which unrealised profits and losses on investments	9,273	–	–	–	9,273	–	9,273
of which unrealised actuarial gains and losses	–	–	(6,508)	–	(6,508)	–	(6,508)
of which planned assets ceiling	–	–	(229)	–	(229)	–	(229)
of which share of associates	299	(1,039)	–	–	(740)	–	(740)
Profits and losses recognised in the income statement	(5,592)	(295)	–	–	(5,887)	–	(5,887)
Profit for the year	–	–	–	105,255	105,255	48	105,303
Total net recognised income and expenses for the year 2006	3,980	(6,667)	(6,687)	105,255	95,881	28	95,909

1.4 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 reserve	Share option reserve	Revenue reserve	Total (excluding minority interest)	Minority interest	
Equity at 1 January 2005	56,600	470,004	13,159	(22,603)	(33,482)	-	19,624	503,302	665	503,967
Profits and losses not recognised in the income statement	-	-	20,114	6,978	(13,174)	-	-	13,918	20	13,938
Profits and losses recognised in the income statement	-	-	(6,130)	(799)	-	-	-	(6,929)	-	(6,929)
Profit for the period	-	-	-	-	-	-	100,443	100,443	(161)	100,282
Total net recognised income and expenses for the year 2005	-	-	13,984	6,179	(13,174)	-	100,443	107,432	(141)	107,291
Issue of shares	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	(130)	(130)
Dividends	-	(5,660)	-	-	-	-	-	(5,660)	-	(5,660)
Equity at 31 December 2005	56,600	464,344	27,143	(16,424)	(46,656)	-	120,067	605,074	394	605,468
Equity at 1 January 2006	56,600	464,344	27,143	(16,424)	(46,656)	-	120,067	605,074	394	605,468
Profits and losses not recognised in the income statement	-	-	9,572	(6,372)	(6,687)	-	-	(3,487)	(20)	(3,507)
Profits and losses recognised in the income statement	-	-	(5,592)	(295)	-	-	-	(5,887)	-	(5,887)
Profit for the period	-	-	-	-	-	-	105,255	105,255	48	105,303
Total net recognised income and expenses for the year 2006	-	-	3,980	(6,667)	(6,687)	-	105,255	95,881	28	95,909
Issue of shares	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-
Dividends	-	(11,320)	-	-	-	-	-	(11,320)	-	(11,320)
Value of employee services	-	-	-	-	-	459	54	513	-	513
Equity at 31 December 2006	56,600	453,024	31,123	(23,091)	(53,343)	459	225,376	690,148	422	690,570

1.5 Consolidated cash flow statement

	2006	2005
I. Cash flows from operating activities		
Profit for the period before tax	138,628	120,033
Adjustments for:		
Realised capital (gains) and losses on investments	(6,944)	(7,493)
Impairment losses	1,044	2,557
Share in income from investments in associates	(9,489)	(6,830)
Depreciation and amortisation	15,422	25,601
Other non-cash items	864	(7,336)
Changes in operational assets and liabilities:		
Underwriting provisions, gross	79,664	76,942
Reinsurance assets, net	14,820	(33,693)
Derivative assets held for risk management	364	1,260
Deferred acquisition costs and unearned reinsurance commissions	(26,015)	(2,584)
Accounts receivable and payable on insurance and reinsurance business	(55,205)	(67,133)
Other operating assets and liabilities:		
Cash (used in)/generated by operating activities	1,830	5,530
Income taxes paid	(20,282)	(20,510)
Net cash generated by operating activities	134,701	86,344

	2006	2005
II. Cash flows from investing activities		
Investments and acquisitions (cash outflows):		
Associated companies	(356)	–
Investment property and property for own use	(206)	(298)
Loans and receivables	(40)	10
Financial investments available-for-sale	(1,904,344)	(2,059,761)
Property, plant and equipment and intangible assets	(23,671)	(12,384)
Divestments, redemptions and disposals (cash inflows):		
Investment property and property for own use	3,088	65
Loans and receivables	1,281	17,086
Financial investments available-for-sale	1,845,112	1,872,039
Property, plant and equipment and intangible assets	5,867	1,801
Dividend paid	(11,320)	(5,660)
Dividends received from associated companies	6,538	3,768
Divestment of factoring companies	0	43,341
Net cash (used in)/generated by investing activities	(78,051)	(139,993)
III. Cash flows from financing activities		
Redemptions of debt instruments	(250)	–
Payments on outstanding debt	–	(72)
Net cash (used in)/generated by financing activities	(250)	(72)
Changes in cash and cash equivalents (I + II + III)	56,400	(53,721)
Cash and cash equivalents at the end of the preceding year	62,792	116,513
Cash and cash equivalents at the end of the financial year	119,192	62,792
Other supplementary cash flow disclosures		
Interest income received	32,876	25,837
Dividend income received	6,793	5,470
Interest expenses paid	(10,378)	(12,403)

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

2 General information

Atradius N.V., with statutory seat 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 and instalment credit protection. The Group has operations in 42 countries and employed 3,545 people at 31 December 2006. The Management Board approved the financial statements on 11 April 2007.

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

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. Although Atradius does not use the IAS 39 carve-out clause as adopted by the EU, these financial statements are still 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 (Dutch GAAP). As per 2005 the Group uses the option in Dutch law, that 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 2006

The Group has adopted the following IFRS in 2006, which is relevant to its operations:

- IFRS 7 (issued August 2005): Financial Instruments Disclosures (effective date 1 January 2007)

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)
- The Group did not early adopt IFRS 8: Operating Segments Disclosures (effective date 1 January 2009)

The adoption of the revised IAS 1 will affect the disclosure of the entity objectives, policies and processes or/of managing capital.

The adoption of IFRS 8 will affect the disclosure of the segmental reporting. Generally the financial information would be required to be reported on the basis that is used internally for evaluating operating segment performance.

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 and joint ventures

Associates are those entities in which Atradius has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities Atradius has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures are accounted for using the equity method. The consolidated financial statements include Atradius' share of its associates' post-acquisition profits or losses in the income statement and its share of post-acquisition movements in reserves, after adjustments to align the accounting policies of Atradius, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. The cumulative post-acquisition movements are adjusted again when Atradius' share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, Atradius 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 2006	Registered office	Holding as a percentage	
		2006	2005
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 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%
Atradius Payments S.A.R.L.	Levallois Perret, France	99.8%	99.8%
Atradius Collections B.V. (formerly NCM Eurocollect B.V.) ¹⁾	Ommen, The Netherlands	100%	100%
Atradius Collections Holding B.V.	Amsterdam, The Netherlands	100%	100%
NCM Eurocollect Ltd.	Cardiff, United Kingdom	100%	100%
Atradius Credit Management Services B.V.	Amsterdam, The Netherlands	100%	100%
Atradius Insurance Holding N.V.	Amsterdam, The Netherlands	100%	100%

¹⁾ During 2006 Atradius Collections B.V., NCM Eurocollect B.V and NCM Eurocollect Trade Finance B.V. were merged in the entity NCM Eurocollect B.V. and the name was changed to Atradius Collections B.V.

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

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 revaluation 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 in the currency translation reserve being part 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 in 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.

Currency	End rate		Average rate	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
GBP	1,489	1,459	1,486	1,462
USD	0,759	0,847	0,757	0,803
DKK	0,134	0,134	0,134	0,134
NOK	0,121	0,125	0,123	0,125
SEK	0,111	0,106	0,108	0,108
MXN	0,070	0,080	0,073	0,074
AUD	0,599	0,621	0,595	0,613

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. These cash-generating units represent the lowest level at which goodwill is monitored for internal management purposes. This test is performed annually or more frequently if there are indicators of impairment. Under the impairment test, the carrying value of the cash-generating units (including goodwill) is compared to its recoverable amount which is the higher of its fair value less costs to sell and its value in use. An impairment loss in respect of goodwill is not reversed.

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 between three and five years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will 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 amortisation method over their estimated economic 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. Computer software that is subject to amortisation is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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.

The group assesses at each balance sheet date whether there is objective evidence that insurance portfolios are impaired. Insurance portfolios are 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 insurance portfolio and the loss event has an impact on the estimated future cash flows of the insurance portfolio that can be reliably estimated.

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, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

3.7 Property, plant and equipment

3.7.1 At cost

Land and buildings comprise mainly of 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. All other property, plant and equipment are stated at the lower of historical cost less accumulated depreciation, impairment 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.

3.7.2 Depreciation

The depreciation period is based on the estimated economic useful life of the property.

Land is not depreciated. All other assets are depreciated using the straight-line depreciation method over the estimated economic useful lives.

	Depreciation years
Land	Nil
Property for own use	50
Fixtures and fittings	3 – 10
Information systems hardware	3 – 5

3.7.3 Impairment

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 of 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 accumulated depreciation and subsequent impairment losses, but not below its residual value. Investment property is depreciated using the straight-line depreciation method over the estimated economic useful life of the property, being fifty years. 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. The Group assesses at each balance sheet date whether there is objective evidence that investment property is impaired. Investment property 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 investment property and the loss event has an impact on the estimated future cash flows of the investment property that can be reliably estimated.

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, 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 Financial instruments

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 Deposits, loans and receivables

Deposits, 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. Deposits withheld by ceding companies and receivables arising from insurance contracts are also classified in this category and are regularly reviewed for impairment as part of the impairment review. All deposits, loans and receivables are valued at fair value. For receivables this is the original invoiced amount.

3.9.2 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.

3.9.3 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.

3.9.4 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 of 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 is 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.

3.9.5 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 the income statement) 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.

For a debt instrument classified as available-for-sale, the impairment loss is reversed through the income statement but only to the amortised cost price if in a subsequent period the fair value of increases and the increase can be objectively related to an event occurring after the impairment loss was recognised on the income statement. Subsequent increases above amortized cost price are credited against the revaluation reserves.

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 carried 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.

The fair value of derivatives is based on their listed market price if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

3.11 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.

The estimated fair value of the cash and cash equivalents is equal to the book value of the cash and cash equivalents due to the short term nature of the balance.

3.12 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.

3.13 Equity

3.13.1 Subscribed 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.

3.13.2 Capital reserve

Capital reserve is the amount received of share premium by the Company in excess of the nominal value of the shares it has issued.

3.13.3 Revaluation reserve

The revaluation reserve is related to unrealised change in fair value of the investments classified as available-for-sale minus deferred taxes. Changes occur through changes in the fair value of the investments available-for-sale and realisation through the sale of the investment.

3.13.4 Currency translation reserve

The net exchange difference that is recognised in the currency translation reserve in each period represents the following:

- in respect of revenue, expenses and capital transactions, the difference between translating these items at actual or average exchange rates, and using the exchange rate at the balance sheet date, which is the case for recognised assets and liabilities.
- in respect of the opening balance of equity (excluding the currency translation reserve), the difference between translating these items at the rate used at the balance sheet date at the end of the previous period, and using the rate at the balance sheet date at the end of the current period.

3.13.5 Pension reserve

The pension reserve relates to the various defined pension schemes and consists of:

- actuarial gains and losses that arise in calculating the Group's pension obligations and fair value of the plan assets in respect to a defined benefit plan in the period in which they occur.
- the derecognition of assets that can occur when the plan assets are higher than the projected benefit obligation and the Company cannot recover any surplus through refunds from the pensions vehicle due to solvency and/or control requirements.

3.13.6 Share option reserve

The share option reserve is the amount related to the equity settled share based compensation plans. This amount represents the vested part of the fair value of the option plans at grant date. At each balance sheet date, the entity revises its estimates of the number of outstanding options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in equity through the share option reserve.

3.13.7 Revenue reserve

Revenue reserve is the accumulated amount of profits and losses at balance sheet date, which have not been distributed to shareholders. The distribution of retained earnings can be restricted by legal or other (statutory) requirements.

3.13.8 Minority Interest

Minority interest represents the proportion of shareholders' equity that is attributable to minority shareholders.

Minority interests are initially measured on the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of the acquisition. The calculation of the percentage attributable to the minority interests includes any equity interest that is not held indirectly through subsidiaries.

Minority interest is presented within equity separately from the equity attributable to the equity holders of the Company. Similarly, the statement of changes in equity presents total income and expenses for the period showing separately the amounts attributed to the equity holders of the Company and minority interests.

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.

Unpaid interest is included as part of miscellaneous liabilities and accruals.

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

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

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 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

Atradius reviews the adequacy of provisions for each reporting period. The technical provisions are not discounted, given the cycle of the Company's business. The reasonableness of the assumptions are reviewed each reporting period. If the review shows 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 is 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, subrogations 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: Provisions are calculated on a case-by-case basis.
- Assumed insurance business from third parties: Provisions are determined on a treaty-by-treaty basis, based on premium and loss information supplied by the ceding companies. Estimates of expected losses are developed using historical claims experience, actual versus estimated claims experience and other known trends and developments.

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 the income statement 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/or central evaluation of the local methodologies used. The Group considers these liabilities 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 premiums 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 and 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 the carrying value which is, due to the short term nature, a reasonable approximation of the fair value.

