reference document 2006

Euler Hermes, a partner for business growth

EULER HERMES

Contents

Euler Hermes,

a partner for business growth

Euler Hermes, the world's leading credit insurance group, has operations in 49 countries and a 35.75% share of the global market*. The group provides three main types of services to businesses: protection against customer insolvency, collection of trade receivables and indemnification of losses. Thanks to its unparalleled risk experience, gained through coverage of 40 million businesses worldwide, Euler Hermes can help clients develop their businesses, from small- and medium-sized companies to multinationals. As a subsidiary of AGF and a member of the Allianz group, Euler Hermes has the necessary financial strength to provide long-term support to its clients.

* Source: ICISA – Euler Hermes.

2,012 M€ consolidated turnover in 2006

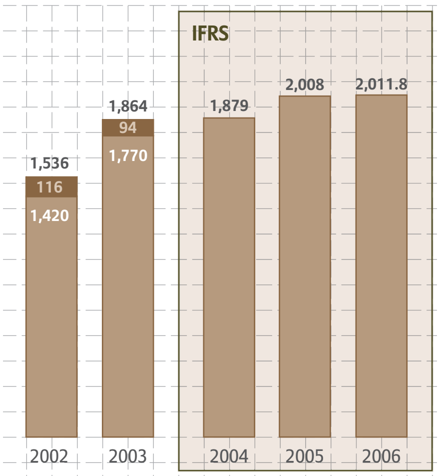
67.3 % net combined ratio in 2006

5,498 employees worldwide

RATED AA- by Standard & Poor's (July 2006)

800 billion euros of business transactions protected

Key Figures



Consolidated turnover

IN € MILLIONS

- Factoring
- Credit Insurance

Turnover increased by 4.4 % (*) (3.6% pro forma at constant exchange rates). This increase resulted from dynamic growth in business in the group's traditional markets and the efforts made to develop in new markets. Average growth in these new markets was 43.4% (25.6% restated).

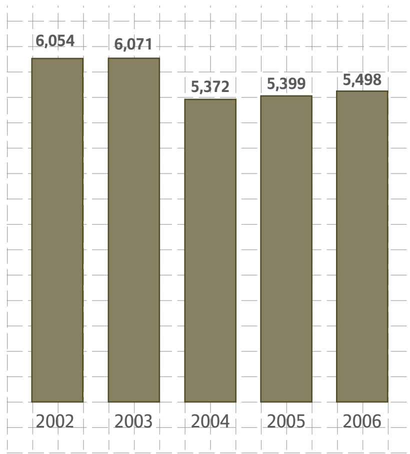
(*) in application of IFRS, the presentation of turnover changed in 2006: premiums refunded to policyholders are now deducted from premiums and no longer recognised under cost of claims.

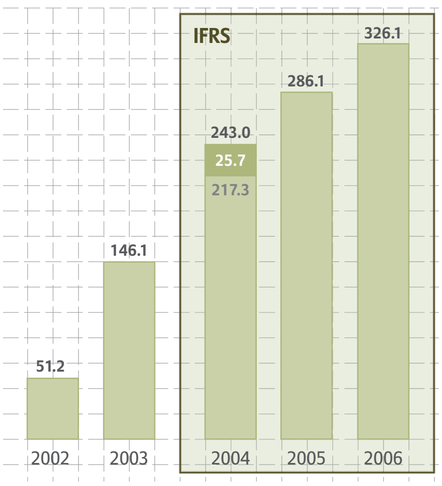
Number of employees*

AT 31 DECEMBER

The number of employees was up slightly at 31 December 2006. The breakdown between men and women is now perfectly balanced at 50%.

** Employees of associated companies are included at 100%.*





Consolidated net income

IN € MILLIONS

- Net result of discontinued activities
- Results excluding discontinued activities

The excellent trend in the combined ratio together with an increase in the group's retention rate contributed strongly to the 14% increase in net income, group share.

History

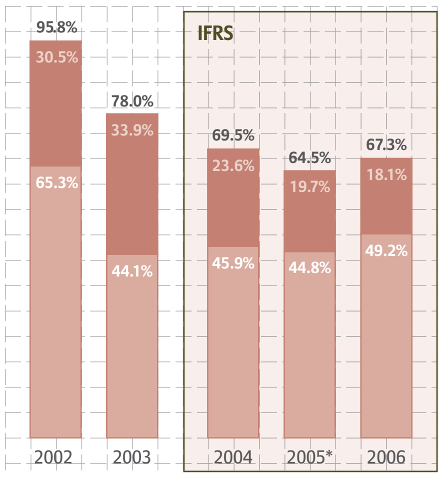
1893	1917	1918	1927	1929	1989	1992	1996
Creation of ACI in the USA	Creation of Hermes Kreditversicherung in Germany	Creation of Trade Indemnity in the United Kingdom	Creation of SFAC in France and SIAC in Italy	Creation of COBAC in Belgium	Formation of the holding C[ie] Financière SFAC. Creation of the Royal Nederlanske Kredietverzekering in the Netherlands	First co-operation agreement between SFAC and Hermes	AGF acquires majority in shareholding of SFAC, then re-named Euler. Allianz acquires majority shareholding of Hermes

Key Figures

Net combined ratio

(AS A % OF EARNED PREMIUMS, NET OF REINSURANCE)

- Cost ratio
- Loss ratio



The improvement in the net combined ratio is explained by the fall in the expense ratio resulting from enhanced cost control and better reinsurance terms and conditions. The net loss ratio increased, due mainly to a reduction in liquidation surpluses on prior years.

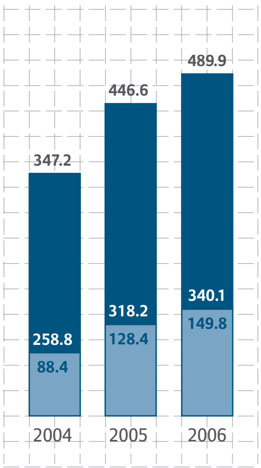
(*) the presentation of these figures has undergone two modifications: premiums refunded to policyholders are now deducted from premiums and no longer recognised under cost of claims. Other non-technical income and expense, with the exception of that relating to buildings used in operations, are excluded from the combined ratio. The 2005 figures have been restated to take into account these changes.

Operating income

IN € MILLIONS

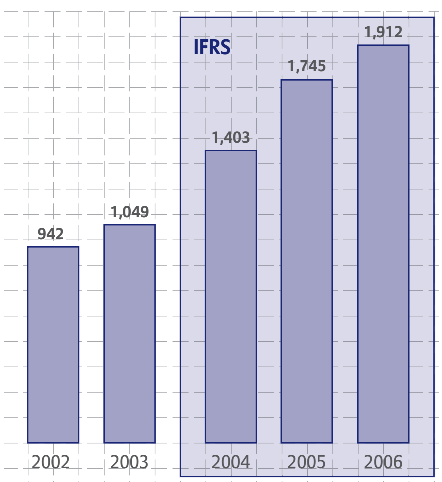
- Operating income before financial income
- Net financial income

Operating income increased by 9.7% thanks to strong growth in net premiums, following the rise in the retention rate, positive claims experience and tight control of general expenses. The good performance of financial markets paved the way for an increased contribution from financial income.



Shareholder’s equity

IN € MILLIONS



Return on equity came to 18%, thanks mainly to the increase in net income, group share.

1998
Allianz acquires the majority shareholding in AGF

1999
International co-operation agreement between Euler and Hermes

2000
Euler listed on the Paris stock exchange

2002
Euler acquires Hermes

2003
The group and all its subsidiaries adopt the name Euler Hermes

2004
Sales of the 49,09% stake in Eurofactor to Crédit Agricole. Further global expansion: Finland, Greece, Portugal, Morocco

2005
Further international expansion in Russia, India, the Baltic States and Turkey

2006
Further international expansion in Ireland, Australia, New Zealand, Argentina and UAE

Simplified organization

Our main Offices

The Americas

1 Brazil
Euler Hermes Seguros de Crédito SA
São Paulo — 100%

2 United-States
Euler Hermes ACI Inc.
Owing Mills — 100%

3 Mexico
Euler Hermes Seguro de Crédito SA
Mexico DF — 100%

The mediterranean basin

4 Morocco
Euler Hermes Acmar
Casablanca — 55%

Europe

5 Germany
Euler Hermes Kreditversicherungs AG
Hamburg — 100%

6 Belgium
Euler Hermes Credit Insurance Belgium SA (NV)
Brussels — 100%

7 Spain
Euler Hermes Crédito Compañía de Seguros y Reaseguros SA
Madrid — 100%

8 France
Euler Hermes SA
Holding

Euler Hermes SFAC SA
Paris, France — 100%

9 Greece
Euler Hermes Emporiki
Athene — 60%

10 Hungary
Euler Hermes Magyar Hitelbiztosító Rt
Budapest — 74, 89%

11 Italy
Euler Hermes SIAC
Rome — 100%

12 The Netherlands
Euler Hermes Kredietverzekering NV
Hertogenbosch — 100%

13 Poland
Euler Hermes Zarzadzanie Ryzykiem S.p. Z.o.o.
Warszawa — 100%

Simplified organization

Our main Offices (continued)

14 Czech Republic
Euler Hermes Cescob, uverova pojist'ovna, a.s.
Prague 100%

15 United Kingdom
Euler Hermes UK Plc.
London 100%

16 Sweden
Euler Hermes Credit Insurance Nordic AB
Stockholm 100%

17 Switzerland
Euler Hermes Reinsurance AG
Zürich 100%

Asia and Océania

18 Australia
Lumley Insurance
Sydney 100%

19 Hong Kong
Euler Hermes Credit Underwriters Hong Kong Ltd.
Hong Kong 100%

20 New Zealand
Lumley Insurance
Auckland 100%

21 Singapore
Euler Hermes Credit Insurance Agency (S) Pte. Ltd.
Singapore 100%

22 Japan
Euler Hermes Credit Services (Japan) Ltd.
Tokyo 100%

Report of the Group Management Board

Review of 2006

The global economy in 2006

The global economy accelerated in 2006 with growth of 3.9% versus 3.4% in 2005, but this figure masks contrasting situations. Economic growth was very strong in the first quarter with excellent performances in the three main zones (US, Japan and euro zone). It then slowed gradually under the effect of the US slowdown as from the second quarter and subsequent slowing in Japan and Europe, with just a few exceptions such as Spain and the United Kingdom, in the third quarter. The rest of the world – which accounts for 20% of global GDP – continued to post growth rates considerably above the global average, notably central and Eastern Europe (6.2% versus 5.9% in 2005), and Asia excluding Japan (8.6% versus 8.2% in 2005), powered by China. Against this background, world trade grew by more than 9% a year in volume, after growth of nearly 8% in 2005 and 10% in 2004. For the fifth consecutive year commodity prices, including oil, posted a general rise, as did the prices of property and financial assets. With the exception of some commodity producing emerging countries, inflation remained under control, without this preventing most central banks from continuing with monetary tightening. Lastly, the major imbalances in the world economy persisted. The main imbalance is the growing contrast between excessively consumer countries, often consuming on credit, with swelling current account deficits (United States, Spain, United Kingdom and France) and excessively exporter countries such as China, Japan and Germany.

The United States - the driver of world trade –maintained robust growth with 3.4% growth in 2006 compared with 3.2% in 2005. This performance was due mainly to the very good first-quarter results and firm resistance of household spending. The fall of the dollar, notably against the euro and the Canadian dollar, reduced the negative impact of external trade on GDP. However, corporate investment gradually declined and investment in housing underwent a severe adjustment after several years of steady growth.

In Japan, the radical revision of statistics limited the breadth of the economic recovery, placing it at closer to 2% in 2006 (compared with 1.9% in 2005 after a downward revision of 0.8%). These figures confirm the dual nature of the economy, upheld mainly by exports and investment, as well as a favourable foreign exchange situation (depreciation of the yen against the euro and the dollar in 2006). The other sectors of domestic demand are struggling to recover.

After a controlled slowdown in 2005, the UK economy, driven by the services sector, once again accelerated in 2006 with growth of significantly above 2.5%. All components contributed to growth, particularly household demand boosted by a firm labour market, wage increases and a wealth effect from property assets that offset inflationary pressure.

The euro zone surprised with stronger-than-expected growth in 2006 (2.6%). This momentum resulted from the combination of increased consumption in Italy and Germany, stronger growth in exports despite the appreciation of the euro and firm investment in many countries. However, performances were contrasting between the various countries within the euro zone:

- In Germany, the economy continued to recover throughout the year. Household spending gradually joined with strong external demand, boosted by the trend in the labour market and forward-looking purchases in the run up to the hike in the VAT rate on 1 January 2007.

- The French economy experienced ups and downs, stagnating in the third quarter after posting a strong performance in the first half. Household spending continues to be the main support but provides greater support for imports as the domestic industrial sector struggled to meet the increased demand.

- In Italy, four years of virtual stagnation came to an end with growth of 1.8%. The greater part of this recovery was recorded in the first half thanks to an upturn in household spending and strong export momentum, which boosted industrial activity.

- Spain posted its fifth consecutive year of growth in excess of 3%, at 3.5% in 2006 and positioning it well ahead of its European partners. However, the imbalance increased between still strong internal demand, fuelled by consumption and building, and the deterioration in external accounts.

Trend in corporate failures

Firm global growth has been accompanied by a trend reversal in corporate failures. After rising by 3% in 2005, our Global Index of corporate failures dropped by 9% in 2006 (provisional figure) although in the spring we had forecast a smaller decline of 1%. This trend has been determined mainly by two factors. On the one hand, economic growth was stronger than expected in Europe, notably in Germany and the Scandinavian countries and in a number of emerging Asian countries. The decrease in corporate failures in these countries was logically more pronounced, ranging from 13% in Germany to more than 20% in Norway and South Korea. On the other hand, there were major legal changes in several countries, beginning with the US. The enactment of new US legislation on 17 October 2005 had been preceded by a sharp rise in claims, up 14% overall in 2005. This was followed by an even sharper fall - of around 30% based on the figures for the first three quarters - in bankruptcy procedures. Several other countries (Brazil, Slovakia and Portugal) posted similar trends linked to new legislation. In France, the new safety net inspired by the US chapter 11 procedure had little impact on the statistics (1% of total failures).
In 2007, the economic slowdown is expected to result in a slight increase in the number of corporate failures.

Corporate failures of more than €100 million in 2006 (list established at end October)

Table of the largest business failures in 2006 as at end September or end October 2006 (depending on the country) and identified by Euler Hermes subsidiaries in the following countries: United States, Canada, Japan, Germany, France, United Kingdom, Italy, Spain, the Netherlands, Belgium Finland, Luxembourg, Poland, Switzerland, Denmark, Sweden and Norway.

Rank	Country	Company	Last known sales (€'m)	Sector
1	USA	Dana Corporation	7094	Manufacture of parts and accessories for motor vehicles and their Engines
2	Netherlands	LG Philips Displays Netherlands B.V.	3300	Electronics
3	Netherlands	D.T.A. Projecten En Detachering B.V.	2408	Manufacture of fabricated metal products, except machinery and Equipment
4	USA	Musicland Group Inc	1648	Other retail trade of new goods in specialized stores
5	USA	Integrated Electrical Services Inc.	1173	Production, collection and distribution of electricity
6	Japan (*)	Aoyama Kanzai K.K.	998	Real estate activities
7	Japan (*)	Tokyo Rinkai Fukutoshin Kensetsu K.K.	966	Real estate activities
8	Spain	Forum filatélico S.a	840	Retail sale of second-hand goods
9	USA	Pliant Corporation	824	Manufacture of plastic products
10	Japan (*)	Takeshiba Chiiki Kaihatsu K.K.	799	Real estate activities
11	Japan (*)	Tokyo Teleport Center Inc.	785	Real estate activities
12	Germany	BenQ Mobile GmbH	776	Manufacture of radio, television and communication equipment and Apparatus
13	USA	Silicon Graphics Inc	608	Manufacture of office, accounting and computing machinery
14	France	Eurotunnel group	482	Transport via railways
15	Spain	Afinsa Bienes Tangibles S.A	453	Retail sale of second-hand goods
16	USA	Werner Holding Co. (PA) Inc	420	Manufacture of fabricated metal products, except machinery and Equipment
17	Canada	Nexinnovations Inc.	417	Manufacture of office, accounting and computing machinery
18	Japan (*)	K.K. Makoto Kigyo	403	Real estate activities
19	USA	J.L. French Automotive Castings	397	Manufacture of parts and accessories for motor vehicles and their Engines
20	USA	OCA, Inc.	330	Provision of services to local communities
21	Japan (*)	Shibata Sakae Kosan K.K.	318	Real estate activities
22	France	Euralcom group	315	Manufacture of basic metal products
23	UK	Henleys Group Plc	314	Manufacture of motor vehicles
24	USA	Oneida Ltd.	298	Manufacture of domestic appliances
25	Japan (*)	Nihon Gorufu Kaihatsu K.K.	289	Sporting and other recreational activities
26	France	Manzoni Bouchot group	288	Casting of metals
27	Japan (*)	K.K. Liberty Estate	266	Real estate activities
28	USA	Global Power Equipment Group Inc	250	Manufacture of special purpose machinery
29	Japan (*)	Samutorasuto K.K.	215	Financial intermediation
30	UK	PRG Powerhouse Ltd	215	Other retail trade of new goods in specialized stores
31	France	ISA France	211	Office equipment wholesaler
32	France	Cadence Innovation	201	Manufacture of plastic products
33	Germany	Georg von Opel GmbH	200	Sale of motor vehicles
34	UK	Hamsard 2353 Ltd (Bee-wise Ltd)	188	Other retail trade of new goods in specialized stores
35	Japan (*)	Berunetto K.K.	182	01/06 Building installations
36	Italy	IAR - SILTAL S.P.A.	178	04/06 Manufacture of machinery and equipment

Review of 2006

Rank	Country	Company	Last known sales (€'m)	Sector
37	UK	Dew Construction Ltd	176	Construction
38	Germany	Heros-Gruppe	170	Business services
39	France	LG Philips Displays France	169	Manufacture of tubes and other electronic components
40	Germany	Nici AG	156	Wholesale of non-agricultural intermediate products, waste and scrap
41	France	Photo Service	147	Business services
42	Switzerland	Schmidlin AG Fassadentechnolo	134	Manufacturer
43	UK	Pressac Plc	133	Manufacture of parts and accessories for motor vehicles and their Engines
44	France	STE Commerciale de Metaux et Minerais	126	Wholesale of non-agricultural intermediate products, waste and scrap
45	UK	GGS Holdings Ltd (Botes Building Ltd)	121	Construction
46	France	Tilly Sabco	119	Production, processing and preservation of meat, fish, fruit, vegetables, oils and fats
47	UK	Automotive Products Group Ltd	115	Manufacture of parts and accessories for motor vehicles and their Engines
48	UK	Highbury House Communications	114	Publishing
49	UK	Golden Wonder Ltd	112	Manufacture of other food products
50	France	Favril Alain	111	Other retail trade of new goods in specialized stores
51	Italy	ENIF Technologies s.p.a. (Eniftech)	109	Manufacture of office, accounting and computing machinery
52	Netherlands	Heveco B.V.	109	Fruit & vegetables wholesaler
53	Germany	Rinol AG	106	Manufacture of rubber products
54	UK	Advanced Fluid Connections Plc	106	Manufacturer

Euler Hermes' strategy

Euler Hermes' strategy is clearly focused on the development of its core credit insurance business.

This strategy is structured around four major axes:

A - Very strong leadership in the European market

On the basis of statistics realized by the ICISA (Institutional Credit Insurance & Surety Association, …), Euler Hermes is the market leader in most European countries. All the European insurance subsidiaries are profitable and contribute to net group income proportionally to their size.

In addition, Euler Hermes pays close attention to any opportunity to consolidate its position in the European market. In this respect, in 2006 the group acquired Allianz's credit insurance activity in Ireland.

B - Significant new sources of growth, notably in the United States and in emerging markets

The US subsidiary continued to record growth with revenues up by 6.6% in 2006.

The group also consolidated its position as market leader in Eastern Europe and pursued its development in new markets:

- in Asia Pacific, Euler Hermes acquired Lumley Trade Credit's credit insurance activities in Australia and New Zealand;
- in the Middle East, the group now operates in Dubai in partnership with Allianz;
- in Latin America, expansion continued with significant growth in turnover and the launch of a credit insurance offer in Argentina.

C - A growth strategy that draws on a common infrastructure and integrated processes.

The IRP application (Information, Risk and Policy management), developed in-house, facilitates the extensive use of detailed information across the world and has been used by all subsidiaries (except for a few small entities) since April 2006.

Each group company is responsible for underwriting decisions relating to its geographical area of competence.
Also, the sharing of Best Practices throughout the group provides essential support for profitable growth at all subsidiaries. In this respect, in 2006 Euler Hermes started to harmonise debt collection methods at global level so as to extend local best practices throughout the group.

D - Strong sales and marketing development thanks to the ever greater attention paid to clients' needs

Euler Hermes constantly seeks to improve client satisfaction and loyalty by:

- providing top quality service (shorter response time, justification of acceptance decisions, etc.);
- developing a very comprehensive range of policies adapted to companies of all sizes, from very small businesses to multinationals (World Policy);
- a highly efficient debt collection policy that makes Euler Hermes a global leader in the sector;
- a structured approach to innovation at the service of our clients.

Key events of the period

The following significant events occurred in 2006:

Changes in the share capital and in share ownership

The Shareholders' General Meeting of 22 May 2006 decided to distribute a dividend of €3.50 per share. At 31 December 2006, AGF owned 30,744,048 shares out of a total of 44,951,118 shares, corresponding to 68.39% of the share capital of Euler Hermes.

During 2006, 120,874 new shares were created by the exercise of options under the 1997, 1998, 1999, 2003 and 2004 stock option plans. At 31 December 2006, Euler Hermes' share capital was composed of 44,951,118 shares, including 1,411,359 shares held in treasury stock.

As the result of exercise of stock options, the share capital and premiums increased by respectively €38 thousand and €3,073 thousand.

Ongoing international expansion

Euler Hermes has acquired the credit insurance activities of Lumley General Insurance in Australia and New Zealand. The portfolio of insurance policies totals AUD7 million, i.e. €4 million.

On 27 October 2006, Euler Hermes UK acquired Allianz Corporate Ireland's credit insurance portfolio for GBP6.9 million, (€10.3 million).

Euler Hermes has developed an activity in Argentina with the launch of Euler Hermes Argentina on 1 January 2007. Euler Hermes Argentina will operate as a service company in close association with AGF Argentina.

Increased retention rate

The premium retention rate is the ratio of premiums after reinsurance to premiums before reinsurance. This rate rose from 58% in 2005 to 67% at end-December 2006. Earned premiums net of reinsurance increased by 18% year on year, of which 14.9% is attributable to the increase in the retention rate.

Simplification of the capital structure

As part of the group's strategy of simplifying its organisation and reducing the related costs, several measures were implemented to simplify the structure in 2006. The most significant moves included the elimination of an intermediate holding company in Germany and the transfer to Euler Hermes SA of the holding in the Dutch insurance company Euler Hermes Kredietverzekering NV, which had previously been majority owned by the German and Belgian subsidiaries.

Post balance sheet events

Allianz buyout of AGF minority shareholders

Allianz intends to make an offer to buyout AGF's minority shareholders before the end of February. AGF shareholders will be offered €87.5 and 0.25 Allianz shares for each AGF share. AGF has no plans to, and does not consider itself under any obligation to make an offer for Euler Hermes, of which it owns 68.39% of the capital and which is not an essential asset for AGF with regard to French financial market regulations (AMF regulations). Allianz SE has confirmed to AGF that it does not intend to make an offer for this company.

Acquisition of US debt collection agency, United Mercantile Agencies (UMA)

On 23 January 2007, Euler Hermes ACI acquired United Mercantile Agencies, one of the leading trade debt collection and receivables management companies in the US. The company will change its name to Euler Hermes UMA and will add around USD10 million to Euler Hermes ACI's service turnover.

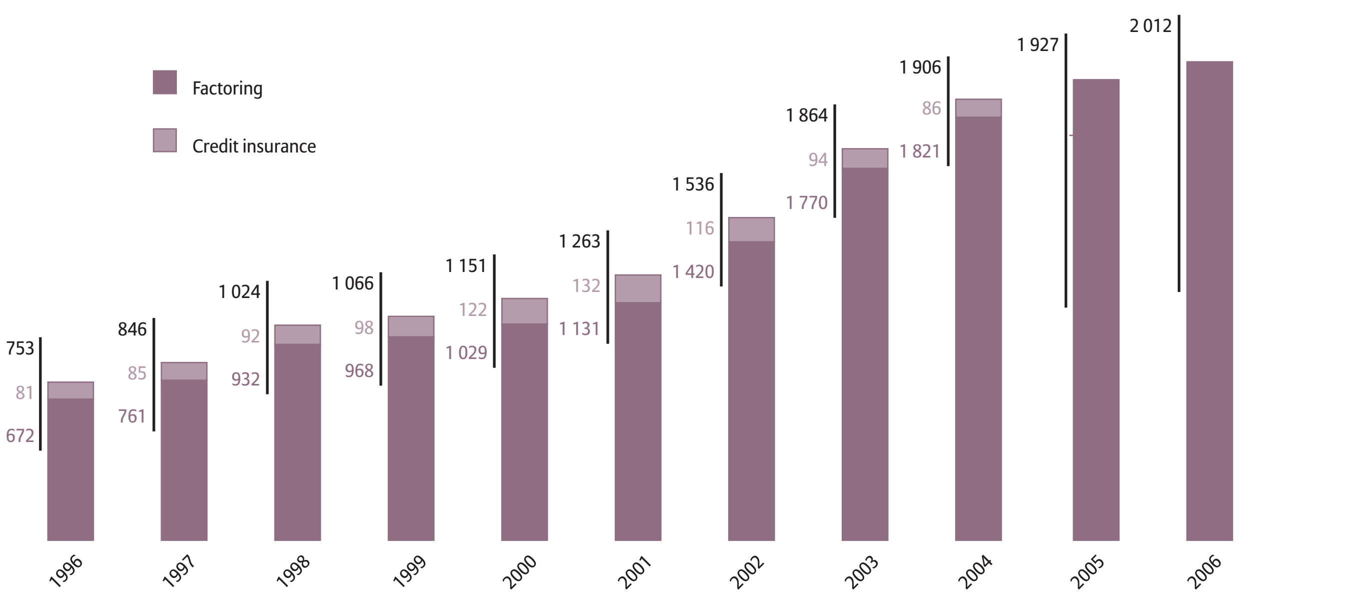
Business activity

In application of International Financial Reporting Standards (IFRS), the presentation of turnover underwent a change in 2006: the refunds granted to policy holders are now deducted from premiums whereas they had previously been recognised under insurance services expense for the year. Reported turnover for 2005 came to €2007.9 million and the amount of refunds reclassified for the year came to €80.6 million compared with €81.3 million in 2006.

Turnover in 2006 came to €2,011.9 million, up by 4.4% compared with restated turnover for 2005 (€1,927.3 million).

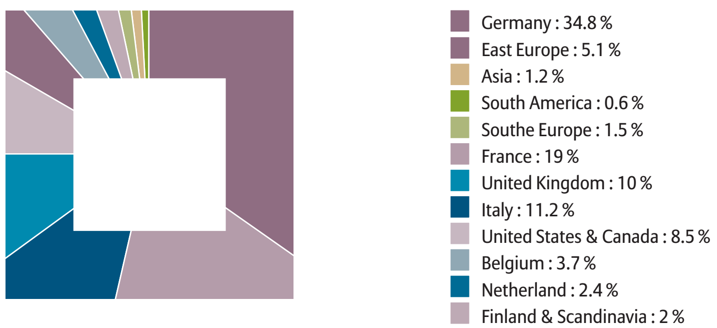
After taking into account changes in the consolidation scope and in exchange rates, turnover increased by 3.6%. All backward looking analyses are based on restated 2005 figures.

Consolidated Turnover Compound annual growth rate 1996-2006 (€'000)



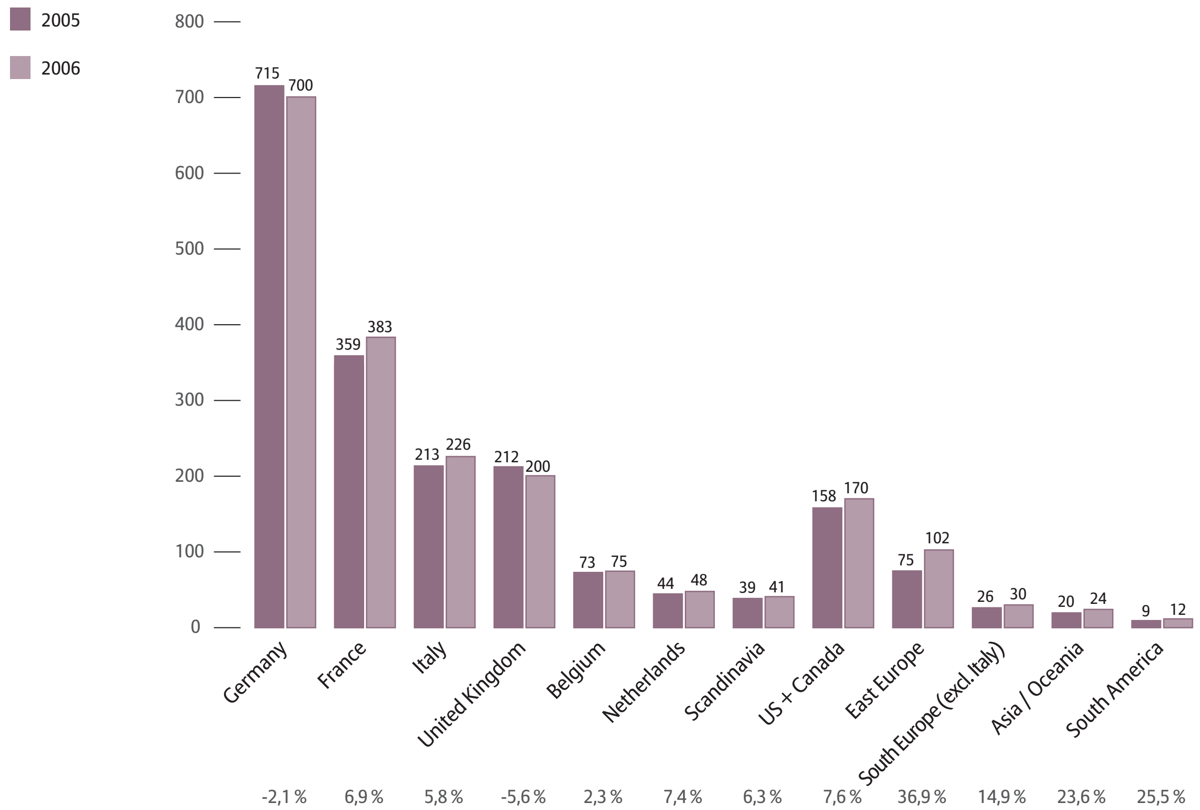
Historical data up to 2004, restated figures for 2005.
The growth in turnover reflected a sales momentum differentiated by geographic zone and type of activity.

