



Bild verrutscht!  
Bitte korrigieren

## **Business Report 2010**

Short Summary of the Financial Highlights and the Business Development in 2010

Non-binding translation, only the German version is legally binding.

# Report of the Supervisory Board

Dear ladies and gentlemen,



After a challenging 2009, the global economy righted itself in the year under review. However, some of the after-effects of the crisis only emerged in 2010. It is to be hoped that these will not lead to an increase in corporate insolvencies.

I hope that PRISMA will be able to operate with its accustomed high level of professionalism in this improved economic environment.

As Chairman of the Supervisory Board, I would like to congratulate the management and staff on the excellent results for 2010, and the company's success in extending its market leadership.

The Supervisory Board received regular detailed reports from the Board of Management on the performance and financial position of the company and its subsidiaries. Regular meetings and prompt oral and written reports from the Board of Management enabled the Supervisory Board to discharge the duties incumbent on it by virtue of the law and the company's articles of association.

The accounts, annual financial statements and management report for 2010 were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, and received an unqualified auditor's certificate. The Supervisory Board has approved the results of the audit.

We have examined the annual financial statements for the year to 31st December 2010 and the Board of Management's proposal for the distribution of the profit for the year. This examination revealed no grounds for objections.

The Supervisory Board has approved the annual financial statements drawn up by the Board of Management, which are thereby adopted under section 96 (4) Aktiengesetz (Austrian Companies Act). The Supervisory Board also endorses the Board of Management's proposal for the distribution of profits, and recommends that the proposal be adopted by the Annual General Meeting.

On behalf of the Supervisory Board

A handwritten signature in black ink, which appears to read 'Rudolf Scholten'. The signature is written in a cursive, flowing style.

**Dr. Rudolf Scholten**  
Chairman

Vienna, March 2011



*Funny image,  
is it suitable for  
the introduction?*

**YES, AT LEAST THEY  
STICK TOGETHER!**



# Introduction from the Board of Management

Dear ladies and gentlemen,

The crisis of 2009 was **the** ultimate “stress test” for the credit insurance industry.

As this report shows, the events of 2010 confirm that PRISMA has passed this test with flying colours. What is more, we can also look back on a year that ended far better than we could have imagined back in January. This was in no small part due to the loyalty of our customers, and we would like to thank all of you for your support during the year.

Understanding corporates is key to our services. As we have agreed with you, prevention comes first. Therefore, we have stepped up our monitoring during the past two years. Our risk-based decision making is guided not just by statistics, but also by your real-life business relationships with customers and suppliers. Looking back, we can say with pride that we have got things right, almost always. We have struck a fair balance between our wishes and your needs, in the interests of long-term partnerships.

In 2010 we carried out a comprehensive customer survey. We would like to thank you for responses and for the ringing endorsement of our performance that you provided! The onus is now on us to maintain the high quality standards to which you are accustomed.

An issue highlighted by the survey was transparency – one of our brand’s three core values. In contrast to better partner and more ambitious, the responses suggested that we could work harder at making our business relationships more transparent. We have discussed this finding in depth, and have decided to react in two ways:

The presentation of this report reflects the humorous side – a tongue-in-cheek way of showing that we have nothing to hide. A sense of humour is all about raising a smile in the face of adversity.

But this should not deflect attention from your main concern, which is fully transparent credit decisions. On the contrary, this foreword is a chance for us to underline that transparency must have its limits. **At the end of the day, PRISMA is a credit insurer, not a business information agency!** Our communications must always respect this natural borderline, even though we are committed to making every last detail as clear and comprehensible as possible. We receive a great deal of information in confidence – and hope that this confidentiality will be reciprocated. Transparency and trust are two sides of the same coin, and not mutually exclusive.

We would once again like to thank you for your faith in us, and express the hope that our partnership with you will continue. Thanks to customers like you, strong shareholders and the support of many other reliable partners, we can look ahead to a bright future – despite not knowing whether the current economic upturn will be sustained.

We also owe strong debt of gratitude to our dedicated and highly motivated employees. As the results of the customer survey showed, our people are the key to PRISMA’s success.