3.18 Employee benefits

3.18.1 Post employment benefits

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 plans and defined contribution plans.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity and the Company 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. In a defined benefit plan the Company also pays contributions into a separate entity or fund. The Company and in some cases the employees who are participating fund a defined benefit plan and the Company 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 amount recognised as a defined benefit liability is the net total of the present value of the defined benefit obligation at the balance sheet date minus the fair value at balance sheet date of plan assets (if any) out of which the obligations are to be settled directly. 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 Company'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 can occur when the plan assets are higher than the projected benefit obligation and the Company cannot recover any surplus through refunds from the pensions vehicle due to solvency and/or 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 Company 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 expenses 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. The contributions to these plans are recognised as expenses and booked in the income statement.

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.

The Group has several kinds of post employment plans. The main plans are lump sum payments and pre-pension plans.

A lump sum payment plan is a plan where the employees are entitled to a lump sum payment at the date their employment is terminated. A pre-pension plan is a plan where the employees are entitled to receive payments if they stop working before their actual retirement date.

3.18.3 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. The Group liability is included as part of the non-underwriting provisions.

3.18.4 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 Income taxes

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. 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 Consolidated income statement

3.20.1 Income

Net premiums earned

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

- Credit Insurance
- Instalment Credit Protection
- Bonding

Written premium includes an estimate of not yet invoiced premium for which the Company is at risk. Accruals for premium refunds are charged against premiums written. Premiums earned include an adjustment for the unearned share of premiums, matching risks and rewards.

Part of the insurance premium is ceded to reinsurers to diversify risk and to reduce the risk of catastrophic loss on insurance assumed. Premiums ceded under cession contracts are reported as reductions of premiums earned. Amounts recoverable for ceded unearned premiums under cession agreements are reported as assets in the accompanying consolidated balance sheet.

Service income

Service income includes the income from information services, collections 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. 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.

Share of profit of associates

Associates are accounted for in the consolidated financial statements using the equity method. Under the equity method the investor's share of after-tax profits or losses of the associate is presented as a single line item in the income statement.

Net investment income

Net investment income is the result of investment income minus investment expenses, including interest income, dividend income from available-for-sale equities and unrealised gains and losses from investments held for trading, impairment and depreciation of investment property.

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

Net insurance claims

Claims charges include paid claims and the change in claims provision net of recoveries, including the claims handling expenses. Claims ceded under cession contract are recorded as reductions of gross paid claims.

3.20.2 Expenses

Net operating expenses

Net operating expenses comprise administrative expenses, gross acquisition costs, gross change in deferred acquisition costs, commission received for business ceded to reinsurers and the change in reinsurance share of deferred acquisition costs.

Impairment of goodwill

Impairment of goodwill includes the impaired amount following the periodic review of the carrying value of goodwill for indicators of impairment in value, in accordance with the accounting policy stated in paragraph 3.6.1. The impaired amount equals the difference between the carrying value of the cash generating unit and its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

Adjustments to reflect an impairment in value are recognised in the period in which the determination of impairment is made. Estimates are used on the determination of the value in use of the cash generating units to which goodwill has been allocated.

Finance income and expenses

Finance costs include interest and expenses for subordinated loans and foreign exchange results. Interest income and expense is calculated using the effective interest rate method based on market rates rather than nominal, at the date that the instrument is recognised initially or modified.

Income tax

The total sum of income tax expense recognised in the income statement is the sum of current tax expense (or recovery) plus the change in deferred tax liabilities and assets during the period, net of tax amounts recognised directly in equity or arising from a business combination.

3.21 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.

3.22 Cash flow statement

A cash flow statement, when used in conjunction with the rest of the financial statements, provides information that enables users to evaluate the changes in net assets of an entity, its financial structure (including its liquidity and solvency) and its ability to affect the amounts and timing of cash flows in order to adapt to changing circumstances and opportunities.

The breakdown of the cash flow statement is as follows:

- *Cash* comprises cash on hand and demand deposits.
- *Cash equivalents* are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- *Cash flows* are inflows and outflows of cash and cash equivalents.
- *Operating activities* are the principal revenue-producing activities of the Company and other activities that are not investing or financing activities.
- *Investing activities* are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.
- *Financing activities* are activities that result in changes in the size and composition of the contributed equity and borrowings of the Company.

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 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 Notes 5.1.7 and 20.1.

4.2 Impairment of available-for-sale equity financial assets

Atradius determines that an available-for-sale equity financial asset 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 EUR 5.0 million loss in its 2006 (2005: EUR 2.0 million loss) financial statements, being the transfer of the total equity reserve for unrealised losses to the income statement.

4.3 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, there would be no impairment charge (2005 estimated: EUR 0.6 million higher). Should the actual pre-tax discount rates applied to cash flow projections have increased by 10% from management's estimates, there would still be no impairment charge (2005 estimated: EUR 0.8 million higher).

4.4 Pension and post-retirement benefits

The cost of these benefits, 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 the yield at balance sheet date on "AAA" credit rated 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 managements' estimates, the consolidated net income would be an estimated EUR 1.7 million in 2006 (2005: EUR 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 EUR 1.7 million in 2006 (2005: EUR 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 in principle 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 customers. 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.

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.

Atradius Re

Atradius Re underwrites credit and surety business written by other primary insurers. Underwriting guidelines define the types of business Atradius Re is allowed to write.

5.1.2 Authorities and risk governance

Staff in Commercial Units has 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 sign off of both the Commercial Director of a commercial unit and the Chief Market Officer.

Staff in Risk Services also has well-defined authorities specifying who can set what capacity on a buyer, or who can sign off what limit. As amounts grow, decisions need authorisation from one or more co-signatories, of increasing seniority. Directors of Risk Service Centres can sign off capacities to a certain threshold, and individual limits up to another lower threshold, and always at least two signatures of authorised directors are needed. Beyond these thresholds, the Local Credit Committee of the Risk Service Centres takes decisions. The Local Credit Committees again can only sign off amounts up to certain thresholds. Beyond these thresholds the Group Credit Committee takes decisions. The 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 act under delegated authority of 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 main bodies in the Risk Governance Structure are:

- Risk Strategy Managing Board – acts as body of appeal for other bodies in the Risk Governance Structure. Directly responsible for Instalment Credit Protection and the inward business of Atradius Re.
- Group Product Committee – 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 the Group Product Committee.
- Country Committee – sets Atradius' underwriting policy by country, whether Atradius will cover or not, and under what conditions. The Country Committee monitors Atradius' exposure to country risk and sets country limits for political risk exposure. Thus, The Country Committee is the prime body through which Atradius manages country risk.
- Provisioning Committee – 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 – supervises Atradius' reinsurance process. It sets the remit for Atradius Re to obtain and negotiate reinsurance coverage from third party reinsurers.
- Group Investment Committee – 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.

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 held in Symphony – yet Atradius does monitor exposures from these portfolios together with exposure from credit insurance. Exposure from the Instalment Credit Protection business is monitored separately, as the risk is on consumers.

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 starting from a price suggested 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. Separate economic capital models have been developed for the Special Products business and for Bonding.

5.1.4 Reinsurance

Atradius use reinsurance as a source of synthetic capital both to write more business than its own balance sheet would support, and to protect its own balance sheet, and income statement. The main treaty for 2006 consists of 50% (2005: 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 EUR 20 million (2005: EUR 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 EUR 20 million (2005: EUR 20 million). Quota Share, the attachment point for the Excess of Loss Treaties, and the top of the Excess of Loss layers have not changed with the 2007 treaties.

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 2006 (2005: 30%). This will also be the own retention for the 2007 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 end of 2006 and 2005 in terms of the sum of limits issued under policies, the so-called Total Potential Exposure (TPE).

TPE is an approximate 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 normally does not 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 that, in aggregate, real exposure will be far below TPE.

Tables 5.1.1 through 5.1.3 below 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 has entirely different characteristics and therefore has not been included in these tables. At Group level, Atradius has EUR 22.1 billion (2005: EUR 24.1 billion) in bonding exposure, of which EUR 13.1 billion (2005: EUR 15 billion) is for customers based in Italy. Exposure for Instalment Credit Protection amounts to EUR 2.5 billion (2005: EUR 2.1 billion).

Table 5.1.1 – Exposure by buyer country

Buyer country	Region	TPE 2006 (€ million)	TPE 2005 (€ million)
Denmark, Finland, Norway, Netherlands, Sweden	The Netherlands	37,179	33,495
	Nordic	22,968	19,992
Austria, Czech Republic, Germany, Greece, Hungary, Poland, Slovakia, Switzerland	Germany	67,197	61,688
	Other	30,748	23,750
Belgium, France, Italy, Luxembourg, Spain	France	50,756	46,728
	Italy	32,646	26,989
	Other	34,541	29,768
Ireland, United Kingdom	United Kingdom	42,130	35,384
	Other	5,158	4,226
Canada, Mexico, USA	USA	26,821	23,446
	Other	5,456	4,634
Australia, New Zealand, New Markets	Australia, New Zealand	4,508	3,608
	New Markets	41,897	33,302
Total		402,005	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 64 % (2005: 66%) of TPE. The remaining 36% (2005: 34%) is spread over all other countries where customers of the Group have exposure.

Table 5.1.2 – Exposure by sector

Industry sector	TPE 2006 (€ million)	TPE 2005 (€ million)
Consumer Durables	51,977	43,934
Metals	44,353	37,217
Chemicals	39,094	34,173
Construction	40,433	34,420
Electronics	39,407	32,547
Food	30,575	28,930
Transport	30,009	25,766
Machines	29,331	24,905
Construction Materials	23,064	19,893
Textiles	17,782	17,028
Services	19,853	16,467
Agriculture	13,167	12,310
Finance	13,874	11,011
Paper	9,086	8,409
Total	402,005	347,010

Table 5.1.3 – Exposure by value band of buyer group

Value band 2006 (€ million)	Number of Buyers	TPE (€ million)
0 - 20	1,949,206	236,417
20 - 100	1,623	65,643
100 - and more	388	99,945
All	1,951,217	402,005

Value band 2005 (€ 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 EUR 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 sections 5.1.1 through 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 they are 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.

Of the outstanding claims reserves, per year end 2006, for Credit Insurance, 72% (2005: 65%) have been set by this statistical method. The remainder of outstanding claims reserves for Credit Insurance are for assumed insurance business from third parties 8% (2005: 11%), for which claims provisions are set on the basis of what cedents report and our underwriters' view of the ultimate loss ratio of open treaties, and credit insurance books for which reserves are largely set on a case by case basis. Instalment Credit Protection contributes a negative amount, net of salvage, subrogation and other recoveries, of 9% (2005: 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 is a 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 has 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 mainly exposed to financial risk through its balance sheet positions. 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 core 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 or downgrade 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, at a reasonable cost.
- Market risk is the risk of loss from adverse movements in market variables such as interest rates, currency exchange rates and equity prices.

These risks arise from interest rate sensitive positions, non-Euro currency exposures, credit exposures, equity instruments, and cash flow patterns as these may affect the general liquidity position.

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 Managing 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 insured 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 managing the credit risks within the asset management function, the investment policy of the Atradius Group risk is to hold a principally euro-centric internationally diversified portfolio and avoid large risk concentrations. From an S&P rating scale perspective or comparable, the overall fixed income portfolio is invested in investment grade debt which is rated BBB or higher. The average weighted rating of the portfolio is AA. Atradius can decide at any time to tactically reduce its exposure to riskier bonds should the need arise and implement this decision within a reasonable short timeframe.

The rating of reinsurance parties as at 31 December 2006 and at 31 December 2005 follows:

As at 31 December 2006 (€ million)	AAA	AA	A	BBB	BB	B	Non Rated	Total
Assets arising from reinsurance:								
Receivables and claims and loss expenses	10	616	102	30	–	–	15	774
Bonds and other fixed rate securities	562	82	242	39	–	1	5	931
Total	572	698	344	69	–	1	20	1,705

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

5.2.2 Liquidity risk

Atradius has an ongoing requirement for liquidity to fund such items as claims, reinsurance flows and operational costs. Premiums, fees, investment income, incoming reinsurance flows and recoveries are the Group's main sources of liquidity used to service the ongoing liquidity requirements.

Atradius is exposed to liquidity risk if there is insufficient cash available to pay the obligations, when due, at a reasonable cost. For Atradius, liquidity risks may arise if large scale short term fluctuations occur to cash flows such as a decline in incoming cash or a rise in outgoing cash, or a combination of both.

Liquidity risk is managed at Group level, in close co-ordination with local operations. Atradius' policy is to monitor and measure ongoing cash flow patterns and control liquidity by maintaining sufficient cash and highly marketable securities to reduce liquidity risk to acceptably low levels. Atradius maintains adequate capital which helps in obtaining liquidity even in crisis situations. We can readily access credit facilities to prevent certain liquidity shortages which arise due to short-term cash flow variances. In addition to uncommitted credit lines of about EUR 55 million, Atradius maintains one committed credit facility of EUR 35 million (2005: two committed credit lines of EUR 50 million each). The credit lines provide liquidity to cover the more infrequent peaks in short-term liquidity requirements while also permitting Atradius to reduce its cash balances and benefit from a more substantial and stable invested investment portfolio.