Analysis of turnover by country



Business activity

Turnover (€'m)



The chart above shows 2005 restated turnover and after adjustment for changes in consolidation scope and exchange rates.

Growth in turnover slowed slightly in 2006 compared with 2005. This slowdown was attributable to reduced contributions from Germany and the United Kingdom.

Germany aside, the euro zone's contribution to turnover increased by 6.1%, exceeding the economic growth rate.

The decline in Germany's contribution to turnover is attributable primarily to the sharp drop in premiums accepted from external insurance companies, this activity now being focused on its key partners in international development following the termination of non-strategic local contracts. Excluding accepted premiums, growth in direct premiums came to 0.5% following strong pressure on premium rates on renewal of 2006 contracts in view of the exceptionally low claims rate over the past two years.

Business in the UK came under increased pressure on premium rates in a highly competitive market, as a consequence of the extremely low claims rate over the past two years. In addition, over the past ten years or so, the United Kingdom has undergone a "disindustrialisation" of its economic activity in favour of financial activities and services, resulting in lower demand for credit insurance products.

The US contribution to turnover continued to grow strongly, up by 7.5% (9.7% excluding the currency effect) in a market where penetration of credit insurance products is lower than in Europe and which offers significant opportunities for Euler Hermes.

Lastly, momentum remained strong in new markets, which now account for more than half the growth in group turnover, with growth of 43.3% (25.6% after changes in the consolidation scope and exchange rates).

Business activity

Breakdown of turnover between premiums and service activities (€'m)

	2006	2005 [1]	Variation in amount	Variation in %
Primes	1,658,8	1,608,9	49,89	3.1 %
Other Revenues	353,0	318,5	34,6	10.9 %
Total Credit insurance Turnover	**2,011,8**	**1,927,4**	**84,5**	**4.4 %**

(1) Restated

Premiums grew at a slower pace than overall turnover, which was boosted by growth in service revenues. Service revenues increased by 10.9% and benefited from Euler Hermes' decision to consolidate 100% of the service company, Bürgel Wirtschaftsinformationen GmbH & Co. KG.

After adjusting for changes in the consolidation scope (mainly the full consolidation of Bürgel Wirtschaftsinformationen GmbH & Co. KG) and exchange rates, growth in turnover from service activities came to 5.5%.

Net income, group share

The definition of the various ratios has changed as the result of the reclassification under earned premiums of refunds granted to policyholders, previously booked to insurance services expense (claims) for the year. The loss ratio is defined as the cost of claims relative to earned premiums after deduction of policyholder refunds. The expense ratio is defined as the sum of the contract acquisitions expense, administration expense, other income and underwriting expenses after deduction of insurance related services as a ratio of earned premiums, after deduction of refunds. Other non-technical income and expense is excluded from the expense ratio (with the exception of operating buildings).

Earned premiums

Gross earned premiums increased by 3.1% to €1,658.8 million.

The outward reinsurance rate continued to decrease, down by 8.4 percentage points in 2006 as the result of Euler Hermes' strategy of increasing retention.

Net earned premiums increased by 18.0%, of which 14.9% resulted directly from increased retention.

(€'000)

	2006	2005 (1)	Variation %
Gross earned premiums	1,658,775	1,608,881	3.1 %
Ceded premiums	-548,509	-667,583	-17.8 %
Net earned premiums	**1,110,266**	**941,298**	**18.0 %**
Cession rate	33.1 %	41.5 %	

(1) Restated

Cost of claims

(€'000)

	2006	2005 (1)	Variation %
Gross claims costs	-692,668	-609,129	13.7 %
Ceded claims costs	146,674	187,613	-21.8 %
Net claims costs	**-545,994**	**-421,516**	**29.5 %**
Gross claims ratio	41.8 %	37.9 %	
Net claims ratio	49.2 %	44.8 %	

(1) Restated

The gross cost of claims increased by 13.7% in 2006, i.e. by €84 million. This situation is explained mainly by the sharp fall in liquidation surpluses on prior years (down by 29.7% or €98 million), which was partly offset by a slight fall in gross cost of claims for the year (down €14 million).

Claims ceded to reinsurers decreased by 21.8% (€41 million), reflecting the higher retention rate for the year – an impact of €109 million – partly offset by reduced quota-share cession of prior year liquidation surpluses (€68 million).

Consequently, 2006 featured a sharp rise in the cost of claims, up by 29.5% to €546 million. This increase is for two thirds attributable to lower liquidation surpluses net of reinsurance in 2006 and for one third to the higher retention rate.

The loss ratio after reinsurance came to 49.2%, up by 4,4 points relative to 2005.

Cost of claims for the years

Like in 2005, Euler Hermes benefited in 2006 from the favourable trend in claims for the year. Claims fell by 1.6% compared with a 3.1% increase in earned premiums, thank in particular to the good performance of Germany, which posted a marked decrease in the gross cost of claims.
The next tables are net of cession to reinsurance.

(€'000)

	2006	2005 (1)	Variation %
Gross claims costs current attachement year	-924,665	-939,369	-1.6 %
Ceded claims costs current attachement year	220,865	329,552	-33.0 %
Net claim costs current attachement year	**-703,800**	**-609,817**	**15.4 %**
Cession rate current attachement year	24 %	35 %	

(1) Restated

The claims cession rate decreased by 11 points due to the increase in retention. The stronger increase in the claims retention rate relative to the premium cession rate (8 points) is largely explained by the fact that claims for the year fell sharply in Germany where the cession rate is the highest with the group.

After taking reinsurance into account, the cost of claims for the year increased by 15.4% relative to 2005, i.e. 2.6 points less than growth in net premiums.

Liquidation surpluses

Prior year liquidation surpluses decreased by 29.7% compared with 2005. This decrease is explained by the development of 2005 loss curves in 2006 closer to those estimated at the end of 2005. The ratio of gross liquidation surpluses to gross premiums was 14.0% compared with 20.5% at end-2005.

(€'000)

	2006	2005 (1)	Variation %
Gross claims costs previous attachement year	231,997	330,240	-29.7 %
Ceded claims costs previous attachement year	-74,190	-141,939	-47.7 %
Net claim costs previous attachement year	**157,806**	**188,300**	**-16.2 %**

(1) Restated

Liquidation surpluses ceded in 2006 decreased by 48% due to the overall increase in the retention rate since 2002. At constant cession rates, liquidation surpluses would have come to €100 million compared with their actual level of €74 million.

Despite the sharp fall in gross liquidation surpluses, the global rise in retention enabled the group to limit the decrease in net liquidation surpluses to 16.2% in 2006.

(€'000)

	2006	2005 (1)	Variation %
Net claim costs current attachement year	-703,800	-609,817	15.4 %
Net claim costs current attachement year	157,806	188,300	-16.2 %
Claim Costs	**-545,994**	**-421,516**	**29.5 %**

(1) Restated

The general increase in retention in recent years and reduced prior year liquidation surpluses are the main reasons for the strong increase in net cost of claims (29.5%). Accordingly, the loss ratio, net of reinsurance deteriorated in 2006, rising from 44.8% to 49.2%.

Net income, group share

Operating expenses

Gross operating expenses remained stable in 2006, compared with 4.4% growth in turnover. This good performance is directly attributable to stable acquisition expense and a very small increase in administration expenses. This was achieved thanks to the group's constant efforts in terms of productivity and to economies of scale generated by shared tools. Other ordinary income and expense increased significantly, largely as the result of the production costs of premium-related service activities, which grew at a similar rate.

Reinsurance commissions on proportional cession fell by 6.9% while ceded premiums decreased by 17.8%. This good performance is linked to an improvement in commission rates granted by reinsurers on proportional cessions. Also, the low claims bonus clauses contained in the group's reinsurance contracts helped offset the fall in commissions, particularly in Germany.
Controlled growth in gross expenses and better reinsurance terms kept growth in net operating expense to 8.7%, while at the same time net earned premiums increased by 18.0%, resulting in an improvement in the expense ratio (18.1% versus 19.7% in 2005).

(€'000)

	2006	2005 [1]	Variation %
Contract acquisition expenses	-284,027	-284,002	0.0 %
Administration expenses	-193,879	-189,029	2.6 %
Other ordinary income and charges	-290,470	-260,644	11.4 %
Premium-related income	353,045	318,488	10.9 %
Total expenses before re-insurance	**-415,331**	**-415,187**	**0.0 %**
Reinsurance commission	214,093	230,048	-6.9 %
Total expenses after reinsurance	**-201,238**	**-185,140**	**8.7 %**
Gross expense ratio	25.0 %	25.8 %	
Net expense ratio	18.1 %	19.7 %	

(1) Restated

Ordinary operating income before financial income

Ordinary operating income before financial income increased by 6.9% to €340.1 million. This increase, lower than that of net premiums, is explained by the higher cost of claims and net operating expense, already described in detail above.

(€'000)

	2006	2005 [1]	Variation %
Net earned premium	1,110,266	941,298	18.0 %
Net claims costs	-545,994	-421,516	29.5 %
Net expenses	-201,238	-185,140	8.7 %
Autres charges non techniques	-22,924	-16,370	40.0 %
Net non technical expenses without service activities	**340 110**	**318 273**	**6.9 %**
Operating income before financial income	**67.3 %**	**64.4 %**	**2.9 %**

(1) Restated

Net combined ratio

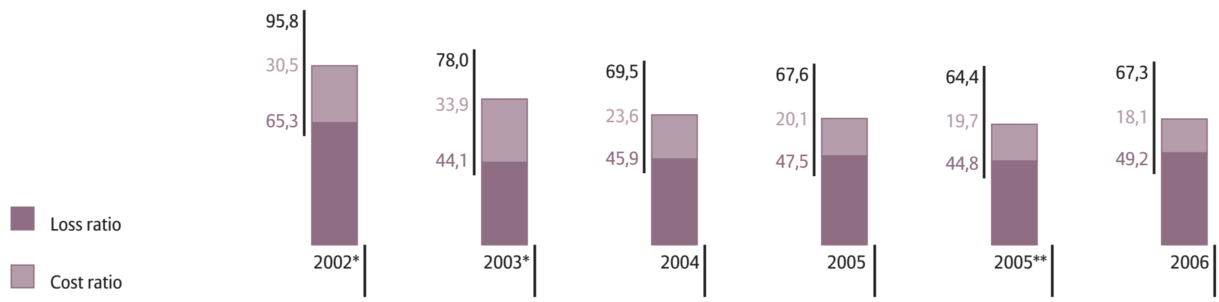
The net combined ratio after reinsurance came to 67.3% for 2006, up by 2.9 points compared with the combined ratio in 2005, calculated using the same method.

This increase, following on 2005 which had been very favourable in terms of liquidation surpluses, reflects two contrasting trends:

- The return to a loss ratio of close to 50%, due mainly to lower liquidation surpluses.
- The ongoing improvement in group productivity, linked to group integration and the improvement in reinsurance terms reflecting Euler Hermes' good risk control.

Net income, group share

Net combined ratio after reinsurance in % of net earned premium



** Historical datas*
*** New definition (rebates deducted from premium, non technical expense excluded)*
2002 restated, one year figures included for all Hermes subsidiaries

The definitions of expense and loss ratios have changed with regard to 2005. The changes relate to the exclusion from the expense ratio of non-technical expense, the exclusion from the loss ratio of refunds and the inclusion of refunds under premiums, the denominator for both ratios.
The impact of these changes on the net combined ratio for 2005 is a negative 3.2 points (-0,4 point on the net expense ratio, -2,7 points on the net loss ratio).

Financial market trends

The markets have rallied significantly since the beginning of 2006. In the US, the Dow Jones index has reached a record high, completely wiping out the losses generated by the bursting of the Internet bubble in 2000.

The markets have benefited from a combination of favourable factors: much stronger-than-expected earnings growth (+13.3% for Euro Stoxx and 14.8% for the S&P 500), a record volume of mergers and acquisitions, which has bolstered the financial markets, and the fall in energy prices since the end of the summer. All in all, market gains in local currencies range from 5.4% for the Nikkei in Tokyo to +34.5% for the Madrid Ibex, with 16.3% for the New York Dow Jones index and 20.3% for the Euro Stoxx.

Both in Europe and the US, 2006 was marked by tougher monetary policies. The Federal Reserve raised its intervention rate to 5.25% while the European Central Bank raised interest rates six times, bringing the refinancing rate to 3.5%.

These moves resulted in tension in the bond markets; 10-year rates stand at 3.98% in the euro zone, corresponding to an increase of 68 basis points, and 4.70% in the US corresponding to an increase of 30 basis points.
The dollar experienced a trend reversal relative to 2005 in the foreign exchange markets, weakening by 11.5% against the euro over the year.

Commodity prices posted contrasting trends, after rising sharply to more than $80 per barrel at the end of July, oil prices dropped back to $61.1 per barrel at the end of the year, falling back to their level at the beginning of 2006.

Financial income

Against this background, financial income rose by 16.7% to €149.8 million.

The increase in financial income resulted partly from an increase in ordinary income generated by growth in investment and from the realisation of capital gains, notably on the equities portfolio.

Given the strong rally in the equity markets, the group decided to make disposals in order to maintain the group's exposure to the equity markets at less than 20% of the investment portfolio, i.e. 18.6% of the portfolio including cash. These disposals generated significant gains.

Gains on disposals amounted to €55.0 million in 2006 compared with €37.9 million in 2005.

Net income, group share

(€'000)

	2006	2005 (1)	variation %
Income from investment property	**9,626**	**9,559**	**0.7 %**
Income from securities - Bonds	66,680	65,141	2.4 %
Income from securities - equities	10,225	9,728	5.1 %
Income from securities	**76,905**	**74,869**	**2.7 %**
Other financial incomes	30,130	33,183	-9.2 %
Investments income	**116,661**	**117,611**	**-0.8 %**
	-	-	
Investment expense	(16,784)	(24,649)	-31.9 %
	-	-	
Net gains and losses on sales of investments less impairment and amortisation	55,035	37,895	45.2 %
	-	-	
Change in impairment of investments	(5,110)	(2,485)	105.6 %
	-	-	
Net financial income (excluding financing expense)	**149,802**	**128,372**	**16.7 %**

(1) Restated

At end-December 2006, the market value of the group's investment portfolio was €3,014.1 million, 4.4% more than at 31 December 2005. Including cash, investments came to €3,349.0 million at end-December 2006 compared with €3,107.0 million at end December 2005. The €242.0 million increase is attributable to market gains for €42.8 million) and to a net increase in investments for the remainder.

Despite the capital gains realised (€55.0 million), unrealised capital gains and revaluation reserves remained virtually stable (down by 3%, or €7.1 million) at €233.1 million, corresponding to 7.0% of the investment portfolio.

The economic performance net of investment portfolio expense for 2006 came to 4.45%.

(€'000)

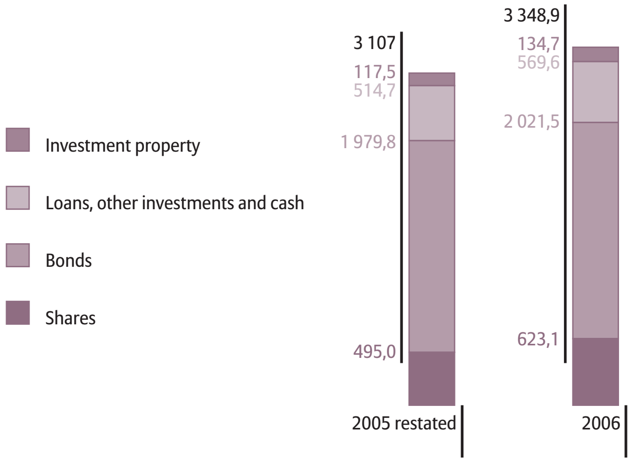
	2006					2005 (1)				
	Amortised cost	Unrealised gain reserv	Net book value	Market value	Unrealised gains and losses	Amortised cost	unrealised gain reserv	Net book value	Market value	Unrealised gains and losses
- Shares:	443,806	179,341	623,147	623,147	-	339,671	155,289	494,960	494,960	-
- Bonds :	2,013,812	7,568	2,021,380	2,021,534	154	1,918,377	60,926	1,979,303	1,979,782	479
- Loans and other investments :	234,651	-	234,651	234,651	-	293,025	-	293,025	293,025	-
Total financial investments	**2,692,269**	**186,909**	**2,879,178**	**2,879,332**	**154**	**2,551,073**	**216,215**	**2,767,288**	**2,767,767**	**479**
Build third party use			88,655	134,724	46,069			93,971	117,536	23,565
Cash			334,964	334,964	-			221,678	221,678	-
Total			**3,302,797**	**3,349,020**	**46,223**			**3,082,937**	**3,106,981**	**24,044**

(1) Restated

Net income, group share

Investment portofolio

Market value as at 31/12/2006 (in millions of euros)



Ordinary operating income

After including net financial income, ordinary operating income amounted to €489.9 million in 2006 compared with €446.6 million the previous year.

(€'000)

	2006	2005 (1)	Variation %
Ordinary operating income before financial income net of charges and impairment of portofolio	340,110	318,273	6.9 %
Financial income net of expenses	149,802	128,372	16.7 %
Ordinary operating income	**489,911**	**446,645**	**9.7 %**

(1) Restated

Net income, group share

Net income, group share increased by 14.0% relative to 2005.

(€'000)

	2006	2005 (1)	Variation %
Ordinary operating income	**489,911**	**446,644**	**9.7 %**
Financing expenses	-11,489	-10,121	13.5 %
Income from companies accounted for by equity method	8,547	8,056	6.1 %
Corporation tax	-156,734	-158,394	-1.0 %
Minority interests	-4,181	-109	N/S
Consolidated net income	**326,054**	**286,076**	**14.0 %**

(1) Restated

Performance of group's main geographic segments

The Euler Hermes group segments its activities by geographic area based on the location of the insurance assets and liabilities.

Germany

En 2006, la croissance du chiffre d'affaires du périmètre Allemagne a été faible (+ 1,8 %) dans un environnement économique meilleur que prévu. Cette évolution légèrement positive s'explique principalement par l'intégration globale de la société de service Bürgel Wirtschaftsinformationen GmbH & Co.

(€'000)

	2006	2005 [1]	
Earned premiums	627,293	636,099	-1.4 %
Premium-related revenues	168,713	145,873	15.7 %
Turnover	**796,006**	**781,972**	**1.8 %**
Net financial income	49,158	48,412	1.5 %
Total revenues from ordinary activities	**845,165**	**830,384**	**1.8 %**
Insurance services expense	(207,513)	(201,123)	3.2 %
Reinsurance and retrocession expense	(92,841)	(141,780)	-34.5 %
Other expenses	(315,284)	(313,495)	0.6 %
Total other expenses	**(615,638)**	**(656,398)**	**-6.2 %**
Ordinary operating income	**229,527**	**173,986**	**31.9 %**
Net combined ratio	**32.4 %**	**49.5 %**	

(1) Restated

Growth in turnover at the German subsidiaries remained sluggish in 2006 (1.8%) in better than expected economic conditions. The small growth in turnover was attributable mainly to the full consolidation for the first time of the service company Bürgel Wirtschaftsinformationen GmbH & Co. KG, which had been consolidated by the equity method in 2005. The 1.4% decrease in earned premiums is for the main part explained by the decrease in inward reinsurance contracts accepted.

Insurance service expense increased by 3.2% in 2006 even though earned premiums declined by 1.4% relative to 2005. This increase resulted from opposing trends: a sharp fall in claims for the year offset by a significant reduction in liquidation surpluses relating to prior years.

The policy of increasing the retention rate and improved reinsurance terms and conditions enabled the group to achieve a significant 34.5% reduction in the share of underwriting income ceded to reinsurers, thus giving a strong boost to operating income.

Operating expense rose by 0.6% relative to the previous year. This very small increase was the result of drastic cost control and a slight reduction in staff numbers.

The fall in the net combined ratio is due primarily to low growth in operating expense combined with better reinsurance terms and conditions. These include notably a significant low claims bonus on the reinsurance treaty, which was not the case in 2005.

On this basis operating income increased by 31.9%, up from €174 million in 2005 to €229.5 million in 2006. Germany thus confirms its role as the largest contributor to group operating income.

Performance of group's main geographic segments

France

This segment comprises all the activities carried out by the French companies in their home market.

(€'000)

	2006	2005 [1]	
Earned premiums	325,428	347,051	-6.2 %
Premium-related revenues	76,535	75,288	1.7 %
Turnover	**401,963**	**422,339**	**-4.8 %**
Net financial income	69,657	48,785	42.8 %
Total revenues from ordinary activities	**471,620**	**471,124**	**0.1 %**
Insurance services expense	(179,851)	(162,796)	10.5 %
Reinsurance and retrocession expense	(4,766)	(15,752)	-69.7 %
Other expenses	(154,988)	(169,504)	-8.6 %
Total other expenses	**(339,605)**	**(348,052)**	**-2.4 %**
Ordinary operating income	**132,015**	**123,073**	**7.3 %**
Net combined ratio	73.3 %	71.6 %	

(1) Restated

France posted a very satisfactory performance with a 7.3% increase in ordinary operating income.
The decline in turnover is explained by the cessation of the inward reinsurance activity from sister companies, which is now centralised with Euler Hermes Reinsurance AG. The negative impact of €41.5 million was partly offset by an increase of €20.4 million in turnover from direct insurance business.
Other ordinary income increased by 0.4%, financial income (mainly capital gains on disposals of equity investments) offset the drop in turnover.

The loss ratio rose by 6.5 points in 2006 compared with the previous year due to lower liquidation surpluses on previous years and a rise in claims for the year, in terms of both frequency and average amounts.

Costs decreased more rapidly than premiums thanks to strict control of expenses and to a sharp fall in acceptance commissions.

Italy

This segment comprises all the activities carried out by the group's Italian companies.

(€'000)

	2006	2005 [1]	
Earned premiums	186,535	176,074	5.9 %
Premium-related revenues	45,918	43,855	4.7 %
Turnover	**232,453**	**219,929**	**5.7 %**
Net financial income	11,774	7,125	65.2 %
Total revenues from ordinary activities	**244,227**	**227,054**	**7.6 %**
Insurance services expense	(97,125)	(65,153)	49.1 %
Reinsurance and retrocession expense	(15,379)	(37,531)	-59.0 %
Other expenses	(103,543)	(101,116)	2.4 %
Total other expenses	**(216,047)**	**(203,800)**	**6.0 %**
Ordinary operating income	**28,180**	**23,255**	**21.2 %**
Net combined ratio	84.5 %	82.8 %	

(1) Restated

Performance of group's main geographic segments

Sales activity was robust in Italy with 5.7% growth in turnover in 2006. The momentum was strong for both premiums, up 5.9%, and premium-related service revenues, 4.7%. At the same time, operating expense increased 2.5 times more slowly, by 2.4%.

The sharp rise in the cost of claims is linked in part to the deterioration of the claims experience for the year and in part to lower liquidation surpluses relating to previous years. 2005 had been marked by substantial collections in connection with the Parmalat claim, in large part ceded to reinsurers (recorded under "income (loss) from cession and retrocessions").

Operating income nonetheless increased substantially, by 21.2%, thanks to improved reinsurance terms and conditions, a higher retention rate and a strong increase in financial income.

The net combined ratio came to 84.5% in 2006 compared with 82.8% in 2005.

United Kingdom

This segment comprises all the activities carried out by group companies located in the UK.

(€'000)

	2006	2005 (1)	
Earned premiums	186,908	200,001	-6.5 %
Premium-related revenues	23,118	25,938	-10.9 %
Turnover	**210,025**	**225,939**	**-7.0 %**
Net financial income	10,126	13,457	-24.8 %
Total revenues from ordinary activities	**220,151**	**239,397**	**-8.0 %**
Insurance services expense	(48,956)	(64,104)	-23.6 %
Reinsurance and retrocession expense	(26,109)	(29,803)	-12.4 %
Other expenses	(87,151)	(96,765)	-9.9 %
Total other expenses	**(162,216)**	**(190,672)**	**-14.9 %**
Ordinary operating income	**57,935**	**48,724**	**18.9 %**
Net combined ratio	54.8 %	73.4 %	

(1) Restated

Turnover in the UK declined by 7.0% in 2006.

The 6.5% decline in premiums is in part explained by the transfer to the "Asia" segment of the business managed in the Far East and in part to pressure on premiums linked to the sharp fall in claims (-23.6%). The UK credit insurance market appears to be adjusting prices to a lasting change in the number and severity of corporate failures.
For premium related services, the decrease (10.9%) is attributable to the transfer of the Asian activities and a decrease in revenues from debt collection activities.

Increased retention, a sharp reduction in operating expense following the restructuring carried out in 2004 and better reinsurance terms and conditions ensured an 18.9% increase in operating income.
The net combined ratio also improved significantly, dropping to 54.8% compared with 73.4% in 2005.

Le ratio combiné net s'améliore sensiblement, se situant à 54,8 % en 2006 contre 73,4 % en 2005.

Performance of group's main geographic segments

United States

This segment comprises all the direct activities carried out in the United States and Mexico, the reinsurance activities and the business carried out by EH ACI through its Canadian office.

(€'000)

	2006	2005 (1)	
Earned premiums	160,107	149,056	7.4 %
Premium-related revenues	20,647	20,579	0.3 %
Turnover	**180,754**	**169,635**	**6.6 %**
Net financial income	7,651	6,141	24.6 %
Total revenues from ordinary activities	**188,405**	**175,776**	**7.2 %**
Insurance services expense	(62,053)	(44,472)	39.5 %
Reinsurance and retrocession expense	(19,671)	(23,945)	-17.8 %
Other expenses	(64,447)	(61,411)	4.9 %
Total other expenses	**(146,171)**	**(129,828)**	**12.6 %**
Ordinary operating income	**42,234**	**45,948**	**-8.1 %**
Net combined ratio	60.0 %	52.3 %	

(1) Restated

The growth in premiums resulted from very dynamic production in the US, where penetration is still low, combined with strong growth in client sales, which is the basis for calculating premiums.

The increase in the loss ratio was linked to lower liquidation surpluses from prior years, which had been positively affected by collections in connection with the K-mart claim and a deterioration in the cost of claims for the year, linked to economic conditions in the US. However, the rise in claims in the US zone should be put into perspective as claims were exceptionally low in 2005. This increase was nonetheless partly offset by a higher retention rate and better reinsurance terms and conditions.

The fall in operating income is explained for 2% by the weakening of the dollar against the euro in 2006.

Benelux countries

This segment comprises the activities of the Belgian and Dutch subsidiaries.

(€'000)

	2006	2005 (1)	
Earned premiums	102,323	98,956	3.4 %
Premium-related revenues	25,278	22,225	13.7 %
Turnover	**127,601**	**121,181**	**5.3 %**
Net financial income	25,345	3,240	682.1 %
Total revenues from ordinary activities	**152,945**	**124,421**	**22.9 %**
Insurance services expense	(54,171)	(51,191)	5.8 %
Reinsurance and retrocession expense	(15,424)	(17,405)	-11.4 %
Other expenses	(41,960)	(38,320)	9.5 %
Total other expenses	**(111,555)**	**(106,916)**	**4.3 %**
Ordinary operating income	**41,390**	**17,506**	**136.4 %**
Net combined ratio	70.7 %	76.6 %	

(1) Restated

Performance of group's main geographic segments

Turnover generated in Belgium and the Netherlands increased by 5.3% thanks to a 3.4% increase in premiums, reflecting the zone's economic growth, and to a more substantial rise of 13.7% in premium-related service revenues thanks to increased information sales and the strong performance of the Retail activity.

The loss ratio deteriorated slightly during the year in both Belgium and the Netherlands but this was partly offset by higher retention and better reinsurance terms.

Other operating expense remained under control but posted an increase due to investment in management software for the Retail business.

The very strong increase in financial income was attributable for €21.4 million to the capital gain on the sale to Euler Hermes SA of the stake in the Dutch company previously held by the Belgian subsidiary, eliminated in consolidated accounts.

Other countries

This segment comprises the activity of the group's new reinsurance subsidiary in Switzerland, Euler Hermes Reinsurance AG, and of independent companies that form part of the "IDC" (International Development Centre). These group the activities of the companies located in Northern Europe (Finland, Sweden, Denmark and Norway), in Eastern Europe (Hungary, Poland, and Czech Republic), in Spain, Greece, Morocco and Latin America.

These developing companies recorded very strong growth in 2006 with a 260% increase in turnover. This increase was attributable mainly to quota-share reinsurance cessions by group subsidiaries to Euler Hermes Reinsurance AG. The greater part of this turnover was eliminated at group level in the consolidated accounts.

The other companies in this segment posted dynamic growth, accounting for more than half of the overall growth recorded by the group.

Cost of claims and operating expense increased by respectively 247% and 155%, linked mainly to the inclusion in 2006 of our reinsurance subsidiary in Switzerland (most of these expenses are eliminated at the consolidated group level).

(€'000)

	2006	2005 (1)	
Earned premiums	307,815	85,421	260.3 %
Premium-related revenues	38,606	35,944	7.4 %
Turnover	**346,421**	**121,365**	**185.4 %**
Net financial income	9,854	4,506	118.7 %
Total revenues from ordinary activities	**356,275**	**125,871**	**183.0 %**
Insurance services expense	(175,379)	(50,543)	247.0 %
Reinsurance and retrocession expense	(19,465)	(5,121)	280.1 %
Other expenses	(143,878)	(56,360)	155.3 %
Total other expenses	**(338,722)**	**(112,024)**	**202.4 %**
Ordinary operating income	**17,553**	**13,847**	**26.8 %**
Net combined ratio	96.5 %	27.3 %	

(1) Restated

Consolidated shareholders' equity and adjusted capital

Consolidated shareholders' equity

At 31 December 2006, consolidated shareholders' equity amounted to €1,892.4 million compared with €1,737.1 million at the end of 2005. The table below describes the main changes in capital during the year.