**Bettina Selden**  
Member of the Board of Management



**Ludwig Mertes**  
Member of the Board of Management

# Management Report

## PRISMA consolidates market leadership

In the foreword to this Report, we used the expression “stress test” to paint a picture of events ranging over the past few months. And we are pleased and relieved to report that we passed this test with flying colours, as confirmed by our performance in the past year. Twelve months ago, economic forecasts, spiralling insolvencies, and a weak export sector all pointed to an environment blighted by uncertainty, but today we can safely say that 2010 has been an excellent year for PRISMA. A number of performance indicators support this view. In a way, we are reaping the benefits of the seeds sown during an exceptional 2009, in particular the outstanding loyalty and positive feedback from our clients and partners.

We took a conscious decision to carry out a wide-ranging customer satisfaction survey in mid-2010 – just when we were emerging from the depths of the economic and financial crisis. The responses could have made for a devastating reading. However, the outcome was extremely positive, and we are currently addressing the shortcomings identified in the survey, with the aim of improving on our excellent service quality. We would like to thank all those who participated for their dedication and support.

We are particularly proud to report a rise in turnover of over 20 percent. What is all the more pleasing is that this increase is down to the stronger performance of our customers’ businesses. We take this as an indication that the crisis has been weathered and exports are starting to pick up. However, this also demonstrates that we succeeded again in covering the majority of your risks and in effectively supporting your operations. Nevertheless, the large number of companies that supply customers without the benefit of credit insurance, claiming that they have no need for this key early warning system, never ceases to amaze us.

2010 will go down in credit insurance industry history as the first year that the “escape clause” came into action. The failure of the market opened the door to government financial support for the export insurance sector – which is in principle reserved for private insurers. In retrospect, exporters’ demands for open credit lines in times of crisis are completely understandable, but it should also be noted that the number of companies that chose to take advantage of Austrian government guarantees was not excessive, and this avenue was closed off on 31st December 2010.

## Our corporate values

The results of our customer survey and the employee survey carried out in parallel underline the effectiveness of initiatives designed to foster our corporate culture and values. We are heading in the right direction, but we have still some way to go. Ambition and partnership are already well established among internal and external stakeholders, but there is still room for improvement on transparency.

This is presently the focus of our attention – as clearly illustrated by the design and cover of this Report. Our aim is to take you behind the scenes of what may seem rather an austere insurance company.

We would also like to offer you a lighthearted insight into our everyday business. This year, we have

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decided to present our directors and managers in a somewhat different light than usually. When it comes to leadership, our brand values are an especially important source of guidance. Thus we felt it was time to let our leaders call the tune in designing this year's Annual Report. And as you can see, all of our budding models thoroughly enjoyed the experience.

## Locally anchored & internationally connected

Challenging situations demand a positive attitude and robust structures – both of which have been our hallmark over the years.

PRISMA is an Austrian joint venture owned by Euler Hermes, the global market leader in credit insurance, and Oesterreichische Kontrollbank (OeKB). We unite the power of OeKB with the peerless expertise of the Euler Hermes-Group – a combination which has benefited Austria's exporters for many years.

Oesterreichische Kontrollbank is the leading institution on the Austrian export finance and capital market. The Euler Hermes-Group supplies PRISMA with the up-to-the-minute electronic information on over 40 million companies worldwide which constitutes the basis for our credit decisions.

The Euler Hermes network operates on the principle that "credit is local": research is always carried out in local markets by local risk managers working in a total of over 50 countries. They have unparalleled knowledge of the unique features of each market. The data they supply are processed using a standardised system and can be accessed at the touch of a button by credit underwriters around the world.

PRISMA is responsible for feeding information on Austrian companies into this highly complex system. PRISMA provides assessments of credit standing to every Euler Hermes policy holder that has Austrian customers in its portfolio.

## Financial performance indicators

### Turnover

Turnover grew at a surprisingly strong rate and was well above budget.

Earned premiums in the direct insurance business jumped by around 21 percent to 50.3 million EUR, of which Prisma Global and Prisma Plus policies accounted for 49.3 million EUR.