Should the need to liquidate investment positions arise, Atradius maintains the ability to do so within a reasonable timeframe and at reasonable costs. The large majority of the investments of Atradius consist of highly tradable listed securities which can be converted to liquid assets with minimal market impact. Bonds are primarily government bonds or bonds from major public issuers. The maturity profile of the fixed income portfolio is as follows:

Bonds and other fixed income securities	Exposure		Exposure	
	2006	2006	2005	2005
Maturity band in years	€ million	%	€ million	%
0 - 1	53	6	113	12
1 - 5	801	86	822	83
5 - 10	42	4	54	5
10+	35	4	4	0
Total	931	100	993	100
Duration	2.3 years		2.4 years	
Average maturity	4.2 years		2.9 years	

5.2.3 Market risk

Market risk is the risk that the value of Atradius will be adversely affected by movements in the components of market risk to which we are exposed: currency exchange rates, interest rates and equity prices. Atradius' accounting and economic value is dependent on market fluctuations. Atradius is mainly exposed to such risks through its balance sheet positions.

Atradius uses an Asset-Liability Management (ALM) process to identify and measure the net impact of these market risks on its assets and liabilities. The Strategic Asset Allocation (SAA) is a risk management tool that is based on various considerations such as the results of the ALM process, expected asset risks and returns, liquidity requirements, and a peer comparison. The SAA starts with a base allocation of investments such that the potential impact of market risks as identified in the ALM process are minimised. Divergences are then made from this base allocation in order to increase the economic value of Atradius. The resulting allocations are however subject to risk limits to ensure that the financial strength of Atradius remains sufficiently protected. The SAA process generates several alternative optimised portfolio allocations which are sensitivity and stress tested to simulate adverse market conditions. Ultimately, a preferred SAA allocation is determined. The investment portfolio is regularly assessed against the SAA, in terms of risk and performance. Ongoing risk monitoring of portfolio positions is used to verify that market risks remains within expected boundaries.

The Tactical Asset Allocation (TAA) process allocates the investments across the ranges specified by the SAA. The SAA allocation ranges permit Atradius to tactically reduce its exposure to risky assets such as corporate bonds and equities should the risks be perceived as unacceptable. Interest rate sensitivity can also be minimised by the close matching of interest rate sensitive assets and liabilities.

5.2.3.1 Currency risk

Atradius operates internationally and its exposure to foreign exchange risk arises from possible adverse currency exchange rate movements to assets and liabilities denominated in currencies other than the Euro. The major exposures of the Group are to the US dollar and UK pound sterling. The Asset Liability Management (ALM) process measures, amongst other things, the net foreign exchange exposure of the Group. Atradius generally invests in assets denominated in currencies matching the currencies of the insurance liabilities which mitigate the foreign currency exchange risk.

The group exposure to foreign currency exchange rate risk as at 31 December 2006 and 31 December 2005 follows:

Assets as at 31 December 2006	EUR	GBP	USD	Other	Total
Intangible assets	27,108	2,617	285	506	30,516
Investments	1,170,012	883	43,038	66,292	1,280,225
Reinsurance assets	619,829	56,317	33,035	1,578	710,759
Receivables	329,680	32,969	15,122	32,908	410,679
Other assets, deferred and current income tax receivables	267,938	34,691	8,025	12,870	323,524
Cash and cash equivalents	85,636	8,827	9,989	14,740	119,192
Total assets	2,500,203	136,304	109,494	128,894	2,874,895

Liabilities as at 31 December 2006	EUR	GBP	USD	Other	Total
Subordinated loans	114,495				114,495
Underwriting provisions	1,081,797	125,085	76,626	66,190	1,349,698
Non-underwriting provisions	23,047	3,183		914	27,144
Payables	136,101	42,836	22,758	8,906	210,601
Other liabilities, employee benefit liabilities, deferred and current tax liabilities	405,085	50,939	3,775	22,588	482,387
Total liabilities	1,760,525	222,043	103,159	98,598	2,184,325
Net position as at 31 December 2006	739,678	(85,739)	6,335	30,296	690,570

Equity as at 31 December 2006	EUR	GBP	USD	Other	Total
Capital and reserves attributable to the equity holders of the Company	690,148	-	-	-	690,148
Minority interest	422	-	-	-	422
Total equity	690,570	-	-	-	690,570

Assets as at 31 December 2005	EUR	GBP	USD	Other	Total
Intangible assets	21,712	2,463	339	3,810	28,324
Investments	1,117,051	1,116	47,935	58,041	1,224,143
Reinsurance assets	646,730	44,893	33,535	421	725,579
Receivables	316,232	33,749	9,190	13,149	372,320
Other assets, deferred and current income tax receivables	274,935	22,225	7,283	20,329	324,772
Cash and cash equivalents	18,583	8,266	26,607	9,336	62,792
Total assets	2,395,243	112,712	124,889	105,086	2,737,930

Liabilities as at 31 December 2005	EUR	GBP	USD	Other	Total
Subordinated loans	114,071	-	-	-	114,071
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	166,500	32,680	26,551	3,242	228,973
Other liabilities, employee benefit liabilities, deferred and current tax liabilities	422,040	32,120	2,565	22,126	478,851
Total liabilities	1,814,131	157,025	91,236	70,070	2,132,462
Net position as at 31 December 2005	581,112	(44,313)	33,653	35,016	605,468

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

Sensitivity analysis

As an indication of the currency exposure, a 10 percent strengthening of the US dollar and UK pound sterling against the Euro at 31 December would have increased (decreased) equity and the income statement by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and is performed on the same basis for 2005.

A 10 percent weakening of the above mentioned currencies against the Euro at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Currency sensitivity analysis 2006	Equity	Profit & loss
+10%		
GBP	(614)	(4,024)
USD	5,731	(3,764)
-10%		
GBP	614	4,024
USD	(5,731)	3,764

Currency sensitivity analysis 2005	Equity	Profit & loss
+10%		
GBP	(1,608)	(4,364)
USD	5,567	(2,058)
-10%		
GBP	1,608	4,364
USD	(5,567)	2,058

Currency rates are used in analysis:

End rate	2006			2005		
	+10%	end rate	-10%	+10%	end rate	-10%
GBP	1,638	1,489	1,340	1,605	1,459	1,313
USD	0,835	0,759	0,683	0,932	0,847	0,762
Average rate	2006			2005		
	+10%	average rate	-10%	+10%	average rate	-10%
GBP	1,635	1,486	1,337	1,608	1,462	1,316
USD	0,833	0,757	0,681	0,883	0,803	0,723

5.2.3.2 Interest rate risk

Atradius has various positions whose value is affected by fluctuations in interest rates. Interest rate risk is the risk that the value of Atradius will decline due to adverse movements in interest rate markets. Atradius measures the interest rate sensitivity of the investment portfolio and certain key liabilities including our Subordinated Bond and technical provisions. Atradius has a policy of using investments to reduce interest rate risks. The net interest rate sensitivity of Atradius is maintained within prudential limits by means of buying or selling interest sensitive securities. Should the need arise, Atradius can reduce, within a reasonable time-frame, its net exposure to interest rate sensitivity by using investments or other capital markets instruments.

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	2006	2005
	%	%
Interest bearing assets		
Bonds and other fixed rate securities	4.1	3.1
Deposits withheld by ceding companies	2.6	2.6
Short term bank deposits	3.19	2.22
Bank deposits	3.15	2.00
Cash	1.25	1.00
Interest bearing liabilities		
Subordinated loans	5.875	5.875
Bank overdrafts	4.50	3.30
Deposits received from reinsurers	2.46	1.66

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 2006	Expected cash flows (undiscounted)				
	0-5	5-10	10-15	>15	Carrying
	years	years	years	years	amount
Interest bearing assets					
Bonds and other fixed rate securities	975	57	13	49	1,094
Deposits withheld by ceding companies	26	–	–	–	26
Bank deposits under short term investments	5	–	–	–	5
Bank deposits under cash and cash equivalents	3	–	–	–	3
Cash	167	–	–	–	167
Total interest bearing assets	1,176	57	13	49	1,295
Interest bearing liabilities					
Subordinated loans	–	–	–	120	120
Bank overdrafts	50	–	–	–	50
Deposits received from reinsurers	88	–	–	–	88
Total interest bearing liabilities	138	–	–	120	258

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 under short term investments	9	-	-	-	9
Bank deposits under cash and cash equivalents	9	-	-	-	9
Cash	91	-	-	-	91
Total interest bearing assets	1,106	79	17	47	1,249
Interest bearing liabilities					
Subordinated loans	-	-	-	120	120
Bank overdrafts	37	-	-	-	37
Deposits received from reinsurers	99	-	-	-	99
Total interest bearing liabilities	136	-	-	120	256

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Fixed rate instruments	Carrying amount	
	2006	2005
Financial assets	931	993
Financial liabilities	(120)	(120)
Total	811	873
Variable rate instruments	2006	2005
Financial assets	201	131
Financial liabilities	(138)	(136)
Total	63	(5)

Cash flow sensitivity analyses for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) the income statement by the amounts shown below. This analysis instrument assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2005.

Profit or loss 2006	100bp increase	100bp decrease
	Variable rate instruments	292
Cash flow sensitivity (net)	292	(292)
Profit or loss 2005	100bp increase	100bp decrease
Variable rate instruments	561	(561)
Cash flow sensitivity (net)	561	(561)

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 and Value-at-Risk (VaR) analyses. Equity price risk is mitigated by holding a diversified portfolio of investments. Atradius can at any time, tactically reduce its exposure to equity investments if a substantial risk is perceived in the market.

The equity portfolio is diversified over the following industry sectors as shown on the next table.

Shares Industry Sector	Exposure		Exposure	
	2006 € million	2006 %	2005 € million	2005 %
Communications	26	9	24	15
Consumer, Cyclical	12	4	6	4
Consumer, Non-cyclical	18	6	14	9
Energy	15	5	18	11
Financial	92	33	71	44
Industrial	7	3	4	2
Technology	3	1	4	2
Utilities	13	5	13	8
Subtotal	186	66	154	95
Funds	94	34	8	5
Total	280	100	162	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 on its investment portfolio. The VaR indicator represents the maximum loss for a given investment portfolio, taken as a whole, over a target horizon and for a given confidence interval which is chosen such that there is a low probability that the actual loss will exceed the VaR amount.

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	2006		2005	
	€ million	%	€ million	%
Fixed income	31	3.3	37	3.6
Equity	73	31.8	37	22.8
Total portfolio	56	4.6	50	4.2

For the impact on assets and liabilities related to Employee Benefits see Note 4.4 and Note 24.

5.2.3.5 Fair value

The fair value of all investment categories is based on quoted market bid 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.

The table below sets out the group's classification of each class of financial assets and liabilities and their fair values:

Fair value overview 31 December 2006	Held for trading	Loans and receivables	Available-for-sale	At amortised cost	Total carrying amount	Fair value
Shares and other variable yield securities	–	–	279,822	–	279,822	279,822
Bonds and other fixed income securities	–	–	930,944	–	930,944	930,944
Loans and receivables	–	121	–	–	121	121
Short term investments	–	31,931	–	–	31,931	31,931
Derivatives	98	–	–	–	98	98
Other receivables	–	14,159	–	–	14,159	14,159
Cash and cash equivalents	–	119,192	–	–	119,192	119,192
Financial assets	98	165,403	1,210,766	–	1,376,267	1,376,267
Subordinated loans	–	114,495	–	–	114,495	127,196
Trade and other accounts payable	–	–	–	50,180	50,180	50,180
Deposits received from reinsurers	–	–	–	87,544	87,544	87,544
Financial liabilities	–	114,495	–	137,724	252,219	264,920

Fair value overview 31 December 2005	Held for trading	Loans and receivables	Available-for-sale	At amortised cost	Total carrying amount	Fair value
Shares and other variable yield securities	–	–	162,210	–	162,210	162,210
Bonds and other fixed income securities	–	–	992,907	–	992,907	992,907
Loans and receivables	–	305	–	–	305	305
Short term investments	–	31,801	–	–	31,801	31,801
Derivatives	462	–	–	–	462	462
Other receivables	–	16,508	–	–	16,508	16,508
Cash and cash equivalents	–	62,792	–	–	62,792	62,792
Financial assets	462	111,406	1,155,117	–	1,266,985	1,266,985
Subordinated loans	–	114,071	–	–	114,071	131,068
Trade and other accounts payable	–	–	–	54,055	54,055	54,055
Deposits received from reinsurers	–	–	–	98,829	98,829	98,829
Financial liabilities	–	114,071	–	152,884	266,955	283,952

6 Segment information

At 31 December 2006, 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 and Services. Secondary segmentation is organised on a geographical basis, in order of market size. Geographical segmentation is based on the location of the entity 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 column 'Eliminations'.

In order to facilitate the calculation of the cost ratio and claims ratio, within the primary segmentation, information fees, information costs and administrative costs are allocated in the insurance segment.