Available for sale securities have been revalued at fair value against the revaluation reserve without any impact on income. The movement in the revaluation reserve amounted to a negative €17,552 thousand of which €787 thousand linked to the unwinding of the hedging swap subscribed by Euler Hermes SA.

(€'000)

	Capital stock	Additional paid-in capital	Retained earnings	Revaluation reserve	Other			Shareholders' equity, group share	Minority interests	Total shareholders' equity
					Translation reserve	Treasury shares	Total other			
Shareholders ' equity at 31 December 2005, IFRS	**14,346**	**444,985**	**1,194,210**	**142,463**	**24,021**	**(82,972)**	**(58,951)**	**1,737,053**	**7,869**	**1,744,922**
Available-for-sale assets (AFS)							-	-		-
Measurement gain / (loss) taken to shareholders' equity				(18,339)			-	(18,339)	98	(18,242)
Impact of transferring realised gains and losses to income statement							-	-		-
Cash flow hedges				787			-	787		787
Gain / (loss) taken to shareholders' equity							-	-		-
Impact of transferring realised profits and losses in the year to income statement							-	-		-
Impact of transfers on the initial amount of hedges							-	-		-
Impact of translation differences						(13,129)	(13,129)	(13,129)	11	(13,117)
Current and deferred tax taken directly to or transferred to shareholders' equity										
Net income recognised in shareholders' equity	**-**	**-**	**-**	**(17,552)**	**(13,129)**	**-**	**(13,129)**	**(30,681)**	**109**	**(30,572)**
Net income for the year		326,054					-	326,054	4,181	330,235
Total revenues and losses recognised for the year	**-**	**-**	**326,054**	**(17,552)**	**(13,129)**	**-**	**(13,129)**	**295,373**	**4,290**	**299,662**
Capital movements	38	3,073				8,259	8,259	11,370	47	11,417
Dividend distributions			(151,821)				-	(151,821)	(1,874)	(153,695)
Shareholders' equity component of share-based payment plans			1,783				-	1,783		1,783
Other movements			(1,371)			-	-	(1,371)	8,821	7,450
Shareholders ' equity at 31 December 2006, IFRS	**14,384**	**448,058**	**1,368,854**	**124,910**	**10,892**	**(74,713)**	**(63,821)**	**1,892,386**	**19,153**	**1, 911,539**

The change in the translation difference for the year relate mainly to the US dollar for nearly €18 million, to sterling for a negative €5.7 million and to the Swiss franc in a positive amount of more than €1.7 million.

120,874 new shares were created as the result of the exercise of stock options in 2006. As the result, the capital and share premium of Euler Hermes SA increased by respectively €38 thousand and €3,073 thousand.

The movement of €1,783 thousand corresponds to personnel expense relating to stock option plans under application of IFRS 2.

The change in minority interests is attributable mainly to the change in the consolidation method of Bürgel Wirtschaftsinformationen GmbH & Co. KG from the equity method to the full consolidation method.

Adjusted capital

Adjusted capital after tax corresponds to consolidated shareholders' equity restated for the following elements:

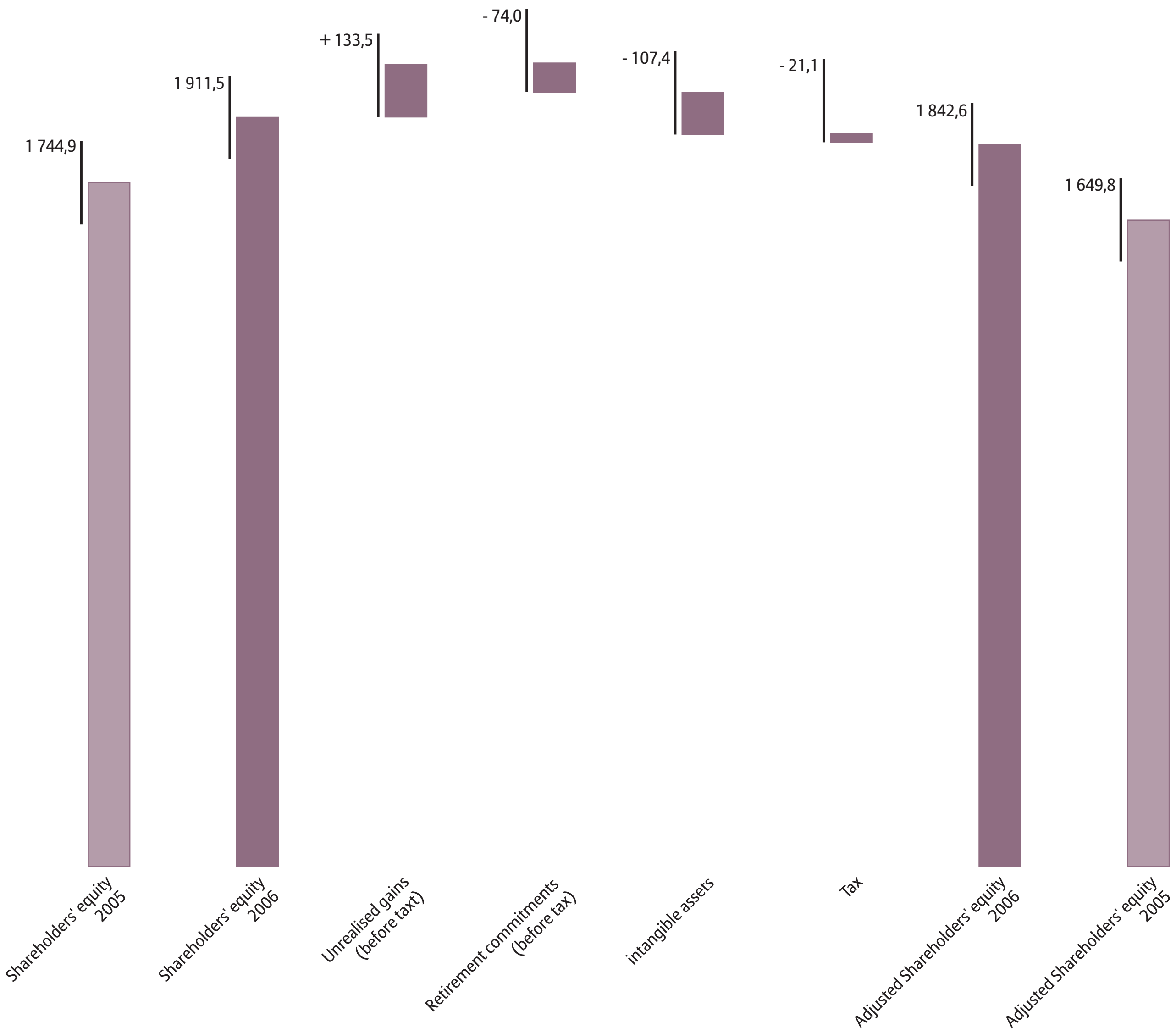
- unrealised gains on assets not recognised at fair value (mainly property assets for own use);
- pension commitments (IAS 19 corridor);
- goodwill;
- tax effect on unrealised capital gains and pension commitments.

Consolidated shareholders' equity and adjusted capital

Adjusted capital after tax amounted to €1,824.9 million versus €1,649.8 million at end 2005, corresponding to an increase of 10.6%. This was the result of:

- An increase in shareholders' equity resulting from net income, group share in excess of dividends distributed;
- Unrealised capital gains, up by 21% following the appreciation of property assets in France;
- Non-amortised actuarial differences on retirement commitments decreased by 8.3%;
- Goodwill remained stable relative to 2005 (-1.6%).

Adjusted capital after tax (€'m)

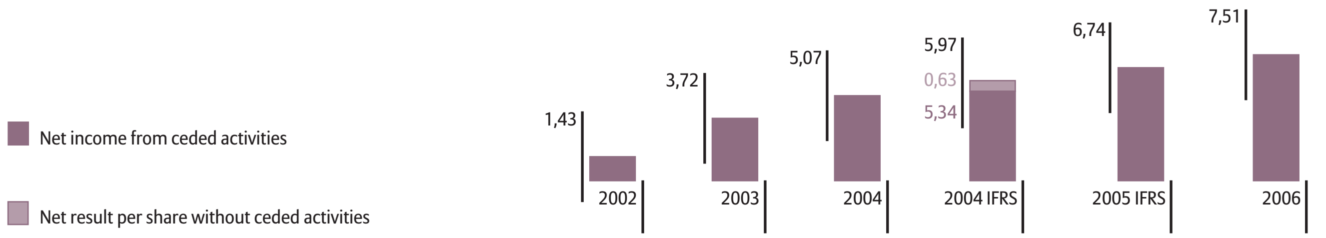


Creation of shareholder value

Earnings per share

Earnings per share before dilution came to €7.51 in 2006 compared with €6.74 in 2005, corresponding to an increase of 11.4%.

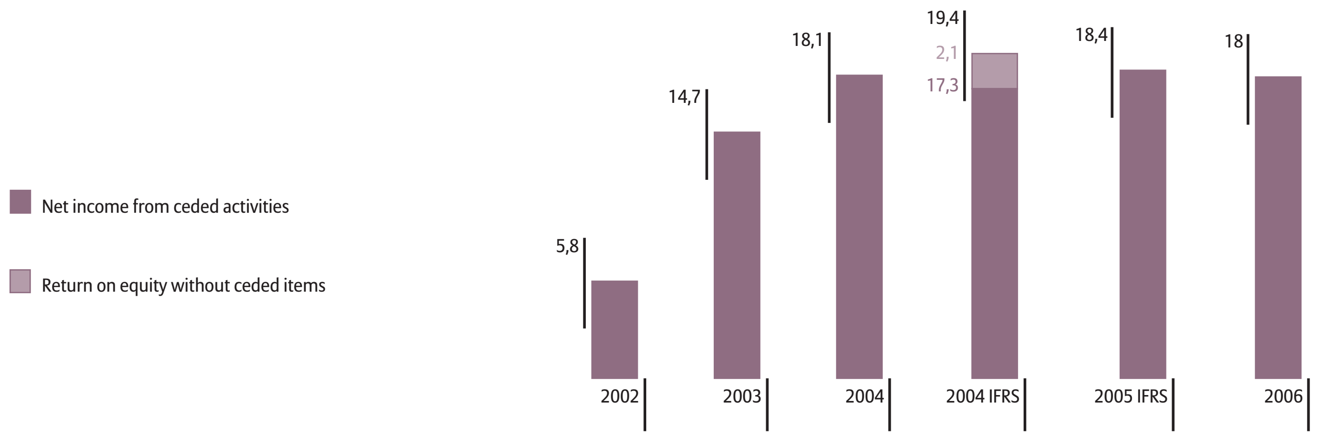
Net result per Euler Hermes share Annual growth rate 2002 - 2006: 51.4% (in euros)



Return on equity

Return on equity came to 18.0%, down by 0.4 point relative to 2005 at comparable scope.

Return on equity (in %) (1)



(1) The return on equity is computed dividing the consolidated net income by average net equity, Group share as per 31/12/2005 and 31/12/2006.

Creation of shareholder value

Return on allocated capital

As a member of the AGF/Allianz group, Euler Hermes uses the concept of return on allocated capital as an indicator of performance and of the creation of shareholder value. This indicator measures the surplus value created by the company's operations in relation to the cost of the capital allocated to those operations.

The operating contribution of the activity is measured using the method applied in the AGF/Allianz group. This consists of replacing actual results with standardised results so as to determine as accurately as possible the underlying economic performance of the group's businesses. The operating result thus obtained replaces actual financial income with a standardised financial income based on the expected medium-term return on each asset class, independently of market volatility, and takes into account the opportunity cost of surplus capital.

The amount of allocated capital is determined using the S & P capitalisation model. There were no changes to the model in 2006. Total capital allocated to the business amounted to €1,597.3 million in 2006. The return on allocated capital was 20.4%, corresponding to a small 0.4% increase in relation to 2005 due to a larger increase in the contribution from operating activities than in allocated capital. This increase in the contribution from operating income resulted from:

- the increase in net income, group share before tax and financial income or expense;
- the increase in standardised financial income resulting from the growth in the investment portfolio, linked largely to the increase in the retention rate;
- a decrease in the average tax rate.

The following table sets out the main elements of the calculation of return on allocated capital:

(€'000)

	2006	2005 [1]	Variation %
Net income, Group share	326,054	286,076	14.0 %
Cancellation of actual financial income	-149,802	-128,372	16.7 %
Standardised financial income	158,044	130,144	21.4 %
Opportunity cost of surplus capital	-7,130	-4,526	57.5 %
Cancellation of actual tax	156,734	158,394	-1.0 %
Standardised tax	-158,526	-154,601	2.5 %
Operating contribution of activity	**325,374**	**287,116**	**13.3 %**
Allocated capital	1,597,300	1,432,948	11.5 %
Return on allocated capital	**20.4 %**	**20.0 %**	

(1) Restated

Development of the activity of Euler Hermes SA

Euler Hermes SA is the parent company of the Euler Hermes group. It does not conduct any commercial or industrial activities and generates the bulk of its revenues from shareholdings.

Subsidiaries and participating interests

The main change during the year was the acquisition of 100% of the Dutch company Euler Hermes Kredietverzekering from Euler Hermes Credit Insurance Belgium, Euler Hermes Kreditversicherungs-AG and minority shareholders.

Comments on the results

Net income for the year came to €214.2 million compared with €99.3 million in 2005. The table below shows the main components of the company's income:

(€'000)

	2006	2005	Variation %
Income from participating interests(1)	217,548	112,712	93.0 %
Other net financial expenses (2)	-5,924	-14,365	-58.8 %
Net operating expenses (3)	-6,734	-9,196	-26.8 %
Provision for (-) or writeback of (+) depreciation of treasury shares	0	3,017	N/A
Ordinary Income	**204,890**	**92,167**	**122.3 %**
Exceptional items(4)	3,072	1,853	65.8 %
Corporation tax (5)	6,189	5,298	16.8 %
Net Income	**214,151**	**99,317**	**115.6 %**

(1) Revenue from participating interests increased by €104.8 million.

(2) The main items in this heading comprised interest expenses on loans and financial debt, for ?16.1 million of which ?8.7 to associated companies, variable rate interest income relating to the interest rate swap terminated in 2006 (€3.6 million) and the writeback of provisions for impairment of Euler Hermes UK shares (€6.0 million).

At end-2005, this heading comprised mainly the cost of borrowing of Euler Hermes (€17.6 million at 31 December 2005), the provision for impairment of Euler Hermes Credit Insurance Belgium shares, for €3.1 million, and the writeback of the provision for impairment of Euler Hermes UK shares, of €6.1 million at end-December 2005.

The decrease in 2006 relative to 2005 is attributable for €5 million to the decrease in net interest expenses on borrowings and for €3.1 million to the impairment of Euler Hermes Credit Insurance Belgium shares recorded in 2005.

(3) The decrease in net operating expense relative to 2005 is attributable mainly to the increase in other income linked to rebilling of royalties for the IRP system (group information risk and policies management software) for €3.5 million, partly offset by the increase in personnel expense (€0,8 million).

(4) In 2006, exceptional items consisted mainly of the repayment by the Italian tax authorities of the tax credit on dividends for 1998 and 1999 for €2.5 million.

(5) Euler Hermes SA also heads up the tax group for French companies that are more than 95%-owned. In 2006, the tax group resulted in a surplus of €4.0 million compared with €7.3 million in 2005.

Dividends

As proposed by the Group Management Board, the Supervisory Board proposes to the General Meeting that a dividend of €4.00 per share be paid in cash.

The total dividend to be paid in respect of 2006 thus comes to €174.1 million (1).

Proposed allocation of income (€'000)

	2006
Source	
Retained earning from previous year	88,254
Net income for the year	214,151
	302,405
Allocation	
Allocation to reserves	
Legal reserve	4
Special reserve for long-term capital gains	0
Proposed dividend : 4,00 euro per action	174,159
Retained earnings	128,242
	302,405

(1) The dividend paid corresponds to the dividend multiplied by the number of shares but excluding treasury shares, which are not entitled to any dividends. The number of treasury shares at 31 December 2006 stood at 1,411,359. The dividend proposed for the approval of the General Meeting takes into account the Treasury shares.

The table below shows the dividends paid for the past five years. The dividend per Euler Hermes share has increased by an average of 35.1% per annum over the past five years.

	2006 (1)	2005 (2)	2004 (2)	2003 (2)	2002 (2)
Global amount (in thousands of euros)	174,159	151,522	103,.621	72,437	30,831
Amount per share before tax credit (3)	4.00 €	3.50 €	2.50 €	1.82 €	0.80 €
Tax credit (4)				0.91 €	0.40 €
Amount per share after tax	**4.00 €**	**3.50 €**	**2.50 €**	**2.73 €**	**1.20 €**

(1) Dividend proposed to the shareholders at General Meeting.

(2) Dividend for the year, paid the following year.

(3) The dividend per share is calculated based on the number of shares in issue.

(4) At the historical rate, which was 50% for physical persons ans legal entities benefiting from the parent/subsidiary regime.

Outlook(1)

Despite robust growth in Asia, the economy slowed in the second half of 2006 in the United States, Japan and Europe,. We are expecting these zones to record growth of around 2% in 2007. Against this backdrop, the strong growth in international trade of recent years is likely to slow somewhat in 2007.

The low claims recorded in recent years are likely to keep premium rates under pressure.

Slower growth in the global economy and relatively stable premium rates point to moderate growth in earned premiums in 2007.

However, the full effect of the retention policy implemented in recent years should enable the group to keep growth in earned premiums at a significantly higher rate than growth in turnover.

In addition, given the trend in claims in 2006, the cost of claims is expected to increase slightly in 2007. Liquidation surpluses relating to prior years are likely to decrease further. The loss ratio in some countries, including the United States and Germany, which is currently at particularly low levels will undoubtedly undergo a gradual adjustment.

The group will continue to harmonise tools so as to improve service quality, maintain its competitive edge and keep costs under control, thus ensuring added value for its clients. Reinsurance terms are expected to continue to reflect the positive trend in claims of the past few years.

Barring any major financial or economic crisis, the group is confident that financial income will continue to make a significant contribution to operating income.

Euler Hermes intends to pursue its international expansion by investing particularly in new economic powers (China and India, but also Russia) and in regional leaders, such as Turkey, Brazil and Argentina, in order to support its clients in their development.

Credit insurance is a business based on economies of scale and Euler Hermes has proved its capacity to anticipate change in international trade so as to offer quality service. As well as significant internal investment, the group will continue to examine any acquisition opportunities that arise in the trade receivables financing and management market.

The group has confidence in its strategy and looks to 2007 with optimism.

(1) The "Outlook" section and the Management Board's report in general contain no forward-looking statements as understood by European Regulation 809-2004.

Sustainable development

The sharing of risk is a stabilising factor for society in the face of the risks that weigh on its activity. Moreover, thanks to its preventive role, insurance plays a vital part in developing best practices.
Sustainable development should allow present generations to satisfy their needs without jeopardising the capacity of future generations to satisfy theirs. As a credit insurance company, Euler Hermes is concerned to varying degrees by sustainable development in its accepted sense. Any approach to sustainable development must take into account the interests of all the parties involved, from the client through to suppliers, employees and shareholders, as well as the natural and social environment. Applied to a company, a policy of sustainable development requires that three objectives be pursued at the same time: economic growth, preservation of the environment and social justice.
The group's businesses are exclusively in the area of financial services and therefore have no direct impact on the environment. Also, the group's activities span several continents and are carried out in numerous countries with different social and environmental laws, thus making comparison difficult. However, Euler Hermes places importance on developing responsible partnerships with its clients and plays a very significant role in their sustainable development by offering them resources designed to reduce customer risk and by ensuring stable cash flows through the regular payment of invoices issued. In highly contrasted economic environments, Euler Hermes helps its clients to control their customer risk, consolidate their growth and ensure their future. In addition, each client has needs specific to its current or future business. Euler Hermes must therefore offer solutions that are adapted to each client's needs. Euler Hermes carries out regular client satisfaction surveys to ensure that its offer is adapted to its clients' demands and to improve service quality. This active support directly benefits clients and their shareholders, employees and business partners. The group's activities also contribute to the stability and growth of international trade.
Lastly, Euler Hermes applies strict rules throughout the group in terms of business ethics, corporate governance and transparency with regard to all its economic partners.

Responsibility is at the heart of the corporate culture

Euler Hermes is an international group that has developed strongly over the past decade by bringing together a number of leading companies within the sector, each with its own history and identity. They have been gathered together around a business model that implies a shared vision of the business as well as rigour and a sense of responsibility toward clients, staff and shareholders.
World leader in credit insurance, and the leader in most of its national markets, Euler Hermes has placed responsibility at the heart of its strategy, a decisive factor during periods of economic uncertainty. This responsible attitude has borne fruit and enabled all the parties concerned to limit risk and reap the benefits. Increasingly selective risk underwriting and higher premiums have enabled the group to insure more significant risks and prevent the rise in company failures from affecting the financial stability of its clients.
Implementing tight cost control means constantly seeking the best possible organisation of work and staff, combined with adequate investment. The shareholders share this responsibility and have given the group their unwavering confidence and support. Thanks to the culture of responsibility shared by all its partners, the group's strategy has been rewarded by success, thus ensuring the future of Euler Hermes' business.

Helping its clients to achieve sustainable business growth requires optimum management of risk. To achieve this, Euler Hermes places its staff in a position of great responsibility toward business partners. In the economic conditions of the past few years, marked by the growing globalisation of international trade and different levels of economic development from one geographic region to another, companies, their customers and suppliers have been in a riskier situation where the failure of one party can result in a knock-on effect. Ending a business relationship or withdrawing credit can create difficulties for the company. The losses generated by the failure of a trading partner increase the cost of risk and can endanger the company's survival.

Euler Hermes has adopted a prudent and progressive approach that is made possible by its risk prevention model. Thanks to their regular contact with all the players in each market - businesses, bankers, trade associations, etc. - Euler Hermes' staff become aware of any increased risk of bankruptcy at a very early stage. They begin discussions early on with the policyholder and its customer, thus avoiding a sudden termination.
Thanks to its capacity to identify risk very early on, Euler Hermes can help its clients to respond to any increase in risk. Together, they can adapt credit limits to the new risk situation. Permanent monitoring and a constructive dialogue with all the parties concerned pave the way for rapid and flexible action to be taken. Both customers and suppliers can thus consolidate their situation while continuing their business activities.

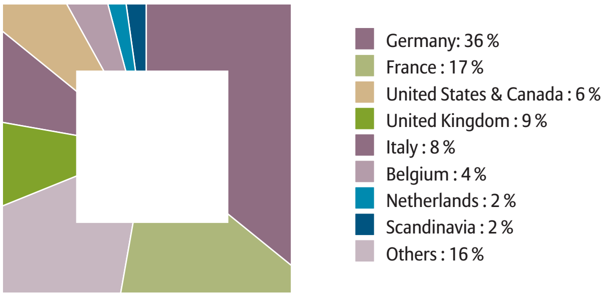
Men and women working in tightly knit and responsible teams form the backbone of the group

Since the beginning of the 1990s, Euler Hermes has turned into a multicultural group, built on a human scale, that seeks to preserve richness and flexibility by uniting its staff around shared values that enable them and the group to grow together: solidarity and team spirit, commitment and performance, the ability to listen and speak openly, respect for others and fairness.

As a multi-cultural international group, Euler Hermes has adopted a dynamic and harmonised human resources policy that respects local cultural differences.

Made up of companies located in all parts of the world, Euler Hermes had 5,498 employees at 31 December 2006. There is an even balance between men and women. The average age is 40.3 years and the average length of service is 11.8 years.

Workforce at 31 December 2006



In 2006, 424 new employees were recruited and 455 people left the group. The use of outside labour remains minimal and is limited to non-strategic functions.

In each country in which Euler Hermes operates, work organisation and working hours conform strictly to local regulations and labour agreements.

Promoting a group culture is a priority

One of the group's main priorities is to favour the integration of each employee and to encourage teamwork. To this end, Euler Hermes organised numerous meetings at all levels of management in 2006.
Since it took its present form in 2002, the group has developed a series of tools designed to achieve this double objective of cohesion and diversity, the leading of which are the "Intercultural Teambuilding Seminars" whose emphasis is on cultural exchange and understanding.
Other seminars have since been organised for cross-company functions to ensure team integration and sharing of knowledge within the group. The first took place in 2004 for information systems managers. In 2005 two seminars were organised for financial officers and managers; the one held in May dealt with internal control and the November seminar dealt with consolidation.

In addition, several international seminars were organised with the aim of developing international management skills based on values shared by all group entities and of developing a multicultural approach to any given issue.
Lastly, seminars on negotiating techniques in an international environment were held and attended by around 20 staff members.
In parallel with these seminars, inter-subsidiary committee meetings of all the main functions (risk, sales and marketing, finance, reinsurance, information technology, communications, human resources, etc.) were held throughout the year to encourage the sharing of information and identification of best practices.

All these measures form part of an active policy of international mobility.

Ethics and compliance

A group compliance officer was appointed in January 2003. His task is to act as a relay for the ethics department at AGF and the compliance department of the Allianz group. The local entities report to Euler Hermes, AGF, and Allianz on a quarterly basis. These reports concern mainly the prevention of insider trading, legal disputes and court cases, and regulatory and tax controls. The group function relies mainly on the local audit structures for this purpose. To strengthen the existing measures, a group Compliance Manager was appointed at the beginning of 2006.
Other concrete measures have been implemented, such as the drafting and circulation of professional conduct and compliance guidelines based on those established by AGF and Allianz, notably in the context of Sarbanes-Oxley compliance.

The group took measures to guard against money laundering and the financing of terrorists, particularly at Euler Hermes SFAC and Euler Hermes UK, in accordance with the Banking Commission regulations in France and with FSA regulations in the UK.

Harmonising career management and remuneration

As an international group, Euler Hermes encourages staff mobility. To this end, career management and pay policies have been harmonised throughout the group.

Sustainable development

At group level and within each subsidiary, Career Management Committees are responsible for assessing skills, for career development and for monitoring succession plans. This approach facilitates geographic and functional mobility by developing the sharing of experience and synergies within the group, while ensuring equal treatment for all staff.
In addition, Euler Hermes' employees have been able to participate in AGF and Allianz's international employee share ownership plans in recent years.

Valuing performance and potential

Euler Hermes rewards staff performance through an objective, selective and motivating remuneration policy.

Over the past five years, the group has put together an international database of market pay scales providing analysis and statistics for putting together "remuneration packages". A system of Management by Objectives enables the performance of each employee to be assessed in relation to quantitative and qualitative objectives agreed at an annual appraisal meeting. A performance-related pay scheme, developed initially for senior executives and management staff, has been extended to other staff categories.

A policy of identifying high potential staff has also been introduced to offer employees rewarding and diversified careers in their home country and abroad.

Consolidating key skills

Training employees in the business skills of the future is fundamental. Euler Hermes takes targeted action to train its employees with an emphasis on developing key skills, such as project management, client service, new technologies, managerial development and language skills. In addition to these local moves, the Allianz group offers training programmes. Senior executives attended international training programmes set up by the Allianz Management Institute in collaboration with internationally reputed colleges and universities.

The Allianz group has defined five "leadership values". To increase the group's competitiveness over the long term, it must:
- ensure consistency between its strategy and its communication;
- promote a high-performance culture;
- focus on its clients;
- facilitate its staff's development;
- build on mutual trust and shared experience.

These values naturally apply to Euler Hermes given its international profile and diversity. Trust, consistency and shared objectives are the necessary bases for working in an international and decentralised group. They are the determinant factors of the success of Euler Hermes' business model.

In 2006 a budget of €3.3 million was allocated to training, stable compared with 2005. This budget represented 1.4% of total payroll expense.

The basic level of staff qualification is high as 44% of employees have a university or business school degree. This percentage is high as the result of the recruitment of highly qualified new staff, notably at newly created subsidiaries.

Patronage and solidarity

The group's culture and values favour its involvement in the local social and cultural fabric. Since the group's beginnings, Euler Hermes' subsidiaries and staff have been encouraged to take action in the interest of their immediate environment. These actions consist for the main part of involvement in environmental and aid programmes and in sponsorship, with a particular focus on children's aid. The main initiatives include the following:

- At Christmas each year, Euler Hermes Belgium donates to projects for disabled children. Two years ago, the group supported the construction of a school that meets the special needs of physically handicapped children. In 2005, it helped an association involved in training and apprenticeships for disabled children and young adults to acquire computer equipment. Lastly, in 2006, it made a donation to Apedaf, an association for deaf and hard-of-hearing children.
- In September 2006, Euler Hermes SFAC (France) organised a daylong event called "Run and Bike" in the Paris region. Several dozen employees participated, thus raising funds for Le Rire Medecin, an association that entertains and amuses hospitalised children.
- In the US, the staff of Euler Hermes ACI (USA) can contribute, on a voluntary basis, to a programme of aid for the Johns Hopkins Children's Center in Baltimore, either through monthly contributions debited from their salaries or with annual donations. Some of the staff participate in the Johns Hopkins Radiothon fundraising event.
- In Hungary, Euler Hermes invited its clients to a jazz concert organised by the "Children are our lives" foundation at the Academy of Music in Budapest in October. The funds raised were used to purchase equipment for ambulances and for the children's wing of the Szent-Laszlo hospital.
- Since 2005, Euler Hermes SIAC (Italy) has been working with the Kenyan-based medical and research association AMREF. This partnership has enabled the financing of a village well in East Africa and the building of two fully equipped classrooms.

Sustainable development

■ In the Czech Republic, Euler Hermes joined with the association Hand for Help to raise funds for a mobile medical unit and an ambulance for the regions of Pakistan affected by the earthquake in 2005.

■ In July 2006, Euler Hermes took part in the fifth edition of "Allianz Sports", an event that enabled 1,500 athletes from Allianz group companies to compete in a spirit of competition and exchange. The event also raised funds for two charities: China Leprosy Service, a Jesuit organisation that aids leprosy patients in China, and ABA (Associacao Beneficiente e Assistencial dos Funcionarios do Grupo AGF Brasil Seguros) an association set up by AGF to provide medical care and education to disadvantaged Brazilian children and young people.

