



Interim Report 30 September 2009



Your personal financial adviser

### Turning point in economic developments

The international financial crisis catapulted the 16 countries of the euro zone into their first recession since the introduction of the shared currency ten years ago. Following substantial fiscal stimulus by these countries' governments, their economies now seem to be stabilizing slowly. Nonetheless, future developments remain highly uncertain.

At present, the economy of the entire EU seems to be at a turning point; positive indications have been increasingly apparent this autumn. Above all the psychological component – the fear of recession – seems to be subsiding. Several factors are supporting the current positive trend: the financial markets have stabilised significantly and the global economy is gaining ground again, thus strengthening EU exports. Overall, the economic climate is brightening somewhat – government economic stimulus programmes are beginning to take effect.

Despite the positive tendencies, the European Commission's forecasts for gross domestic product in 2009 remain unchanged at minus 4%. This applies both for the euro zone as well as for the entire EU. The forecast is largely based on the generally very weak economic output in the first half of the year. Forecasts for 2010 also remain cautious. The effects of rising unemployment and the discontinuation of some stimulus programs combined with higher state debt are resulting in a potentially explosive mixture and making forecasting difficult.

### Financial services sector in an ambivalent environment

The financial services sector is currently operating in a particularly ambivalent environment. On the one hand, many consumers have reservations with regard to the recently weakened financial sector as well as a high degree of financial uncertainty; this is leading to a cautious attitude and to people holding increased levels of liquidity. On the other hand, the financial crisis has destroyed a lot of value and therefore further increased the already large pension gaps of most people in Europe. This means that individual provision for old age, health care and the future will become even more important than before.

This presents an opportunity which AWD will grasp. The year 2009 is therefore reserved for extensive restructuring actions throughout the Group. AWD intends to emerge from the crisis strengthened and to advise its customers even better and more individually in the future. With the changeover of the AWD slogan to "AWD – your personal financial adviser", we have already clearly indicated our direction – a strong affirmation of our business model and an even stronger customer focus. The further development of the AWD business model is the decisive step on the way to above-average services for all customers as well as for growth and profitability.

### A rising need for qualified advice

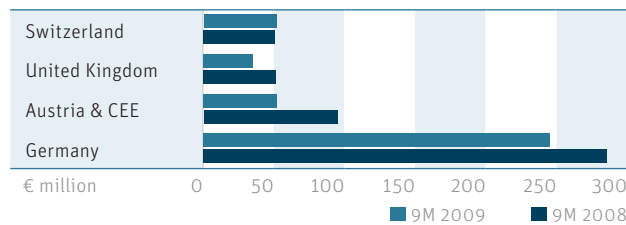
The number of customers advised by AWD is a clear indicator of the potential of the AWD Group and of financial advice in Europe: 341,100 customers sought the advice of one of the 5,696 AWD financial advisers in first nine months of the year 2009, which is 3.8% more than in the same period of last year. The number of existing customers who again received our advice actually increased by 8.4% to 214,750, demonstrating the trust our customers place in us and the high quality of the advice we provide. The number of contracts concluded during the reporting period decreased slightly. This shows clearly that AWD's advisers are reliable partners and regularly seek contacts with customers also in difficult times.

Between January and September 2009, the number of new customers receiving advice for the first time fell compared with the prior-year period by 3.1% to 126,300. Uncertainty amongst the population is still high and decisions for a certain form of pension planning are not taken easily. Professional advice is more important than ever. With a total of 11,341 sales representatives throughout the Group, including 5,696 fully qualified and registered advisers and another 3,180 advisers in training, AWD is well prepared for the rising demand for comprehensive financial planning and advice.

## The AWD Group's revenue trend begins to stabilize

In the first nine months of the year 2009, the AWD Group was positively challenged all over Europe by a combination of incipient economic recovery and ongoing uncertainty. As a result, the Group was able to achieve a stabilization of its revenue development in some operations already in the third quarter of 2009. AWD increased its revenue in Germany, the Group's biggest and most important core market, by 0.5% compared with the second quarter, thus establishing the basis for a trend reversal.