6.1 Primary segmental reporting – main business lines

Business segments - year ended 31 December 2006	Continuing operations			Total operations ¹⁾
	Insurance	Services	Eliminations	
Sales to external customers	1,184,825	55,017	(10,511)	1,229,331
Share of income from associated companies	9,489	–	–	9,489
Net income from investments	46,059	–	–	46,059
Segment revenue	1,240,373	55,017	(10,511)	1,284,879
Insurance premium ceded to reinsurers	(535,583)	–	–	(535,583)
Net segment revenue	704,790	55,017	(10,511)	749,296
Insurance claims and loss adjustment expenses	(533,740)	–	9,272	(524,468)
Insurance claims and loss adjustment expenses recovered from reinsurers	236,552	–	–	236,552
Net insurance claims	(297,188)	–	9,272	(287,916)
Gross operating expenses	(461,897)	(49,824)	1,239	(510,482)
Commissions received for business ceded to reinsurers	195,485	–	–	195,485
Net operating expenses	(266,412)	(49,824)	1,239	(314,997)
Segment result	141,190	5,193	0	146,383
Impairment of goodwill				–
Finance income and expenses				(7,755)
Profit before tax				138,628
Income tax expense				(33,325)
Profit for the year				105,303
Capital additions/expenditures	23,608	268		23,876
Depreciation and amortisation	13,297	176		13,473
Impairment losses recognised in the income statement	1,044	–		1,044
Assets and liabilities				
Investments	1,250,487	29,738		1,280,225
Reinsurance share of underwriting provision	710,759	–		710,759
Other segment assets	682,343	50,618		732,961
Unallocated assets				150,950
Total assets				2,874,895
Underwriting provisions	1,349,698	–		1,349,698
Other segment liabilities	646,997	62,902		709,899
Unallocated liabilities				124,728
Total liabilities (excluding equity)				2,184,325

1) As of 31-12-2005 Atradius N.V. is no longer engaged in Factoring activities

Business segments - year ended 31 December 2005	Continuing operations			Discontinued operations		Total Operations
	Insurance	Services	Eliminations	Total	Factoring	
Sales to external customers	1,164,608	48,947	(8,036)	1,205,519	28,852	1,234,371
Share of income from associated companies	6,830	-	-	6,830	-	6,830
Net income from investments	39,065	-	-	39,065	127	39,192
Segment revenue	1,210,503	48,947	(8,036)	1,251,414	28,979	1,280,393
Insurance premium ceded to reinsurers	(521,202)	-	-	(521,202)	-	(521,202)
Net segment revenue	689,301	48,947	(8,036)	730,212	28,979	759,191
Insurance claims and loss adjustment expenses	(603,348)	-	5,900	(597,448)	-	(597,448)
Insurance claims and loss adjustment expenses recovered from reinsurers	321,102	-	-	321,102	-	321,102
Net insurance claims	(282,246)	-	5,900	(276,346)	-	(276,346)
Gross operating expenses	(475,563)	(38,526)	2,136	(511,953)	(24,688)	(536,641)
Commissions received for business ceded to reinsurers	170,337	-	-	170,337	-	170,337
Net operating expenses	(305,226)	(38,526)	2,136	(341,616)	(24,688)	(366,304)
Segment result	101,829	10,421	0	112,250	4,291	116,541
Impairment of goodwill				(735)	-	(735)
Finance income and expenses				(7,542)	2	(7,540)
Profit before tax				103,973	4,293	108,266
Income tax expense				(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/expenditures	12,249	86		12,335	347	12,682
Depreciation and amortisation	13,984	331		14,315	(835)	13,480
Impairment losses recognised in the income statement	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	568,134	28,937		597,071	-	597,071
Unallocated assets				191,137	-	191,137
Total assets				2,737,930	-	2,737,930
Underwriting provisions	1,277,441	-		1,277,441	-	1,277,441
Other segment liabilities	692,679	10,472		703,151	-	703,151
Unallocated liabilities				151,870	-	151,870
Total liabilities (excluding equity)				2,132,462	-	2,132,462

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	Continuing operations		Discontinued operations		Total	
	2006	2005	2006	2005	2006	2005
Denmark, Finland, Norway, Netherlands, Sweden	258,256	249,492	–	9,563	258,256	259,055
Austria, Czech Republic, Germany, Greece, Hungary, Poland, Slovakia, Switzerland	274,872	267,733	–	5,830	274,872	273,563
Belgium, France, Italy, Luxembourg, Spain	358,648	355,183	–	13,459	358,648	368,642
Ireland, United Kingdom	236,693	246,816	–	–	236,693	264,816
Canada, Mexico, USA	79,606	68,215	–	–	79,606	68,215
Australia, New Zealand, New Markets	21,256	18,080	–	–	21,256	18,080
Total	1,229,331	1,205,519	–	28,852	1,229,331	1,234,371

	Segment assets		Additions to property, plant, equipment and intangible assets	
	2006	2005	2006	2005
Denmark, Finland, Norway, Netherlands, Sweden	799,376	730,222	3,556	3,036
Austria, Czech Republic, Germany, Greece, Hungary, Poland, Slovakia, Switzerland	257,075	249,145	6,620	1,868
Belgium, France, Italy, Luxembourg, Spain	545,400	638,875	4,311	4,897
Ireland, United Kingdom	1,132,946	995,656	8,345	1,978
Canada, Mexico, USA	107,220	95,470	424	607
Australia, New Zealand, New Markets	32,878	28,562	620	296
Total	2,874,895	2,737,930	23,876	12,682

7 Intangible assets

	Goodwill	Software acquired	Software self developed	Insurance portfolios	Total
	2006	2006	2006	2006	2006
Gross book value at 1 January	19,625	10,028	37,516	1,788	68,957
Additions	–	712	5,126	335	6,173
Disposals	–	–	(12)	(206)	(218)
Reclassifications	–	688	1,191	76	1,955
Effect of movements in foreign exchange	(28)	–	131	(54)	49
Gross book value at 31 December	19,597	11,428	43,952	1,939	76,916
Accumulated amortisation and impairments at 1 January	(735)	(9,462)	(28,648)	(1,788)	(40,633)
Amortisation charge for the year	–	(242)	(3,293)	(41)	(3,576)
Amortisation on disposals	–	–	6	206	212
Impairment losses	–	–	(1,044)	–	(1,044)
Reclassifications	–	(298)	(1,029)	–	(1,327)
Effect of movements in foreign exchange	–	–	(86)	54	(32)
Accumulated amortisation and impairments at 31 December	(735)	(10,002)	(34,094)	(1,569)	(46,400)
Book value at 1 January	18,890	566	8,868	–	28,324
Book value at 31 December	18,862	1,426	9,858	370	30,516

	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

Goodwill

The impairment of goodwill is recognised as a separate item in the income statement. During 2006 there was no impairment charge (2005: EUR 0.7 million).

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

Cash-Generating Units	2006	2005
Atradius Credit Insurance USA	4,750	4,750
Atradius Collections BV	6,426	6,426
ACI NV France	2,767	2,767
ACI NV (Nordic Bonding)	2,593	2,595
Other	2,326	2,352
Total	18,862	18,890

The Nordic Bonding unit includes the Group's bonding business in Scandinavia and Finland.

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
Atradius Credit Insurance USA	2.7%	13.3%
Atradius Collections BV	3.0%	10.8%
ACI NV France	2.3%	12.1%
ACI NV (Nordic Bonding)	2.5%	11.3%

Software acquired, software self developed and insurance portfolio's

Amortisation charges and impairment expenses of software acquired, software self developed and insurance portfolios are included in the net operating expenses.

An impairment for self-developed software of EUR 1.0 million (2005: EUR 0.7 million) was charged to insurance business segment.

Software acquired and self developed of net book value of EUR 0.6 million was reclassified from property, plant and equipment (Note 8).

8 Property, plant and equipment

	Land and buildings	Fixtures and fittings	IT hardware	Total
	2006	2006	2006	2006
Gross book value at 1 January	26,995	38,948	39,382	105,325
Additions	206	6,986	10,512	17,704
Disposals	(30)	(1,925)	(3,783)	(5,738)
Reclassifications	(336)	(2,692)	737	(2,291)
Effect of movements in foreign exchange	(433)	38	217	(178)
Gross book value at 31 December	26,402	41,355	47,065	114,822
Accumulated depreciation and impairments at 1 January	(7,390)	(25,341)	(30,991)	(63,722)
Depreciation charge for the year	(1,048)	(2,706)	(5,842)	(9,596)
Depreciation on disposals	–	1,342	3,775	5,117
Impairment losses	–	–	–	–
Reclassifications	(70)	940	387	1,257
Effect of movements in foreign exchange	9	(58)	(129)	(178)
Accumulated depreciations at 31 December	(8,499)	(25,823)	(32,800)	(67,122)
Book value at 1 January	19,605	13,607	8,391	41,603
Book value at 31 December	17,903	15,532	14,265	47,700

	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)
Depreciation charge for the year	(937)	(3,333)	(5,436)	(9,706)
Depreciation on disposals	–	1,823	290	2,113
Impairment losses	(357)	–	–	(357)
Reclassifications	(55)	344	(344)	(55)
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

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

After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation expense on land and buildings (property for own use) of EUR 1.0 million (2005: EUR 0.9 million) has been charged to net operating expenses.

Software acquired and self developed of net book value of EUR 0.6 million was reclassified from property, plant and equipment to intangible assets (Note 7).

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

	2006	2005
Italy	17,087	17,087
Belgium/France/Luxembourg	14,036	14,036
Other	5,604	5,604
Total	36,727	36,727

The Group usually revalues all properties every two years. The last valuations were conducted in 2005.

9 Investment property

	2006	2005
Gross book value at 1 January	15,934	18,237
Additions	–	3
Disposals	(3,088)	(142)
Reclassifications	336	(2,179)
Effect of movements in foreign exchange	–	15
Gross book value at 31 December	13,182	15,934
Accumulated depreciation at 1 January	(4,869)	(4,642)
Depreciation charge for the year	(302)	(357)
Depreciation on disposals	1,268	77
Impairment losses	–	–
Reclassifications	70	55
Effect of movements in foreign exchange	–	(2)
Accumulated depreciation at 31 December	(3,833)	(4,869)
Book value at 1 January	11,065	13,595
Book value at 31 December	9,349	11,065

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

	2006	2005
The Netherlands	1,893	1,893
Italy	17,321	21,926
Belgium/France/Luxembourg	5,495	7,185
Total	24,709	31,004

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 (80% of total amount). The Group usually revalues all properties every two years. 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.

Buildings located in Italy and Belgium were sold in 2006 for EUR 5.6 million, with historical cost value of EUR 3.1 million.

10 Investments in associated companies and joint ventures

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

	2006	2005
Balance at 1 January	25,393	17,688
Share of (loss)/profit	9,489	6,830
Dividends received	(6,538)	(3,768)
Additions	356	–
Reclassifications	–	3,516
Impairment losses	–	–
Revaluations	299	(78)
Effect of movements in foreign exchange	(1,039)	1,205
Balance at 31 December	27,960	25,393

Goodwill related to investments in associates is EUR 3.5 million (2005: EUR 3.5 million). In 2005 Goodwill was reclassified from intangible assets.

Total income from associated companies amounts to EUR 9.5 million (2005: EUR 6.8 million) and is included in the income statement. A dividend of EUR 6.5 million was received (2005: EUR 3.8 million).

The Group's interests in its principal associates and joint ventures, 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	26,235	15,858	32,017	5,744	45.00%
Conteco SpA, Milan	Italy	571	442	624	11	30.00%
CLAL Credit Insurance Ltd, Tel Aviv	Israel	4,747	2,870	1,819	364	20.00%
Al Mulla Atradius Insurance Consultancy & Brokerage L.L.C., Dubai	UAE	978	705	1,090	207	49.00%
Compañía de Seguros de Crédito Continental S.A., Santiago	Chile	7,544	2,269	4,974	1,088	49.99%
Company Watch (Holdings) Ltd, London	UK	584	71	432	33	23.00%
DF Deutsche Forfait AG, Cologne	Germany	35,680	31,524	5,991	2,064	47.00%
The Lebanese Credit Insurer S.A.L., Beirut	Lebanon	1,569	558	157	(23)	49.00%
Les Assurances des Crédits Commerciaux S.A., Tunis	Tunisia	861	347	225	–	34.99%
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd. Japan	Japan	326	7	150	1	50.00%
Total at the end of 2006		79,095	54,651	47,479	9,489	

	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 SpA, 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 Atradius Insurance Consultancy & Brokerage L.L.C., Dubai	UAE	510	430	681	84	49.00%
Compañía 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	

All information from the associates is, except for Conteco SpA Milan, based on balance sheet dates between 30 September 2006 and 31 December 2006.

The fair value of the investments in associates equals EUR 137 million (2005: EUR 126 million).

The company Deutsche Forfait AG has been sold early 2007. The selling price of Deutsche Forfait AG is reflected in the fair value of the investments in associated companies.

11 Financial investments

Investments classified by type and nature 2006	Loans and receivables	Held for trading	Available-for-sale	Total 2006
Shares and other variable yield securities	–	–	279,822	279,822
Bonds and other fixed income securities	–	–	930,944	930,944
Loans	121	–	–	121
Short term investments	31,931	–	–	31,931
Derivatives	–	98	–	98
Total investments	32,052	98	1,210,766	1,242,916
Listed	–	–	1,119,922	1,119,922
Unlisted - published price	31,931	98	90,844	122,873
Unlisted - valuation technique/nominal value	121	–	–	121
	32,052	98	1,210,766	1,242,916

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

Movements in investments available-for-sale	2006	2005
Book value at 1 January	1,155,117	939,007
Additions	1,904,344	2,059,761
Disposals	(1,845,112)	(1,872,039)
Amortisation charge for the year	(8,990)	(11,049)
Revaluations	12,858	25,616
Effect of movements in foreign exchange	(7,451)	13,821
Book value at 31 December	1,210,766	1,155,117

There is no impairment on available-for-sale financial assets in 2006 or 2005.