Corporate governance

The group is managed by a Management Board, which is itself supervised by a Supervisory Board. Two Committees have been set up by and report to the Supervisory Board: an Audit Committee, and a Remuneration and Appointments Committee. The Supervisory Board now also includes a censor (non-voting member).

Group Management Board

The Group Management Board is the group's decision-taking body. Its function is to manage, co-ordinate and control the group. All of the powers of the Group Management Board are exercised collectively although individual Board members are assigned responsibility for supervising cross-company functions for the group and its subsidiaries. The Group Management Board meets as often as required in the company's interest. In 2006 it met twice a month.

The members of the Management Board are: *Clemens von Weichs, Chairman, Jean-Marc Pillu, General Manager (until 21 July 2006), Gerd-Uwe Baden, Nicolas Hein and Michel Mollard.*
Jean-Marc Pillu left the group on 21 July 2006 and has not been replaced on the board.

Supervisory Board

The Supervisory Board exercises permanent control over the Group Management Board's management of the company and provides it with the necessary authorisations as required by law or the Articles of Association. The Supervisory Board also appoints the members of the Group Management Board as well as its chairman. In 2006 the Supervisory Board met five times.

In accordance with Article 11 of the Articles of Association, the Supervisory Board is composed of at least three members and at most twelve members, who are appointed by the shareholders' Ordinary General Meeting. Also, in accordance with the principles of corporate governance, the Supervisory Board has two independent members and the non-voting member (censor), who is also independent.

The members are independant according to the « report Bouton » (rapport Bouton) : they do not have any relation of any kind of nature with the company, its group, its management or any of its shareholder holding more than 10% of the capital, which could compromise their freedom of judgement.

The members of the Supervisory Board comply with the provisions of the French law on the New Economic Regulations (NRE) No. 2001-420 of 15 May 2001, covering the number of directorships they hold. This constitutes an important guarantee of their commitment and availability to the group.

Since 2003, the Supervisory Board also includes a censor, a non-voting member, who may be called to attend all meetings of the Supervisory Board and has a consultative role in deliberations.

The members of the Supervisory Board are: *Jean-Philippe Thierry, Chairman, François Thomazeau, Vice-Chairman, Clement Booth, Diethart Breipohl, John Coomber, Charles de Croisset, Robert Hudry, Yves Mansion and Laurent Mignon.*

Jean-Hervé Lorenzi is the censor.

Audit Committee

The Audit Committee is responsible for supervising procedures for external and internal audits of group companies. Specifically, it is reported to by:
- the head of group audit on the planning and outcome of audit assignments in the group and its subsidiaries;
- accounting and financial managers on the company financial statements;
- the independent auditors on their findings.

The Audit Committee met four times in 2006.
The members of the Audit Committee are: *Robert Hudry, Chairman, Yves Mansion and François Thomazeau.*

Remuneration and Appointments Committee

The Remuneration and Appointments Committee is composed of three members of the Supervisory Board. Its task is to make recommendations to the Supervisory Board concerning the remuneration of members of the Group Management Board and the attribution of share options to employees of the group. It met three times in 2006.

The members of the committee are: *François Thomazeau, Chairman, Charles de Croisset and Jean-Hervé Lorenzi.*

Sustainable development

Management of cross-company functions

Euler Hermes has a matrix-type management organisation, of which the cross-functional managers on the one hand, and managers of subsidiaries, on the other, are the cornerstones.

Cross-functional managers and managers of subsidiaries implement the strategy determined by the Group Management Board and report to its members on their specific responsibilities.

Cross-company functions are managed by:

Denis Blitman :	Information Technology
Nicolas Delzant (until 31 December 2006):	Credit Risks, Information and Debt Collection.
Philippe Bastié (as from 1 January 2007):	
Benoît des Cressonnières:	Reinsurance, Investor Relations and General Secretariat
Jean-François Decroocq:	Risk Management
Raphaële Hamel:	Communications
Nicolas Hein (*):	Finance, Accounting & Risk Management
Louis Hofmeijer:	Sales & Marketing
Francis Lallemant:	Audit & Support
Michel Mollard (*) (jusqu'au 21/07/2006):	Strategy
Ludovic Sénécaut (à partir du 21/07/2006):	
Elisabeth Sfez:	Career Management and International Mobility

(*) Member of the Group Management Board

Management of the main subsidiaries

Each local entity is managed by a Chief Executive Officer (CEO) who is responsible for implementing the group's strategy, its business model and for determining local strategies.

The Chief Executive Officers of the main subsidiaries are:

Germany:	Euler Hermes Kreditversicherung	Dr Gerd-Uwe Baden (*)
Belgium:	Euler Hermes Credit Insurance	Jean Luc Louis
United States:	Euler Hermes ACI	Paul Overeem
France:	Euler Hermes SFAC	Michel Mollard (*)
Italy:	Euler Hermes SIA	Jean-François Bellissen
Netherlands:	Euler Hermes Kredietverzekering	Roland van Malderghem
Scandinavia:	Euler Hermes Nordic	Lars Gustafsson
United Kingdom:	Euler Hermes UK	Richard Webster

(*) Member of the Group Management Board

Environmental responsibility

The impact of a company's activities on the environment is a key element that must be considered in every aspect of its strategic thinking.
These concerns have been taken into account in general insurance operations, but the issues are less obvious for a credit insurance activity, which, by its very nature, has only a limited impact on the environment.
However, the group has taken steps to increase awareness and responsibility and the many cost savings implemented involve more efficient use of human resources, equipment and natural resources.

In our business, direct consumption of water and non-renewable energy resources is limited. Accordingly, a specific organisation has not been set up within the group to handle accidental pollution that could have consequences outside the company.
However, electrical and heating equipment is regularly reviewed and replaced so that it complies with the required standards in terms of safety, consumption and comfort.
In view of the activity carried out by the group, utilisation of the ground or the production of waste that could contaminate the water, air or ground are minimal or non-existent. The group's choice of suppliers

Sustainable development

takes into account their commitment to collecting and recycling the equipment at the end of its life. In some subsidiaries, notably in Belgium, waste is systematically sorted for recycling. Certain consumables are recycled, notably ink cartridges for photocopiers.

Consumption of paper is a major concern for the company. Group companies send several million items of mail and millions of computer printouts are made each year.
Over the last few years, the group has developed direct or Internet-based computer links (EOLIS among others) with its clients thus enabling rapid, precise and inexpensive daily communication.
For internal consumption, the policy is to use recycled paper; furthermore, the configuration and development of micro-computing has increased electronic storage capacity, enabling filing space to be saved and limiting the use of "paper" files.

At each of the group companies, a central function, usually the General Resources department, is responsible for drafting operating guidelines to ensure that the technical maintenance and management of property conforms with local regulations.
The Euler Hermes group is firmly committed to a proactive approach designed to make environmental responsibility a concern for all employees in every aspect of their daily work.
Regular checks are effected to detect the presence of bacteria or asbestos. Other checks, equivalent to Veritas checks, are carried out on electrical installations.

Directors' remuneration

Group Management Board

Remuneration for members of the Group Management Board is set by the Remuneration and Appointments Committee and approved by the Supervisory Board. The remuneration and benefits paid to members of the Group Management Board in 2006 amounted to €4,668 thousand.

The principles of the performance-related or variable portion of remuneration of members of the Group Management Board are described in "General Information".

The variable portion of remuneration for company officers is based on three criteria:

- reported consolidated net income;
- the achievement of operating objectives;
- the achievement of personal qualitative objectives.

(€'000)

	Fixed remuneration 2006	Variable remuneration (for 2006)	Variable remuneration (mid-term bonus)	Specific allowances (2)	Benefits in kind 2006 (3)	Total (for 2006)
Clemens von Weichs	390.0	350.0		45.0	19.8	804.8
Jean Marc Pillu (1)	250.0	280.0	147.8	1,697.7	3.0	2,378.5
Gerd-Uwe Baden (1)	375.0	280.0			13.6	668.6
Nicolas Hein	290.0	168.0			4.3	462.3
Michel Mollard (4)	232.5	112.0			2.0	346.5
Total	**1,537.5**	**1,190.0**	**147.8**	**1,742.7**	**42.7**	**4,660.6**

(1) Mr Jean-Marc Pillu left the company on 21 July 2006. He received his fixed salary prorata temporis and a mid-term bonus for the period from 1 January 2005 to 31 December 2006.

(2) Specific housing benefits paid to Mr Clemens von Weichs and severance payment to Mr Jean-Marc Pillu (€1,568.9 thousand) and performance-related pay for 2006 resated temporis (€128.3 thousand).

(3) Benefits in kind consist of company cars.

(4) In 2006, Mr Michel Mollard received performance-related remuneration in respect of 2005 amounting to €112 thousand, including €91.8 thousand in the form of bonuses and €20.2 thousand in respect of profit-sharing.

Some members of the Group Management Board are also eligible for the Mid-Term Bonus (MTB) system, which was introduced by Allianz to improve the loyalty of its senior management. The system is based on a three-year period: if the objectives are achieved over the three-year period, an additional bonus will be paid at the end of the period. The potential bonus is a set amount, corresponding to a fraction of the fixed remuneration plus a possible 20% upside. It is divided into two parts, each equally weighted and based on the EVA and the strategic objectives, respectively. If an average rate of between 70% and 120% is achieved for both parts, the bonus will be calculated proportionally to the degree of achievement of the objectives. This mid-term bonus system currently applies to Clemens von Weichs and Gerd-Uwe Baden. It also concerned Jean-Marc Pillu, who left the company on 21 July 2006 and who received a mid-term bonus of €147.8 thousand gross in 2006.

The members of the Group Management Board were allocated Euler Hermes share purchase options in 2006.

In addition, under the global incentive plan for Allianz group management, the members of the Group Management Board were allocated SAR (Stock Appreciation Rights). The value of these bonuses is linked to changes in Allianz share prices over seven years.

Directors' remuneration

Euler Hermes Stock options and Allianz SARs were allocated as follows:

Share options and other benefits (in units)

	Options allocated in 2005	Options exercised in 2005	Options allocated in 2006	Options exercised in 2006	SARs allocated in 2005	SARs allocated in 2005	SARs exercised in 2006
Clemens von Weichs	9,000	0	15,000	6,500	8,030	4,491	
Jean Marc Pillu (1)	9,000	6,000	0	27,863	7,377	0	8,967
Gerd-Uwe Baden	9,000	0	10,000	0	6,622	3,989	
Nicolas Hein	9,000	0	17,500	0	4,385	2,949	
Michel Mollard	6,000	0	10,000	0	2,854	2,145	
Total	**42,000**	**6,000**	**52,500**	**34,363**	**29,268**	**13,574**	

(1) Mr Jean-Marc Pillu left the group on 21 July 2006.

Messrs Clemens von Weichs, Michel Mollard and Jean-Marc Pillu also benefited from AGF share subscription options allocated in 2002.
In 2005, Mr Clemens von Weichs exercised the entire 4,091 options that had been allocated to him. Mr Michel Mollard exercised in 2006 all the 821 options granted to him. Likewise, in 2006 Mr Jean-Marc Pillu exercised the 5,731 options that had been allocated to him.

Lastly, some members of the Group Management Board who are solely corporate officers and are not employees are protected by special agreements in the event they are removed from office. These agreements are intended to replace the statutory provisions protecting salaried employees in the event of dismissal. These specific measures concern Messrs Clemens von Weichs and Gerd-Uwe Baden and provide for the payment of gross compensation of between 50% and 200% of the amount of their last annual remuneration. These terms had also applied to Jean-Marc Pillu who received severance compensation amounting to €1,568.9 thousand gross.

Some corporate officers were also eligible for a defined benefit supplementary pension plan. However, it has been decided to terminate this system and not to replace it. Only Messrs Clemens von Weichs and Gerd-Uwe Baden benefit from an Allianz group supplementary pension plan.

Supervisory Board

Attendance fees paid to members of the Supervisory Board amounted to €260 thousand gross in 2006 and break down as follows:

(€'000)	Attendance fees
Jean-Philippe Thierry	32.50
Clement Booth	16.25
Diethart Breipohl	16.25
John Coomber	16.25
Charles de Croisset	32.50
Robert Hudry	32.50
Yves Mansion	32.50
Laurent Mignon	16.25
François Thomazeau	32.50
Jean-Hervé Lorenzi. censeur	32.50
TOTAL	**260.00**

In addition, in accordance with Article L.225-102-1, paragraph 2 of the French Commercial Code, the remuneration and benefits of all kinds received by each of the corporate officers of AGF and Allianz AG, the companies that control Euler Hermes amounted to:

- Mr Jean-Philippe THIERRY: €2,453.6 thousand as follows:
-Set annual salary paid in 2006 of €1,018.6 thousand (of which €700 thousand paid by Allianz, €35 thousand by AGF, €32.5 thousand in attendance fees and a bonus of €251.1 thousand paid by AGF)

Directors' remuneration

- Gross performance-related remuneration paid in 2006 in respect of 2005 of €955 thousand,
- A gross Mid-Term Bonus based on 2005, 2006 and 2007 amounting to €480 thousand for the part relating to 2005 and paid in 2006.

The sole benefit in kind granted to Mr Jean-Philippe Thierry is a company car representing an estimated benefit of €5.4 thousand a year

In addition, he received 9,321 Allianz AG SAR (Stock Appreciation Rights, a bonus that is determined by reference to changes in the share price of Allianz over a period of seven years) and 4,745 Restricted Stock Units (Restricted Stock Units, a stock option plan reserved to the corporate officers of German companies, based on trends in the Allianz AG share price).

■ Mr Laurent MIGNON €1,146.4 thousand as follows:
- Set annual salary paid in 2006 of €450 thousand;
- Gross performance-related remuneration paid in 2006 in respect of 2005 of €401.8 thousand;
- Incentive bonuses and profit sharing amounting to €267.1 thousand;
- Attendance fees amounting to €27.5 thousand.

Mr Laurent MIGNON also has a company car and driver for an estimated total benefit of €40 thousand a year.
He also received 4,885 Allianz SAR (Stock Appreciation Rights) and 65,000 options to purchase AGF SA shares.

■ Mr François THOMAZEAU: €1,088.3 thousand as follows:
- set annual salary paid in 2006 of €385 thousand;
- gross performance-related remuneration paid in 2006 in respect of 2005 of €409.1 thousand;
- a Mid-Term Bonus based on the financial years 2005, 2006 and 2007 amounting to €240 thousand in respect of 2005;
- incentive bonuses and profit sharing amounting to €18.3 thousand;
- attendance fees amounting to €36.0 thousand.

Mr François THOMAZEAU also has a company car and driver for an estimated total benefit of €40 thousand a year.
He also received 4,324 Allianz SAR (Stock Appreciation Rights) and 50,000 options to purchase AGF SA shares.

■ Mr Clement BOOTH: €700 thousand as follows:
- Set annual salary in 2006 of €700 thousand.

In addition, he received 9,379 Allianz AG SAR (Stock Appreciation Rights) and 4,774 Restricted Stock Units (Restricted Stock Units, a stock option plan reserved to corporate officers of German companies, based on trends in the Allianz AG share price).

■ Mr Diethart BREIPOHL: €135,9 thousand as follows :
- set annual salary of €41,6 thousand ;
- performance related remuneration amounting to €40 thousand ;
- attendance fees from AGF (€38 thousand) and Euler Hermes (€16,25 thousand) for amounting to €54,25 thousand.

List of posts and offices held by directors

The table below shows the posts and offices held by the members of the Group Management and Supervisory Boards.

Name	Company in which the post or office is held	Country	Post/Function
Clemens von Weichs			
	Euler Hermes	France	Chairman of the Group Management Board
	Euler Hermes Kreditverzicherung AG	Germany	Chairman of the Supervisory Board
	Euler Hermes UK Plc	UK	Director
	Euler Hermes Holding UK Plc	UK	Director
	Euler Hermes ACI	USA	Chairman of the Board
	Euler Hermes SFAC	France	Chairman of the Supervisory Board
	Euler Hermes SIAC	Italy	Chairman of the Board
	Beraterkreis IKB, Düsseldorf	Germany	Advisor
	Hamburger Gesellschaft zur Förderung des Versicherungswesens	Germany	Director
	ICISA	Netherlands	Vice-Chairman
	Euler Hermes Kredietverzekering N.V.	Netherlands	Chairman of the Supervisory Board
Gerd-Uwe Baden			
	Euler Hermes	France	Member of the Group Management Board
	Euler Hermes Kreditversicherungs-AG	Germany	Chairman of the Management Board
	Prisma Kreditversichrungs-AG	Austria	Chairman of the Board of Directors
	Euler Hermes Kreditförsäkring Norden AB	Sweden	Chief Executive Officer
	Euler Hermes Towarzystwo Ubezpieczeniowe S.A. Varsovie	Poland	Chairman of the Board of Directors
Nicolas Hein			
	Euler Hermes	France	Member of the Group Management Board
	Euler Hermes ACI	US	Director
	Euler Hermes SIAC	Italy	Vice-Chairman
	Euler Hermes Holding UK Plc	UK	Director
	Euler Hermes UK	UK	Director
	Euler Hermes SFAC	France	Vice-Chairman of the Supervisory Board
	Euler Hermes Kreditverzekering NV	Netherlands	Director
	Euler Hermes Reinsurance AG	Switzerland	Euler Hermes representative, Chairman of the Supervisory Board
	Euler Hermes Credit Insurance	Belgium	Director
	Euler Hermes Kreditversicherungs AG	Germany	Director
Michel Mollard			
	Euler Hermes	France	Member of the Group Management Board
	Euler Hermes SFAC	France	Chairman of the Management Board
	Euler Hermes UK Plc	UK	Director
	Euler Hermes Holding UK Plc	UK	Director
	Euler Hermes ACI Co	US	Vice-Chairman
	Perfectis Private Equity	France	Chairman of the Supervisory Board
	Kepler Ratings	France	CEO
	Euler Servicios de credito SL, sociedad unipersonal	Spain	Chairman
	Euler Hermes Emporiki	Greece	Vice-Chairman
	COSEC	Portugal	Director
	Euler Hermes ACMAR	Morocco	Chairman
	Euler Hermes Belgium	Belgium	Chairman of the Board of Directors
	Euler Hermes Credit Insurance	Belgium	Chairman of the Board of Directors
	Euler Hermes Kredietverzekeringen	Netherlands	Director

List of posts and offices held by directors

Name	Company in which the post or office is held	Country	Post/Function
SUPERVISORY BOARD			
Jean-Philippe Thierry			
	AGF SA	France	CEO
	AGF Holding	France	CEO
	AGF International	France	Director
	Allianz SE	Germany	Member of the Management Board
	Allianz Seguros y Reaseguros	Spain	Director
	Baron Philippe de Rothschild SA	France	Censor
	Château Larose-Trintaudon	France	Chairman of the Board of Directors
	Cie Financière Saint Honoré	France	Member of the Supervisory Board
	Euler Hermes	France	Chairman of the Supervisory Board
	Paris Orléans	France	Censor
	Eurazeo	France	Censor
	Mondial Assistance	France	Chairman of the Board of Directors
	Allianz Global RISK Rückversicherungs	Germany	Director
	Allianz Nederland Groep	Netherlands	Director
	Société Foncière Financière de Participations	France	Director
	PPR	France	Director
Laurent Mignon			
	AGF SA	France	General Manager
	AGF Asset Management	France	Director
	AGF Holding	France	Director, General Manager
	AGF IART	France	Chairman of the Board of Directors
	AGF Informatique	France	Chairman of the Supervisory Board
	AGF International	France	Director
	AGF Vie	France	Chief Executive Officer
	Euler Hermes	France	Member of the Supervisory Board
	Oddo et Cie SCA	France	Member of the Supervisory Board
	W Finance	France	Director
	Sequana	France	Vice-Chairman of the Board of Directors
	Arkema	France	Director
François Thomazeau			
	AAAM (Alternative Asset Management)	France	Director
	AGF Asset Management	France	Director
	ACAR	France	Chairman of the Board of Directors
	AGF SA	France	General Manager
	AGF Afrique	France	Chairman of the Board of Directors
	AGF Belgium Insurance	Belgium	Chairman of the Board of Directors
	AGF Brasil Seguros	Brazil	Chairman of the Board of Directors
	AGF Holding	France	Director, General Manager
	AGF Holdings UK	UK	Chairman of the Board of Directors
	AGF IART	France	Director
	AGF Insurance	UK	Chairman of the Board of Directors
	AGF International	France	CEO
	AGF Private Equity	France	Chairman of the Supervisory Board
	AGF Ras Holding	Netherlands	Vice Chairman of the Board of Directors
	AGF Vie	France	Director
	Banque AGF	France	Permanent representative of AGF, Director
	GIE AGF Informatique	France	Member of the Supervisory Board
	Allianz Seguros y Reaseguros	Spain	Director
	Allianz Nederland Groep	Netherlands	Member of the Supervisory Board

List of posts and offices held by directors

Name	Company in which the post or office is held	Country	Post/Function
SUPERVISORY BOARD (continued)			
François Thomazeau (continued)			
	Bolloré	France	Permanent representative of AGF Holding, Director
	Carene (insurance brokerage)	France	Director
	Château Larose Trintaudon	France	Vice Chairman of the Board of Directors
	Cofitem-Cofimur	France	Director
	Euler Hermes	France	Vice-Chairman of the Supervisory Board, Chairman of the Remuneration and Appointments Committee and member of the Audit Committee
	Europe Expansion	France	Censor
	PHRV	France	Director
	Thomson Clive Ltd	UK	Director
	Compania Colombiana de Inversion Colseguros	Colombia	Chairman of the Board of Directors
	Adriatica de Seguros	Venezuela	Chairman of the Board of Directors
	Inmobiliara Driavena	Venezuela	Chairman of the Board of Directors
	Mondial Assistance	Switzerland	Vice Chairman, Executive Director
	Protexia France	France	Director
	Locindus	France	Member of the Supervisory Board
	Foncière des 6e et 7e arrondissements	France	Director
Robert Hudry			
	Euler Hermes	France	Member of the Supervisory Board, Chairman of the Audit Committee
	AGF	France	Director, Chairman of the Audit Committee
Charles de Croisset			
	Bouygues	France	Director
	Euler Hermes	France	Member of the Supervisory Board and of the Remuneration and Appointments Committee
	SA des Galeries Lafayette	France	Censor
	Renault	France	Director and Chairman of the Audit Committee
	Thalès	France	Director and Chairman of the Audit Committee
	Fondation du Patrimoine	France	Chairman
Yves Mansion			
	ALCAN	Canada	Director
	Euler Hermes	France	Member of the Supervisory Board
	Société Foncière Lyonnaise	France	Director-General Manager
	AMF (French securities regulator)	France	Collegial member
Diethart Breipohl			
	Allianz AG (until 13 June 2006)	Germany	Member of the Supervisory Board
	Continental AG	Germany	Member of the Supervisory Board
	KarstadtQuelle AG	Germany	Member of the Supervisory Board
	KME AG	Germany	Chairman of the Supervisory Board
	Crédit Lyonnais	France	Director
	Euler Hermes	France	Member of the Supervisory Board
	AGF	France	Director
	Atos Origin (since 3 June 2005)	France	Member of the Supervisory Board

Liste des mandats et fonctions exercés par les dirigeants

Name	Company in which the post or office is held	Country	Post/Function
SUPERVISORY BOARD (continued)			
John R. Coomber			
	Swiss Re	Switzerland	Member of the Board
	Swiss Re GB Plc	UK	Director
	Euler Hermes	France	Member of the Supervisory Board
	IMMD Institute for Management Development	Switzerland	Member of the Foundation
	The climate Group	UK	Chairman of the Trustees
	Pension Insurance Corporation Holdings	UK	Member of the Board of Directors
Clement Booth			
	Allianz Australia Ltd.	Australia	Director
	Euler Hermes	France	Member of the Supervisory Board
	Allianz SE	Germany	Member of the Management Board
	Allianz Global Corporate & Speciality AG	Germany	Chairman of the Supervisory Board
	AZ Irish Life	Ireland	Director
	Allianz Risk Transfer	Switzerland	Chairman of the Board of Directors
	Allianz Cornhill Insurance plc	UK	Director
	Allianz Global Risks US	US	Director
	Allianz Underwriters Insurance Co.	US	Director
	Accord, Pearl River, NY	US	CEO
Jean-Hervé Lorenzi (Censor)			
	Société Edmond de Rotschild Private Equity Partners	France	Chairman of the Supervisory Board
	Compagnie Financière Saint Honoré	France	Member of the Supervisory Board
	Assurances & Conseils Saint Honoré	France	Member of the Supervisory Board
	Assurances Saint Honoré	France	Member of the Management Committee
	AFOM	France	Director
	ATLEX	France	Director
	Pages jaunes	France	Director
	Associés en Finance	France	Director
	BVA	France	Member of the Supervisory Board
	Crédit Foncier de France	France	Censor
	Euler Hermes	France	Censor, member of the Remuneration and Appointments Committee

Observations of the Supervisory Board on the report from the Group Management Board

The Group Management Board has presented you with its report on Euler Hermes' situation and on its activity during the year ended 31 December 2006.

2006 marked an acceleration in economic activity worldwide thanks mainly to the robust economic conditions in the first quarter. The global economy then slowed gradually under the impact of the slowdown in the US economy as from the second quarter followed by that of Japan and Europe in the second half of the year. Growth in the rest of the world remained well above the global average, notably in Central and Eastern Europe and Asia excluding Japan, driven by the Chinese economy.
Against this backdrop, global trade renewed with growth of more than 9%. Commodity prices rose overall for the fifth consecutive year.
The firm trend in the global economy was accompanied by a larger-than-expected decline in corporate bankruptcies, notably in Germany, the Scandinavian countries and in several emerging Asian countries.

The Supervisory Board notes with great satisfaction that Euler Hermes has managed to maintain a satisfactory level of growth despite increased competitive pressure arising from the low claims experience in recent years in its core markets. It has strengthened its presence in the newer areas of operation such as Eastern and Southern Europe and Asia and these regions now account for a significant part of the group's activity. North America offers significant sources of new growth, enabling the group to develop strongly there.

The group's successful integration in recent years and the implementation of its business model have resulted in very active and careful risk management. This prompted Euler Hermes' decision to increase the retention rate significantly in order to raise profitability. As a result, net premiums but also the net cost of claims have risen. However, dynamic growth in net premiums and efficient cost control enabled the group to improve its expense ratio and post only a slight increase in the combined ratio, which is still at a very positive level. These measures enable the group to consolidate operating income still further.

The Supervisory Board approves the investment strategy implemented by the group, which consists of restricting exposure to equity market risk and maintaining the greater part of investments in bonds.

Generally speaking, the Supervisory Board approves, without exception, all the Group Management Board's strategic choices and initiatives.

The Supervisory Board also approves the acquisitions of insurance portfolios in Ireland and New Zealand which further strengthened Euler Hermes' international operations.

The Supervisory Board's Audit Committee examined with particularly close attention the ongoing implementation of the "Business Continuity Management" project providing for a disaster recovery plan and the "Sarbanes-Oxley" project. The report on the Financial Security Law was updated.
Taking into account the actions carried out, in progress or scheduled, the Supervisory Board has approved the work carried out by the Group Management Board and its staff and the internal control systems set in place.

The Supervisory Board has examined the Group Management Board's report and the financial statements for the year ended 31 December 2006. It recommends that the shareholders approve the resolutions submitted to the Annual General Meeting by the Group Management Board.

For 2007, the Group Management Board's objectives are to pursue its dynamic international development, notably by investing in the new economic powers in Asia and Latin America. It also plans to extend the product range to offer clients all the services they could need for dynamic management of trade receivables against the growing globalisation of trade. It will endeavour to facilitate and simplify exchanges between operating entities so as to ensure increased profitability and create added value for their partners. This strategic focus on its core businesses will enable Euler Hermes to consolidate its position and its capacity to achieve profitable and lasting development.

The Supervisory Board confirms its confidence in the Group Management Board and thanks all the staff for their work and their commitment to the group, which enabled Euler Hermes to achieve excellent results in 2006.

Chairman's Report pursuant to Article L 225-37 of the French Commercial Code

To the shareholders,

In addition to the management report, I wish to report to you on the conditions under which the work of the Supervisory Board and the Group Management Board is prepared and organised, and on the internal control procedures implemented by Euler Hermes SA.

Regulatory obligations

The French Financial Security Act (Loi de Sécurité Financière, or LSF) was promulgated on 1 August 2003, and has since been completed by the Act to improve confidence and modernise the economy (loi pour la confiance et la modernisation de l'économie). It requires the Chairman of the Board of Directors or the Supervisory Board of a French public limited company (société anonyme) to disclose, in a report attached to the management report:
- the conditions under which the Board's work is prepared and organised;
- the limits on the powers of the Chief Executive Officer;
- the internal control procedures.

In a report attached to their general report, the Independent Auditors must submit their remarks on the part of the Chairman of the Supervisory Board's report on internal control procedures relating to the preparation and processing of accounting and financial information. These provisions apply as from the 2003 financial year. Euler Hermes is a French public limited company with a Group Management Board and a Supervisory Board and must therefore comply with the provisions of the French Financial Security Act.

The Sarbanes-Oxley Act adopted in the United States on 25 July 2002, and which will apply from the end of 2006 to European companies listed on the New York Stock Exchange, introduced measures to increase financial and accounting transparency and to emphasize directors' responsibility. These measures relate in particular to:

- certification by the CEO (Chief Executive Officer) and the CFO (Chief Financial Officer) that procedures and controls relating to published information have been defined, established, tested and maintained, and in addition that the effectiveness of these procedures and controls has been evaluated (Section 302 of the Sarbanes-Oxley Act);
- assessment by the directors of the internal controls set forth in a report stating the responsibility of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting, an assessment of the effectiveness of this system, and certification by external auditors (Section 404 of the Sarbanes-Oxley Act).

The Allianz group, of which Euler Hermes forms a part, is subject to the obligations set out in the Sarbanes-Oxley Act and took steps to comply with it as from the financial statements drawn up at 31 December 2004. The work performed by Euler Hermes in the context of Allianz's requests in this regard is coordinated with the work required in relation to the French Financial Security Act.