Prisma Invest, a policy for insuring capital goods transactions, generated 0.7 million EUR. Turnover from Prisma Trust fidelity insurance policies slipped to 0.3 million EUR. As announced last year, this product was taken off the market in mid-2010. Customers interested in taking out fidelity insurance were referred to Euler Hermes in Hamburg, one of the leading providers in this segment.

Total turnover from the direct and indirect businesses rose by 22 percent year-on-year to 52.4 million EUR.

Performance at PRISMA Risikoservice GmbH & Co. KG was also well above budget. Other credit as-

assessment fees, fees for credit assessments of Austrian companies requested by Euler Hermes-Group companies, and fees for collection and ratings amounted to 10.3 million EUR, an increase of about 4 percent on 2009.

## New business

New business including extensions of cover and premium increases in the existing portfolio fell short of the outstanding levels recorded in 2009. In addition, demand from uninsured suppliers was particularly muted. The reasons for this we find difficult to explain. Nevertheless, the number of businesses without insurance remains high.

## Policy portfolio

The portfolio consisted of 1,832 policies as of 31st December 2010, a year-on-year decline of about 3 percent. The number of policy cancellations was slightly higher than during the comparative period of 2009, both in absolute terms and as measured by premium volumes.

## Credit assessments

The number of new credit assessment requests fell slightly. In total, 115,100 requests were processed and decisions issued. Total exposure increased to 17.2 billion EUR.

## Collection

The Austrian branch of Euler Hermes Collections GmbH is now fully operational. PRISMA cooperates closely with the company and as a result discontinued its in-house collection operations in the course of 2010.

## Prisma Net

Prisma Net is now firmly established as a state-of-the-art online tool and is used frequently by virtually all of our clients.

# Outlook for 2011

A number of indicators suggest that the world economy has recovered from the financial crisis more quickly than anticipated. This is all the more reason to continue working towards our long-term objectives during 2011. Our main priorities are recording stable and profitable growth, developing the market and consolidating our market leadership. Strengthening the PRISMA brand in line with our “closer to the client” motto is the key to achieving these aims.

Our budget targets are at the optimistic end of the scale, although we remain fully aware of how volatile our business can be.

Rigorous risk assessment and monitoring will again be critical success factors during 2011.

There are signs indicating that competition in our industry may become fiercer. But this will all the more spur us on to further enhance the quality of our services, and communicate the resulting benefits to our current and potential clients.

As explained in last year's Annual Report, reinsurance costs have considerably risen in recent years and remain high.

Euler Hermes-Group has streamlined its regional structures under the One Euler Hermes project – more than 50 national organisations have been merged to form six regions covering the global market. PRISMA is one of the three companies that make up the D-A-CH region (Germany, Austria, and Switzerland).

One Euler Hermes has also resulted in PRISMA relinquishing its stake in Euler Hermes Hungary – an investment previously held in trust – since Hungary has been allocated to a different region.

## Result for the business year

Profit on ordinary activities amounted to 6,974,662.28 EUR; the profit after tax was 5,154,092.20 EUR. Allocations to the risk reserve under section 73 a Austrian Insurance Supervision Act (Versicherungsaufsichtsgesetz [VAG]) totalled 141,104.22 EUR, and those to the unappropriated reserve 2,000,000.00 EUR. The profit for the year was 3,012,987.98 EUR.

No events of material importance occurred after the balance sheet date.

## Appropriation of profits

The Board of Management proposes to use the profit for the 2010 financial year amounting to 3,062,111.68 EUR as follows:

Distribution of a dividend of 500.00 EUR per share	3,000,000.00 EUR
Brought forward to new account	62,111.68 EUR

## Other information

Oesterreichische Kontrollbank AG assumed responsibility for providing centralised accounting, investment, asset management, and human resources services within the Group on 1st January 2009. Six PRISMA employees were seconded to Oesterreichische Kontrollbank AG. The necessary approval for the outsourcing agreement for accounting, investment and asset management activities pursuant to section 17 a Insurance Supervision Act was obtained from the Austrian Financial Market Authority (FMA) on 5th August 2009.