11.1 Shares and other variable yield securities

	2006	2005
Shares	187,950	156,273
Investment funds	91,872	5,937
Total shares and other variable yield securities	279,822	162,210

11.2 Bonds and other fixed income securities

	2006	2005
Government bonds	772,872	769,857
Corporate bonds	157,571	182,681
Private loans	–	1,023
Investment funds	501	39,346
Total bonds and other fixed income securities	930,944	992,907

Incorporated as part of investment funds are the assets of the German pension company in the amount of EUR 38.6 million (2005: EUR 38.6 million). The related pension liability is incorporated in the employee benefit assets and liabilities (Note 24). The assets can not be offset against the pension liability, since this company does not meet the requirements of a German pension trust.

The total carrying amount of the financial assets that have been pledged as collateral for liabilities at 31 December 2006 was EUR 23.4 million (2005: EUR 39.6 million). The estimate fair values of these financial assets are comparable with the carrying amount due to the short term nature of the balance. These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the bank acts as intermediary.

11.3 Short term investments

	2006	2005
Deposits withheld by ceding companies	26,073	22,462
Bank deposits	5,310	8,972
Other short term investments	548	367
Total short term investments	31,931	31,801

Breakdown of short term investments by counter party and geography

	2006	2005
Within the EU	25,612	22,451
Outside the EU	461	11
Total deposits withheld by ceding companies	26,073	22,462
Within the EU	5,162	6,980
Outside the EU	148	1,992
Total bank deposits and commercial paper	5,310	8,972

11.4 Derivatives

	2006	2005
Currency options	98	462
Notional amounts and underlying currencies:		
Currency		
EUR	–	108,950
GBP	10,500	19,200
USD	–	1,860
AUD	–	6,550
SEK	8,000	–

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

	2006	2005
Reinsurers' share of insurance liabilities		
Provisions for unearned premiums	106,032	108,783
Claims and loss adjustment expenses	604,727	616,796
Total assets arising from reinsurance contracts	710,759	725,579
Current	262,666	274,864
Non-current	448,093	450,715

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 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.

	2006	2005
Accounts receivable on insurance and reinsurance business	396,520	355,812
Other accounts receivable	14,159	16,508
Total receivables	410,679	372,320
Current	410,679	372,320
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).

An amount of EUR 110.1 million (2005: EUR 109.6 million) relates to past due receivables for which no impairment loss was recognised, out of which 97.7% (2005: 89.2%) relate to receivables of ageing less than three months.

All receivables are considered on an individual basis for impairment testing. As of 31 December 2006, receivables of EUR 90.8 million (2005: EUR 86.3 million) were considered to be partially impaired. The amount of the impairment taken related to these receivables was EUR 21.9 million (2005: EUR 21.9 million). In this balance it is taken into account that a portion of the impaired receivables will be recovered.

The ageing of these receivables, that have been partly impaired, is as follows:

	2006	2005
Less than 1 year	53,054	52,962
More than 1 year	37,772	33,368
	90,826	86,330

Movements on the provision for impairment of trade receivables are as follows:

	2006	2005
Balance at 1 January	21,901	18,091
Provision for receivables impairment	9,093	9,942
Receivables written off during the year as uncollectible	(7,336)	(5,329)
Unused amounts reversed	(1,749)	(803)
Balance at 31 December	21,909	21,901

The creation and release of provision for impaired receivables have been included in net operating expenses in the income statement (Note 30). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

13.1 Accounts receivable on insurance and reinsurance business

	2006	2005
Receivables arising out of direct insurance operations		
Amounts owed by policy holders	209,961	183,473
Receivables arising out of reinsurance operations	128,917	102,870
Other direct insurance receivables	57,642	69,469
Total accounts receivable on insurance and reinsurance business	396,520	355,812

The increase in insurance and reinsurance receivables relates to normal business fluctuations on settlements of reinsurance balances. The increase in amounts owed by policy holders is mainly explained by a change in the invoice pattern.

14 Deferred acquisition costs

	2006	2005
Balance at 1 January	16,377	13,793
Change in deferred acquisition costs	26,196	2,233
Effect of movements in foreign exchange	(181)	351
Balance at 31 December	42,392	16,377

The assumptions of the earnings patterns for our premium on assumed business from third parties have been changed in 2006. In 2006 the premiums are now earned taken into account the duration of the risk period of the underlying insurance portfolios, which caused an increase of the unearned premium reserve. Previously this premium was immediately earned. As a consequence the deferred acquisition costs changed.

15 Miscellaneous assets and accruals

	2006	2005
Miscellaneous assets and accruals	82,482	75,656

Included in miscellaneous assets and accruals are: accruals for the reinsurance commissions of EUR 40.6 million (2005: EUR 50.0 million), accrued interest and rent of EUR 20.1 million (2005: EUR 10.1 million) and prepaid expenses of EUR 9.3 million (2005: EUR 6.0 million).

16 Cash and cash equivalents

	2006	2005
Cash at bank and in hand	140,727	91,135
Short-term bank deposits	28,500	8,686
Total cash and cash equivalents	169,227	99,821
Bank overdrafts	(50,035)	(37,029)
Total in balance sheet	119,192	62,792

The average effective interest rate on cash and cash equivalents was 2.37% (2005: 1.50%) and has an average maturity of 4.5 days.

17 Capital and reserves

17.1 Subscribed capital

	2006	2005
Balance at 31 December	56,600	56,600

The movements in shareholders' equity are specified in the consolidated statement of changes in equity. The share capital of EUR 56.6 million (2005: EUR 56.6 million) is divided into 56,600,000 fully paid shares of EUR 1.00.

17.2 Capital reserve

	2006	2005
Balance at 1 January	464,344	470,004
Dividends	(11,320)	(5,660)
Balance at 31 December	453,024	464,344

17.3 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:

	2006	2005
Balance at 1 January	27,143	13,159
Revaluation – gross	13,114	23,715
Revaluation – tax	(3,542)	(3,601)
Net gains transferred to net profit on disposal – gross	(7,091)	(6,404)
Net gains transferred to net profit on disposal – tax	1,499	274
Balance at 31 December	31,123	27,143

17.4 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.

	2006	2005
Currency translation reserve		
Balance at 1 January	(16,424)	(22,603)
Currency translation	(6,667)	6,179
Balance at 31 December	(23,091)	(16,424)

17.5 Pension reserve

Movements in the pension reserve where as follows:

	2006	2005
Balance at 1 January	(46,656)	(33,482)
Unrealised actuarial gains and losses	(6,458)	(17,695)
Retained earnings – gross	(9,349)	(26,781)
Retained earnings – tax	2,891	9,086
Planned asset ceiling	(229)	4,521
Retained earnings – gross	(307)	5,998
Retained earnings – tax	78	(1,477)
Balance at 31 December	(53,343)	(46,656)

17.6 Share option reserve

Atradius engages in both equity and cash settled share-based compensation plans. These plans are detailed in Note 18.

Equity based plan

	2006
Share option reserve	
Balance at 1 January	–
Additions	513
Forfeited	(54)
Balance at 31 December	459

17.7 Revenue reserve

	2006	2005
Revenue reserve		
Balance at 1 January	120,067	19,624
Profit for the year	105,255	100,443
Value of employee services	54	–
Balance at 31 December	225,376	120,067

17.8 Dividend distribution

Atradius dividend distribution is based on the company financial statements. Dividend can be distributed out of the total of the capital reserve and revenue reserve. Dutch legal requirements stipulate that the company have to set-up legal reserve to meet the solvency requirements of local insurance regulators. The revenue reserve in the company financial statements can not be used for dividend distribution since this balance is insufficient due to legal restructuring that took place in 2003 and the required legal reserves. Therefore Atradius distributes dividend out of the capital reserves.

18 Share options

The Group has two kinds of options plans, equity-settled share based payment and cash-settled share based payment.

18.1 Equity-settled share based payment

The company has a share option scheme for the management board and the senior management that consist of share options and nil-cost share options. These share options and nil-cost share options are conditional on the fact that the option holder is still employed at vesting date.

The exercise price of the granted share options is equal to the share estimated value at the date of the grant of 1 July 2006.

These options are conditional on the fact that the option holder is still employed at vesting date. The options vest in three equal tranches after 12, 24 and 36 months following the IPO for the management board which should take place on or prior to 31 December 2010 and vest in only two equal tranches after 12 and 24 months following the IPO for senior management. The share options granted under the plan can be exercised during five years following the respective vesting date. There is no performance condition attached to the vesting of these options.

The vesting conditions of the nil-cost share options are equal to those of the share options. The nil-cost share options granted vest subject to a share growth performance condition. This share price growth performance condition is measured during the period between 1 January 2006 and the date of the IPO.

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

	Share options 2006		Nil-cost share options 2006	
	Weighted average exercise price per share (€)	Options (x 1,000)	Weighted average exercise price per share (€)	Options (x 1,000)
Share options				
Balance at 1 July	17,33	1,265	–	328
Granted	17,33	20	0	6
Forfeited	17,33	(280)	–	(68)
Exercised	–	–	–	–
Expired	–	–	–	–
Balance at 31 December	17,33	1,005	–	266

Out of the 1,005 thousand regular share options and 266 thousand nil-cost share options, none were exercisable.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	Exercise price per share (€)	Options (x 1,000)
Share options (expiry date - 1 October)		2006
2015	17,33	417,50
2016	17,33	417,50
2017	17,33	170,00
Total		1.005,00

	Exercise price per share (€)	Options (x 1,000)
Nil-cost share options (Expiry date - 1 November)		2006
2010	0,00	113,17
2011	0,00	113,17
2012	0,00	39,66
Total	0,00	266,00

The fair value of the granted share options has been determined by applying a proprietary pricing model based on the Binomial tree model. The fair value of the nil-cost share options is based on the proprietary Monte Carlo simulation model. The inputs into the models were as follows:

	Share options	Nil-cost share options
Weighted average share price	€ 17.33	€ 17.33
Weighted average exercise price	€ 17.33	€ 0.00
Expected volatility	20%	20%
Expected option life	5 years	1 month
Annual risk-free interest rate	4,01%	4,01%
Expected dividend yield	2%	2%
Employee forfeiture	8%	8%
Exercise multiple	1,1364	

Expected volatility of 20% which is measured as the average of 5 years volatility for insurance companies with significant general operations and volatilities on long term options embedded in equity linked securities that have been issued by insurance and reinsurance companies.

The Group recognised total expenses of EUR 0.5 million related to equity-settled share based transactions during the year.

18.2 Cash-settled share based payments

Next to the above option scheme, the company has an additional option plan that is 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 50% of the Company's shares. The options have a contractual term of ten years. The company has no legal or constructive obligation to repurchase the options.

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

	2006		2005	
	Weighted average exercise price per share (€)	Options (x 1,000)	Weighted average exercise price per share (€)	Options (x 1,000)
Options settled in cash				
Balance at 1 January	12.0	420	12	420
Granted	–	–	–	–
Forfeited	13.1	(200)	–	–
Exercised	–	–	–	–
Expired	–	–	–	–
Balance at 31 December	11.0	220	12	420

Expiry date	Exercise price per share (€)	Options (x 1,000)	
		2006	2005
2013 - 11 August	11.0	220	220
2014 - 1 May	13.1		200
Total		220	420

The fair value of these options is EUR 1,5 million (2005: EUR 2 million). The valuation was based on the Binomial valuation model. The significant inputs into the model are a share price of EUR 17,33, an 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 4,01%.

Expected volatility of 20% which is measured as the average of 5 years volatility for insurance companies with significant general operations and volatilities on long term options embedded in equity linked securities that have been issued by insurance and reinsurance companies.

19 Subordinated loans

	2006	2005
Balance at 1 January	114,071	113,478
Redemptions	(250)	-
Additions	-	(72)
Amortised costs	674	665
Balance at 31 December	114,495	114,071

In September 2004, Atradius Finance B.V. issued subordinated bonds of EUR 120 million (the "Bonds"). Atradius may redeem the Bonds, in whole or in part, on 3 September 2014 and thereafter on each interest payment date. Unless previously redeemed, the Bonds will be redeemed at maturity on 3 September 2024. The Bonds bear interest at a fixed rate of 5.875% per annum, payable annually, in the first 10 years, which will thereafter be reset to a floating 3 month-EURIBOR plus a margin of 2.75% per annum, payable quarterly, for the last 10 years. The Bonds are issued by Atradius Finance B.V. and guaranteed by Atradius N.V. and Atradius Credit Insurance N.V., which companies are all part of the Atradius Group. The Bonds issued in September 2004 are listed on the Luxembourg Stock Exchange.

As prices for the Bonds were not directly quoted in the market, the fair value estimate of the Bonds as at year end 2006, of EUR 127.2 million (2005: EUR 131.1 million), was based on the present value of the Bonds' cash flows (with assumed redemption of principal and interest at first redemption date as per a typical bondholder's perspective) discounted using an appropriate benchmark and credit risk spread. The benchmark bond used for the valuation is the German Government Bond bearing 4.25% maturing July 2014. The credit spread for 2006 of 125bps was estimated using the credit spreads applied to market quoted subordinated bond issues from similar issuers and with similar rating and maturity profiles. For 2005, the credit spread of 158 bps was assumed to be substantially the same as the most recently priced spread available in the market towards the end of October 2005.

The EUR 0.25 m bond issued by Atradius Kreditversicherung AG (formerly named Gerling-Konzern Speziale Kreditversicherung AG) was bought back.

