

Transcript Allianz SE conference call

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Operator: Please stand by, we're about to begin. Good morning ladies and gentlemen and welcome to today's conference call of AGF and Allianz SE. For your information this conference is being recorded. At this time I'd like to hand the call over to your host today, Mr. Galli-Zugaro. Please go ahead.

Emilio Galli-Zugaro: Yes, I'd like to pass on to Mr. Jean-Philippe Thierry, Chairman of AGF and member of the board of Allianz SE.

Jean-Philippe Thierry: Good morning everybody. I am happy to be here with Paul Achleitner and Helmut Perlet, members of the board of management of Allianz SE; and Laurent Mignon who is the CEO of AGF here in Paris. The announcement of the full buy-out of the minorities of AGF by Allianz is a natural move after approximately 10 years when Allianz became the main shareholder of AGF. It's a friendly move. It has been discussed in the board of directors of AGF yesterday night, yesterday evening, and I can tell you that our board and our independent directors fully support

this move. This is coming at the right moment for different reasons. First, because our share price really reflects the value of the company, and the second reason is that Allianz has moved into Allianz SE and we will be part of the building of the European structure. This is also the right moment because all our teams for now years and years are working more and more together and are used to that. We think also this is a good move for our customers who will benefit from strengthened cooperation between our different units.

So now as you know we will have a legal process. An expert has been appointed by our board of directors and Paul Achleitner will explain to you that the formal bid will only start in one month or in six weeks. I will now hand over to Mr. Achleitner.

Paul Achleitner: Thank you Jean-Philippe. Let me make this mercifully short so that we can come to the questions that you undoubtedly will have. As you saw in our press release Allianz will offer a mixed share cash offer to the AGF shareholders which is based on €87.50 in cash and a quarter share of Allianz - or to actually make this a little bit smoother - for every four AGF shares you would get €350 in cash and one Allianz share. This is a so-called pre-announcement under the French Securities Regulation which means that the normal time periods that come along with such an announcement are prolonged which means that in the context of - I would say - around 22nd February but let's just say the end of February we will come forward with the detailed offer including all the necessary documentation that is required by the securities laws and we'll then have the "formal launch" but obviously we are quite clear according to the regulations with what the offer entails and will entail going forward.

It is also fair to say that this tender offer that we are discussing here has to be seen in the context of potential next steps and envisioned next steps that would follow such a tender offer. Because it is clearly the desire of the Group to achieve 100% shareholding in AGF, so therefore in case that there is a more than 95% acceptance and we end up with an ownership of more than 95% in AGF stock we will initiate a squeeze out proceeding according to French law. If we do not achieve

that level we will initiate a cross-border merger process which would be voted in by the respective shareholders' meetings where the voting and necessary majorities are already secured.

So against that background that's the offer that is on the table and I think just to be fair in the context of this overall call I should point out that at the same point in time our German insurance holding company has actually announced that they intend to buy out the remaining minorities on Allianz Leben, the German life insurance company, that we do not already control, which is 9% free float in that Stuttgart-based German market leader in life insurance which will be happening and will be initiated in sequence but probably on a somewhat steeper time schedule given the differences in the French and the German requirements and regulations as far as time limits are concerned.

That I think from my point of view is what needs to be said on the technical terms and maybe we can open it up for questions.

Operator: Thank you Sir. The question and answer session will be conducted electronically. If you would like to ask a question, please do so by pressing the * key followed by the digit 1 on your touchtone telephone. If you find that your question has been answered, you may remove yourself by pressing *2. We'll pause for just a moment to give everybody an opportunity to signal for questions.

We'll take our first question from Michael Flaemig from Boersen-Zeitung. Please go ahead Sir.

Michael Flaemig: Good morning, I've got two questions please. The AGF share is near an all-time high – could you please explain the timing of the deal? The second one, has this transaction changed the dividend paying policy of Allianz in this year? Thanks.

Paul Achleitner: If I may address both of those issues. First of all your point on the AGF share price is correct, however I would like to point out that we are reflecting that by making an offer at market because it is the clear perception of all the market participants that the AGF share price already reflects the speculation that has set in terms of a potential minority buy-out that was triggered by our move on the Italian operations of RAS so that if you actually consider that in a "normal" undisturbed share price environment in the French market you would offer a minority buyout premium of somewhere between 20-30%, let's say 25% then you would actually look at our offer, you would see that that is exactly what's on the table if you make the adjustments and therefore we are reflecting that by making an offer at market rather than at a significant premium on an already speculative - if I may say so - price development.