PRISMA also concluded a service agreement with Oesterreichische Kontrollbank AG covering internal auditing on 23rd January 2009. The FMA ruling of 13th May 2009 waived PRISMA's obligation under section 17 b (3) Insurance Supervision Act to perform its own internal audits.

PRISMA is a member of the Austrian Insurance Association (VVO), the Federation of Austrian Industries (IV), the Forum Restrukturierung und Turnaround (ReTurn), the Verein für Credit Management Österreich and the International Credit Insurance and Surety Association (ICISA).

Vienna, 28th January 2011

# Annual Financial Statements

Balance Sheet as at 31st December 2010

Assets	2010	2009
	in EUR	in TEUR
<b>A. Intangible assets</b>		
I. Other intangible assets	66,239.02	81
<b>B. Investments</b>		
I. Investments in group undertakings and participating interests		
1. Shares in related companies	150,000.00	150
2. Participating interests	0.00	1,090
II. Other financial investments		
1. Shares and other variable-yield securities	3,129,369.14	3,367
2. Debt securities and other fixed-income securities	27,946,130.00	28,027
3. Deposits with banks	3,000,000.00	3,000
<b>C. Accounts receivable</b>		
I. Accounts receivable arising out of direct insurance business from		
1. policyholders	1,579,529.72	1,104
2. intermediaries	4,362.87	3
II. Accounts receivable arising out of reinsurance operations	112,411.28	107
III. Other accounts receivable	2,135,601.95	2,146
<b>D. Interest receivable pro rata</b>	351,412.70	403
<b>E. Other assets</b>		
I. Rents and office equipment	518,222.01	600
II. Cash at bank and in hand	22,913,359.55	17,940
III. Other	6,300,436.00	4,500
<b>F. Prepayments and accrued income</b>	275,858.32	46
Vienna, 28.1.2011	<b>68,482,932.56</b>	<b>62,564</b>

<b>Liabilities</b>	<b>2010</b>	<b>2009</b>
	in EUR	in TEUR
<b>A. Capital and reserves</b>		
I. Subscribed capital		
Nominal capital	6,000,000.00	6,000
II. Capital reserves		
Tied reserves	899,060.42	899
III. Revenue reserves		
Voluntary reserves	16,272,204.89	14,272
IV. Risk provision pursuant to § 73 a VAG taxed portion	817,829.00	677
V. Net profit for the financial year of which profit carried forward 49,123.70 EUR (2009: 72 TEUR)	3,062,111.68	4,896
<b>B. Untaxed reserves</b>		
I. Risk provision pursuant to § 73 a VAG	64,453.79	64
<b>C. Technical provisions for own account</b>		
I. Provision for unearned premiums		
1. Gross amount	713,946.00	
2. Reinsurers' share	-351,962.00	361,984.00
571		
II. Provision for outstanding claims		
1. Gross amount	25,081,259.64	
2. Reinsurers' share	-14,911,420.00	10,169,839.64
12,967		
III. Provision for premium refund		
1. Gross amount	2,358,000.00	
2. Reinsurers' share	-1,310,000.00	1,048,000.00
905		
IV. Equalization reserve	11,977,002.00	7,509
V. Other technical provisions		
1. Gross amount	233,118.00	
2. Reinsurers' share	-132,877.00	100,241.00
71		
<b>D. Provisions for other risks and charges</b>		
I. Provisions for executive pensions	3,083,343.00	2,584
II. Provisions for other pensions	3,066,228.00	2,714
III. Other provisions	4,535,025.00	3,432
<b>E. Other liabilities</b>		
I. Accounts payable arising out of direct insurance business to		
1. policyholders	371,886.01	540
2. intermediaries	61,875.70	98
II. Accounts payable arising out of reinsurance operations	3,555,233.00	1,342
III. Other	3,036,615.43	3,023
Vienna, 28.1.2011	<b>68,482,932.56</b>	<b>62,564</b>