20 Underwriting provisions

	Gross	Reinsurance asset	Net	Gross	Reinsurance asset	Net
	2006	2006	2006	2005	2005	2005
Credit insurance						
Claims reported and loss adjustment expenses	406,465	(200,523)	205,942	355,025	(188,862)	166,163
Claims incurred but not reported	293,439	(144,763)	148,676	280,610	(149,275)	131,335
Unearned premiums	222,920	(55,212)	167,708	150,016	(50,420)	99,596
Balance at 31 December	922,824	(400,498)	522,326	785,651	(388,557)	397,094
	Gross	Reinsurance asset	Net	Gross	Reinsurance asset	Net
	2006	2006	2006	2005	2005	2005
Bonding						
Claims reported and loss adjustment expenses	322,085	(237,172)	84,913	322,104	(223,695)	98,409
Claims incurred but not reported	30,242	(22,269)	7,973	79,144	(54,964)	24,180
Unearned premiums	74,547	(50,820)	23,727	90,542	(58,363)	32,179
Balance at 31 December	426,874	(310,261)	116,613	491,790	(337,022)	154,768
Total underwriting provisions at 31 December	1,349,698	(710,759)	638,939	1,277,441	(725,579)	551,862
Current	504,855	(260,598)	244,257	523,658	(274,865)	248,793
Non-current	844,843	(450,161)	394,682	753,783	(450,714)	303,069

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 2006 amounts to EUR 271.7 million (2005: EUR 261.3 million).

The decrease in the reinsurance share of the claims provisions for bonding can be explained by the decrease in the provisions for Italy bonding, a portfolio with a lower self-retention, and by a decrease in the provisions for specific contracts where the group has limited 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 3.3% or EUR 16 million gross of reinsurance (around EUR 8 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.

In the outstanding claims reserves for Credit Insurance there are three items with fairly large uncertainty. They pertain to two distressed buyers, and a small portfolio of policies that has been put into runoff. These three items account for EUR 76 million out of EUR 700 million outstanding claims reserves for Credit Insurance. In the judgement of Atradius management these items have been provisioned with reasonable prudence. The quadric estimation error on these three items combined is plus EUR 42 million/minus EUR 33 million gross of reinsurance (net of reinsurance plus EUR 21 million/minus EUR 17 million).

For Bonding the part of the outstanding claims reserve with the largest uncertainties are those for Bonding Italy. Out of EUR 353 million of outstanding claims reserves for Bonding, EUR 253 million is for direct Bonding Italy. In management's judgement this reserve, together with the remaining UPR for these risk, is adequate, but a conservative case scenario would lead to an increase in the order of EUR 22 million gross of reinsurance (around EUR 7 million net of reinsurance). A positive case scenario would lead to decrease in the order of EUR 37 million gross of reinsurance (around EUR 11 million net of reinsurance).

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	2006	Total
Estimate of ultimate claims costs:					
at end of underwriting year	474,475	405,633	491,634	592,565	
one year later	472,603	434,450	484,180		
two years later	494,738	432,964			
three years later	488,743				
Current estimate of cumulative claims	488,743	432,964	484,180	592,565	1,998,452
Cumulative payments to date	455,364	403,115	380,350	153,602	1,392,431
Liability recognised in the balance sheet	33,379	29,849	103,830	438,963	606,021
Liability in respect to prior years (before 2003)					93,883
Total liability included in the balance sheet					699,904

The estimate of ultimate claims costs of underwriting year 2004 compared to underwriting year 2005 or 2003 is explained by the exceptionally good underwriting result for 2004. The deterioration of the results for underwriting year 2006 compared with 2005 pertain to two distressed buyers (as described in Note 20.1.1) and a deterioration of the expected ultimate claim costs in the UK, the Netherlands and Germany.

Bonding - gross

Underwriting year	2003	2004	2005	2006	Total
Estimate of ultimate claims costs:					
at end of underwriting year	14,170	32,975	6,945	11,914	
one year later	34,530	36,412	8,717		
two years later	53,405	39,181			
three years later	58,740				
Current estimate of cumulative claims	58,740	39,181	8,717	11,914	118,552
Cumulative payments to date	14,178	16,199	2,607	1,113	34,097
Liability recognised in the balance sheet	44,562	22,982	6,110	10,801	84,455
Liability in respect to prior years (before 2003)					267,872
Total liability included in the balance sheet					352,327

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 net of deferred acquisition costs relating to these underwriting years amount to EUR 69.3 million of which EUR 50.3 million relates to 2003-2006 and EUR 19.0 million relates to 2002 or prior years.

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 five underwriting 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. Provision movements arising on net short term contracts have therefore followed the pattern of movements on the gross provisions for the same products.

20.2 Movements in insurance liabilities and reinsurance assets

20.2.1 Claims and loss adjustment expenses

	Gross 2006	Reinsurance 2006	Net 2006	Gross 2005	Reinsurance 2005	Net 2005
Credit insurance						
Balance at 1 January	635,635	(338,137)	297,498	567,828	(327,022)	240,806
Claims settled in the year	(409,194)	203,111	(206,083)	(378,272)	224,631	(153,641)
Claims handling expenses	(28,796)	–	(28,796)	(27,688)	–	(27,688)
Effect of movements in foreign exchange and other movements	(5,196)	3,492	(1,704)	10,216	(4,430)	5,786
Increase in liabilities	507,455	(213,752)	293,703	463,551	(231,316)	232,235
Balance at 31 December	699,904	(345,286)	354,618	635,635	(338,137)	297,498
Claims reported and loss adjustment expenses	406,465	(200,523)	205,942	355,025	(188,862)	166,163
Incurred but not reported	293,439	(144,763)	148,676	280,610	(149,275)	131,335
Balance at 31 December	699,904	(345,286)	354,618	635,635	(338,137)	297,498
Bonding						
Balance at 1 January	401,248	(278,659)	122,589	385,454	(248,296)	137,158
Claims settled in the year	(58,304)	43,231	(15,073)	(112,129)	58,318	(53,811)
Claims handling expenses	(4,103)	–	(4,103)	(8,207)	–	(8,207)
Effect of movements in foreign exchange and other movements	(3,527)	(1,213)	(4,740)	2,233	1,105	3,338
Increase in liabilities	17,013	(22,800)	(5,787)	133,897	(89,786)	44,111
Balance at 31 December	352,327	(259,441)	92,886	401,248	(278,659)	122,589
Notified claims	322,085	(237,172)	84,913	322,104	(223,695)	98,409
Incurred but not reported	30,242	(22,269)	7,973	79,144	(54,964)	24,180
Balance at 31 December	352,327	(259,441)	92,886	401,248	(278,659)	122,589
Total credit insurance and bonding at 31 December	1,052,231	(604,727)	447,504	1,036,883	(616,796)	420,087

20.2.2 Provisions for unearned premiums

	Gross 2006	Reinsurance 2006	Net 2006	Gross 2005	Reinsurance 2005	Net 2005
Credit insurance						
Balance at 1 January	150,016	(50,420)	99,596	145,002	(48,371)	96,631
Movement in the period	74,092	(5,884)	68,208	2,358	(2,413)	(55)
Effect of movements in foreign exchange and other movements	(1,187)	1,092	(95)	2,656	364	3,020
Balance at 31 December	222,921	(55,212)	167,709	150,016	(50,420)	99,596
Bonding						
Balance at 1 January	90,542	(58,363)	32,179	109,106	(68,198)	40,908
Movement in the period	(15,991)	8,254	(7,737)	(17,737)	(11,270)	(6,467)
Effect of movements in foreign exchange and other movements	(5)	(711)	(716)	(827)	(1,435)	(2,262)
Balance at 31 December	74,546	(50,820)	23,726	90,542	(58,363)	32,179
Total credit insurance and bonding at 31 December	297,467	(106,032)	191,435	240,558	(108,783)	131,775

The increase in the provision for unearned premiums for credit in 2006 is caused by a change in earning patterns for our premium on assumed insurance business from third parties. In 2006 the premiums for assumed insurance business from third parties are now earned taken into account the duration of the risk period of the underlying policies.

21 Non-underwriting provisions

21.1 Non-underwriting provisions

The non-underwriting provisions developed as follows:

	Restructuring 2006	Onerous contract 2006	Litigations 2006	Cash-settled share based payments 2006	Total 2006
Balance at 1 January	27,026	1,612	3,286	1,202	33,126
Additional provisions	4,774	539	1,935	1,001	8,249
Unused amounts reversed	–	–	(321)	–	(321)
Utilised	(11,849)	(300)	(904)	–	(13,053)
Forfeited	–	–	–	(918)	(918)
Translation differences	58	3	–	–	61
Balance at 31 December	20,009	1,854	3,996	1,285	27,144
Current	14,988	346	1,239	–	16,573
Non-current	5,021	1,508	2,757	1,285	10,571

	Restructuring	Onerous contract	Litigations	Cash-settled share based payments	Total
	2005	2005	2005	2005	2005
Balance at 1 January	56,451	1,888	770	369	59,478
Additional provisions	12,795	–	2,516	833	16,144
Unused amounts reversed	(3,747)	–	–	–	(3,747)
Utilised	(38,784)	(332)	–	–	(39,116)
Forfeited	–	–	–	–	–
Translation differences	311	56	–	–	367
Balance at 31 December	27,026	1,612	3,286	1,202	33,126
Current	11,192	1,166	309	–	12,667
Non-current	15,834	446	2,977	1,202	20,459

Restructuring

The restructuring provision relates mainly to the strategy and related restructuring, initiated end 2004 for the period 2005-2007, covering approximately 600 redundancies. The restructuring program is on track and is approximately 70% completed. In 2006, additional reserves have been set up to accommodate the restructuring of ICP and the combination of the Collection offices in the Netherlands. The termination benefits are based on best estimates, taking into account local regulations. The majority of the provision is expected to be utilised during 2007.

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.

Cash-settled share based payments

For the cash-settled share based payments we refer to Note 18.2

22 Payables

Payables	2006	2005
Accounts payable on insurance and reinsurance business	160,421	174,918
Trade and other accounts payable	50,180	54,055
Balance at 31 December	210,601	228,973
Current	210,601	228,973
Non current	–	–

22.1 Accounts payable on insurance and reinsurance business

Accounts payable on insurance and reinsurance business	2006	2005
Payables arising out of direct insurance operations		
Amounts due to policy holders	42,442	44,491
Amounts due to intermediaries	16,700	15,313
Payables arising out of reinsurance operations	101,279	115,114
Balance at 31 December	160,421	174,918

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

22.2 Trade and other payables

Trade and other payables	2006	2005
Trade payables and accrued expenses	16,623	19,030
Current account Dutch State	13,162	20,937
Social security and payroll liabilities	20,395	14,088
Balance at 31 December	50,180	54,055

23 Other liabilities

23.1 Deposits received from reinsurers

	2006	2005
Deposits received from reinsurers	87,544	98,829

23.2 Miscellaneous liabilities and accruals

	2006	2005
VAT payable	28,203	24,959
Deferred reinsurance commission	–	28,448
Other liabilities and accruals	135,641	78,763
Balance at 31 December	163,844	132,170

Other liabilities and accruals mainly consists of sundry creditors and accruals.

The increase in miscellaneous liabilities and accruals to EUR 135.6 million (2005: EUR 78.8 million) is mainly due to an increase of the payments to Dutch State Business and information technology in the UK.

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, Norway, Belgium and Sweden.

The recognition of assets and liabilities is determined for each plan separately.

Within the Group there are also defined contribution plans. The contributions to these plans are recognised as expenses and booked in the income statement. The contributions were in 2006 EUR 5,0 million (2005: EUR 7,5 million).

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.

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 312 active members (2005: 328 active members). The total calculated pension obligation of this plan at 31 December 2006 is EUR 62 million (2005: EUR 62 million). The assets of this pension plan at 31 December EUR 41 million (2005: EUR 39 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 part of the 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 319 active members (2005: 341 active members). The total calculated pension obligation of this plan at 31 December 2006 was EUR 154 million (2005: EUR 126 million). The assets of this pension plan at 31 December are EUR 120 million (2005: EUR 104 million). The regular payments to the pension plan will be around EUR 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 EUR 4 million each year.

The Netherlands

In the Netherlands the pension rights are based on a percentage of the average salary. This defined benefit pension plan is open for new employees. At year-end this pension plan had 606 active members (2005: 600 active members). The total calculated pension obligation of this plan at 31 December 2006 is EUR 159 million (2005: EUR 154 million). The assets of this pension plan at 31 December were EUR 166 million (2005: EUR 161 million).

Changes in plans

Belgium

In Belgium Atradius provides retirement benefits to its employees. Part of these benefits (ex NCM part) is insured with KBC verzekeringen. The pension rights are based on a percentage of the final salary. At year-end this pension plan had 46 active members. This defined benefit pension plan is closed for new employees. The total calculated pension obligation of this plan at 31 December 2006 was EUR 2.3 million. The assets of this pension plan at 31 December were EUR 0.9. In former years this plan was considered a defined contribution plan and due to a change in Belgium law the plan is now considered a defined benefit plan. The total deficit at 31 December 2006 was EUR 1.4 and is fully covered by a provision. The provision is charged through the income statement in 2006.

Employee benefit liabilities	2006	2005
Pension liabilities	97,970	85,543
Other long term employee benefits	8,302	10,439
Employee benefit liabilities at 31 December	106,272	95,982

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 expenses recognised in the consolidated income statement.