There are three parts to this report:
- Conditions under which the Supervisory Board's work is prepared and organised;
  – The role of the Supervisory Board and how it is organised;
  – The role of the Group Management Board and how it is organised;
- Internal control procedures and the control environment;
- Internal control procedures with regard to accounting and financial information.

Conditions under which the supervisory board's work is prepared and organised

In general, the group is run by a Management Board, which is itself supervised by a Supervisory Board. In addition, the group has set up an Audit Committee and a Remuneration and Appointments Committee. These structures are completed by managers of cross-company functions, who report to the Group Management Board and who form the group's operational management structure.

The role of the Supervisory Board and how it is organised

In accordance with the law and under the terms of Article 11 of the Articles of Association, the Supervisory Board is responsible for permanent supervision of the company's management by the Group Management Board and gives this Board the prior authorisations required under the law or the Articles of Association.

Composition of the Supervisory Board

In accordance with the company's Articles of Association, the Supervisory Board has at least three and no more than twelve members who are appointed by Ordinary General Meetings of the shareholders. The number of members of the Supervisory Board aged 70 years or older may not exceed one-third of the members in office. If this limit is exceeded, the oldest member must automatically resign. As at 31 December 2006, the Supervisory Board had ten members, including a censor.
If the Supervisory Board considers it useful, it may, when so proposed by its Chairman, appoint non-voting members of the Board (censors), for a term that it chooses. These non-voting members may be individuals or legal entities and may but need not be shareholders. The Board determines the responsibilities and terms and conditions of their remuneration. This remuneration is taken from the annual amount for Supervisory Board members' fees allocated to the Supervisory Board by the Ordinary General Meeting. These non-voting members may be called to and may attend and participate in all Supervisory Board meetings but solely in a consultative capacity. There is currently one censor, a natural person.

The Supervisory Board elects a Chairman and a Vice-Chairman from among its members. The Chairman, and in his absence, the Vice-Chairman, is responsible for convening Board meetings and chairing its deliberations. Members of the Supervisory Board must each own at least five shares during their term of office. In order to change members regularly, members serve a three-year term, although they may be re-elected. The composition of the Supervisory Board is partly changed every year at the Ordinary General Meeting of the shareholders, depending on the number of members in office, such that changes are made as regularly as possible and so that all members have changed by the end of every three-year period.

In the event of a vacant position, following the death or resignation of one or more members of the Supervisory Board, a provisional replacement may be elected by the remaining members, with the appointment being subject to ratification by the next Ordinary General Meeting of the shareholders.

The members of the Supervisory Board may receive remuneration in the form of Supervisory Board members' fees, the amount of which is fixed by the Ordinary General Meeting of the shareholders, and exceptional remuneration under the conditions provided for by law. In addition, the Chairman and the Vice-Chairman may receive special remuneration, the amount of which is set by the Supervisory Board.

In accordance with corporate governance principles, the Supervisory Board includes two independent members (members are considered independent when they do not have any kind of relationship with the company, its group or its general management that may compromise their freedom of opinion). Furthermore, the members of the Supervisory Board comply with the provisions of the French law on New Economic Regulations (NRE) No. 2001-420 of 15 May 2001, covering the number of directorships they may hold. This constitutes an important guarantee of their commitment and availability to the group.

The Supervisory Board appoints the members of the Group Management Board, decides on their number, and appoints the Chairman, and Chief Executive Officers where appropriate. It also sets their remuneration. It may remove one or more members of the Group Management Board from office or recommend that the Ordinary General Meeting do so.

The functions of the Supervisory Board

Throughout the year, the Supervisory Board makes the checks and controls it considers appropriate and can publish any documents that it considers useful for the completion of its mission. At least once a quarter, the Group Management Board presents a report to the Supervisory Board. The Supervisory Board can call shareholders' meetings and set the agenda. The Supervisory Board can decide to create committees and it sets their composition and assignments. Their activity is exercised under the Board's responsibility, without said assignments having the purpose of delegating the powers attributed to the Supervisory Board by law or the Articles of Association, nor having the effect of reducing or limiting the powers of the Group Management Board.

In addition, the following decisions of the Group Management Board are subject to prior authorisation from the Supervisory Board:

the sale of property and the total or partial sale of shareholdings and the constitution of sureties on company assets where the transaction exceeds €30,000,000;

- direct transactions or equity holdings that might significantly affect the group's strategy and materially modify its financial structure or scope of activity where these exceed €5,000,000;
- the issue of securities, of any kind, that may result in a modification of the registered capital regardless of the amount involved;
- transactions aimed at granting or contracting any borrowings or loans, credits or advances where these exceed €75,000,000;
- transactions aimed at constituting sureties, guarantees, deposits or bonding where these exceed €30,000,000.

When a transaction exceeds the specified amount, the approval of the Supervisory Board is required in each case.

The Supervisory Board met five times in 2006.

Within the Supervisory Board, there is an Audit Committee and a Remuneration and Appointments Committee.

The Board's Audit Committee

The Board's Audit Committee consists of three members of the Supervisory Board and is responsible for supervising the methods used for the internal and external control of group companies. Its task is to be kept informed by:

– the group head of audit on the activities and forecast planning of audit assignments of the group and its subsidiaries;
– accounting and financial managers on the company financial statements;
– the Independent Auditors on their findings.

Such information may be provided outside the presence of the company's general management.

It meets prior to each meeting of the Supervisory Board at which the company's activities and results are to be discussed. The Audit Committee met four times in 2006. Its Chairman reports to the Board on the work of the Committee.

The Remuneration and Appointments Committee

The Remuneration and Appointments Committee consists of three members of the Supervisory Board. Its task is to submit recommendations to the Supervisory Board regarding remuneration of the members of the Group Management Board and the granting of share subscription or purchase options to group employees. It also ratifies decisions taken by the Group Management Board regarding the remuneration of the directors of the group's main subsidiaries. Its Chairman reports to the Board on the Committee's work. It met three times in 2006.

The principles and amount of the remuneration paid to members of the Group Management Board are set by the Remuneration and Appointments Committee and approved by the Supervisory Board. The remuneration comprises a fixed portion and a variable portion, the latter being based on three criteria: the first is linked to the group's share of consolidated net

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pursuant to Article L 225-37 of the French Commercial Code

income, the second to the achievement of operational contribution objectives, and the third to achievement of qualitative personal objectives. The objectives are proposed by the Remuneration and Appointments Committee and approved by the Supervisory Board.

At the end of each year, the Committee evaluates the extent to which each objective has been achieved and submits the calculation of the variable portion of remuneration to the Supervisory Board for its assessment.

Members of the Group Management Board may also be allocated share purchase and/or subscription options. These are intended to give senior managers an interest in the long-term development and profitability of the company and are submitted by the Remuneration and Appointments Committee to the Supervisory Board for approval.
Lastly, as part of the worldwide incentive plan for senior managers of the Allianz group, members of the Group Management Board may be allocated SAR (Stock Appreciation Rights), the amount of which is linked to the change in the Allianz share price over a period of seven years. The SAR are also submitted by the Remuneration and Appointments Committee to the Supervisory Board for approval.

Some members of the Group Management Board are also members of a Mid-Term Bonus (MTB) system, which was introduced by Allianz to improve the loyalty of its senior management. The system is based on a three-year period: if the objectives are achieved over the three-year period, an additional bonus will be paid at the end of the period. The potential bonus is a set amount, corresponding to a fraction of the fixed remuneration plus a possible 20% upside. It is divided into two parts, each equally weighted and based on the EVA and the strategic objectives, respectively. If an average rate of between 70% and 120% is achieved for both parts, a proportional calculation will be made to reflect the degree of achievement of the objectives. The Mid-Term Bonus is subject to the same approval rules as share options and SAR.

In addition, some members of the Group Management Board who are solely corporate officers and are not employees are protected by special agreements in the event they are removed from office. These agreements are intended to replace the statutory provisions protecting salaried employees in the event of dismissal. They provide for the payment of gross compensation of between 50% and 200% of the amount of their last annual remuneration.

Concerning supplementary retirement plans, only Messrs Clemens von Weichs and Gerd-Uwe Baden are beneficiaries under an Allianz group supplementary retirement plan.

The role of the Group Management Board and how it is organised

In accordance with the law and under the terms of Article 15 of the Articles of Association, the Group Management Board is the group's collective decision-making body. The function of the Group Management Board is to manage, organise and control the group. All of the powers of the Group Management Board are exercised collectively although Board members are assigned specific responsibility for supervising cross-company functions for the group and its subsidiaries. The Group Management Board consists of at least two and no more than six members appointed by the Supervisory Board; a member of the Supervisory Board cannot be a member of the Group Management Board. The Group Management Board had five members until 21 July 2006. Since that date, following the departure of one of its members, the Board has had four members.
The number of offices held by the members of the Group Management Board complies with Article 11 of the NRE law 2001-420 of 15 May 2001.
Members of the Group Management Board must be individuals under the age of 65, effective from the completion of the nearest General Meeting of shareholders. However, when a member of the Group Management Board reaches this age, the Supervisory Board can, on one or more occasions, extend his functions for a total term that may not exceed three years.

The Group Management Board is appointed for a period of three years and its members may be re-elected. They can be removed from office by the Supervisory Board or by the General Meeting of shareholders on the recommendation of the Supervisory Board. The Supervisory Board sets the method and amount of remuneration for each of the members of the Group Management Board when they are appointed.
In accordance with the law and under the terms of Article 16 of the company's Articles of Association, the Supervisory Board appoints one of the members of the Group Management Board as Chairman (CEO). The Chairman exercises his functions for the period of his office as a member of the Group Management Board. He represents the company in its relations with third parties. The Supervisory Board can allocate the same power of representation to one or more other members of the Group Management Board who then bear the title of General Manager. Following his departure on 21 July 2006, the General Manager of Euler Hermes has not been replaced.
Agreements concerning the company and any commitments undertaken in its name are signed by the Chairman of the Group Management Board or, if the Chairman of the Group Management Board is absent or unable to sign, by any member of the Group Management Board who has been appointed General Manager by the Supervisory Board or by any member especially empowered for this purpose.

In accordance with the law and under the terms of Article 17 of the company's Articles of Association, the Group Management Board is invested with the most extensive powers to act in all circumstances in the name of the company. It exercises these powers within limits defined by the corporate purpose, subject to those expressly allocated to the Supervisory Board and General Meetings by the law and the Articles of Association.

The Group Management Board can invest one or more of its members or any outside person with special assignments that it decides upon, which may be permanent or temporary, and can delegate to them the powers that it considers appropriate for one or more particular cases, with or without the option of sub delegation.

The Group Management Board operates according to "internal regulations" which are designed to complement the operating principles stipulated in the Articles of Association, while respecting the collective principle of the Group Management Board and facilitating the work of the Supervisory Board. In addition, the regulations define the practical procedures for holding meetings and recording minutes. These regulations are regularly updated as a function of the company's requirements and the assignments the Group Management Board sets itself and its members.

The Group Management Board can set up committees. It decides on their composition and attributes, and they carry out their activity under its responsibility, but it cannot delegate its powers. The Group Management Board meets as often as required in the interests of the company. The Group Management Board met almost twice a month in 2006.

The members of the Group Management Board divide among themselves the supervision of the business of the Euler Hermes group and group functions. The Chairman of the Group Management Board (CEO) alone represents the company in its relations with third parties.

In addition, the Chairman (CEO) is in charge of organising and coordinating the business of all group companies. Currently, he supervises at group level the areas of strategy and international development, information technology, internal audit, career management for senior managers, communications, risk management, the activities of other members of the Group Management Board and relations with shareholders.

The three other members of the Group Management Board share supervision of the remaining cross-company functions, i.e. risks and commitments, sales and marketing, finance and accounting, and reinsurance.

The person responsible for each cross-company function sets the limits of powers granted to the managers of subsidiaries in each of the areas in question. In addition, each member of the Group Management Board acts as the representative of the shareholder in respect of certain group companies.

Lastly, the members of the Group Management Board must provide each other with information about the following:

- the most significant decisions taken in their entity or in the area of business for which they are responsible within the group and in particular actions aimed at developing or adapting the group's business;
- events whose scope, even if they take place in their area of responsibility, involve several entities and in particular changes in procedures or operational methods which, although they do not require formal approval by the members of the Group Management Board, may affect other group companies.

More generally, the Group Management Board deals with all actions related to the implementation of the group's general strategy, in accordance with the procedure set out in the Group Management Board's internal regulations.

These regulations may be changed or added to by the Supervisory Board on the proposal of its Chairman.

These structures are completed by an operational management structure:

Organisation of Euler Hermes' cross-company functions

Euler Hermes has a matrix-type management structure, integrating cross-functional managers (strategy and international development, risks and commitments, reinsurance, sales and marketing, internal audit, finance and accounting, information technology, risk management, communications, and career management for senior managers), one of whom is also a member of the Group Management Board (finance and accounting), and the managers of subsidiaries. Cross-functional managers and managers of subsidiaries implement the strategy determined by the Group Management Board and report to members of the Group Management Board on their specific responsibilities.

Minutes of the meetings of the Group Management Board are sent to all cross-functional managers and managers of subsidiaries.

Each local entity is managed by a CEO who is responsible for implementing the group's strategy and its business model and for determining local strategies.

INTERNAL CONTROL PROCEDURES AND THE CONTROL ENVIRONMENT

The Euler Hermes group operates mainly in the fields of credit insurance and bonding and guarantees

Existing regulatory obligations

Legal obligations (the French Financial Security Act, the Sarbanes-Oxley Act in the United States) have been added to the existing set of regulations under which a company's management is directly responsible for all the company's business, including its internal control system; i.e. the achievement of objectives and the design and implementation of resources making it possible to control them. These regulations include those issued by the Insurance and Mutual Society Control Commission (Commission de Contrôle des Assurances et des Mutuelles) and the Banking Commission (Commission Bancaire) as well as accounting standards and the recommendations made in reports on corporate governance. All these rules and regulations have been taken into account in group procedures.

Internal control

On 22 January 2007, the Autorité des Marchés Financiers, the French securities regulator, published its internal control reference framework, defined as follows:

Internal control forms part of a company's systems and is defined and implemented under its responsibility with a view to ensuring:

- compliance with laws and regulations;
- the application of instructions and strategies set by the General Management or by the Management Board;
- the correct functioning of the company's internal procedures, notably those intended to safeguard its assets;
- the reliability of financial information;

and, more generally, to contribute to the control of its activities, the effectiveness of its operations and the efficient use of its resources.

As the Euler Hermes group has started to implement measures in order to comply with the Sarbanes-Oxley Act, and for consistency's sake, it uses the internal control principles laid down by the COSO (Committee of Sponsoring Organizations of the Treadway Commission), which apply within the Allianz group. These principles are internationally acknowledged.

It defines internal control as a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
- effectiveness and efficiency of operations;
- reliability of financial reporting;
- compliance with applicable laws and regulations.

COSO's definition of internal control breaks it down into five separate areas:
- the control environment (increasing staff awareness of the need for controls);
- the assessment of risks (factors likely to affect achievement of objectives);
- control activities (particularly the application of standards and procedures);
- information and communication of data to manage and control activities.
- the monitoring of control systems.

Internal control is designed to provide reasonable assurance regarding the achievement of the following objectives:
- financial performance, by the efficient and appropriate use of the group's assets and resources and protection against the risk of losses within the company;
- precise and regular knowledge of the data required for decision-making and risk management;
- adherence to internal and external rules;
- prevention and detection of fraud and mistakes;
- accuracy and completeness of accounting records and preparation of reliable accounting and financial information in a timely manner.

Internal control, in accordance with the COSO's description, is described below.

The control environment

The control environment inside the Euler Hermes group and its subsidiaries consists of the following:
- control structures;
- rules of conduct;
- the definition of responsibilities and control of individual objectives.

The principles of corporate governance

The Euler Hermes group has applied the principles of corporate governance by organising the structures of the holding company so as to supervise and control its subsidiaries. It has set up the following structures within its largest subsidiaries (Euler Hermes SFAC, Euler Hermes SIAC, Euler Hermes United Kingdom, Euler Hermes ACI, Euler Hermes Credit Insurance Belgium, Euler Hermes Kredietverzekering, Euler Hermes Kreditversicherung, Euler Hermes Nordic):

Governance structures
- A Board of Directors or Supervisory Board, depending on the entity. It includes the representative(s) of the shareholder (the group), directors from outside the group and meets four times a year in the presence of the CEO. Its task is to define the strategic orientations and business activities of the subsidiary and its CEO. It reviews the subsidiary's financial statements, main projects, legal risks and development. Its work is based on group reports drawn up by Group Management Control and specific indicators in the sales and marketing, risks, and litigation areas in particular.
- A Board Audit Committee. This consists of two or three directors and generally meets, with the subsidiary's management, on the day before Board of Directors' meetings. It reviews the subsidiary's financial statements, internal controls and the activity of internal and external auditors. The internal and external auditors take part in the work. They may discuss matters outside the presence of the company's general management at the request of members of the Committee or its Chairman. The Committee reports to the Board of Directors.
- A Remuneration Committee. This consists of the CEO, the representative of the shareholder and a non-executive chairman. The Committee decides on the remuneration of the members of the subsidiary's Management Committee on the basis of the CEO's proposals. The Group Remuneration Committee is informed of its decisions.
- A Finance Committee whose role is defined in the chapter entitled "Accounting and financial internal control procedures".

Management structures
- A Management Committee or Management Board, depending on the entity, chaired by the CEO. This consists of the main managers and meets at least once a month. It manages the subsidiary's business operationally on the basis of reports drawn up by Management Control and specific indicators. Its Chairman reports to the Board of Directors.
- A Management Audit Committee. This committee consists of members of the Management Committee and its Chairman (or his deputy). It meets between four and eight times a year. It reviews in detail internal audit reports, is responsible for communicating the contents of the report within the company and monitors the implementation of recommendations and the completion of the internal audit programme.

The former Hermes group companies have similar structures based on the Supervisory Board and "Vorstand" model.

The smaller subsidiaries have an Audit Committee, which plays the same role as in the larger subsidiaries.

Action as regards compliance

The role of compliance officer was created in January 2003, and strengthened in March 2006 by the appointment of a group compliance manager and the setting up of a network of compliance correspondents in the larger subsidiaries.
The group compliance manager also acts as the contact person for compliance functions within AGF and compliance within the Allianz group. Compliance reports are sent every quarter from local entities to the Euler Hermes, AGF and Allianz central functions, mainly on the prevention of insider trading, current legal and judicial proceedings, regulatory and tax audits, fraud, etc.

Other concrete actions are taken, such as regular checks of terrorist lists and the introduction of codes of conduct based on compliance rules drawn up by the AGF and Allianz groups and adapted to comply with local laws and regulations.

Measures have been taken inside the group to prevent money laundering, and more especially within Euler Hermes SFAC and Euler Hermes UK in accordance with the rules of the Commission Bancaire for France and of the FSA for the United Kingdom, and in accordance with AMF rules on the prevention of insider trading.

Definition of functions and control of individual objectives

The level of skills is ensured by recruitment procedures, supported by job descriptions. All staff undergo annual appraisals that make it possible to review their performance and set objectives for the coming year with their line manager that are consistent with the entity's objectives.

Risk assessment

Risk mapping

Risks were first mapped in 2002, by listing the operational risks with the managers of the subsidiaries. Business activity is divided into nine main functions:
- four operational functions: sales and marketing, risk management, indemnification and litigation and debt collection;
- five functions for support activities: management, human resources, finance and accounting, procurement and information technology.

These functions have been organised into 34 sub-functions. Seven categories of generic risks have been defined: cessation of operations, unreliable information, disclosure of sensitive information, loss of assets, loss of competitiveness, excessive costs, failure to comply with the law. These risks, which are specific to each function, are classified by category. For example, the risk of payment of a claim above the amount covered falls within the category of excessive costs/indemnification and litigation function.

These risks are assessed for each sub-function in terms of probability of occurrence, significance in the event of occurrence and control as regards audit. A level of risk is thus determined for each function and each sub-function.
The results of risk mapping are submitted to management audit committees and the Board's Audit Committee. This review takes place systematically when audit programmes are defined. The risk map was updated in 2006, on the basis of audit reports validated in collaboration with the managers of the subsidiaries.

The risk control function

The group has set up a risk control function with a view not only to monitoring risks but also to quantifying risks. Recent and prospective changes in the regulatory framework influenced the implementation of such a structure, which also addresses management's need to optimise the allocation of financial resources as a function of the risk and to strengthen this aspect of internal control and transparency.
The role of the risk management function is to analyse and quantify all types of risk, including financial, credit, premium-related and operational risks, as part of an ongoing interaction with all cross-company functions and in liaison with all group entities.
The decisions underlying this function are taken by the group risk committee, which also approves the measures required for the pro-active management of risks, in relation with the committees of other cross-company functions or in conjunction with the Group Management Board. This closer management of risks is carried out as a complement to but in collaboration with the existing control structures under the independent review of the risk control function. Risk management actions are relayed to the entities by their corresponding structures, which interact with the group's structures.
The role of the recently-formed group actuarial function is to coordinate and control reserves held by the entities and to oversee the application of methods for estimating reserves. This role is carried out mainly through dedicated committees formed between the group function and the local entities responsible for maintaining the reserves. The committees review the calculation assumptions, the methods applied and the key events that could affect reserves. Changes in reserves over time and their adequacy, as well as any excess reserves, are analysed in detail. This approach ensures consistency in the methods and practices used to determine consolidated amounts and provides an explanation of variances while also providing support and a framework for local entities, which remain responsible for maintaining their reserves.

Organisation of internal control activities

There are two levels of internal controls: control of the implementation of rules and procedures by management and control by audits.

Implementation of rules by management

Euler Hermes' rules and general principles were defined in 1999 by the group's cross-functional managers, in agreement with the Group Management Board, in the areas of risk, litigation, collections, sales and

marketing, finance, accounting, reinsurance, information technology, audit, communication and human resources.
In the area of risks and sales and marketing, these rules were updated in 2003 and again in 2004. They have been implemented in the main entities as procedures that include in particular the thresholds of individual responsibility and the organisation of specific risk and sales and marketing committees.

It should be noted that the following models have been introduced in all the main subsidiaries:

- a risk business model and quality standards in terms of the management of debtor risk,
- a collection business model and quality standards in terms of collection of receivables.

First level of control

At group level, there are cross-company functions for the risk/litigation, sales and marketing, and strategy/international development operational areas and for the information technology, finance and accounting, reinsurance, internal audit, human resources, communication and risk management support areas. A member of the Group Management Board is responsible for each function and monitors the implementation of group directives at the subsidiaries.

For example, the risk (credit) cross-company function monitors all the credit risk business. To do this, it uses the monthly group reports drawn up by Group Management Control and monthly reports on sensitive risks. Corrective action is coordinated with a Group Risk Committee whose members include subsidiaries' risk managers. This committee, chaired by the head of the cross-company risk function, meets every two months. Each subsidiary's risk manager reports to this committee. Local risk business is supervised by a local risk committee, of which the CEO is generally a member, and by a system of delegation of powers.

Procedures describing the processes and the main related controls have been drawn up for each department. The documentation of the control system was extended in 2004 to those departments not covered initially.

Controls are carried out by the operational units themselves. These controls may be integrated into the processing of transactions (first level) and some may be integrated into automated systems. In addition, they may be carried out by units or individuals that are independent of the above-mentioned operational units or distinct from those that carried out the first level controls (second level).

Second level of control, internal audit

The internal audit structure is decentralised. The group has a central audit function and audit structures within the largest units. Audit teams were strengthened in 2006 in both the central audit function and the subsidiaries (US, Italy, UK, Netherlands, Poland and Hungary) to provide enhanced coverage of risks. The group had 26 internal auditors in 2006. The group audit manager reports to the Euler Hermes Audit Committee and to the Chairman of the group and is a permanent member of subsidiaries' audit committees along with the local audit manager.

An annual programme of audit assignments is drawn up. This programme, based on a map of risks and a pragmatic approach to requirements, has a local part (2/3 of the activity) and a group part that includes the global audits of subsidiaries, and audits of cross-functional processes carried out simultaneously in the main subsidiaries. It is drawn up in accordance with a structured procedure in the second half of the year. It is the subject of a procedure of discussion, communication and validation with operational staff, general management and audit committees. The last stage of the validation process is the presentation of the programme to the Euler Hermes Audit Committee for approval in November. The audit programme is adapted to obtain coverage of risk over five years in accordance with Allianz's directives while ensuring more frequent coverage of the most sensitive risks. The 2007 group programme includes seven independent audits (audit of subsidiaries), four cross-functional audits, including one on the monitoring of credit risks, two audits of cross-company functions (risks, and sales and marketing), and five information system audits.

Group audit also carries out quality control assignments on two local audit structures each year. In 2006, the audit structures in Germany and the UK were reviewed; no material shortcomings were identified.

The audit activity is based on an audit charter that was validated by the Audit Committee and the Supervisory Board in April 2001. It precisely defines the assignment, the organisation of the various levels of control within the Euler Hermes group and its subsidiaries and the terms and conditions of intervention by group and local audit departments. It is completed by the development of audit standards and procedures at local and group levels.

In 2006, the Allianz group audit function issued two documents (Allianz Group Audit Policy and the Standard Audit Manual), which the Euler Hermes group has adopted.

Lastly, AGF conducted a quality audit of the group's audit structure in 2005. Subsequent monitoring indicates that all improvements requested have since been introduced.

Specific procedures for information systems

Security of information systems

Euler Hermes has set up an information system security structure by appointing a group information system security manager from within the group's Information Technology management team. This person is in charge of coordinating action relating to security with the security managers in the subsidiaries, in particular as regards the introduction of security standards and more specifically the Allianz group's standards. Allianz standards cover the following:
- Data classification
- E-mail security

- Data encryption
- Incident management
- Internet access
- Network access
- Increasing awareness of security issues
- Physical security
- Protecting systems against viruses and unauthorised entry
- Security of applications
- Secure access to systems/applications

Within the framework of the Sarbanes-Oxley project initiated in 2004 and implemented within the Euler Hermes group under the responsibility of various group companies, controls have been identified and documented to secure information systems used in group companies, and also to introduce procedures to protect information against any unauthorised use, disclosure or modification, and against any damage or loss (logical access controls ensuring that only authorised users have access to systems, data and programmes).
All the controls identified have been described and documented in detail.

IT quality assurance and new developments
The group IT function supervises the use of software design and development methods by the largest group entities. Quality audits (IT Architecture and Quality – ITAQ) are also organised when requested by the Group IT Director, a local IT manager or the group IT Architecture and Strategy department.

Consolidation and harmonisation of systems
The Euler Hermes group's IT systems are undergoing consolidation. Subsidiaries are inter-connected by means of a long-distance network, which was available 99.86% of the time in 2006.

The resources (data, equipment) required to manage the group's credit insurance commitments are centralised at one site. There is a back-up site in the event of any problem and data recovery tests are carried out regularly (two technical tests and three user tests were carried out in 2006).

The group production centre and local production centres apply data back-up procedures and use off-site data storage.

The group is pursuing its policy of system harmonisation and integration: risks (IRP), sales and marketing, litigation and collections, reporting (Rebus). Their gradual roll out within the group will help to reinforce access control procedures and the standardisation of subsidiaries' internal control systems.

In accordance with Allianz's policy, in 2006 Euler Hermes updated and tested the business continuity plans introduced throughout the group in 2004.

The group's internal audit structure and group subsidiaries' audit teams work together on reviews of IT projects or reviews of recently implemented applications. An audit of IT security was conducted in 2005/early 2006.

Procedures for the assessment of financial internal controls by the group

At the request of Allianz, from 2004 the Euler Hermes group had to comply with the requirements of sections 302 and 404 of the Sarbanes-Oxley Act which consist, especially for section 404, in identifying, documenting and evaluating all process risks and controls that contribute significantly to financial and accounting reports.
In 2004, 2005 and 2006, the Sarbanes-Oxley (SOX) project concerned five subsidiaries, Euler Hermes SFAC, Euler Hermes Kreditversicherung, Euler Hermes UK, Euler Hermes ACI and Euler Hermes SIAC. The project basically consisted in identifying the five COSO internal control areas in each of the subsidiaries, identifying for operational reasons those control activities that are performed throughout the production process.
This work was coordinated by the group's Chief Financial Officer, on the basis of Allianz directives. After the scope of the project was identified, work was undertaken locally within the scope of the SOX project to document the procedures and internal controls providing a reasonable assurance of the accuracy of the financial statements and documents, to test the design and effectiveness of existing controls, and lastly, implement measures to reinforce existing controls when necessary.
The process did not identify any major shortcomings.
Le processus mis en œuvre n'a révélé aucune déficience majeure.

ACCOUNTING AND FINANCIAL INTERNAL CONTROL PROCEDURES

The organisation of controls

Accounting and financial controls are carried out by the Group Finance function. This is organised in three departments:

- the Consolidation department
- the Management Control department
- the Assets/Liabilities Management department

Under the authority of the group's Chief Financial Officer, these three departments monitor and regularly check accounting and financial information and management indicators that are characteristic of the business.

The general system of organisation is based on a division into geographical areas, with the Consolidation and Management Control departments being divided in the same way. This makes it possible to assign a functional two-person team consisting of a consolidator and a management controller to each geographical area.

The Consolidation department

Euler Hermes is consolidated by the Allianz group, which has prepared its consolidated financial statements under IAS and IFRS since 1998.

Euler Hermes has presented its consolidated financial statements in IFRS format since 2005.

All the principles and rules that apply to companies in the Euler Hermes group are described in a consolidation manual that is provided to all entities.

The IFRS accounting and measurement rules are described in section 2 of the notes to the 2006 consolidated financial statements presented under IFRS.

The Consolidation department has six consolidators who report to the department manager.
Its role is, firstly, to prepare the consolidated financial statements published by the Euler Hermes group and, secondly, to provide the principal shareholders with the information required to integrate Euler Hermes' financial statements into their own consolidated financial statements, in the form of a consolidation package.

The Consolidation department is directly in touch with the accounting and financial managers of the consolidated entities and the principal shareholders' consolidation departments.

All group companies that meet the legal and regulatory conditions are consolidated except for those that are expressly excluded for clear and stated reasons.

The Euler Hermes group's consolidated financial statements are drawn up on a quarterly basis. They are prepared by the Euler Hermes' Group Management Board and submitted to the Group Audit Committee then to the Supervisory Board.
They are published twice a year on the basis of six-monthly and annual reports in accordance with AMF regulations. At 30 June they are subject to a limited review by the Independent Auditors while the annual financial statements are subject to an audit at the level of the individual accounts of the consolidated entities and the consolidated financial statements themselves.