Point number two: this move will have no impact on the dividend goals of Allianz Group.

Michael Flaemig: Could I add one question please? You could have started the offer together with the RAS offer some months ago. Why didn't you?

Paul Achleitner: The answer is also quite straightforward. To be blunt and say this up front, we couldn't afford it because we would have had to finance that part with an equity content that would have been very significant in order to make that happen and that equity content would have been so high that it would have been dilutive and non-attractive for our shareholders. So we were very clear at the time that we would only do this transaction, which strategic logic, we have never denied, but we would only do that at a time where we thought that it was actually beneficial not only obviously to the AGF shareholders but also to the Allianz shareholders.

Point number two, the complexity of a cross-border merger that as you know in the context of RAS was the first time that had ever been executed, to have that by adding a three-way merger would have been one that defies imagination even of the most sophisticated market participants and therefore it was clearly right to start this by gaining our experience. We have now proven that

such a transaction can be effectively executed and we are therefore in a comfortable position that now when we can afford it, to do it in a financing structure that it's also beneficial to the Allianz shareholders, that we can execute this transaction knowing that the back end merger is something that we know how to do and can actually effectively make happen which we couldn't have done 1½ years ago.

Michael Flaemig: Thank you Mr. Achleitner.

Operator: Thank you. We have a question now from Oliver Suess from Bloomberg. Please go ahead Sir.

Oliver Suess: Hello, good morning. I'd just like to ask about: Are there any cost reductions that might follow and are already specifiable and job losses as well to be feared in the companies? Last question would be are there any plans for your Portuguese unit to buy out the other shareholders there as well? Thank you.

Paul Achleitner: So first of all this is a transaction where simply the ownership structure changes but it does not have any operational consequences in terms of the existing structure. This is not to say that there's not some processes that will become more effective because if you think about simple things such as reinsurance in the Group or liquidity management, other things which have been more complicated due to the fact that we needed to do from a regulatory point of view make sure that the minorities are actually fully reflected in these type of global programs, but it is not one where we expect any structural changes nor do we expect any changes in the people managing the operation.

Secondarily we do have a number of operations of course in the world where we actually have industrial strategic partners who hold minorities in companies, as you referred to the Portuguese operation. That is very different from having the public in there as a minority shareholder and

therefore we have no intentions to actually change our set-up with those investment partners unless of course the individual situation merits that, and let me use this opportunity to point out one example. It was announced this morning that in Taiwan in our life insurance operation that we were actually buying out our life insurance partner President Group there. That is based on the merits of the situation in the Taiwanese market and our agreement with them and it just coincides by sheer coincidence with today's announcements. It is also not a big operation even though it accounts for €1.3 billion in life premiums, but that is the logic that comes from the interaction between two strategic partners and not a logic that has to do with corporate finance or public companies.

Jean-Philippe Thierry: If I may add, the fact that there will be no more minority shareholders in AGF will clearly facilitate the implementation of all our global programs not only in terms of capital management, in terms of treasury, in terms of reinsurance but also all the cooperation we have organized in the last years between the different companies of Allianz of taking the best practice of one becoming the common practice for everybody. It will be much more easy and we will be more focused on the business issue and not having to deal with this complexity. This will allow some savings of course because we will not have to have a consolidation by our own in an AGF sub-group. We don't need any investment relations team and we will have there a more streamlined organization inside the group of Allianz.

Emilio Galli-Zugaro: next question please...is that ok Mr. Suess?

Oliver Suess: Yes, that's ok. Thanks very much.

Emilio Galli-Zugaro: Ok, next question please. Thank you.

Operator: Thank you. We have a question now from Marcus Theurer from Faz. Please go ahead Sir.

Marcus Theurer: Good morning, I have three questions. The first one coming back to the first question of Mr. Flaemig. I still don't understand why Allianz is buying right now because Mr. Diekmann in the last year repeatedly said that he would like to own AGF as a whole but the share price was too high. Now the share price is even higher and you do buy. I can't understand that. Maybe Mr. Achleitner could tell us a bit more about that. The second question, how expensive is the whole other two deals, I think €7.5 billion but how much do you spend on each of the two deals? Could you elaborate a bit on that and how do you want to finance it? The last question, does this integration of AGF have any consequences on Dresdner Bank which you want to move to France and does the integration make it easier for Dresdner to go to France?