Funded status	2006	2005	2004	2003
Defined benefit obligation	382,081	348,403	277,234	252,461
Plan assets	291,302	269,744	225,281	200,978
Pension commitments less plan assets	90,779	78,659	51,953	51,483
Unrecognised plan assets	7,191	6,884	22,024	21,150
Balance at 31 December	97,970	85,543	73,977	72,633

The Dutch pension plan consists of a net pension asset of EUR 7.2 million (2005: EUR 6.9 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.

If the German pension assets could have been offset against the defined obligation the funded balance would be EUR 57 million (2005: EUR 47 million).

Expenses and return on assets recorded in the income statement: (gains) and losses	2006	2005
Current service cost (net of participant contributions)	10,700	9,406
Interest cost	15,836	14,484
Expected return on plan assets	(16,679)	(14,749)
Curtailment effects	746	(1,355)
Past year service costs	1,989	-
Other changes	70	-
Total defined benefit costs	12,662	7,786

Expenses related to pensions are recorded under net operating expenses in the income statement.

The actual return on plan assets in 2006 was EUR 12.1 million (2005: EUR 29.8 million).

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

	2006	2005
Balance at 1 January	348,403	287,209
Service cost (including employee contributions)	12,332	10,956
Interest cost	15,836	14,484
Actuarial losses	5,974	41,748
Losses/(gains) on curtailments	746	(1,355)
Exchange differences	2,127	3,653
Changes in plans	2,876	-
Benefits paid	(6,213)	(8,292)
Balance at 31 December	382,081	348,403

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

	2006	2005
Balance at 1 January	269,744	225,281
Expected return on assets	16,679	14,754
Actuarial gains and (losses)	(4,579)	14,967
Contributions (including employee contributions)	11,079	18,290
Exchange differences	1,716	2,995
Changes in plans	887	-
Benefits paid	(4,224)	(6,543)
Balance at 31 December	291,302	269,744

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

€ million	2006	2005
Equity instruments	124,1	120,1
Bonds and other fixed rate securities	149,8	141,0
Bank deposits	11,2	3,5
Real estate	6,2	5,1
Balance at 31 December	291,3	269,7

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 EUR 12 million to the defined benefit plans in 2007 (expected 2006: EUR 16 million).

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

Principal actuarial assumptions	United Kingdom		2006	Germany		The Netherlands	
	2006	2005		2005	2006	2005	
Discount rate	5.0%	5.0%	4.6%	4.5%	4.5%	4.2%	
Expected return on plan assets	6.8%	6.8%	-	-	5.8%	5.7%	
Expected increase of future salaries	4.2%	3.7%	4.0%	4.0%	3.2%	3.2%	
Expected increase of future benefit levels	3.0%	2.5%	2.0%	2.0%	1.9%	1.9%	
Mortality table	PM/ FA92C2020- pensioners and PM/FA 92C2020- non pensioners	PM/ FA92C2020- pensioners and PM/FA 92C2020- non pensioners	'Richttafeln 2005 G' by Dr. Klaus Heubeck	'Richttafeln 2005 G' by Dr. Klaus Heubeck	GMB 1995-2000 and GBV 1995-2000 with an age set back of 2 year, including 3% surcharge for longevity	GMB 1995-2000 and GBV 1995-2000 with an age set back of 2 year	

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 EUR 6.4 million (2005: EUR 8.4 million). Early retirement programs amount to EUR 1.9 million (2005: EUR 2.0 million).

24.3 Share based payments

The share based payments are included in non underwriting provision (see Note 18).

24.4 Termination benefits

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

25 Deferred and current income tax

Current income taxes

	2006	2005
Current income tax assets	21,340	61,153
Current income tax liabilities	13,564	44,763
	7,776	16,390

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

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

Deferred income taxes

	2006	2005
Deferred income tax assets	129,610	129,983
Deferred income tax liabilities	111,164	107,107
	18,446	22,876

The gross movement on the deferred income tax account is as follows:

	2006	2005
Balance at 1 January	22,876	14,821
Charge (credit) to equity of the year	926	(10,936)
Charge (credit) to the income statement for the year	(5,393)	18,991
Exchange differences	37	-
Balance at 31 December	18,446	22,876

The movement in deferred tax assets and liabilities is further detailed below:

Deferred income tax assets

	Tax losses carried forward	Technical balances	Pensions	Fiscal goodwill	Allowance accounts receivable	Other	Total
Balance at 1 January 2005	37,904	5,491	12,290	1,922	1,865	29,684	89,156
Charge (credit) to equity of the year	-	-	1,477	-	-	-	1,477
Charge (credit) to the income statement for the year	(7,060)	7,407	10,497	50,119	3,076	(24,689)	39,350
Exchange differences	-	-	-	-	-	-	-
Balance at 31 December 2005	30,844	12,898	24,264	52,041	4,941	4,995	129,983
Balance at 1 January 2006	30,844	12,898	24,264	52,041	4,941	4,995	129,983
Charge (credit) to equity for the year	-	-	2,604	-	-	36	2,640
Charge (credit) to the income statement for the year	(10,001)	11,590	(7,279)	(8,226)	1,263	9,445	(3,208)
Exchange differences	294	(413)	8	364	-	(58)	195
Balance at 31 December 2006	21,137	24,075	19,597	44,179	6,204	14,418	129,610

One of the main Group subsidiaries Atradius Credit Insurance N.V. operates in a branch structure. This results in deferred tax assets, due to losses carried forward, 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 that 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, amongst others, tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable and the fiscal goodwill resulting from the legal restructuring that took place during 2004/2005 (mainly Italy and Germany). The main losses at the beginning of 2006 were built up in Germany, Italy and Belgium. The 2006 opening position in Belgium was increased due to amendments to the 2005 tax return of ACI NV, Belgian branch. A significant part of the losses in Germany and Belgium were offset against the 2006 profit realised in the respective countries. In 2006 EUR 14.1 million deferred tax assets on the losses carried forward were impaired (2005: EUR 11.9 million). The fiscal goodwill is amortized over a period of 15 years (Germany) or 18 years (Italy).

Deferred income tax liabilities

	Investments	Technical balances	Pensions	Equalisation provisions	Other	Total
Balance at 1 January 2005	(3,664)	(2,497)	–	(63,739)	(4,435)	(74,335)
Charge (credit) to equity of the year	(3,327)	–	(9,086)	–	–	(12,413)
Charge (credit) to the income statement for the year	309	563	3,199	(9,890)	(14,540)	(20,359)
Exchange differences	–	–	–	–	–	–
Balance at 31 December 2005	(6,682)	(1,934)	(5,887)	(73,629)	(18,975)	(107,107)
Balance at 1 January 2006	(6,682)	(1,934)	(5,887)	(73,629)	(18,975)	(107,107)
Charge (credit) to equity for the year	(2,079)	–	365	–	–	(1,714)
Charge (credit) to the income statement for the year	(2,357)	(11,012)	5,999	2,914	2,271	(2,185)
Exchange differences	594	388	(399)	401	(1,142)	(158)
Balance at 31 December 2006	(10,524)	(12,558)	78	(70,314)	(17,846)	(111,164)

The deferred income tax charged or credited to equity during the year is as follows:

	2006	2005
Fair value reserves in shareholders' equity:		
Available for sale financial investments	2,043	3,327
Pension reserve:		
Unrealised actuarial gains and losses	(2,891)	9,086
Planned asset ceiling	(78)	(1,477)
Total	(926)	10,936

26 Net premiums earned

	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Credit insurance	2006	2006	2006	2005	2005	2005
Written premiums	1,058,552	(491,135)	567,417	963,937	(470,083)	493,854
Change in provision for unearned premiums	(74,092)	5,884	(68,208)	(2,358)	2,413	55
Earned premiums credit insurance	984,460	(485,251)	499,209	961,579	(467,670)	493,909
Bonding	2006	2006	2006	2005	2005	2005
Written premiums	76,023	(42,078)	33,945	79,478	(42,262)	37,216
Change in provision for unearned premiums	15,991	(8,254)	7,737	17,737	(11,270)	6,467
Earned premiums bonding	92,014	(50,332)	41,682	97,215	(53,532)	43,683
Total earned premiums	1,076,474	(535,583)	540,891	1,058,794	(521,202)	537,592

The assumptions of the earnings patterns for our premium on assumed insurance business from third parties have been changed in 2006. In 2006 the premiums are now earned taken into account the duration of the risk period of the underlying insurance portfolios, which caused an increase of the unearned premium reserve. Previously this premium was immediately earned. As a consequence the deferred acquisition costs changed.

27 Service and other income

	2006	2005
Collections and interim credit management services	30,284	26,140
Information services	108,352	105,814
Other service income	14,221	14,771
Total service income	152,857	146,725

Information services income is part of the insurance segment. Collections and interim credit management services and other service income are part of the service segment.

28 Net investment income

Net investment income by type of investments	2006	2005
Income from:		
Property	4,624	770
Bonds and other fixed rate securities	32,995	34,451
Loans	103	206
Shares and other variable yield securities	25,167	13,567
Derivatives	1,498	-
Other investments	6,118	5,017
Total income from investments	70,505	54,011
Expenses from:		
Property	(856)	(564)
Bonds and other fixed rate securities	(13,223)	(4,837)
Shares and other variable yield securities	(959)	(2,232)
Derivatives	(2,756)	(2,201)
Other investments	(4,098)	(2,436)
Handling expenses	(2,554)	(2,676)
Total expenses on investments	(24,446)	(14,946)
Total income excluding associated companies	46,059	39,065
Share of income from associated companies	9,489	6,830
Net income from investments	55,548	45,895
Net investment income by nature of income/expenses	2006	2005
Income from:		
Interest	36,495	29,160
Dividends	6,785	5,434
Realised gains	24,902	18,526
Unrealised gains	1,452	139
Rental income from property	871	752
Total income from investments	70,505	54,011
Expenses from:		
Maintenance and sale of property	(554)	(207)
Interest	(3,855)	(2,696)
Handling expenses	(2,554)	(2,676)
Realised losses	(16,695)	(12,100)
Unrealised losses	(220)	(1,023)
Depreciation of property	(302)	(357)
Net foreign exchange losses	(266)	4,113
Total expenses on investments	(24,446)	(14,946)
Total income excluding associated companies	46,059	39,065
Share of income from associated companies	9,489	6,830
Net income from investments	55,548	45,895

In the interest income and expenses reported above, the component related to financial assets available-for-sale is net EUR 30.3 million (2005: EUR 24.1 million). This net income is derived from government and corporate bonds and private loans.

Net realised gains and losses by type of investments	Impairments		Realised gains/losses	
	2006	2005	2006	2005
Property	–	–	3,753	16
Bonds and other fixed rate securities	–	–	(10,479)	1,530
Shares and other variable yield securities	–	–	17,423	5,963
Derivatives	–	–	(2,490)	(1,270)
Other investments	–	–	–	187
Total	–	–	8,207	6,426

Net realised gains and losses by category	Impairments		Realised gains/losses	
	2006	2005	2006	2005
Amortised cost	–	–	3,753	203
Available-for-sale	–	–	6,944	7,493
Held-for-trading	–	–	(2,490)	(1,270)
Total	–	–	8,207	6,426

29 Insurance claims

Credit insurance	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	2006	2006	2006	2005	2005	2005
Claims settled in the year	409,194	(203,111)	206,083	378,272	(224,631)	153,641
Change in provision for outstanding claims	69,465	(10,641)	58,824	57,591	(6,685)	50,906
Claims handling expenses	28,796	–	28,796	27,688	–	27,688
Total insurance claims and loss adjustment expenses credit insurance	507,455	(213,752)	293,703	463,551	(231,316)	232,235

Bonding	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	2006	2006	2006	2005	2005	2005
Claims settled in the year	58,304	(43,231)	15,073	112,129	(58,318)	53,811
Change in provision for outstanding claims	(45,394)	20,431	(24,963)	13,561	(31,468)	(17,907)
Claims handling expenses	4,103	–	4,103	8,207	–	8,207
Total insurance claims and loss adjustment expenses bonding	17,013	(22,800)	(5,787)	133,897	(89,786)	44,111
Total insurance claims and loss adjustment expenses	524,468	(236,552)	287,916	597,448	(321,102)	276,346

30 Net operating expenses

	2006	2005
Gross administrative expenses excluding restructuring costs	393,032	388,639
Restructuring costs and termination benefits	4,774	9,048
Total administrative expenses	397,806	397,687
Gross acquisition costs	138,872	116,499
Gross change in deferred acquisition costs	(26,196)	(2,233)
Gross operating expenses	510,482	511,953
Commissions received for business ceded to reinsurers	(195,485)	(170,337)
Net operating expenses	314,997	341,616

Administrative expenses by type of business	2006	2005
Insurance and information expenses	398,858	405,678
Recoveries and collections expenses	21,685	18,470
Other service expenses	10,162	9,434
Total gross administrative expenses	430,705	433,582
Claims handling expenses allocated to net claims charges	(32,899)	(35,895)
Total administrative expenses	397,806	397,687

Administrative expenses by nature	2006	2005
Included in gross administrative expenses are:		
Employee benefit expenses (see table below)	251,881	244,610
Travelling and company cars	16,703	16,324
Information technology	19,905	27,716
Housing and office expenses	39,666	43,855
Other expenses	102,550	101,077
Total gross administrative expenses	430,705	433,582
Claims handling expenses allocated to net claims charges	(32,899)	(35,895)
Total administrative expenses	397,806	397,687

As part of the gross administrative expenses, depreciation, amortisation and impairment charges of continuing operations amount to EUR 14.2 million (2005: EUR 16.0 million). Other expenses include mainly consultancy, marketing and credit information costs.