In addition, a certificate of compliance signed by the subsidiary's chairman and financial manager is used with regard to quarterly accounts drawn up by group companies and sent to the Consolidation department.

An identical certificate signed by the Chairman of the Group Management Board and the group's Chief Financial Officer is sent to the principal shareholders.
The consistency and uniformity of the consolidated data are ensured by the use of standard consolidation packages, the regular updating of group instructions and controls to ensure these are applied.

A standard chart of accounts enabling the upstreaming of relevant information compliant with our principal shareholders' own regulations has been put in place in all group companies.

Consolidation package
This is a standard document configured and formatted with SAP software, used by all group companies and has three modules:
- financial statements: balance sheet, income statement, cash flow statement, tax proof and attached tables,
- statistical statements, which provide details of the information reported in the financial statements and analyse it in a variety of ways,
- statements relating to off-balance sheet commitments, which are periodically inventoried and assessed.

Instruction manual
This document, which is available to all consolidated entities on the group's intranet site, describes the general accounting principles that apply to the group, the methods of valuing and recording items on the balance sheet and in the income statement and provides the instructions required to supply information for the consolidation package.

The Management Control department

Three levels of internal organisation

Management control is carried out jointly by the management control departments within each subsidiary and the Group Management Control department.

The way it is organised allows the Group Management Control department, which is organised by geographical area, to act as a second-level control.
Group Management Control is placed under the responsibility of a member of the Group Management Board.
The controls exercised by the principal shareholders (AGF and Allianz) are superimposed onto this internal organisation.

Direct dependence on corporate governance bodies

Group Management Control submits the group's results to the Group Management Board, the Audit Committee and the Supervisory Board each quarter.

Management control tasks

The main responsibilities of management control are as follows:
- drawing up budgets and adjusting annual forecasts;
- analysing changes in business each month using operational and financial indicators.
And, in addition, at group level:
- consolidating operating data and reports sent by subsidiaries;
- drawing up budgets and adjusting annual forecasts for the holding company and central entities;
- making comparisons between subsidiaries;
- preparing reports for shareholders;
- checking the consistency of data contained in consolidation packages.

Tools that are harmonised within the group

The controls carried out are based on standardised reports that are defined by Group Management Control. This standardisation makes comparison and benchmarking possible (especially relating to costs).
Reports sent by subsidiaries contain written commentaries on the business that are drawn up by the financial manager and validated by the CEO. These must highlight material deviations from month to month or as compared with the budget or updated forecasts.

A data analysis process that covers the entire business

Regardless of the event in question (monthly analysis, quarterly closing, updating of forecasts or preparation of the budget), controls are carried out mainly on the following data:
- exogenous data: reinsurance conditions, financial assumptions, rate of tax in particular;
- endogenous data: commercial production (premiums, premium rates, etc.), changes in loss ratios and overheads, headcount in particular;
- adherence to accounting rules: reserves booked for premiums, reserves booked for claims, monitoring the liquidation of reserves;
- analysis of the economic added value contributed by subsidiaries and consolidation of the group's economic added value.

This analysis is by business line.

Specific features of the procedures for drawing up budgets and updating forecasts

Budgets are drawn up according to the following cycle:
- Group Management Control sends guidelines validated by the Group Management Board, together with a harmonised budget package (mid-July);
- the subsidiaries transmit their own budget instructions and their internal assumptions for the purpose of checking the consistency of these assumptions (endogenous and exogenous) against the mid-year results,
- preparation of the budget within each subsidiary, validation by the CEO and transmission of budget packages (mid-September);
- budget arbitration meetings attended by the Group Management Board, Group Management Control and the representative of the principal shareholder for the group and the CEO, the financial manager and, where applicable, the head of management control for the subsidiaries;
- presentation of the budget to the principal shareholders for validation (mid November).

Annual forecasts are updated twice a year, in May and in September. They are used to adjust the budgets in accordance with the most recent changes in business. This is a formal procedure, giving rise to the issuance of guidelines and the transmission of a budgetary package to the group in return, which is subject to in-depth discussions between the subsidiaries and the group.

At the year end, a "flash forecast" procedure is implemented to rapidly identify any developments in the subsidiaries that may impact the group's results.

The Assets/Liabilities Management department

The role of this department is to ensure the consistency of financial investment policies between the subsidiaries and the compliance of these policies with the instructions set forth by the group.
These relate to the breakdown of portfolios by category of assets, the determination of benchmark indices, and the choice of portfolio managers and institutions in charge of the custody of securities.
This supervision takes the form of monthly finance committee meetings attended by the subsidiary's Chief Executive Officer and financial manager, representatives of the managing institution and the group finance function.
The committee makes recommendations regarding the purchase and sale of securities and the reinvestment strategy for operational cash flows.
Euler Hermes' Group Management Board acts as arbitrator.

In addition, the Assets/Liabilities Management department organises two group finance committee meetings each year attended by the Group Management Board and representatives of the principal shareholders.
This committee receives reports on past management and determines future strategies.

Lastly, the Assets/Liabilities Management department manages the holding company's debt, and negotiates new loans and related hedging instruments. It reports to the Group Management Board for prior approval.

CONCLUSION

This report has been presented to the Audit Committee and the Supervisory Board.

In accordance with the organisational methods common to Euler Hermes group entities, as described previously, and the existing measures and procedures, the Supervisory Board and its Chairman, the Group Management Board and the relevant parts of the group are kept regularly informed of internal controls and of the level of exposure to risk, as well as of the progress recorded in this respect and in connection with corrective measures adopted.

April 19, 2007

Jean Philippe Thierry
Chairman of Euler Hermes' Supervisory Board

Report of the auditors on the report of the Chairman of the Supervisory Board

Auditors' report, prepared pursuant to Article L. 225-235 of the French Commercial Code, on the report of the Chairman of the Supervisory Board of Euler Hermes SA on internal control procedures relating to the preparation and processing of accounting and financial information

Year ended 31 December 2006

In our capacity as auditors of Euler Hermes SA and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we hereby present our report on the report prepared by the Chairman of your company's Supervisory Board in accordance with the provisions of Article L. 225-68 of the French Commercial Code in respect of the year ended 31 December 2006.In his report, the Chairman of the Supervisory Board is required to report in particular on the conditions under which the Supervisory Board's work is prepared and organised and on the internal control procedures put in place within the company. We are required to give you our observations on the information contained in the Chairman's report on internal control procedures relating to the preparation and processing of accounting and financial information.
We have conducted our work in accordance with the professional tandards applicable in France. Those standards require us to perform tests designed to verify the fairness of the information contained in the Chairman's report on internal control procedures relating to the preparation and processing of accounting and financial information. These tests consist in particular of:

- reviewing the objectives and general organisation of internal control, and the internal control procedures relating to the preparation and processing of accounting and financial information, as presented in the Chairman's report;
- reviewing the work that forms the basis for the information thus provided in the report.

Based on this work, we have no observations to make concerning the information provided on the company's internal control procedures relating to the preparation and processing of accounting and financial information, as contained in the report of the Chairman of the Supervisory Board, prepared pursuant to the provisions of Article L.225-68 of the French Commercial Code.

Paris-la-Défense, Neuilly-sur-Seine and Paris, 19 April 2007

The auditors

KPMG AUDIT	PRICEWATERHOUSECOOPERS	ACE - AUDITEURS
A division of KPMG SA	AUDIT	ET CONSEILS D'ENTREPRISE
Xavier Dupuy	Christine Bouvry	Alain Auvray

Consolidated Financial Statements at 31 December 2006

Consolidated Financial Statements at 31 December 2006

Consolidated balance sheet

(€'000)

ASSETS	Notes	31/12/06	31/12/05
Goodwill	1	107,374	109,166
Other intangible assets	2	42,919	32,603
Intangible assets		**150,293**	**141,769**
Investment property	3	88,654	94,049
Financial investments	4	2,879,178	2,804,160
Derivatives	5	5,469	1,419
Investments- insurance businesses		**2,973,301**	**2,899,628**
Investments accounted for by the equity method	**6**	**36,801**	**43,521**
Share of assignees and reinsurers in the technical reserves and financial liabilities	**17**	**411,965**	**544,912**
Operating property and other property and equipment	7	151,356	155,511
Acquisition costs capitalised		33,536	39,159
Deferred tax assets	8	20,912	16,732
Inwards insurance and reinsurance receivables	9	413,604	405,091
Outwards reinsurance receivables	9	82,623	68,382
Corporation tax receivables		22,813	18,804
Other receivables	10	142,212	143,007
Other assets		**867,056**	**846,686**
Cash	**11**	**334,964**	**221,678**
TOTAL ASSETS		**4,774,380**	**4,698,194**

(€'000)

LIABILITIES	Notes	31/12/06	31/12/05
Capital stock		14,384	14,346
Additional paid-in capital		448,058	444,985
Reserves		968,088	825,162
Net income, group share		326,054	286,076
Revaluation reserve	12	124,910	142,463
Translation reserve		10,892	24,021
Shareholders' equity, group share		**1,892,386**	**1,737,053**
Minority interests	13	19,153	7,869
Total shareholders' equity		**1,911,539**	**1,744,922**
Provisions for risks and charges	**14**	**99,715**	**98,049**
Subordinated borrowings		–	140
Borrowings from banking sector businesses		–	110,244
Other borrowings		302,369	226,435
Borrowings	**16**	**302,369**	**336,819**
Gross non-life technical reserves	17	1,413,342	1,497,164
Liabilities related to contracts		**1,413,342**	**1,497,164**
Deferred tax liabilities	8	389,251	371,968
Inwards insurance and reinsurance liabilities	18	190,065	212,075
Outwards reinsurance liabilities	18	117,306	159,565
Corporation tax payables		65,174	28,980
Derivatives	5	–	1,220
Other	19	285,619	247,432
Other liabilities		**1,047,415**	**1,021,240**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4,774,380**	**4,698,194**

Consolidated income statement

(€'000)

	Notes	2006	2005 restated *	2005 published
Premiums written		1,739,540	1,719,988	1,719,988
Premiums refunded		(81,274)	(80,580)	-
Change in unearned premiums		509	(30,527)	(30,527)
Earned premiums		**1,658,775**	**1,608,881**	**1,689,461**
Premium-related revenues		353 045	318,488	318,488
Turnover	20	**2,011,820**	**1,927,369**	**2,007,949**
Investment income		116,661	117,611	115,161
Investment management charges		(16,784)	(24,649)	(24,649)
Net gain (loss) on sales of investments less impairment and depreciation writebacks		52,584	36,922	37,895
Change in fair value of investments recognised at fair value through the income statement		1,715	188	-
Change in investment impairment provisions		(4,374)	(1,700)	(2,485)
Net investment income	21	**149,802**	**128,372**	**125,922**
Insurance services expense		**(692,668)**	**(609,129)**	**(689,709)**
Income from outwards reinsurance		(569,884)	(698,947)	(698,947)
expense from outwards reinsurance		382,142	449,025	449 025
Net outwards reinsurance income or expense	20	**(187,742)**	**(249,922)**	**(249,922)**
Contract acquisition expense		**(284,027)**	**(284,002)**	**(284,002)**
Impairment of portfolio securities and similar		**–**	**(708)**	**(708)**
Administration expense		**(193,879)**	**(189,029)**	**(188,138)**
Other ordinary operating income and expense	23	**(313,395)**	**(276,307)**	**(274,748)**
Ordinary operating income		**489,911**	**446,644**	**446,644**
Other operating income and expense		**–**	**–**	**–**
Operating income	20	**489,911**	**446,644**	**446,644**
Financing expense		(11,489)	(10,121)	(10,121)
Income from companies accounted for by the equity method	6	8,547	8,056	8,056
Corporation tax	24	(156,734)	(158,394)	(158,394)
Consolidated net income		**330,235**	**286,185**	**286,185**
Minority interests	13	(4,181)	(109)	(109)
Net income, group share		**326,054**	**286,076**	**286,076**
Earnings per share	25	**7.51**	**6.74**	**6.74**
Diluted earnings per share		**7.45**	**6.69**	**6.69**

** The presentation changes corresponding to the restated income statement are set out in note 2.2 of the notes to the consolidated financial statements.*

The notes to the consolidated financial statements were prepared on the basis of the restated income statement for the year ended 31 December 2005.

Revenues from ordinary activities include earned premiums, premium-related revenues, investment income, gains and losses on disposals of investments net of impairment and depreciation writebacks, and the change in fair value of investments recognised at fair value through the income statement. Revenues from ordinary activities for the year ended 31 December 2006 totalled €2,184 million compared with €2,083 million for the year ended 31 December 2005.

Consolidated cash flow statement

	2006	2005
Group net income	**326,054**	**286,076**
Corporation tax	156,734	158,394
Financing expense	11,489	10,121
Operating income before tax	**494,277**	**454,591**
Adjustments for non-monetary and non-operating items		
Minority interests	4,181	109
Allocation to and writebacks of depreciation, amortisation and reserves	43,037	33,635
Change in technical reserves	50,627	31,925
Change in deferred acquisition costs	(2,505)	(6,470)
Change in fair value of financial instruments recognised at fair value through the income statement (excluding cash and cash equivalents)	(1,715)	(188)
Realised capital gains/(losses) net of writebacks	(52,555)	(30,320)
Unrealised foreign exchange gain (loss) in company accounts	4,196	(1,505)
Revenues and expenses linked to stock options and similar	3,204	4,308
Interest revenues received	(95,160)	(84,977)
Interest revenues cashed	94,362	87,889
Adjustment for elements included in operating income that do not correspond to cash flows and reclassification of financing and investment flows	**47,672**	**34,406**
Operating activities		
Income (loss) of companies accounted for by the equity method	(8,547)	(8,057)
Dividends received from companies accounted for by the equity method	4,447	4,095
Change in liabilities and receivables relating to insurance and reinsurance transactions	(71,490)	(15,688)
Change in operating receivables and liabilities	16,026	(28,370)
Change in other assets and liabilities	(6,228)	(3,536)
Corporation tax	(103,640)	(98,627)
Cash flow from operating activities	**372,517**	**338,814**
Investing activities		
Acquisitions of subsidiaries and joint ventures, net of acquired cash	1,580	(15,915)
Disposals of subsidiaries and joint ventures, net of ceded cash	143	20,461
Merger	(4)	476
Others	–	3
Cash flow linked to changes in the consolidation scope	**1,719**	**5,025**
Disposals of AFS securities	1,337,085	575,623
Matured HTM securities	9,609	2,293
Disposals of investment properties	7,370	2,740
Disposals of securities held for trading	80	1,337
Cash flow linked to disposals and redemptions of investments	**1,354,144**	**581,993**
Acquisitions of AFS securities	(1,455,010)	(729,424)
Acquisitions of HTM securities	(43)	(2,213)
Acquisitions of investment properties	(936)	(3,554)
Acquisitions of securities held for trading	(991)	(3,916)
Cash flow linked to acquisitions of investments	**(1,456,980)**	**(739,107)**
Disposals of other investments and intangible assets	418,236	63,572
Acquisitions of other investments and intangible assets	(429,117)	(191,570)
Cash flow linked to acquisitions and disposals of other investments and intangible assets (see note below)	**(10,881)**	**(127,998)**
Cash flow from investing activities	**(111,998)**	**(280,087)**

Consolidated cash flow statement

	2006	2005
Financing activities		
Increases and decreases in capital	3,336	1,265
Increases in capital	3,482	1,265
Decreases in capital	(146)	–
Change in treasury stock	6,928	11,027
Dividends paid	(153,695)	(13,487)
Cash flow linked to transactions with the shareholders	**(143,431)**	**(1,195)**
Changes in loans and subordinated securities	**(40,445)**	**(18,079)**
Issue	70,106	135,717
Repayment	(110,551)	(153,796)
Interest paid	(12,500)	(18,590)
Cash flow from group financing	**(52,945)**	**(36,669)**
Cash flow from financing activities	**(196,376)**	**(37,864)**
Impact of foreign exchange differences on cash and cash equivalents	(2,557)	7,664
Reclassification	57,151	–
Other cash flows linked to restructuring operations	3,966	–
Other net changes in cash	**58,560**	**7,664**
Cash flows	**122,703**	**28,527**
Change in cash and cash equivalents	**122,703**	**28,527**
Cash and cash equivalents at start of year *	**279,715**	**251,188**
Cash and cash equivalents at end of year *	**402,418**	**279,715**

** A reconciliation between the amount of cash recorded on the balance sheet, which does not include cash equivalents, and that shown in the cash flow statement above is provided in note 11.*

The cash flow statement presents the cash flows generated by operating activities, investing activities and financing activities. The Euler Hermes group has used the indirect method to present cash flows relating to operating activities, under which the net income is adjusted for transactions that have no cash flow impact, any lag or adjustment of operating cash inflows or outflows, past or future, relating to operations, and income and expense items relating to cash flows concerning investments or financing.

Explanatory notes

The reclassification of €57 million as at 31 December 2006 corresponds to the amount of cash pooling receivables concerning Allianz that were not recognised as cash as at 31 December 2005 (almost €51 million) and to cash equivalents that had not been identified as such (€6 million).

Changes in shareholders' equity

(€'000)	Capital stock	Additional paid-in capital	Retained earnings	Revaluation reserve	other: Translation reserve	other: Treasury shares	Total other	Shareholders' equity, group share	Minority interests	Total shareholders' propres
Shareholders ' equity at 31 December 2004, IFRS Normes IFRS	13,794	353,912	1,009,595	103,702	(10,880)	(92,290)	(103,170)	1,377,833	24,883	1,402,716
Available-for-sale assets (AFS)							–	–		–
Measurement gain / (loss) taken to shareholders' equity				38,000			–	38,000	(692)	37,308
Impact of transferring realised gains and losses to income statement							–	–		–
Cash flow hedges				760			–	760		760
Gain / (loss) taken to shareholders' equity							–	–		–
Impact of transferring realised profits and losses in the year to income statement							–	–		–
Impact of transfers on the initial amount of hedges							–	–		–
Impact of translation differences					34,901		34,901	34,901	30	34,931
Current and deferred tax taken directly to or transferred to shareholders' equity										
Net income recognised in shareholders' equity	–	–	–	38,760	34,901	–	34,901	73,661	(662)	72,999
Net income for the year			286,076				–	286,076	109	286,185
Total revenues and losses recognised for the year	–	–	286,076	38,760	34,901	–	34,901	359,737	(553)	359,184
Capital movements	552	91,073				9,318	9,318	100,943		100,943
Dividend distributions			(103,621)				–	(103,621)	(233)	(103,854)
Shareholders' equity component of share-based payment plans			1,747				–	1,747		1,747
Other movements			414				–	414	(16,228)	(15,814)
Shareholders ' equity at 31 December 2005, IFRS	14,346	444,985	1,194,210	142,463	24,021	(82,972)	(58,951)	1,737,053	7,869	1,744,922
Available-for-sale assets (AFS)							–	–		–
Measurement gain / (loss) taken to shareholders' equity				(18,340)			–	(18,340)	98	(18,242)
Impact of transferring realised gains and losses to income statement							–	–		–
Cash flow hedges				787			–	787		787
Gain / (loss) taken to shareholders' equity							–	–		–
Impact of transferring realised profits and losses in the year to income statement							–	–		–
Impact of transfers on the initial amount of hedges							–	–		–
Impact of translation differences					(13,129)		(13,129)	(13,129)	11	(13,118)
Current and deferred tax taken directly to or transferred to shareholders' equity										
Net income recognised in shareholders' equity	–	–	–	(17,553)	(13,129)	–	(13,129)	(30,682)	109	(30,573)
Net income for the year			326,054				–	326,054	4,181	330,235
Total revenues and losses recognised for the year	–	–	326,054	(17,553)	(13,129)	–	(13,129)	295,372	4,290	299,662
Capital movements	38	3,073				8,259	8,259	11,370	47	11,417
Dividend distributions			(151,821)				–	(151,821)	(1,874)	(153,695)
Shareholders' equity component of share-based payment plans			1,783				–	1,783	–	1,783
Other movements			(1,371)			–	–	(1,371)	8,821	7,450
Shareholders ' equity at 31 December 2006, IFRS Normes IFRS	14,384	448,058	1,368,855	124,910	10,892	(74,713)	(63,821)	1,892,386	19, 153	1, 911, 539

Changes in shareholders' equity

At 31 December 2006, the capital stock of Euler Hermes consisted of 44,951,118 fully paid-up shares, including 1,411,359 treasury shares.

In accordance with IAS 39, available-for-sale (AFS) investments were remeasured at market value with the resulting gain or loss being taken directly to the revaluation reserve with no impact on the income statement. During the year, the reduction in the revaluation reserve totalled €17,553 thousand, including €787 thousand relating to the unwinding of a hedging swap taken out by Euler Hermes SA.

Variances in translation differences during the year concerned mainly the US dollar (+€18,177 thousand), the British pound (–€5,660 thousand) and the Swiss franc (+€1,764 thousand).

120,874 new shares were created as a result of the exercise of stock options during 2006. Following these transactions, the share capital and additional paid-in capital of Euler Hermes SA increased by €38 thousand and €3,073 thousand respectively.

The variance of €1,783 thousand corresponds to an expense in respect of stock option plans in accordance with the application of IFRS 2.

The variance in minority interests was due mainly to the revised consolidation method applied to Bürgel Wirtschaftsinformationen GmbH & Co. KG, which is now fully consolidated whereas it was previously accounted for by the equity method. Details of this movement are provided in note 13.

Non-distributable reserves include notably provisions for equalisation recognised in the statutory financial statements of the European insurance companies.

Notes to the consolidated financial statements

1- SIGNIFICANT EVENTS

The following significant events occurred in 2006:

Changes in the capital stock and share ownership

The Shareholders' General Meeting of 22 May 2006 approved the payment of a dividend of €3.50 per share. At 31 December 2006, the AGF group owned 30,744,048 shares out of a total of 44,951,118, i.e. 68.39% of the capital stock.

During 2006, 120,874 new shares were created following the exercise of options under the 1997, 1998, 1999, 2003 and 2004 stock option plans. At 31 December 2006, Euler Hermes' capital stock was composed of 44,951,118 shares, including 1,411,359 treasury shares.

International development

Euler Hermes acquired the credit insurance business of Lumley General Insurance in Australia and New Zealand. The portfolio of insurance policies represented 7 million Australian dollars, i.e. €4 million. Until a credit insurance licence is secured, the related financial data is taken into account by the fronting business of the German subsidiary Euler Hermes Kreditversicherungs AG.

On 27 October 2006, Euler Hermes UK acquired the credit insurance portfolio of Allianz Corporate Ireland for 6.9 million pounds sterling, i.e. €10.1 million.

Euler Hermes is developing its business in Argentina with the launch of Euler Hermes Argentina on January 2007. The office was opened on 1 November 2006. Euler Hermes Argentina will operate as a services company, working closely with AGF Argentine.

Increase in the retention

The average group premium retention rate was increased from 59% at 31 December 2005 to 67% at 31 December 2006. Net earned premiums on reinsurance grew by 18% between 2005 and 2006.

2- IFRS ACCOUNTING AND VALUATION RULES

The financial statements of the Euler Hermes group at 31 December 2006 were approved by the Group Management Board meeting of 12 February 2007.

2.1- General principles

In accordance with European regulation no. 1606/2002 of 19 July 2002, the consolidated financial statements published for 2006 were prepared in accordance with the IFRS as adopted by the European Union. International accounting standards comprise IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), together with their interpretative texts.

The standards and interpretations applied stem essentially from:
- IAS/IFRS and their interpretative texts whose application is mandatory at 31 December 2006 and which have been adopted by the European Union;
- guidance provided in CNC recommendation no. 2006-R01 relating to the format of financial statements prepared by insurance firms under international accounting guidelines.

It is mandatory to apply the new standards, amendments to existing standards and subsequent interpretations for the year ended 31 December 2006 but these had no impact on the group's financial statements:
- Amendments to IAS 19: actuarial gains and losses, multi-employer plans and information to be disclosed (applicable to financial years starting on or after 1 January 2006). The group has decided to maintain the accounting method applied until now for the recognition of actuarial gains and losses;
- Amendments to IAS 39: amendment of the fair value option (applicable to financial years starting on or after 1 January 2006). This amendment has no impact on the classification and measurement of financial instruments classified at fair value through the income statement prior to 1 January 2006 as the group is able to comply with the amended conditions for the designation of a financial instrument at fair value through the income statement.

The following new standards, amendments to existing standards and subsequent interpretations have been published but are not applicable in 2006 and have not been adopted early:
- IFRIC 8: scope of application of IFRS 2 Share-based payments (applicable to financial years starting on or after 1 May 2006). Management is currently assessing the impact of IFRIC 8 on the group's activities;
- IFRS 7 Financial instruments – disclosures (applicable to financial years starting on or after 1 January 2007), amendments to IAS 1 Presentation of financial statements – information to be disclosed on the capital (comes into force with effect from 1 January 2007): after assessing the impact of IFRS 7 and the amendment to IAS 1, the group concluded that the main additional information to be disclosed will concern the sensitivity to market risk and information on the capital required under the amendment to IAS 1. The group will apply IFRS 7 and the amendment to IAS 1 to financial years starting on or after 1 January 2007.

The financial statements are presented in euros, rounded to the nearest thousand. They have been prepared on a historical cost basis except for asset and liability items relating to insurance policies, which are measured in accordance with the methods already applied by the group (see note 2.4.19.2) and financial instruments measured at fair value (financial instruments at fair value through the income statement and available-for sale financial instruments). Non-current assets and groups of assets intended to be sold and held with a view to being sold are measured at the lower of carrying amount and fair value less selling costs. The balance sheet is presented in increasing order of liquidity.

The preparation of annual financial statements that comply with IFRS requires management to apply judgements, estimates and assumptions that impact the application of accounting policies and the amount of the assets, liabilities, income and expenses. The estimates and assumptions are based on past experience and on other factors deemed to be relevant in view of the circumstances. They form the basis on which judgements regarding the carrying amount of assets and liabilities are based, when this cannot be directly deducted from other sources. The actual results may differ from these estimates.
The estimates and assumptions are reviewed regularly. The impact of any changes to accounting estimates are recognised in the financial year in which the change is made when this change concerns only the current financial year, or in the financial year to which the change applies and subsequent financial years when the change concerns both the current year and later years.

Judgements made by management in applying IFRS that have a material impact on the financial statements and key assumptions and other major sources of uncertainty relating to estimates on the balance sheet date, that present a significant risk of requiring a material adjustment to be made to the assets and liabilities during the period essentially concern impairment of goodwill, technical reserves and retirement commitments. These items are specifically covered in section 2.4.6.3 for goodwill impairment, 2.4.19.2 for technical reserves and 2.4.17 for employee benefits.

2.2 - Changes in the presentation of the consolidated income statement

Premium refunds granted to policyholders are now presented in a separate line as a deduction from turnover. They totalled €81,274 thousand for the year ended 31 December 2006 and €80,580 thousand for the year ended 31 December 2005. They were previously recorded in insurance services expense.

Interest on cash pooling receivables is now presented in financial income whereas it was previously recorded in other ordinary operating income and expense. This interest totalled €3,530 thousand for the year ended 31 December 2006 and €2,450 thousand in 2005.

Claims handling expenses to be borne by reinsurers of €10,988 thousand were presented in the 2005 published financial statements partly in claims paid to be borne by reinsurers (€3,697 thousand) and partly in claims reserve expense to be borne by reinsurers (€7,291 thousand). Furthermore, €891 thousand was reclassified from other ordinary operating income and expense to administration expense in 2006.

€188 thousand corresponding to the change in fair value of investments recognised through the income statement was reclassified from gains and losses on disposals of investments net of impairment and depreciation writebacks (-€973 thousand) and from changes in impairment of investments (+€785 thousand) to change in fair value of investments recognised at fair value through the income statement.

2.3 - Consolidation scope

2.3.1 Changes in the consolidation scope

The following changes in the consolidation scope occurred in 2006:

<u>Companies joining the group</u>
The following companies were consolidated for the first time in the financial statements at 31 December 2006 using the full consolidation method:

- Euler Hermes Credit Insurance Agency (S) Pte. Ltd (Singapore)
- Euler Hermes Credit Underwriters (Hong Kong)
- Euler Hermes Services Baltic UAB Vilnius (Lithuania)
- Euler Hermes Services SIA Riga (Latvia)
- Euler Hermes Services OÜ Tallinn (Estonia)
- Burgel Wirtschaftsinformationen GmbH & Co KG (Germany)
- Burgel Wirtschaftsinformationen Verwaltungs-GmbH (Germany)
- Anna Kozinska (Poland)
- Euler Hermes Servicii Financiare SRL (Romania)

Euler Hermes Credit Underwriters (Hong Kong) and Burgel Wirtschaftsinformationen GmbH & Co KG, which were included in the consolidated financial statements at 31 December 2005 using the equity method, were consolidated at 31 December 2006 using the full consolidation method. Burgel Wirtschaftsinformationen Verwaltungs-GmbH (Germany) and Euler Hermes Servicii Financiare SRL (Romania), which were included in the consolidated financial statements at 30 June 2006 using the equity method, were consolidated at 31 December 2006 using the full consolidation method.

<u>Companies leaving the group</u>
The funds Hermes Allianz Investment 2-Fonds, Allianz Investment-1-Fonds and Dresdner Bank Investment-HK1-827-Fonds were wound up in the first half of 2006 following the decision to resume direct management of the financial portfolio. The liquidated funds contributed €18 million to consolidated earnings in 2006, including a contribution of €9 million to financial income.

<u>Mergers</u>
Euler Hermes Versicherungsbeteiligungen GmbH, Euler Hermes Beteiligungen GmbH and Hermes E-Business were merged with Euler Hermes Kreditversicherungs AG in February 2006 in order to rationalise the legal structures.

<u>Other changes</u>
On 29 May 2006, Euler Hermes SA purchased from Euler Hermes Credit Insurance Belgium SA the 628,022 shares (78.51%) that it held in Euler Hermes Kredietverzekering NV. Euler Hermes SA purchased from Euler Hermes Kreditversicherungs AG the 170,272 shares (21.29%) that it held in Euler Hermes Kredietverzekering NV. Euler Hermes Kredietverzekering NV is now a wholly-owned subsidiary of Euler Hermes SA.