### ► Break down revenue by segment



In the first nine months of this year, the AWD Group generated total revenue of €381.5 million. The decline of 19.7% compared with the prior-year figure is primarily due to the substantial drops in revenue in the markets of Austria and Central & Eastern Europe as well as in the United Kingdom. AWD is currently implementing extensive restructuring actions in the regions Austria & CEE and Germany, and especially at the holding company. These measures are being taken to put the AWD Group back on a stable growth path in the medium term. One essential aspect is to achieve the right positioning in regions with the potential for strong growth and profitability such as Central and Eastern Europe.

## The AWD Group achieves operating-profit turnaround

Throughout the Group, AWD is in a process of positive change. The Group's further development and its integration into the parent company, Swiss Life, bring numerous opportunities for AWD and thus also new requirements with regard to the positioning of the AWD Group and its processes and structures.

The first successful results of the restructuring actions we initiated in May assisted AWD in achieving an original operating profit of €3.5 million for the reporting period, despite the ongoing effects of the international financial crisis and the resulting lower revenue. Solely in the third quarter of 2009, AWD achieved an original operating profit of €6.2 million and thus manifested the trend reversal back to positive results.

Total one-time and restructuring expenses of €22.9 million were incurred in the first nine months of 2009 in the context of repositioning the AWD Group, of which €15.3 million was incurred in the third quarter of 2009. As a result, our reported earnings before interest and taxes (EBIT) amounted to minus €19.4 million in the first half of 2009 and minus €9.1 million in the third quarter of 2009.

The implementation of the strategic measures will dominate the whole of the year 2009. Our clear goal is to put the Group back onto a stable and profitable growth path in 2010 and beyond. An important milestone on the way to this goal is the consistent redimensioning of the functions of the AWD holding company with adjustments to expenditure for marketing and administration. Furthermore, efficiency is to be improved in all regions by standardizing processes and optimizing back-office functions. This significant reduction in costs will ensure sustained high profitability for the entire AWD Group. The Austria region will be completely reorganised. This will include refocusing the sales and sales support functions and the office infrastructure, as well as the realignment of the AWD brand in the region. These actions will make a significant contribution to reducing costs and thus help to attain a sustained improvement in the Group's profitability.

Due to the decision taken on 11 November 2008 to restructure business activities in the British market and to dispose of the AWD Home Finance unit as well as other marginal activities, those activities have been treated as discontinued operations since 2008. In the first nine months of 2008, the discontinued operations generated revenue of €17.7 million, EBIT of minus €4.6 million and a net loss of €3.2 million. The prior-year figures have been adjusted accordingly.

## Revenue by type of commission

The AWD Group generated revenue of €381.5 million in the first nine months of 2009. Of that total, approximately 73.1% or €279.0 million was accounted for by up-front commission. The AWD Group earns up-front commission primarily by brokering pension and investment-fund products and also by brokering private health insurance and property insurance.

The AWD Group also generates revenue from recurring and other commission, which totalled €89.6 million in the reporting period. Recurring and other commission include all commission that is not directly related to the conclusion of contracts as well as commission from existing contracts.

The AWD Group's other revenue amounted to €12.9 million between January and September 2009.

## Advisory focus on pension planning and investment

During the period of January to September 2009, the AWD Group generated 81.6% of its up-front commission from products for retirement provision, financial security and investment. Therefore, the main sources of revenue for the AWD Group in the first nine months of this year were once again **unit-linked policies** as well as **life-insurance products** and **investment funds**.

**Unit-linked products** include fund-based life-insurance and annuity products as well as state-supported retirement products such as Riester, Rürup and company pensions in Germany, and premium-pension policies in Austria, provided that they are based on fund solutions. The contribution to the total revenue of the AWD Group made by unit-linked products reached €111.2 million in the first nine months of this year; their share of up-front commission was 39.9%.

**Life-insurance products'** contribution to the total revenue of the AWD Group amounted to €70.7 million in the first nine months of 2009. This product group thus generated 25.3% of the Group's up-front commission. Life-insurance products

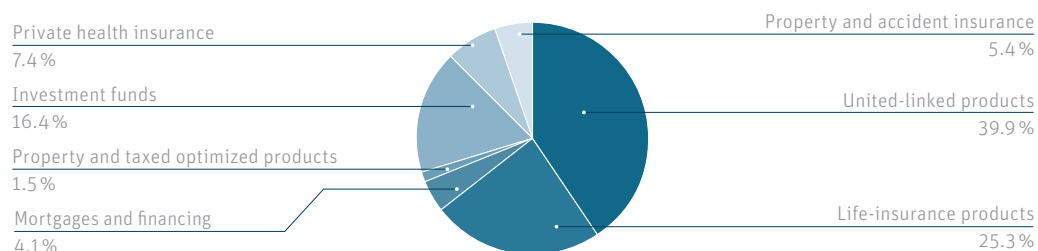
include traditional life insurance, term life insurance, annuity life insurance and general and occupational disability policies, as well as non-unit-linked state-supported old-age provision and company pension contracts.