Employee benefit expenses	2006	2005
Salaries and wages	194,911	186,404
Restructuring costs and termination benefits	4,774	9,048
Social security costs	32,988	33,388
Share options granted to directors and employees	1,514	517
Pension costs - defined contribution plans	5,032	7,467
Pension costs - defined benefit plans	12,662	7,786
Total employee benefit expenses	251,881	244,610

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

31 Finance income and expenses

	2006	2005
Interest and fees paid on subordinated loans	7,776	7,743
Foreign exchange (gains) losses	(21)	(201)
Total finance costs (income)	7,755	7,542

The subordinated loan costs include interest expenses of EUR 7.0 million (2005: EUR 7.0 million) and EUR 0.7 million (2005: EUR 0.7 million) of amortised costs.

32 Income tax expense

Income tax expense	Continuing operations		Discontinued operations		Total	
	2006	2005	2006	2005	2006	2005
Current tax	27,932	40,646	–	2,389	27,932	43,035
Deferred tax (note 25)	5,393	(18,991)	–	–	5,393	(18,991)
Income tax expenses for the year	33,325	21,655	–	2,389	33,325	24,044

Total charge for the year reconciled to the accounting profit	2006	2005
Profit before tax:		
Continuing operations	138,628	103,973
Discontinued operations	–	4,293
Tax charge for the period	138,628	108,266
Tax at the domestic income tax rate applicable to profits in the country concerned	38,496	21,184
Tax exempt income	(4,018)	(8,823)
Tax effect of utilisation of tax losses not previously recognised	(406)	6,114
Reassessment of prior year local tax positions	5,842	–
Change in local tax rates used to calculate deferred taxes	(2,504)	–
Other	(4,085)	5,569
Tax expenses for the year	33,325	24,044

The weighted average applicable tax rate was 25% (2005: 25%).

The Dutch tax authorities performed a tax audit on Atradius Insurance Holding B.V., a subsidiary of Atradius N.V., and in 2005 issued pro-forma additional assessments regarding the years 1998 until 2003. Atradius reached a settlement on the various topics raised in this tax audit report. In the 2006 financial statements, an accrual has been made with respect to this settlement.

33 Earnings and dividends per share

Basic earnings per share	2006	2005
Continuing operations		
Net profit for the year	105,255	82,479
Ordinary shares	56,600,000	56,600,000
Earnings per share (in Euros)	1,86	1,45
Discontinued operations		
Net profit for the year	–	17,964
Ordinary shares	–	56,600,000
Earnings per share (in Euros)	–	0,32

Basic earnings per share are calculated dividing the net profit of the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Dilution

Diluted earnings per share are calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential of ordinary shares. The Company has one category of dilutive potential, being the nil-cost options. The regular options do not have a dilutive potential as at 31 December 2006 since the estimated market value (determined as the weighted average share price, see note 18) equals the exercise price.

For the nil-cost options, a calculation is made to determine the number of shares that could have been acquired at market value based on the monetary value of the subscription rights attached to the outstanding nil-cost options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the nil-cost options.

Diluted earnings per share	2006	2005
Continuing operations		
Profit attributable to the Company's equity holders	105,255	82,479
Weighted average number of ordinary shares in issue	56,600,000	56,600,000
Adjustments for:		
- share options	266,000	–
Weighted average number of ordinary shares for diluted earnings per share	56,866,000	56,600,000
Diluted earnings per share	1,85	1,45

Dividend per share

The dividends paid in 2006 and 2005 were EUR 11.3 million (EUR 0.20 per share) and EUR 5.7 million (EUR 0.10 per share) respectively.

34 Contingent liabilities

	2006	2005
Contingent liabilities	45,430	6,554
Other financial obligations	44,638	45,523
Total contingencies	90,068	52,077

In 2006 a 15-years lease contract was signed for the construction of a new building in Amsterdam. The total obligation of this contract amounts to EUR 40.9 million. Furthermore contingent liabilities include 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 EUR 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 GmbH for EUR 1.5 million. Atradius also issued a guarantee to Dun & Bradstreet Inc. for EUR 1.2 million. A guarantee for the office in Cologne Germany was issued to Hochtief Projektentwicklung GmbH for EUR 0.5 million.

A guarantee for accountholders is set up for EUR 0.5 million towards Banque de France for the dissolution of Ecom.

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.

35 Operating leases

	2006	2005
Less than one year	17,732	19,582
Between one and five years	32,270	40,840
More than five years	39,725	38,998
Total	89,727	99,420

The Group leases office equipment and office space under a number of operating lease agreements. The lease contracts have a remaining term between 1 and 22 years. The leasing of office space represents around 94% (2005: 90%) 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 number of employees (full-time equivalents) working for Atradius:

	2006	2005
Total average number of employees (full-time equivalent)	3,280	3,400
Total year end number of employees (full-time equivalent)	3,304	3,256

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. There are no discontinued operations in 2006.

The profit for the period ended 31 October 2005 from discontinued operations after intercompany eliminations is as follows:

Discontinued operations	2005
Factoring income	28,852
Net investment income	127
Total income	28,979
Net operating expenses	(24,688)
Operating result before amortisation of goodwill and finance costs	4,291
Amortisation of goodwill	-
Finance income and (expenses)	2
Profit before tax	4,293
Income tax	(1,003)
Profit for the year	3,290
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

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

Discontinued operations	2005
Attributable goodwill	10,415
Other intangible assets	49
Property, Plant and equipment	706
Factoring receivables	443,722
Other accounts receivable	1,800
Miscellaneous assets and accruals	287
Deferred tax assets	2,748
Cash and cash equivalents	19,159
Subordinated loans	(5,915)
Factoring payables	(404,418)
Other accounts payable	(22,025)
Miscellaneous liabilities and accruals	(2,630)
Retirement benefit obligations	(633)
Deferred tax liabilities	(15)
Current income tax liabilities	(1,345)
Net asset value	41,905

The gain on disposal of the factory companies was calculated as follows:

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 after tax	14,674

The factoring companies contributed to the Group's net cash flows in 2005 as follows:

Discontinued operations	2005
Net cash (used in)/generated by operating activities	(14,681)
Net cash (used in)/generated by investing activities	(347)
Net cash (used in)/generated by financing activities	-
Changes in cash and cash equivalents	(15,028)
Cash consideration received	62,500
Cash and cash equivalents disposed of	(19,159)
Net cash flow arising on disposal	43,341

Of the total consideration on the sale, EUR 62.5 million was received before 31 December 2005 and EUR 1.2 million in March 2006.

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
	2006	2006	2006	2005	2005	2005
Swiss Reinsurance Company	19,780,535	34.95%	34.95%	19,780,535	34.95%	34.95%
DB Equity S.à.R.L.	7,204,865	12.73%	12.73%	19,182,264	33.89%	33.89%
Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.	12,300,000	21.73%	21.73%	6,800,000	12.02%	12.02%
Seguros Catalana Occidente, S.A. de Seguros y Reaseguros, Sociedad Unipersonal	15,999,999	28.26%	28.26%	7,337,201	12.96%	12.96%
Betrados BV	1,314,601	2.33%	2.33%	3,500,000	6.18%	6.18%
Total	56,600,000	100.00%	100.00%	56,600,000	100.00%	100.00%

The following table provides the total amount of transactions, which have been entered into with related parties for the financial year.

Related-party transactions 2006	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	22,747	43,568	6,024	5,209
Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.	1,027	–	946	–
Total	23,774	43,568	6,970	5,209

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	28,676	9,597
Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.	34	1	72	–
Total	27,009	34,017	28,748	9,597

Terms and conditions of transactions with related parties

Atradius has a reinsurance relationship with Swiss Reinsurance Company. Swiss Reinsurance Company is one of Atradius' treaty partners. This reinsurance relationship is at arm's length. The sales with Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A. relates to information services.

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 2006, 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 on the remuneration for members of the Management Board and Supervisory Board. In 2006 the Management Board consisted of four members, including the previous chairman and chief executive officer who left the company 1 October 2006. In 2005, the Management Board consisted of five members (including one former member). The Supervisory Board consisted of nine members both 2006 and 2005.

Remuneration of Management Board and Supervisory Board	2006	2005
Management Board		
Short term employee benefits	1,665	1,801
Bonus payments	1,632	1,350
Post employment benefits	211	351
Termination benefits	2,680	-
Share based payments	826	833
Total compensation paid to Management Board members	7,014	4,335
Supervisory Board		
Short term employee benefits	488	349
Total compensation paid to Supervisory Board members	488	349

The Management Board and Supervisory Board members also participate in the Boards of some of the subsidiaries. Apart from this they do not have other relationships with the Company or its subsidiaries.

39 Events after the balance sheet date

Following different steps since 2003, on 2 April 2007 the shareholders of Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A. (Crédito y Caución) and of Atradius N.V. agreed to the terms of the combination of the two businesses. Under the terms of the agreement, Crédito y Caución, based in Madrid, will become a fully owned subsidiary of Atradius N.V., headquartered in Amsterdam, The Netherlands. The transaction is expected to create a global entity with pro forma annual turnover over EUR 1,600 million.

The shareholder structure of the new Group will change after the combination of Atradius and Credito y Caucion. On completion, all shares in Atradius currently held by Crédito y Caución and Seguros Catalana Occidente, S.A. will be transferred to a newly created holding company, Grupo Compañía Española de Crédito y Caución, S.L. (Grupo Crédito y Caución). In addition, new shares will be issued in consideration for the transfer of Crédito y Caución to Atradius N.V., as a result of which Grupo Crédito y Caución will become the largest shareholder with a 64.2% stake. Swiss Reinsurance Company will maintain a 25.0% stake, DB Equity S.à.r.l. (Deutsche Bank AG) a 9.1% stake and Betrados B.V. (Sal. Oppenheim Jr. & Cie KGaA) a 1.7% stake.

The combination is subject to the approval of various authorities, including insurance regulators and anti-trust authorities.

Amsterdam, 11 April 2007

The Supervisory Board

P.H. Denieuil (Chairman)
I.F. Unda (Vice Chairman)
J.H. Fitzpatrick
H.P.E. Gujer
J.H. Holsboer
B.H. Meyer
J. Serra
D.M. Sluimers
A. Wieandt

The Management Board

P. Ingenlath
A.G. Kamphuis
D. Rueda

To the Management Board and the Supervisory Board of Atradius N.V.

Auditor's Report

We have audited the accompanying financial statements of Atradius N.V., Amsterdam, which comprise the balance sheet as at 31 December 2006, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Atradius N.V., as at 31 December 2006, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 11 April 2007

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

Glossary

Atradius Connect

A product we have designed to increase the efficiency of the receivables management process for companies with a turnover in excess of 150 million euros.

Atradius Customiser

Our internal customer relationship management system 'Customiser' enables us to track all interaction with our customers.

Atradius Instalment Credit Protection

Provision of protection 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 rather than business-to-business clients.

Atradius Modula Focus

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

Atradius Observa News

A business news service we offer to our credit insurance customers providing up-to-date information from over 7,000 news sources daily. Subscribers receive up-to-date desktop alerts on companies they have chosen to monitor.

Bonding

Provision of guarantees that one party in a contractual relationship will meet contractual obligations to the other party in that relationship.

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

Credit enhancement

A service offered by Atradius providing additional protection to the purchaser and new owner of trade receivables, for the benefit of the investors in a securitisation programme. Such programmes 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

Set by the insurer, this is the maximum amount which may be outstanding for payment at any one time whilst covered by the policy.

Credit risk (under the policy)

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.

Eurozone

Group term for the European countries who have adopted the Euro currency.

Expense ratio

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

Global

The service we offer multinational customers, providing tailored worldwide credit management solutions 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

- The risk that a government buyer or a country prevents the fulfilment of a transaction, or fails in meeting payment obligations.
- 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 cashflow 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 issue of short term debt into the capital markets.

Single situation cover

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

SME

Small to medium-sized enterprises.

Solvency II

A regulatory process for insurers and reinsurers due for implementation in 2010. It aims to ensure understanding by insurers of the inherent business risks in the industry and the allocation of sufficient capital to alleviate them.

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.

Structured credit and political risks

Products and service offering from our "Special Products" team.

TERI

Tender Exchange Rate Indemnity insures companies dealing in foreign currencies against the exchange rate losses that they may suffer if they win the contract during a period of fluctuation in currency value.

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

Provision of protection to the insured party in the form of a credit insurance policy that covers their 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

The information in the chapter “The global economy: issues and prospects” is for general guidance on matters of interest only. While we have made every attempt to ensure that the information contained in this chapter reflects careful analysis and investigations on our side before publication of this Annual Report, we are neither responsible for any errors or omissions nor for the results obtained from the use of this information.

The information in this chapter furthermore does not contain nor imply a warranty as to the completeness, accuracy, timeliness or otherwise. In no event Atradius, its related partnerships or corporations, or the directors, partners, agents or employees thereof be liable to you or anyone regarding any decision made or action taken in reliance on the information in this chapter or for any consequential, special or similar damages.

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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.

Atradius Leadership Team



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