Euler Hermes Kredietverzekering NV purchased from Euler Hermes Services Belgium SA (NV) the 46,288 shares (51%) that it held in Euler Hermes Services BV.

Codinf Services purchased the holdings of its minority shareholders. This company is now a wholly-owned subsidiary of Euler Hermes Sfac.

Euler Hermes Sfac acquired a further 10% of the Greek company Phoenix Credit Insurance S.A.

2.3.2 *List of consolidated companies*

French companies	Consolidation method	31-Dec-06 % control	31-Dec-06 % interest	31-Dec-05 % control	31-Dec-05 % interest
Euler Hermes S.A. [(1)] 1, rue Euler - 75008 Paris Siren: 552 040 594	68.39% held by AGF	Parent company	Parent company	Parent company	Parent company
Bilan Services SNC 25, boulevard des Bouvets - 92000 Nanterre Siren: 333 192 631	Full	66.00	50.00	66.00	50.00
Codinf Services SA 29, rue de Délizy - 93500 Pantin Siren: 341 693 778	Full	100.00	100.00	81.13	81.13
Euler Hermes Asset Management SA 1, rue Euler - 75008 Paris Siren: 422 728 956	Full	100.00	100.00	100.00	100.00
Euler Hermes Services SAS 1, rue Euler - 75008 Paris Siren: 414 960 377	Full	100.00	100.00	100.00	100.00
Euler Hermes SFAC SA 1-3-5, rue Euler - 75008 Paris Siren: 348 920 596	Full	100.00	100.00	100.00	100.00
Euler Hermes SFAC Crédit SAS 1, rue Euler - 75008 Paris Siren: 388 236 853	Full	100.00	100.00	100.00	100.00
Euler Hermes SFAC Recouvrement SAS 1, rue Euler - 75008 Paris Siren: 388 238 026	Full	100.00	100.00	100.00	100.00
Euler Hermes Tech SAS 1, rue Euler - 75008 Paris Siren: 388 237 091	Full	100.00	100.00	100.00	100.00
Euro Gestion EURO VL - Immeuble Colline Sud -10, passage de l'Arche 92034 Paris La Défense FR0007047568	Full	100.00	100.00	100.00	99.99
Euler Gestion CIC Asset Management - 4, rue Gaillon - 75002 Paris FR0007434980	Full	100.00	100.00	100.00	100.00

(1) Proportion held is based on a total of 44,951,118 shares (before restatement of treasury shares).

Foreign companies	Country	Consolidation method	31-Dec-06 % control	31-Dec-06 % interest	31-Dec-05 % control	31-Dec-05 % interest
Bürgel Wirtschaftsinformationen [4] GmbH & Co. K.G. Gasstraße 18 - Hamburg	Germany	Full	50.10	50.10	50.10	50.10
Bürgel Wirtschaftsinformationen Verwaltungs-GmbH [4] Gasstr.18 D-22761 Hamburg	Germany	Full	50.40	50.40	50.40	50.40
Euler Hermes Beteiligungen GmbH [2] Friedensallee 254 - Hamburg	Germany	Merger absorption	0.00	0.00	100.00	100.00
Euler Hermes Gesellschaft für Finanzdienstleistungen GmbH Friedensallee 254 - Hamburg	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Forderungsmanagement GmbH Friedensallee 254 - Hamburg	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Gesellschaft Für Informations Dienstleistungen mbH Friedensallee 254 - Hamburg	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Rating GmbH Friedensallee 254 - Hamburg	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Kreditversicherungs A.G. Friedensallee 254 - Hamburg	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Risk Management GmbH Friedensallee 254 - Hamburg	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Versicherungsbeteiligungen GmbH [2] Friedensallee 254 - Hamburg	Germany	Merger absorption	0.00	0.00	100.00	100.00
Hermes E-Business GmbH [2] Friedensallee 254 - Hamburg	Germany	Merger absorption	0.00	0.00	100.00	100.00
Hermes Risk Management Hamb. Friedensallee 254 - Hamburg	Germany	Full	100.00	100.00	100.00	100.00
Dresdner Bank Investment-HK1-827-Funds [3] DE0009758276 60329 - Frankfurt	Germany	Liquidation	0.00	0.00	100.00	100.00
Hermes Allianz Investment-1-Funds [3] DE0009787150 - dit - Deutscher Investment Trust	Germany	Liquidation	0.00	0.00	100.00	100.00
Hermes Allianz Investment-2-Funds [3] DE0006231798 - Mainzer Landstrasse 11-13	Germany	Liquidation	0.00	0.00	100.00	100.00
Prisma Kreditversicherungs A.G. Heiligenstadter Strasse 201 - Vienna	Austria	Equity	49.00	49.00	49.00	49.00
Euler Hermes Credit Insurance Belgium SA (N.V.) 15, rue Montoyer -1000 Brussels Brussels RC: 31 955	Belgique	Full	100.00	100.00	100.00	100.00
Euler Hermes Services Belgium S.A. (N.V.) 15, rue Montoyer -1000 Brussels Brussels RC: 45 8033	Belgium	Full	100.00	100.00	100.00	99.99
Graydon Belgium (N.V.) Uibreidingstraat 84 Bus 1 - 2500 Berchem	Belgium	Equity	27.50	27.50	27.50	27.50
Euler Hermes Seguros de Crédito S. A Alameda Santos 2335 Conj. 51 Cerqueira César 01419-002 - São Paulo	Brazil	Full	100.00	100.00	100.00	100.00
Euler Hermes Serviços Ltda Alameda Santos 2335 Conj. 51 Cerqueira César 01419-002 - São Paulo	Brazil	Full	100.00	100.00	100.00	100.00

(2) Merger-absorption with Euler Hermes Kreditversicherungs AG.

(3) Earning in 2006 fully consolidated up to the liquidition data.

(4) These companies will be fully consolidated as from 2006 (see § 2.3.1).

Notes to the consolidated financial statements

Foreign companies	Country	Consolidation method	31-Dec-06 % control	31-Dec-06 % interest	31-Dec-05 % control	31-Dec-05 % interest
Euler Hermes Do Brasil Exportaçao Alameda Santos 2335 Conj. 51 Cerqueira César 01419-002 - São Paulo	Brazil	Full	100.00	100.00	100.00	100.00
Euler Hermes Crédito Compaña de Seguros y Reaseguros S.A. Paseo de la Castellana, 95 - Edificio Torre Europa - Planta 14 - 28046 Madrid	Spain	Full	100.00	100.00	100.00	100.00
Euler Hermes Servicios SL Paseo de la Castellana, 95 - Edificio Torre Europa - Planta 14 - 28046 Madrid	Spain	Full	100.00	100.00	100.00	100.00
Euler Hermes Services Estonia OÜ Tallinn (4) Tina str 9, 10126 Tallinn	Estonia	Full	100.00	100.00	100.00	100.00
Euler Hermes A.C.I. Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00
Euler Hermes A.C.I Collections Services Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00
Euler Hermes A.C.I Holding Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00
Euler Hermes A.C.I Services, LLC 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00
Euler Hermes Emporiki SA 109-111, Messogion Ave - Politia Business Center - 115 26 Athens	Greece	Full	60.00	60.00	50.00	50.00
Euler Hermes Emporiki Services Limited 109-111, Messogion Ave - Politia Business Center - 115 26 Athens	Greece	Full	60.00	60.00	50.00	50.00
Euler Hermes Credit Underwriters Hong Kong Ltd (4) 09/F 1 Int. Finance Centre 01, Harbour View street - Hong Kong	Hong Kong	Full	100.00	100.00	100.00	100.00
Euler Hermes Services (HK) Ltd 09/F Int. Finance Centre 01, Harbour View street - Hong Kong	Hong Kong	Full	100.00	100.00	100.00	100.00
EH Magyar Követeléskezelö Kft Kiscelli u.104 - 1037 Budapest	Hungary	Full	74.90	74.90	74.90	74.90
Euler Hermes Magyar Hitelbiztosító Rt Kiscelli u.104 - 1037 Budapest	Hungary	Full	74.89	74.89	74.89	74.89
Euler Hermes SIAC Via Raffaello Matarazzo - 00139 Rome	Italy	Full	100.00	100.00	100.00	100.00
Euler Hermes Siac Services S.r.l Via Raffaello Matarazzo - 00139 Rome	Italy	Full	100.00	100.00	100.00	100.00
Dimensione S.R.L. Piazza Stia, 8 - 00138 Rome	Italy	Full	100.00	100.00	100.00	100.00
Logica S.R.L. Via Raffaello Matarazzo - 00139 Rome	Italy	Full	100.00	100.00	100.00	100.00
Euler Hermes Credit Services (Japan) Ltd 08-07, Kyobashi 1- chome, Chuo-Ku -Tokyo	Japan	Full	100.00	100.00	100.00	100.00
Euler Hermes Services Latvija SIA (4) Skolas 9-5, LV-1010 Riga	Latvia	Full	100.00	100.00	100.00	100.00
Lietuvos Draudimo Kreditu Draudimas Jasinskio 16, Vilnius	Lithuania	Equity	51.00	51.00	51.00	51.00
UAB Euler Hermes Services Baltic (4) Jasinskio 16, Vilnius	Lithuania	Full	100.00	100.00	100.00	100.00

(4) Full consolidation for the first time in 2006 (see § 2.3.1).

Notes to the consolidated financial statements

Foreign companies	Country	Consolidation method	31-Dec-06 % control	31-Dec-06 % interest	31-Dec-05 % control	31-Dec-05 % interest
Euler Hermes Ré 6 B, route de Trèves - 02633 Senningerberg	Luxembourg	Full	100.00	100.00	100.00	100.00
Euler Hermes Acmar 243, boulevard Mohammed-V - 20000 Casablanca	Morocco	Full	55.00	55.00	55.00	55.00
Euler Hermes Acmar Services 243, boulevard Mohammed-V - 20000 Casablanca	Morocco	Full	55.00	55.00	55.00	55.00
Euler Hermes Seguro de Crédito S.A. Blvd Manuel Avila Camacho #164, 8° piso Col. Lomas de Barrilaco - Mexico, DF CP 11010	Mexico	Full	100.00	100.00	100.00	100.00
Euler Hermes Servicios SA Blvd Manuel Avila Camacho #164, 8° piso Col. Lomas de Barrilaco - Mexico, DF CP 11010	Mexico	Full	100.00	100.00	100.00	100.00
Euler Hermes Interborg NV Hoogoorddreef 5 - Postbus/PO 1100 AL Amsterdam	Netherlands	Full	95.00	95.00	95.00	95.00
Euler Hermes Kredietverzekering NV Pettelaarpark 20 - Postbus 70571 NL-5201 CZ's - Hertogenbosch	Netherlands	Full	100.00	100.00	99.80	99.80
Euler Hermes Services BV Pettelaarpark 20 - Postbus 70571 NL-5201 CZ's - Hertogenbosch	Netherlands	Full	100.00	100.00	100.00	99.90
Graydon Creditfink B.V. Hullenbergweg 260 - 1101 BV Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Graydon Holding N.V. Hullenbergweg 260 - 1101 BV Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Graydon Nederland B.V. Hullenbergweg 260 - 1101 BV Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Kisys Krediet Informatie Systemen B.V. Hullenbergweg 270 - 1101 BV Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
MarkSelect B.V. Diemerhof 26 - Postbus 22969 - 1100 DL Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
N.V. Interpolis Kredietverzekeringen Pettelaarpark 20 - 5216 PD's Hertogenbosch	Netherlands	Proportional	45.00	45.00	45.00	44.91
Euler Hermes Zarzadzanie Ryzykiem Sp. Z.o.o. ul. Chocimska, 17 - 00 791 Warsaw	Poland	Full	100.00	100.00	100.00	100.00
Towarzystwo Ubezpieczen Euler Hermes S.A. ul. Chocimska, 17- 00 791 Warsaw	Poland	Full	100.00	100.00	100.00	100.00
Euler Hermes, Anna Kozinska-Kancelaria Prawna Sp. k (4) ul. Chocimska, 17- 00 791 Warsaw	Poland	Full	99.98	99.98	99.98	99.98
Companhia de Seguro de Creditos SA (COSEC) Avenida de Republica, n° 58 1069-057 Lisbon	Portugal	Equity	41.43	41.43	41.43	41.43
Euler Hermes Cescob, uverova pojist'ovna, a.s. Molakova 576/11, 186 00 Prague 8	Czech Republic	Full	100.00	100.00	100.00	100.00
Euler Hermes Cescob Service, s.r.o. Zahrebska 23-25 - 0 00 Prague 2	Czech Republic	Full	100.00	100.00	100.00	100.00
Euler Hermes Servicii Financiare SRL (4) Str. Maltopol, nr. 9, 011047, Sector 1, Bucharest	Romania	Full	79.97	79.97	79.97	79.97
Euler Hermes UK plc 01, Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
Euler Hermes Collections UK Ltd 01, Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00

(4) Full consolidation for the first time in 2006 (see § 2.3.1).

Foreign companies	Country	Consolidation method	31-Dec-06 % control	31-Dec-06 % interest	31-Dec-05 % control	31-Dec-05 % interest
Euler Hermes Guarantee plc Surety House, Lyons Crescent - Tonbridge Kent TN9 1EN	United Kingdom	Full	94.86	94.86	94.86	94.86
Euler Hermes Holdings UK plc 01, Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
Euler Hermes Risk Services UK Ltd 01, Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
Euler Hermes International Ltd 01, Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
Graydon U.K. Limited Hyde House, Edgware road - Colindale - Londres NW9 6LW	United Kingdom	Equity	27.50	27.50	27.50	27.50
Euler Hermes Credit Insurance Agency (S) Pte. Ltd (4) 3 Temasek Avenue - # 08-01 Centennial Tower Singapore 039130	Singapore	Full	100.00	100.00	100.00	100.00
Euler Hermes Credit Insurance Nordic A.B. Klara Norra Kyrkogata 29 - SE 101 34 Stockholm	Sweden	Full	100.00	100.00	100.00	100.00
Euler Hermes Services - AG General Wille strasse 10 - 8002 Zurich	Switzerland	Full	99.50	99.50	99.50	99.50
Euler Hermes Reinsurance AG Tödistrasse 65 - 8002 Zurich	Switzerland	Full	100.00	100.00	100.00	100.00

NB: Percentages of control and interest are determined on the last day of the financial period.

(4) Full consolidation for the first time in 2006 (see § 2.3.1).

2.4 - Consolidation principles and methods

2.4.1 Consolidation policies

Euler Hermes consolidates entities within its scope using the consolidation method that must be applied according to the type of control that it exercises over the entity.

The group uses the acquisition method for recognising purchases of subsidiaries. The acquisition cost is measured as the fair value of the assets received, of shareholders' equity instruments issued and of liabilities incurred or committed to as at the transaction date plus any costs that are directly attributable to the acquisition. Any excess of the acquisition cost over the fair value of the group's share of the identified net assets acquired is recorded as goodwill. For companies accounted for by the equity method, this goodwill is not recognised separately, but instead is included in the amount of investments accounted for by the equity method. If the acquisition cost is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Subsidiaries

Subsidiaries are entities that are controlled by Euler Hermes. Control is the power, direct or indirect, to direct the financial and operational policies of an entity in order to obtain benefits from its activities. In assessing whether or not control exists, potential voting rights and conversion options that can be exercised during the period in question are taken into account. The financial statements of a subsidiary are incorporated into the group's consolidated financial statements from the date on which the parent company acquires control of the subsidiary until the date on which its ceases to exercise such control.

The group currently has holdings of less than 20% in certain mutual funds that are not consolidated. Holdings of more than 50% in other mutual funds are consolidated using the full consolidation method. This concerns the following mutual funds:

- Euler Gestion
- Euro Gestion

The Euler Hermes group owns 100% of these mutual funds.

Companies accounted for by the equity method

Companies accounted for by the equity method are entities, including those without a legal status such as certain partnerships, over whose financial and operational policies the group exercises significant influence without having control. The consolidated financial statements incorporate the group's share of the results of such companies using the equity method, from the date on which the parent company acquires significant influence until the date on which it ceases to have such influence. When the group's share of the losses of an associate is equal to or more than its interest in the associate, the carrying amount of the interest is reduced to zero and the group ceases to recognise its share of any future losses, except when the group has a legal or implied obligation or has made payments in the name of the associate. The amount of the group's investments accounted for by the equity method includes any goodwill (net of accumulated impairment) identified at the time of the acquisition.

Holdings in such companies are accounted for using the equity method. These companies are:

- Prisma Kreditversicherungs A.G.;
- Graydon Holding NV;
- Companhia de Seguro de Creditos SA (COSEC).

At present, only Lietuvos Draudimo Kreditu Draudimas is accounted for using the equity method even though it is exclusively controlled, as the company is currently being wound up. In the financial statements at 31 December 2006, Euler Hermes Credit Underwriters Hong Kong and Burgel Wirtschaftsinformationen GmbH & Co KG are now consolidated using the full consolidation method.

Entities under joint control (joint ventures)

Entities under joint control are those over whose economic activity the group exercises joint control by virtue of a contractual agreement. The financial statements of a joint venture are incorporated into the consolidated financial statements using the proportional consolidation method, by means of which the group's share of each of the assets, liabilities, income and expenses of the jointly controlled entity is combined, line by line, with the corresponding items in the group financial statements, from the date on which the parent company acquires joint control until it ceases to have such control.

NV Interpolis Kredietverzekeringen is controlled jointly by Euler Hermes Kredietverzekering NV, which owns 3,742 shares out of a total of 8,315 shares, and Interpolis Verzekeringen NV, which owns 4,573 shares out of a total of 8,315 shares. Each share represents one voting right. An executive director is appointed by each party and all decisions are subject to agreement.

There are no other jointly controlled companies.

2.4.2 Eliminations on consolidation

Income and expenses arising on intra-group transactions are eliminated during the preparation of the consolidated financial statements. Income and expenses arising on transactions with companies accounted for by the equity method or joint ventures are eliminated to the extent of the group's share in the company concerned.

2.4.3 Financial year and year-end dates

The financial year for all consolidated companies is a 12-month period ending on 31 December.

2.4.4 Translation

2.4.4.1 Translation of transactions denominated in a foreign currency

In accordance with IAS 21, transactions denominated in foreign currencies (currencies other than the operating currency) are translated into the currency used by the group for operating and presentation purposes at the exchange rate prevailing on the transaction date; for practical reasons, an average rate is used, i.e. the average of the month-end exchange rates. The entity's operating and reporting currency is the euro.

At each closing, the entity must translate balance sheet items denominated in a foreign currency into its operating currency by means of the following procedures:
- monetary items (notably bond investments, receivables and liabilities and technical insurance reserves) are translated at the closing exchange rate and any resulting gains and losses are recognised in the net income for the year,
- non-monetary items that are measured at historical cost (notably property investments) are translated at the exchange rate prevailing on the transaction date, and,
- non-monetary items that are measured at fair value (notably equity investments) are translated at the exchange rate prevailing on the fair-value valuation date.

2.4.4.2Translation of the financial statements of foreign companies

The financial statements of foreign subsidiaries are prepared in their operating currency. At each closing, the income statement and the balance sheet of each entity are translated into euros to facilitate the presentation of the consolidated financial statements, using the following procedure:
- the assets and liabilities of each balance sheet presented are translated at the closing rate;
- the income and expense of each income statement (including comparatives) are translated at the exchange rates prevailing on the individual transaction dates (in practice, an average exchange rate is used, which is equal to the average of the monthly closing rates for the period, except on the case of significant fluctuations in the exchange rate).

The group's share of any translation differences arising on shareholders' equity is recorded within shareholders' equity under "Translation differences", while the portion relating to third parties is recorded under "Minority interests".

The main exchange rates applied on consolidation for currencies outside the euro zone were as follows:

Exchange rate (to euros):

	31 December 2006		31 December 2005	
	closing	average	closing	average
Pound sterling	0.6715	0.68190	0.6853	0.683042
US dollar	1.3170	1.26299	1.1797	1.237983
Swedish krona	9.0404	9.25333	9.3885	9.299733
Brazilian real	2.81240	2.73856	2.7416	2.986192
Hong Kong dollar	10.24090	9.81224	9.1474	9.627233
Swiss franc	1.60690	1.57676	1.55510	1.54783

2.4.5 Sectoral data

A sector of activity is a distinct component of a business that is engaged in the supply of products or services exposed to risks and profitability that differ from those of other sectors of activity. A geographic sector is a distinct component of a business engaged in the supply of products or services in a given economic environment that are exposed to risks and profitability that differ from those of other geographic sectors.

2.4.6 Goodwill and other intangible assets

2.4.6.1 Goodwill

All business combinations made with effect from 31 March 1998 are recognised by applying the acquisition method. Goodwill represents an amount arising on the acquisition of subsidiaries, equity-accounted companies or joint ventures. It corresponds to the excess of the cost of the business combination over the share of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. The values of the identifiable assets and liabilities acquired may be adjusted within a period of 12 months commencing on the acquisition date.

For business combinations made prior to 31 March 1998, goodwill is recognised on the basis of the presumed cost, which corresponds to the carrying amount calculated by reference to the accounting rules used prior to the date of transition to IFRS.

Goodwill is recognised at acquisition cost less any accumulated impairment write-downs.

With effect from 1 January 2004, goodwill is no longer amortised in accordance with IFRS 3, but instead is subject to impairment testing, either annually or more frequently if events or changes in circumstances suggest that impairment may have occurred (see § 2.4.6.3).

If the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination (i.e. negative goodwill), a further review is undertaken of the identification and measurement of the identifiable assets, liabilities and contingent liabilities and of the assessment of the cost of the combination. Any excess identified after this review is recognised immediately in the income statement.

For the purposes of impairment testing, goodwill is allocated to Cash Generating Units or to groups of Cash Generating Units (see § 2.4.6.3 for the impairment test procedures).

At each closing, the carrying amount of the Cash Generating Unit (or groups of Cash Generating Units) to which the goodwill relates is compared with its recoverable value, which represents the higher of the fair value of the Cash Generating Unit less any selling costs and its value in use. The value in use is defined as the present value of future cash flows as identified in the business plans of the subsidiary concerned.

Details of the method used to calculate the value in use are presented in note 1 Goodwill.

Goodwill arising from the acquisition of a holding in equity-accounted companies is not presented separately, but is included within the amount of the investments in companies accounted for by the equity method.

2.4.6.2 Other intangible assets

An intangible asset is a non-monetary asset that has no physical substance and which is identifiable, i.e. it meets one of the following two conditions: it is separable (i.e. it can be sold, transferred, conceded, rented out or exchanged), or it arises from contractual or legal rights, regardless of whether or not these rights are separable.

Other intangible assets acquired by the group are recognised at cost less any accumulated amortisation and write-downs. Subsequent expenditure relating to recognised intangible assets is capitalised only to the extent that it contributes to increasing, and not simply maintaining, the future economic benefits represented by the intangible asset to which it relates. All other expenditure is recognised as an expense in the income statement when incurred.

Intangible assets with a defined useful life are amortised on a straight-line basis over their estimated useful lives. The amortisation charge is recognised in the income statement.

The group records under this heading software that is developed in-house or acquired externally and contract portfolios.

Software developed in-house or acquired externally is amortised over its estimated useful life.

Costs relating to the development phase are capitalised provided that the entity can demonstrate the technical feasibility of the project, its intention to complete and use the intangible asset, its capacity to use it, how the intangible asset will generate future economic benefits, the availability of resources to complete the development and its capacity to reliably measure the costs associated with the intangible asset.

2.4.6.3 Impairment

Goodwill

In accordance with IFRS 3, goodwill is not amortised but is subject to an annual impairment test for each Cash Generating Unit (CGU) or group of CGUs to which the goodwill relates. The CGUs correspond to the main subsidiaries presented in the sectoral analyses. An impairment of goodwill is recognised when the higher of the Cash Generating Unit's value in use (present value of future cash flows) and fair value less any selling costs is less than its carrying amount (share of net assets and goodwill).

The main assumptions used to determine the value in use are as follows: indefinite renewal of policies, growth rate to infinity of between 0% and 2% depending on the CGU concerned, and a discount rate of 8.20%. With effect from 2006, the discount rate used is determined by geographic region. The model is based on the projected 3-year budget prepared by management with a final year based on normalised management ratios (combined ratios and target retention rates) using a minimum rate of 83% for the combined ratio. Furthermore, as part of the setting up of a captive reinsurance company, the scope of the Cash Generating Units has been extended to include reinsurance assignments made to this new company as well as the share of related shareholders' equity. Lastly, the valuation model has been fine-tuned to incorporate specific treatment of capital surpluses actually available for distribution.

The impairment recognised in the income statement is allocated in priority to goodwill, if goodwill has been allocated to the Cash Generating Unit, while the balance is allocated on a pro rata basis to other assets comprising the Cash Generating Unit. Such impairment is never written back.

Other intangible assets

All other intangible assets are subject to an impairment test if there is any evidence of impairment. Any impairment recognised for an asset other than goodwill is written back if the estimate of the recoverable value has increased since the recognition of the last impairment. However, the write back cannot be such that the carrying amount of the asset exceeds the carrying amount that would have been determined, net of amortisation, if impairment had not been recognised.

2.4.7 Property assets

2.4.7.1 Distinction between investment property and operating property

An investment property is a property asset (land or building) owned by the group for the purpose of generating rental income or capital appreciation, as opposed to being for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business. Investment property is recognised in the balance sheet under "Investments – insurance businesses".

The group's operating property is included within property and equipment.

2.4.7.2 Recognition and measurement

The Euler Hermes group recognises property (held for investment or operating purposes) in accordance with the cost method. This means that each property asset must be recorded at an amount equal to the cost on the acquisition date (purchase price, including non-recoverable taxes and other expenses directly attributable to the acquisition such as transfer taxes and legal fees) plus any subsequent expenditure that can be capitalised under IAS16 and less any accumulated depreciation calculated in accordance with IAS 16 and any impairment relating to the application of IAS 36.

The Euler Hermes group has identified four categories of property assets that apply to both investment property and operating property:
- Housing;
- Warehouses and commercial premises;
- Offices;
- High-rise buildings.

The depreciable balance sheet amount corresponds to the historical acquisition cost (including expenditure that can be capitalised) less any residual value, where applicable, and any impairment. When the historical acquisition cost determined in this manner exceeds the residual value, a depreciation charge is recognised. The residual value corresponds to the amount that the business would currently obtain by selling an asset that has already reached the age and condition of the asset at the end of its useful life, net of any costs relating to its disposal.

For each category of property assets, the group has identified six significant components, in addition to land, each of which has a different useful life and must therefore be subject to a depreciation schedule according to their respective useful lives. The table below shows, for each category of property assets, the general allocation rules for each component, and the depreciation period and the residual value, where applicable. Acquisition expenses of properties are allocated to the components and depreciated over the same period.

	Housing	Warehouses and commercial premises	Offices	High-rise buildings
Component	Depr. period	Depr. period	Depr. period	Depr. period
Load-bearing structures and walls	100 years	30 years	100 years	70 years
Non-load-bearing windows and facades, roofs and terraces, internal constructions	40 years	30 years	40 years	40 years
A/C engineering, plumbing and networks, electrical engineering	25 years	20 years	25 years	25 years
Centralised technical management, fire safety and other safety features	25 years	20 years	25 years	25 years
Lifting gear	25 years	20 years	25 years	25 years
Major maintenance work	10 years	10 years	10 years	10 years

Properties are valued periodically by independent experts. The fair value of buildings is estimated based on market prices, adjusted, where applicable, to take into account the nature, location or other specific features of the building concerned. The fair value is presented in the notes to the balance sheet (see note 3).

2.4.7.3 Impairment

- Investment property

The value in use of property is calculated at each balance sheet date using the discounted future cash flows method. A provision for impairment of property is recognised where required to reduce the value of the property to the higher of the value in use and the expert valuation. This provision may be written back through the income statement in the event of an increase in value.

- Property for own use

When a property's expert valuation is less than its carrying amount, the value in use of the Cash Generating Unit (CGU) to which the property belongs must be determined. A provision for impairment is recognised in order to reduce the value of the operating property to the higher of the value in use and the expert valuation. In the event of an increase in value, this provision may be written back through the income statement.

2.4.8 Other property and equipment

Other property and equipment are recognised at cost less accumulated depreciation and impairment write-downs.

The depreciation methods and useful lives are generally as follows.

IT equipment	straight-line	3 years
Furniture/fittings	straight-line	10 years
Motor vehicles	straight-line	5 years

2.4.9 Financial instruments

2.4.9.1 Financial investments

In accordance with IFRS, financial investments are analysed between the following categories: financial instruments at fair value through the income statement, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. The classification is determined on initial recognition of the instrument according to its nature and/or the group's ownership intention.

Euler Hermes' financial investments are mainly classified as available-for-sale investments. The group has not elected for the option enabling it to value its financial investments at fair value through the income statement.

Available-for-sale financial assets (AFS)

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or which are not classified within the other three categories of financial instruments as defined below:

Initial recognition

Available-for-sale assets are recognised at fair value plus any transaction costs directly related to the acquisition (referred to hereafter as the purchase price).
The difference between the purchase price and the redemption value of fixed-income securities is recognised in the income statement on an actuarial basis over the remaining term of the securities using the effective interest rate method.

Measurement

On the balance sheet date, available-for-sale assets are measured at their fair value. The difference between the fair value of the securities and their purchase price less the actuarial amortisation is recognised in "available-for-sale assets", with a corresponding entry in the revaluation reserve, with no impact on the income statement.

Impairment

When objective evidence exists of impairment of an available-for-sale asset, the accumulated loss recognised directly in shareholders' equity is removed from shareholders' equity and recognised in the income statement.

The criteria deemed to indicate impairment of available-for-sale shareholders' equity instruments are as follows:
- significant impairment is presumed when the fair value of an available-for-sale equity instrument is more than 20% below the average acquisition cost of the securities at the quarter end;
- lasting impairment is presumed when the fair value is less than the acquisition cost for more than 9 months.

The amount of the accumulated loss removed from shareholders' equity and recognised in the income statement is equal to the difference between the acquisition cost (net of any capital repayment and any write-downs) and the current fair value, less any impairment of this financial asset previously recognised in the income statement.

Impairment recognised on a shareholders' equity instrument is never written back to the income statement prior to de-recognition of the instrument.