Paul Achleitner: Let me try and address this starting from the back because that's the easiest. There's absolutely no implication for Dresdner Bank. Point number two, in terms of the financing volume we're talking about a totality of roughly €10.5 billion of which 9.8 reflect the buyout of the AGF minorities and roughly €700 million reflect the buyout of the Allianz Leben minorities. Your first point, let me take a step back. I think it is important again to look at first of all if you raise the question of is it expensive or not, that is a question frankly of relative value between us in terms of as an acquirer and also AGF as the buyout target. Point number one, in terms of the relative value we are in a position where we are today in a more comfortable position than we were a while back or at least also half a year ago. Point number two, it is a question of how you can actually finance that, i.e. the costs of that financing not only in an absolute cost but also to your shareholders and what Michael Diekmann referred to is that in the past it was too expensive for us to finance such a transaction because we would have had to finance it largely with equity in order to continue to have the capital strength that we have and that we require for our business because we do consider our capital strength to be a very important competitive advantage. So given the cost of that equity component to our shareholders it would have been way more expensive than it is now where we can actually lower those costs given the financing structure that we have announced.

Thirdly and just to highlight and emphasize again the point which I tried to make earlier. If you actually had to step up to do this transaction let's say "before speculation set in" you would have had to offer some kind of a premium in that context, well now that premium has been figured into the market so that we actually have a price that's all-in in combination with what I just said about the financing. It allows this to be a beneficial transaction which is both acceptable and beneficial for the AGF shareholders but at the same point in time acceptable and beneficial for the Allianz shareholders. That would have not been the case a year ago.

Marcus Theurer: Ok, thank you.

Emilio Galli-Zugaro: Thank you. The next question?

Operator: We have a question now from Fabien Buliard from Insurance Day. Please go ahead.

Fabien Buliard: Good morning. I just wanted to know what the consequences would be on the AGF brand, whether you were going to keep this brand or improve the Allianz brand in France? Thank you.

Jean-Philippe Thierry: The question of branding is a different question than the question of the capital. We are working now for one year very deeply on how we can leverage both assets; the AGF brand which is a brand which has a high awareness in France but is certainly having some let's say connotation of a very traditional institution; and to leverage the Allianz brand which is a more powerful and a more modern brand. These studies are not completely achieved but what I can say is we are working to find the best of both worlds in the interests of our customer.

Emilio Galli-Zugaro: Next question please.

Operator: Thank you. We'll take our question from Ulrike Dauer from Dow Jones. Please go ahead.

Ulrike Dauer: Good morning everybody. I had a question about the fact that the deal will be EPS accretive in 2008. Can you quantify that?

Paul Achleitner: We will quantify that in the context of the precise enhancement when it then comes because at that point in time we will be in a position to publicly also talk about our full earnings numbers for 2006 which obviously are instrumental in this whole thing, but again if we wouldn't believe that we could demonstrate to you then on a numbers basis that it is stock accretive, EPS accretive, we wouldn't be stating that. Of course secondarily if you look at the IBS numbers, i.e. the analyst expectations that are out there and you do your numbers then you should see that the transaction is accretive by 3%.

Ulrike Dauer: 3% in 2008?

Paul Achleitner: Those are the 2007 numbers.

Ulrike Dauer: Ok, thank you.

Emilio Galli-Zugaro: Next question please.

Operator: Thank you. We've got a question now from Sebastian Jost from Die Welt. Please go ahead.

Sebastian Jost: Good morning. I have got two questions once again about the timing of the transaction. You said that the environment is now better for you because the Allianz share price has risen but if you calculate this you have to offer about €10 more per AGF share in cash than you would have to do about 1½ years ago, so I still wonder why this is now a better timing than it would be a half

year ago perhaps. The next question is whether AGF and Allianz Leben will remain separate corporates or whether they will be merged totally with Allianz SE and ADAG?

Paul Achleitner: If I again can address your second point first because it's easy – there are no changes in the corporate structures and setups in both companies. Secondly again let me try and come back to your question. Point number one, of course the price today is higher than it was a year ago but so are most prices and you have had an appreciation in the general stock market which actually has been rising. Secondly again the point that I like to make is the financing structure that we can employ today is much more favorable than it would have been a year ago which of course is based on the strength of our operational earnings and our results that we have generated over the course of the last year which I think most people recognize to be quite an achievement and they put us in the position to actually do that. Point number three, I tried to point out that a year ago people and AGF shareholders might have had expectations for the future which at this point in time are priced into the share price so that we might have had to pay a similar price a year ago than what we are now paying.