In the first nine months of 2009, **investment-fund products** accounted for a 16.4% share of total up-front commission. In absolute terms, investment funds contributed €45.8 million of the AWD Group's up-front commission.

The commission generated in the first nine months of this year by the **mortgages and financing** product group amounted to €11.5 million. The share of the AWD Group's up-front commission accounted for by mortgages and financing was 4.1%.

**Property and tax-optimized products** accounted for 1.5% of the AWD Group's up-front commission between January and September 2009. The AWD Group generated revenue of €4.1 million with these products during the period under review.

### ► Break down up-front commission by product group



The product group of **private health insurance** includes full health insurance, supplementary health insurance and illness per-diem insurance, as well as additional insurance to complement statutory insurance benefits. Commission revenue from this product group amounted to €20.7 million; its share of the AWD Group's up-front commission was 7.4%.

### **AWD shares – preparation of squeeze-out and delisting**

The development of AWD's share price during the period under review was primarily determined by preparations for a squeeze-out of the minority shareholders. The squeeze-out requested by Swiss Life Beteiligungs GmbH and the control and profit transfer agreement between AWD Holding AG and Swiss Life Beteiligungs GmbH were approved with large majorities at the Extraordinary General Meeting of AWD Holding AG held in Hanover on

**Property and accident insurance** round off the AWD Group's advisory concept. In the first nine months of this year, the AWD Group achieved revenue of €15.0 million. The share of up-front commission generated by this product group was 5.4%.

24 February 2009. Following the successful conclusion of the squeeze-out procedure, the stock-exchange listing of shares in AWD Holding AG is to be discontinued. In this case, the shareholders will receive a planned cash compensation of €30 per share. The Annual General Meeting of AWD Holding AG was held in Hanover on 4 June 2009. As of 15 July 2009, AWD shares have been listed in the General Standard of the Deutsche Börse.

### **Goals and outlook**

As a result of the international financial crisis, the global economy is in a deep recession. Even though there have recently been increasing signs of improvement, there is still great uncertainty regarding economic developments. For the EU, the European Commission anticipates a 4% decline in gross domestic product (GDP) in full-year 2009.

Overall, the AWD Group assumes that the year 2009 will remain difficult. This is mainly because of the challenging situation in the regions Austria & CEE and the United Kingdom. Revenue is likely to be below the prior-year level by a low double-digit percentage.

The measures taken for restructuring and refocus in the regions Austria and Germany as well as at the holding company will lead to additional substantial one-time expenditure and special costs in the fourth quarter of 2009. Operating activities are expected to result in positive earnings.

The AWD Group is confident that it will utilise the opportunities of the crisis to make changes and that it will put the Group in a position to enjoy sustained profitable growth in the coming years.

# Income statement

## ► Income statement 9M 2009

€ million	01.01.09–30.09.09	01.01.08–30.09.08	Change
<b>Revenue</b>	<b>381.5</b>	<b>475.2</b>	<b>-19.7%</b>
Cost of sales	-241.3	-273.4	-11.7%
<b>Gross profit</b>	<b>140.2</b>	<b>201.8</b>	<b>-30.5%</b>
Selling expenses	-88.1	-95.0	-7.3%
Administrative expenses	-72.6	-74.3	-2.3%
Other operating income	1.5	3.5	-57.1%
Operating profit (EBIT)	-0.4	-0.2	100%
<b>Operating profit (EBIT)</b>	<b>-19.4</b>	<b>35.8</b>	<b>n.a.</b>
Financial income/expense	-0.6	2.6	n.a.
<b>Earnings before taxes</b>	<b>-20.0</b>	<b>38.4</b>	<b>n.a.</b>
Income taxes	0.0	-10.9	-100%
<b>Net profit/loss for the period (9M)</b>	<b>-20.0</b>	<b>27.5</b>	<b>n.a.</b>