# Profit and Loss Account

for the year ended 31st December 2010

I. Technical account			2010	2009
			in EUR	in TEUR
<b>1. Earned premiums</b>				
a) Premiums written				
aa) Gross amount	52,347,709.27			
ab) Reinsurers' share	-29,470,545.00	22,877,164.27		18,143
b) Change in premium deferrals				
ba) Gross amount	1,284,030.00			
bb) Reinsurers' share	-643,721.00	640,309.00		-200
<b>2. Other technical income</b>			28,203.38	35
<b>3. Claims incurred</b>				
a) Claims paid				
aa) Gross amount	-25,590,750.59			
ab) Reinsurers' share	13,234,917.00	-12,355,833.59		-13,635
b) Change in the provision for outstanding claims				
ba) Gross amount	9,160,284.48			
bb) Reinsurers' share	-6,362,295.00	2,797,989.48		-2,138
<b>4. Decrease in technical provisions</b>				
a) Other technical provisions				
aa) Gross amount	00.0			
ab) Reinsurers' share	00.0	00.0		1,804
<b>5. Bonuses and rebates</b>				
a) Gross amount	-3,432,294.95			
b) Reinsurers' share	1,973,603.00	-1,458,691.95		-1,246
<b>6. Operating expenses</b>				
a) Acquisition costs	-6,278,720.18			
b) Other operating expenses	-4,890,780.52			
c) Reinsurance commission and profit participation from ceded reinsurance	7,528,978.00	-3,640,522.70		-1,523
<b>7. Other technical expenses</b>			-24,703.38	0
<b>8. Change in the equalization reserve</b>			-4,467,935.00	3,574
<b>9. Balance on the technical account for general business</b>			<b>4,395,979.51</b>	<b>4,814</b>

<b>II. Non-technical account</b>	<b>2010</b>	<b>2009</b>
	in EUR	in TEUR
<b>1. Balance on the technical account for general business</b>	4,395,979.51	4,814
<b>2. Investment income</b>		
a) Income from participating interests		
Share derived from affiliated companies 1,922,165.00 EUR	1,922,165.00	1,935
b) Income from other investments	796,413.99	1,225
c) Gains on the realization of investments	108,633.00	20
d) Other income from interest	134,476.80	160
<b>3. Investment expenses and charges</b>		
a) Investment management expenses	-309,696.02	-288
b) Value adjustments on investments	-52,785.00	-106
c) Losses on the realization of investments	-20,525.00	-2
<b>4. Profit or loss on ordinary activities before tax</b>	6,974,662.28	7,758
<b>5. Tax on profit or loss on ordinary activities</b>	-1,820,570.08	-834
<b>6. Surplus for the financial year</b>	5,154,092.20	6,924
<b>7. Allocations to reserves</b>		
a) Allocation to risk provision pursuant to § 73 a VAG	-141,104.22	0
b) Allocation to voluntary reserves	-2,000,000.00	-2,100
<b>8. Net profit for the year</b>	<b>3,012,987.98</b>	<b>4,824</b>
<b>9. Retained profit brought forward from previous year</b>	49,123.70	72
<b>10. Net profit for the financial year</b>	<b>3,062,111.68</b>	<b>4,896</b>

The Board of Management: Ludwig Mertes and Bettina Selden  
Vienna, 28.1.2011

## **Impressum**

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PRISMA Kreditversicherungs-AG

Himmelfortgasse 29, 1010 Wien

Tel +43 (0)5 01 02-0, [www.prisma-kredit.com](http://www.prisma-kredit.com)

Für den Inhalt verantwortlich: Mag. Melitta Schabauer

Projektleitung: Petra Stritzl

Konzept, Text, Koordination: Dr. Karin Krobath, IDENTITÄTER

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## **PRISMA Führungskräfte in der Reihenfolge des Erscheinens:**

Gudrun Wanner, M.A., Mag. Marina Machan-Kaiser, Holger Köhn (Kreditprüfung)

Mag. Melitta Schabauer (Externe Kommunikation und Key Account Management)

Mag. Marion Koinig (Risikomanagement und Controlling)

Mag. Denise Gely-Gspan, Dr. Hubert Viehauser (Versicherungsleistung)

Mag. Wolfgang Dorfmann, Mag. Herbert Gspan (Verkauf)

**PRISMA**

Die Kreditversicherung.