Emilio Galli-Zugaro: Is that ok Mr. Jost?

Sebastian Jost: Yes, that's ok, thank you.

Emilio Galli-Zugaro: Next question please.

Operator: Thank you. We have a follow-up question from Ulrike Dauer from Dow Jones. Please go ahead.

Ulrike Dauer: Thank you. Is a share buyback still high on the agenda or is it now a bit lower after this transaction? Thank you very much.

Paul Achleitner: First of all what we have communicated and what Michael Diekmann has communicated is that in the spirit of the capital discipline that we have introduced in the Group that we are working on improving the payout in the Group so that we move in line with industry standards over the next few years. That payout can be either achieved through dividends or through share buybacks and that frankly is a technical question that depends on what seems to be more advantageous. All I can say at this point in time is that on that statement by Michael Diekmann nothing changes.

Ulrike Dauer: Ok, thank you.

Operator: Once again if you'd like to ask a question, please press *1 to signal now. We have a question now from Christian Kraemer from Reuters. Please go ahead Sir.

Jonathan Gould: Hello, it's actually Jonathan Gould from Reuters. I was just wondering about, I was looking at the price for Allianz Leben which appears to be about €778 on the Stuttgart Exchange and €777 on Frankfurt which is higher than your offer price. What are the chances that you might have to sweeten your offer for either of these two deals?

Paul Achleitner: First of all in the context of AGF the situation is very straightforward as indicated before, if we don't collect those shares we're simply going to effect a cross-border merger and then people will have to take the values and exchanges values that a court appointed auditor is going to determine, and we have given and we will continue to give the health warning that we would expect that to be less favorable than what we are offering right now. In the context of the German life insurance company following a lack of acceptance even though I think that's unlikely given the fact that we already have 91% but in case that we fail to reach this result situation of 95% we would probably just continue but do that on the basis of a domination agreement which would then continue and which will put things to rest, so that in both cases we consider it in the

case of AGF for the reasons of the merger and in the case of Leben, in the case of the domination agreement we consider that the chances of an improvement of the offer are nil.

Emilio Galli-Zugaro: Ok for you?

Jonathan Gould: Yes, thank you.

Emilio Galli-Zugaro: Ok Jonathan. Next question.

Operator: Thank you. We have a question now from Christine Schulze from DPA. Please go ahead.

Christine Schulze: Hello, good morning everybody. My first question is: do these transactions have any influences on the jobs at Allianz and can you tell us something about the influences on the Group figures for the next few years? Thank you.

Paul Achleitner: There is no influence on the jobs as we have indicated that this is not a restructuring type of exercise, except of course I say this hesitantly as one of my colleagues who sits over there but the necessity of an investor relations department in an unquoted company will come to be discussed but otherwise there are no impacts. The second question was in terms of future numbers, I don't know Helmut if you want to jump in here but I don't think we want to say anything about future numbers do we?

Helmut Perlet: I think I can give you some indication here. In a nutshell the two transactions will consume roughly €4 billion of capital because there is goodwill obviously in the order of magnitude of €7 billion out of the two transactions and that is partly offset by the announced equity increase of €3 billion. Nevertheless I would expect as we had a very strong quarter Q4, I don't have the final numbers now that overall our capital situation is maybe even after the €4 billion slightly improving compared to September '06, so having said this it would mean that

also our solvency ratios, rating positions remain ok. As Paul has said that this deal is EPS accretive you will see some increase of our bottom line net income, also of course after the cost of financing transactions and also it would have a significant positive impact on the overall cash position of Allianz SE as a holding company. I think that is in a nutshell the most significant implications.

Christine Schulze: Thank you.

Emilio Galli-Zugaro: Next question?

Operator: Thank you. It appears there are no further questions at this time. Mr. Galli-Zugaro, I'd like to turn the conference back over to you for any additional or closing remarks.

Emilio Galli-Zugaro: Thank you. I'll thank everybody for questions and answers and for taking this quick surprise conference call. I wish a very good working day to everybody in France, Germany and all over the world. Thank you, bye bye.

Operator: That will conclude today's conference ladies and gentlemen, thank you for your participation and have a good day. You may now disconnect.