## ► Income statement Q3 2009

€ million	01.07.09–30.09.09	01.07.08–30.09.08	Change
<b>Revenue</b>	<b>123.2</b>	<b>152.3</b>	<b>-19.1%</b>
Cost of sales	-80.1	-93.0	-13.9%
<b>Gross profit</b>	<b>43.1</b>	<b>59.3</b>	<b>-27.3%</b>
Selling expenses	-25.8	-27.4	-5.8%
Administrative expenses	-26.7	-23.6	13.1%
Other operating income	0.4	0.4	0.0%
Other operating expenses	-0.1	-0.1	0.0%
<b>Operating profit (EBIT)</b>	<b>-9.1</b>	<b>8.6</b>	<b>n.a.</b>
Financial income/expense	-1.2	0.9	n.a.
<b>Earnings before taxes</b>	<b>-10.3</b>	<b>9.5</b>	<b>n.a.</b>
Income taxes	-0.8	-2.0	-60.0%
<b>Net profit/loss for the period (Q3)</b>	<b>-11.1</b>	<b>7.5</b>	<b>n.a.</b>

# Balance sheet

## ASSETS

€ million	30.09.2009	31.12.2008	Change
Intangible assets	75.8	77.2	-1.8%
Property, plant and equipment	47.3	48.3	-2.1%
Financial assets	0.5	0.2	>100%
Deferred tax assets	5.9	1.3	>100%
Other non-current assets	22.0	25.2	-12.7%
<b>Non-current assets</b>	<b>151.5</b>	<b>152.2</b>	<b>-0.5%</b>
Inventories	1.9	2.2	-13.6%
Trade receivables	86.9	99.8	-12.9%
Other current assets	41.2	40.9	0.7%
Cash and cash equivalents	31.5	52.3	-39.8%
<b>Current assets</b>	<b>161.5</b>	<b>195.2</b>	<b>-17.3%</b>
<b>Total assets</b>	<b>313.0</b>	<b>347.4</b>	<b>-9.9%</b>

## EQUITY AND LIABILITIES

€ million	30.09.2009	31.12.2008	Change
Issued capital	38.6	38.6	0.0%
Capital reserve	-1.1	0.0	-100%
Retained earnings	9.4	9.4	0.0%
Balance sheet profit	-19.9	0.1	n.a.
Accumulated changes in equity not affecting profit	-1.2	-1.9	-36.8%
<b>Equity</b>	<b>25.8</b>	<b>46.2</b>	<b>-44.2%</b>
Retirement benefit obligation	2.0	1.7	17.6%
Non-current provisions	27.3	31.9	-14.4%
Non-current financial liabilities	0.1	0.0	100%
Deferred tax liabilities	6.3	5.7	10.5%
Other non-current liabilities	40.7	45.6	-10.7%
<b>Non-current liabilities</b>	<b>76.4</b>	<b>84.9</b>	<b>-10.0%</b>
Trade payables	101.0	113.9	-11.3%
Current provisions	81.1	93.4	-13.2%
Other current liabilities	28.7	9.0	>100%
<b>Current liabilities</b>	<b>210.8</b>	<b>216.3</b>	<b>-2.5%</b>
<b>Total equity and liabilities</b>	<b>313.0</b>	<b>347.4</b>	<b>-9.9%</b>

## Disclaimer

This report contains forward-looking statements. Forward-looking statements are statements that do not describe facts from the past; they include statements about our assumptions and expectations. Each statement in this report that expresses our expectations, forecasts, intentions or assumptions is a forward-looking statement and thus relates to the future. Such future-oriented statements are based on the plans, estimates and projections that are currently available to the Board of Management of AWD Holding AG. We do not accept any obligation or guarantee to update any such statements in the light of new information or future events. Future-oriented and forward-looking statements are naturally subject to risks and uncertainties. A large

number of important factors can contribute to actual future events and developments differing significantly from forward-looking statements. Therefore, we cannot guarantee that the assumptions and expectations will prove to be correct. The factors that can cause such deviations include, among others, the circumstances of financial markets in our core business areas and markets, changes in the general economic situation and the competitive situation, exchange-rate and interest-rate fluctuations, changes in national and international legislation, especially pertaining to tax regulations changes in capital investment or company strategy, and general business risks.

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