For debt instruments, the impairment, which is equal to the difference between the fair value and the amortised cost, is recognised through the income statement.

In addition, any subsequent decrease in the fair value of a security already written down results in the recognition of an additional impairment charge through the income statement.

Disposal

In the event of disposal, the amounts recognised in the revaluation reserve are recognised in the income statement.

Financial Held-to-maturity assets (HTM)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables, which the group has the clear intention and the capacity to hold until their maturity.

Initial recognition

On initial recognition, HTM assets are recognised at fair value plus any transaction costs directly related to the acquisition.

Measurement

On the balance sheet date, held-to-maturity investments are measured at their amortised cost using the effective interest rate method.
Premiums and discounts are included in the calculation of amortised cost and are recognised in the income statement on an actuarial basis over the term of the financial asset.

Assets held for trading purposes

A financial asset is classified as held for trading purposes if it is:
- acquired or held principally with a view to being sold or redeemed in the short term, or,
- part of a portfolio of identified financial instruments that are managed as a whole and for which there is evidence of a recent pattern of short-term profit taking, or,
- a derivative (except for a derivative that is a designated and effective hedging instrument).

Initial recognition

Assets held for trading purposes are recognised at fair value on the acquisition date.

Measurement

Assets held for trading purposes are measured at fair value. Any change in the fair value of securities held for trading purposes during the period is recognised in the income statement for the period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market, except for instruments classified at fair value through the income statement or as available for sale.

Recognition and measurement
Loans are recorded at fair value plus any directly attributable transaction costs. On the balance sheet date, they are measured at amortised cost using the effective interest rate method. Financial income for the period is recorded by applying the effective interest rate to the amortised cost of the transaction.

Impairment
When objective evidence of impairment exists (e.g. a deterioration in the financial situation of the issuers), the amount of the loss is equal to the difference between the carrying amount of the asset and the value of estimated future cash flows, discounted at the original effective interest rate of the financial asset.

2.4.9.2 Derivatives
A derivative is a financial instrument, or another agreement falling within the scope of application of IAS 39, that has the following three features: (a) its value fluctuates as a function of changes in an interest rate, in the price of a financial instrument, in the price of a specific commodity, in an exchange rate, in a price or rate index, in a credit rating or a credit index, or in another variable (the "underlying"); (b) it requires no net initial investment or a net initial investment that is less than that which would be required for other types of contracts that can be expected to react similarly to changes in market conditions; and (c) it is settled in the future.

All derivatives are classified at fair value through the income statement except when it concerns a designated and effective hedging instrument. In the latter case, the instrument is still measured at fair value but the recognition of the gain or loss follows the procedures applicable to the hedging relationship to which it relates.

Within the Euler Hermes group, derivatives correspond mainly to interest rate swaps. Interest rate swaps are hedging agreements that concern underlyings of the same amount and same maturity.

Derivatives eligible for fair value hedge accounting (i.e. those used to hedge changes in the fair value of an asset or liability) are recognised as follows:
- the hedging instrument is recognised at fair value and any changes are recognised through the income statement;
- the carrying amount of the hedged item is adjusted for any gain or loss on the hedged item attributable to the risk hedged, the change being recognised through the income statement;
- the hedged item is remeasured at market value in respect of the component relating to the risk hedged.

Derivatives eligible for future cash flow hedge accounting are recognised at fair value, with the portion of the change in fair value of the hedging instrument that is considered to constitute an effective hedge being recognised through shareholders' equity. The ineffective portion of the hedge is recognised immediately through the income statement.

Derivatives that are not eligible for hedge accounting are recognised as free-standing derivatives in the category of assets held for trading purposes. The fair value of free-standing derivatives is therefore recognised on the balance sheet in assets or liabilities, with any changes in the fair value being recognised through the income statement.

2.4.10 Insurance and reinsurance receivables and liabilities
This heading essentially comprises receivables and liabilities arising on insurance and reinsurance transactions, earned premiums not yet written and premium cancellations, net of reinsurance.

2.4.11 Acquisition costs capitalised
Acquisition costs capitalised relate to insurance policies. They mainly comprise brokerage commissions and expenses incurred by the sales and marketing departments. The capitalised amount is calculated using the same method as for the provision for unearned premiums. As the period covered by contracts is one year at most, these acquisition costs are deferred to the following year. The movement in acquisition costs capitalised is included in acquisition expense reported in the income statement. Where applicable, acquisition costs capitalised are written down as part of the application of tests on the adequacy of liabilities.

2.4.12 Current and deferred tax
The tax charge comprises current tax and deferred tax resulting from timing differences between the taxable base and the carrying amount of assets and liabilities. Deferred tax is calculated using the balance sheet liability method based on the taxation conditions known at the year end. Deferred tax assets are recognised provided that it is likely that they will be collected. Deferred tax is recognised on the difference between the consolidated value and the tax value of securities of consolidated subsidiaries except when the parent company is in a position to control the date on which the timing difference will reverse and when it is probable that it will not reverse within the foreseeable future. In practice, a deferred tax liability is recognised only on dividends whose distribution has been approved. Deferred tax is recognised on the difference between the consolidated value and the tax value of securities of companies accounted for by the equity method. Deferred tax is recognised on the difference between the consolidated value and the tax value of securities of consolidated entities that are in the process of being sold. A deferred tax liability is recognised on the adjustment to the capitalisation reserve, even when the low probability of selling at a loss securities of this reserve that are liable for tax makes it unlikely that the existing stock will be taxed.

2.4.13 Other receivables and operating liabilities
Other receivables and other operating liabilities essentially comprise tax-related receivables and liabilities (other than corporation tax), amounts due to employees, amounts due to suppliers, and receivables and liabilities due from/to the Allianz group.

2.4.14 Other assets and other liabilities

These essentially comprise prepaid expense accounts.

2.4.15 Cash and cash equivalents

Cash consists of cash in hand and demand deposits. Bank overdrafts repayable on demand are considered as cash equivalents when they form an integral part of the company's cash management procedures.

2.4.16 Provisions for risks and charges

2.4.16.1 Provisions

Provisions for risks and charges essentially comprise provisions for retirement commitments (see § 2.3.17).
Other provisions are measured using the rules set out in IAS 37, which require the existence of a present obligation arising from a past event, the probability that an outflow of resources representing economic benefits will be necessary to settle the obligation, and a reliable estimate of the amount of the obligation. They are discounted in the event that the impact proves to be significant.

2.4.16.2 Contingent liabilities and contingent assets

A contingent liability is a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or otherwise of one or more uncertain future events, that are not under the full control of the business, or a present obligation arising from past events but which is not recognised, either because an outflow of resources is unlikely or because the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset arising from past events and whose existence will be confirmed only by the occurrence or otherwise of one or more uncertain future events that are not under the full control of the business.

The group has not identified any contingent assets or liabilities corresponding to the above-mentioned definitions and requiring presentation in the notes to the financial statements.

Group companies may be concerned by disputes inherent in the exercise of their normal business. However, no exceptional events, disputes or arbitration procedures currently exist that are likely to have a material impact on the group's activity, results or financial situation.

2.4.17 Employee benefits

The group contributes, in accordance with the laws and practices of each country, to the constitution of retirement benefits for its employees. The benefits offered to group staff derive either from defined contribution plans or from defined benefit plans.

- Defined contribution plans involve payments to bodies that release the company from any future commitments in respect of employees. As such, only the contributions paid or payable in respect of the period are included in the group's financial statements. Such plans are in place in France, the United States, the United Kingdom and Scandinavia.

- In the case of defined benefit plans, an amount of benefits is paid to the employee upon retirement, this amount generally being determined by one or more factors such as age, number of years' service and salary. Such plans are in place in the following countries: France, Germany, Belgium, the Netherlands, Italy and the United Kingdom. In France, these concern retirement benefits paid in the form of an annuity or capital.

The related commitments are measured in accordance with IAS 19, by independent actuaries. The commitment is recognised in the balance sheet using the projected unit credit method, based on the group actuarial assumptions, which are reviewed each year. This method involves assigning an additional unit of rights to benefits for each period of service, with each of these units being measured separately to calculate the final commitment.

The group has put in place specific assets to cover certain plans. In this case, the commitment is reduced by the amount of the fair value of these assets. The commitment amount recognised as a liability is also adjusted for any actuarial variances and the past service cost.

Actuarial variances correspond to the change in the discounted value of the commitment or in the fair value of the assets, as a result of differences between the demographic and financial assumptions used in the calculations and the actual level of demographic and financial variables for the period (experience effect) and due to changes in the actuarial assumptions (IAS 19.7). These variances are recognised in the income statement using the corridor method. When the variances reach or exceed 10% of the higher (IAS 19.92) of the discounted value of the commitment or of the market value of the plan assets (the "corridor"), the amount by which these variances exceed the higher of these two values is spread over the expected average residual length of service of the plan beneficiaries.

Past service cost denotes the increase or decrease in the present value of the commitment in respect of defined benefits for services rendered during prior years, arising as a result of the introduction of a new retirement benefits plan or changes to plan arrangements during the current year. For benefit rights that have already been earned, the corresponding amount must be expensed immediately. For benefit rights that are not yet earned, the charge or income is spread on a straight-line basis over the average remaining length of service to be completed for the rights to be earned.

The Euler Hermes group also accrues commitments relating to other long-term benefits (long-service awards, etc.) granted to employees. The provision corresponds to the present value of the commitment and is calculated annually by the group.

2.4.18 Share-based payments

IFRS 2 is applied to all measures concerned that are granted after 7 November 2002.

Benefits granted to group employees involving the delivery of instruments representing shareholders' equity in group companies on preferential terms are now considered as additional remuneration and are recognised as an expense at their fair value on the allocation date with a corresponding entry to reserves. Where appropriate, this charge is spread over the vesting period. These benefits notably include discounts granted on the issue price of shares under capital increases reserved for employees as well as the fair value of stock purchase or subscription options granted to group employees.

Allianz has put in place stock option plans for the benefit of executives of the Euler Hermes group. On exercising their rights, these executives receive a cash amount corresponding to the difference between the market value and the subscription price (Stock Appreciation Rights plans - SAR), or shareholders' equity instruments (this action is possible under Restricted Stock Units plans - RSU).

The fair value of options granted is calculated using the Cox Ross Rubinstein valuation model.

2.4.19 Insurance and reinsurance contracts

Contracts considered as insurance or reinsurance contracts under French accounting standards are analysed in accordance with IFRS between the following categories of contracts:
- insurance and reinsurance contracts falling within the scope of IFRS 4;
- investment contracts with discretionary participation falling within the scope of IFRS 4;
- investment contracts without discretionary participation falling within the scope of IAS 39.

Following a detailed review of its insurance and reinsurance contracts, it was evident that the Euler Hermes group only has contracts in the first category, which covers insurance and reinsurance contracts falling within the scope of IFRS 4. This review also highlighted the absence of any embedded derivatives.

2.4.19.1 Definition of insurance contracts

Insurance contracts are contracts under which the insurer accepts significant insurance risk. Insurance risk is a risk, other than a financial risk, that is transferred by the policyholder to the policy issuer (a financial risk is a risk of possible future changes in interest rates, in the price of a marketable security, in an exchange rate, etc.).

Credit insurance contracts are included in IFRS 4 phase I (paragraph B18 (g) of the standard), this standard being applied pending the standard on "Financial Guarantee Contracts and Credit Insurance". The exposure draft relating to this new standard was issued in July 2004 and was open for comments through to 8 October 2004. The purpose of this exposure draft was to produce a single standard for the treatment of financial guarantees and credit insurance. The responses to the exposure draft were discussed at the IASB Board meetings in January, February and March 2005.

In April 2005, the IASB Board concluded that the issuers of financial guarantee or credit insurance contracts that have clearly indicated that their contracts corresponded to the definition of an insurance contract under IFRS 4 and had recognised them using the accounting methods specific to insurance contracts, could elect to apply either the accounting methods provided for in IFRS 4, or those provided for in the exposure draft.

On 18 August 2005, the sections of IFRS 4 and IAS 39 relating to financial guarantees were amended. The amendments were essentially aimed at ensuring that issuers of financial guarantee contracts measure these at fair value for the initial amount and subsequently at the higher of the amount determined in accordance with IAS 37 and the amount recognised initially less, where applicable, accumulated amortisation in accordance with IAS 18.
However, as companies that have been confirmed as issuers of insurance contracts may continue to use the accounting treatment proposed under IFRS 4, these amendments do not call into question the decision taken by the Euler Hermes group to apply IFRS 4 to credit insurance contracts.

2.4.19.2 Measurement of insurance contracts

Other than in the case of the specific exceptions defined in the standard, IFRS 4 permits the continued use of previous accounting principles for the recognition of insurance and reinsurance contracts. Euler Hermes has thus continued to apply the standards defined by CRC 2000-05 taking into account the following points, which are covered by specific provisions introduced by IFRS 4:
- Removal of provisions for equalisation;
- Performance of a test for the adequacy of liabilities;
- Impairment testing of reinsurance assets;
- Identification and separation of embedded derivatives.

For all other aspects, the methods already applied by the group, in accordance with CRC Regulation no. 2000-05, have been retained for the measurement of insurance contracts.

Analysis by function of expenses relating to contracts

Expenses relating to insurance contracts are initially recognised according to their nature and then analysed by function in the income statement headings by means of analysis keys based on objective business criteria.
Claims settlement expenses are included in contract service charges. Contract acquisition expenses and administration expenses are included in the income statement.

Premiums

Premiums correspond to premiums written excluding taxes, before reinsurance and net of cancellations. They are recognised on the date on which the guarantee takes effect and include an estimate of premiums still to be written for the portion earned during the financial year and an estimate of premiums that will be cancelled after the balance sheet date.

Premiums recognised in turnover stem from the guarantees given to policyholders to cover their trade receivables that arise in the same period as that for which the premium is paid. Given settlement delays, the lag between the triggering event, i.e. bankruptcy of the debtor, and notification of the claim, there is also a lag between recording the premiums and the related claims. This lag is taken into account through the recognition of provisions for claims incurred but not reported (IBNR).

Premium refunds granted to policyholders are now presented on a separate line as a deduction from earned premiums. Up to 31 December 2005, they were recognised in insurance service expense.

Provisions for unearned premiums

A provision for unearned premiums, gross of commissions and expenses, is established contract by contract as a function of the time left to run between the balance sheet date and the premium due date.

Claims

Claims comprise the following items:
- claims settled during the period relating to the current period or to prior periods, net of recoveries received;
- claims settlement expense, notably settlement service expense and commissions allocated to claims handling.

Reserves for claims payable

These technical reserves are designed to cover probable losses relating to:

- claims reported but not yet settled at the balance sheet date;
- claims occurring during the period but reported after the balance sheet date and, in respect of trade receivables existing at the balance sheet date and covered by a policy on such date, claims that will occur and will be reported during subsequent periods. These so-called "unknown" or "incurred but not reported" claims are estimated using statistical models that are essentially based on the level of claims observed during prior years.

Claims reserves are increased by a provision for administration charges.

Additional information on the measurement of claims reserves is provided in section 3.8 under risk management.

Estimated recoveries

Recoveries are the result of actions taken by the company against defaulting debtors in order to fully or partially recover claims paid to policyholders.

Estimated recoveries are a prudent estimate of potential recoveries on settled claims and are recognised as a reduction in the amount of the reserves for claims payable. They take into consideration a provision for administration charges determined in accordance with actual observed expenses.

Other technical reserves

A provision for current risks is established by risk category in addition to the provision for unearned premiums when claims likely to arise after the balance sheet date and relating to contracts underwritten before that date and the related acquisition costs and administration charges are not covered by the provision for unearned premiums.

Test for the adequacy of liabilities

At each closing, insurance contract liabilities net of related assets (acquisition costs capitalised and portfolio securities) are subject to a test for the adequacy of liabilities.
The methods previously applied by the group and retained under IFRS 4 (including notably the measurement of claims reserves on the basis of the non-discounted ultimate cost and the methods for establishing the provision for current risks) constitute a satisfactory test for the adequacy of liabilities given the minimum requirements specified by IFRS 4.

2.4.19.3 Reinsurance contracts

Acceptances

Insurance acceptances (inwards reinsurance) are recognised on a case-by-case basis based on the actual or estimated results for the year. Technical reserves correspond to the amounts advised by the assignors.

Assignments

Assigned reinsurance contracts (outwards reinsurance) are recognised in accordance with the terms of the various treaties. The share of assignees in the technical reserves is measured in the same way as technical reserves gross of reinsurance appearing in liabilities.

Cash deposits received from reinsurers are recognised in liabilities arising on assigned reinsurance transactions. Receivables due from reinsurers are not subject to impairment write-downs as they offer satisfactory financial guarantees and are authorised by the Allianz group.

2.4.20 Borrowings

Borrowings are contractual obligations that require the group to transfer cash or a financial asset to another entity, or to exchange with another entity a financial asset on potentially unfavourable terms.

The measurement and recognition of borrowings are defined by IAS 39. With the exception of derivatives (see §2.3.9.2), borrowings and other financial liabilities are recognised at fair value less any related transaction costs, and are subsequently measured at amortised cost calculated using the effective interest rate.

Borrowings include, within the meaning of IAS 39, borrowings, other financing and bank overdrafts, derivatives and amounts due to suppliers and social security liabilities included in "operating liabilities".

2.4.21 Income from ordinary activities

Income from ordinary activities can comprise items measured and recognised in accordance with IFRS 4, IAS 18 or IAS 39. This aggregate has a broader meaning than turnover as it also incorporates investment income.

Turnover comprises earned premiums and commissions and other operating revenues.

2.4.21.1 Premiums

Credit insurance premiums included in turnover correspond to written premiums excluding taxes, less premiums cancelled during the period and an estimate of written premiums that will be cancelled after the balance sheet date. They are increased by an estimate of the portion of premiums to be written that are earned during the period and adjusted by the movement in provisions for unearned premiums, which correspond to the share of written premiums covering the period after the balance sheet date. As from 2006, premium refunds granted to policyholders are now presented on a separate line as a deduction from turnover.

Premium-related revenues comprise enquiry and monitoring charges invoiced in respect of risk management and prevention on behalf of policyholders, and fees for the collection of disputed receivables. They also include income relating to the export guarantee activity managed on behalf of the German State and other technical income.

2.4.21.2 Investment income

Investment income is recognised in accordance with IAS 39, IAS 17 or IAS 18 depending on its type.

Investment income net of management expense

This income comprises notably the following categories of revenue:
- net income from property;
- net income form securities;
- other financial income (bank credit interest, income from other investments);
- foreign exchange gains and losses;
- investment management charges.

Capital gains and losses on disposals of investments

Capital gains and losses on disposals of securities or property are recognised in the income statement. The group generally uses the FIFO method (First In, First Out). Shares exchanged under a public share exchange offer result in the recognition of a capital gain on exchange.

Change in fair value of investments recognised at fair value through the income statement

Differences in fair value recorded for the current period less any differences from the previous period are recognised. These essentially concern the remeasurement of derivatives.

Change in investment impairment charges

The impairment charges notably concern write-downs of investments and write-backs following a disposal, and charges for the depreciation and impairment of investment property.

2.4.22 Insurance services expense

Insurance services expense includes the net cost of claims, i.e. claims settled during the period less recoveries received, the movement in claims reserves net of projected recoveries, bonuses and expenses incurred or to be incurred for the management of claims payments and collections.
The recognition principles applied to these items are those set out in IFRS 4 and are described in section 2.4.19.2 (Measurement of insurance contracts).

2.4.23 Net outwards reinsurance income or expense

This heading comprises the share of assignments and retrocessions of earned premiums, claims paid, changes in claims reserves, bonuses and commissions received from reinsurers.
The recognition principles applied to these items are those set out in IFRS 4 and are described in section 2.4.19.3.

2.4.24 Administration expense

Administration expense mainly comprises salary costs and costs relating to the IT systems.

2.4.25 Other ordinary operating income and expense

Other ordinary operating income and expense comprises:
- Other technical expenses;
- Employee profit-sharing and incentive plans;
- Other net non-technical income;
- Provisions for risks and charges;
- Other income and expenses;
- Interest on arrears relating to the retail credit activity managed by Euler Hermes Credit Insurance in Belgium.

Other ordinary operating income and expenses correspond to charges not allocated by function relating to the services activity of the Euler Hermes group.

2.4.26 Other operating income and expense

These revenue and expense items arise from a major event that occurred during the accounting period and are such that they would distort the interpretation of the group's performance. They therefore consist of very few items that are unusual in nature and occur infrequently, and are for a material amount.

2.4.27 Financing expense

The recognition principles applied to this item are those set out in IAS 39.

Financing expense consists of expenses relating to the following items:
- long-term financial liabilities: capital borrowings from the general public, e.g. in the form of bonds, or from banks or financial institutions (medium- or long-term loans, leases, etc.);
- short-term financial liabilities of the same type as above including issues of short-term negotiable debt securities to investors;
- fair-value hedging instruments recorded in the balance sheet and relating to liabilities representing the gross borrowings described above;
- accrued interest on balance sheet items representing gross borrowings.

2.4.28 Earnings per share

Earnings per share are calculated by dividing the group share of the net income or loss by the weighted average number of ordinary shares in issue during the year. An ordinary share is a shareholders' equity instrument that is subordinated to all other categories of shareholders' equity instruments.

Dilution implies a reduction in the earnings per share as a result of the assumption that convertible instruments are converted, equity options and subscription warrants are exercised, and ordinary shares are issued if certain specific conditions are met.

3- RISK MANAGEMENT

Through its activities, the Euler Hermes group is exposed to various types of financial risks: insurance risks, market risks (exchange risk, interest rate risk and equity market risk), credit risk and liquidity risk.

To monitor such risks adequately, the Euler Hermes group has implemented a risk control function within the finance department that aims to control the main risks to which the group is exposed.

3.1 - The risk control function

3.1.1 Objective and principles of risk control

In a rapidly changing environment, the perception of risk, as well as the realisation of certain major risks, has heightened risk awareness among all company staff. Risk control and measurement have become a major component of the Euler Hermes group's strategy. In optimising this component, the objective is to reduce earnings volatility and facilitate the optimum allocation of capital, a source of lasting and steady growth.

This approach forms part of an overall mechanism that is in keeping with the requirements of the key shareholders.

Responsibility for risk management lies with the various group companies. The group risk control function monitors, in conjunction with the control structures of each subsidiary, changes in risk and risk measurement. The latter measures any changes or build up in risk that is likely to impact the group's results.

In order to properly fulfil its mission, risk control applies a principle of independence and does not manage any operational function.

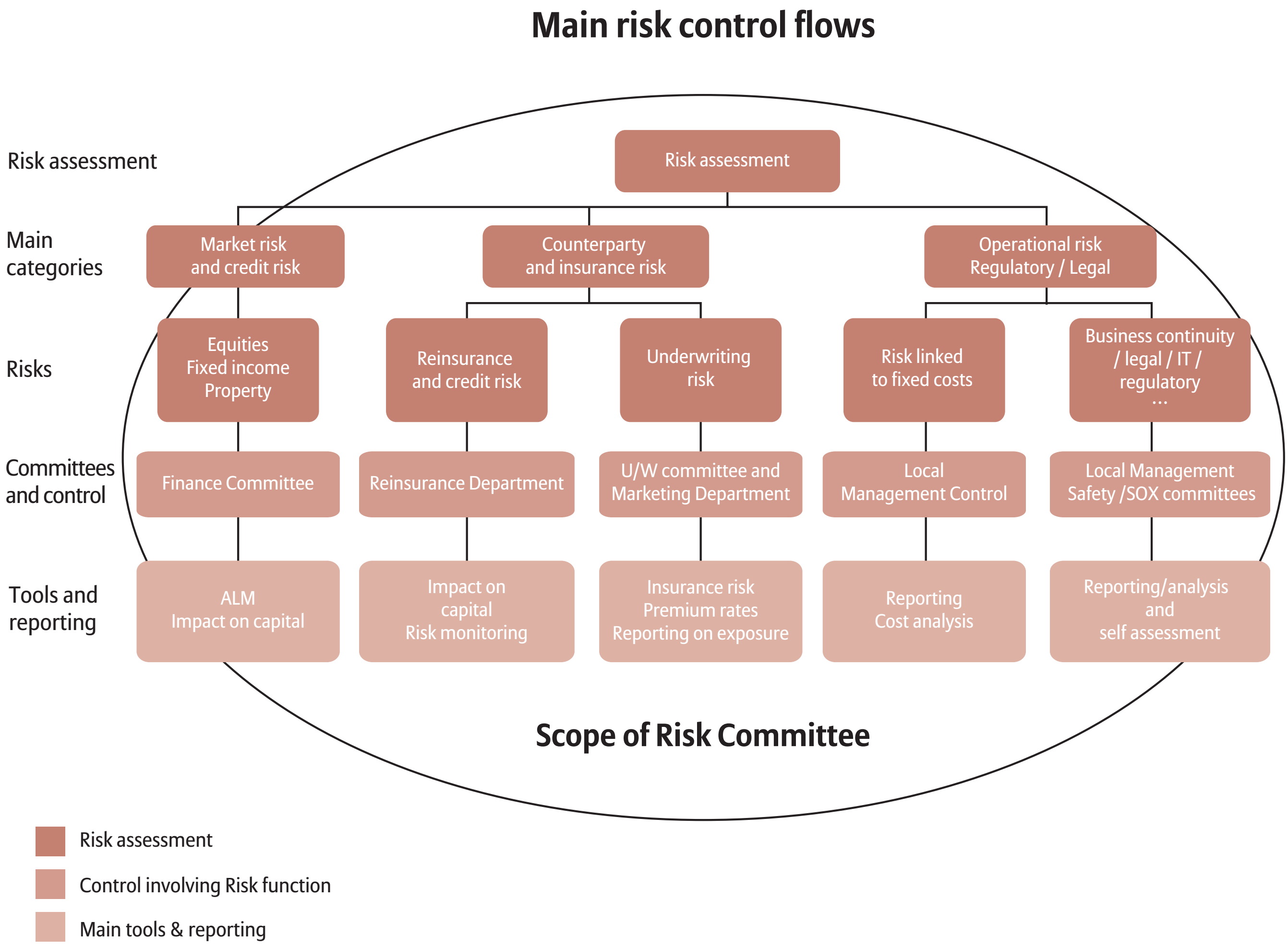
3.1.2 Risk control activity

This function is responsible for understanding, measuring and controlling all the types of risks that the group may face. To achieve this, it relies on each entity and the cross-company functions of the group to monitor and consolidate the information provided to management. This coordination provides detailed information on local situations, which in turn is used to prepare a consolidated view for submission to the group's senior management.

This enables the group's management to optimise the allocation of resources. As such, the investment policy may be heavily influenced by these measures in an environment of uncertain financial returns. The underwriting policy, in terms of both its commercial and risk aspects, may guide certain choices such as the contractual terms proposed to policyholders or the concentration of certain risks. Through precise control of these risks, Euler Hermes pursues its policy of preserving margins while at the same time maintaining a balance between the creditworthiness of the group and its subsidiaries and the allocation of available resources.

The main functions and subsidiaries have their own organisational structures with local committees and group committees whose tasks include risk monitoring, with independent oversight by the risk control function. The Group Risk Committee supervises the group's risk management and risk strategy using summaries of information reported by the entities and consolidated analyses. The Group Risk Committee comprises the group's management. Certain measurement tools are more specific to certain functions. The control and support mechanism also involves risk modelling and regular analysis of information that is more specific to the various risk categories. The models follow the business as closely as possible with regular parameter updates and the development of new instruments adapted to reflect changes in the environment.

The various types of risk, identified and regrouped by category and function together with the related control flows, are presented in the following diagram:



In addition to the structure shown above, the risk control function may place increased emphasis on the analysis or control of certain functions or subsidiaries. As such, besides the need to quantify and analyse the various types of risk, the complexity of the credit insurance business has prompted the risk function in 2006 to strengthen certain measurement tools covering the underwriting of insurance risks and management of financial investments.

3.2-Insurance risk

3.2.1 Insurance risk

The management of technical risk arising on credit insurance is based on a highly developed risk culture associated with the management of contracts and client service. As well as the management of contract underwriting, the group provides a service to policyholders to reduce the risks associated with their trade receivables.

As such, during the policy period, each request from policyholders for cover on one of their debtors is analysed in accordance with clearly defined debtor creditworthiness criteria (financial analysis, previous claims made on this debtor). Such cover is therefore underwritten on the basis of the risk profile of the commercial transaction relating to the application. Effectively, through the management of risk cover based on the creditworthiness of policyholders' customers, Euler Hermes actively modulates the transfer of policyholders' customer risk. To achieve this, each group entity has a dedicated management team that, through contact with the policyholder, monitors and analyses policyholders' positions and requests. These teams are coordinated by a cross-disciplinary function at group level, which ensures that consistent underwriting rules are applied to such cover and, in particular, that an equivalent rating is given across the entire group. In addition, insurance risk underwriting committees within each entity and at group level determine the commitments as a function of the level of the debtors' creditworthiness, particularly for the more sensitive risks.

On the commercial front, a cross-company function coordinates contractual changes and all the group's sales and marketing initiatives.

3.2.2 Credit insurance contracts

Credit insurance contracts are fairly homogenous in form within the group, their objective being to cover the risk of non-payment by policyholders' customers. However, certain contracts restrict the cover to the formal bankruptcy of the debtor only. The underlying risk is dependent upon local bankruptcy laws that offer the debtor varying degrees of latitude. The insurance company must thus anticipate the behaviour and practices stemming from these laws in order to maximise control of its own risk.

The credit insurance contract specifies the management conditions and the parameters (excess, maximum liability, etc.) that vary according to the risk profile of each policyholder. It also requires that the policyholder declares payment defaults within a given timeframe. During the policy period, there is ongoing collaboration with the policyholder, notably through the provision of the necessary cover for his customers. The principle of providing global coverage for policyholders' turnover is an important element in increasing risk diversification but also in limiting the effects of non-selection. The Euler Hermes group also offers a debt collection service that enables it to check the amounts to be collected from debtors and to act as quickly as possible to collect these amounts.

3.2.3 Insurance portfolio and diversification

Through its position as leader in its main markets, Euler Hermes' exposure is spread across many debtors. In addition, the Euler Hermes group's geographical coverage provides diversification of risk across many countries, bearing in mind that the group incorporates into its underwriting the notion of country risk. This diversification takes into account not only the location of the policyholders but more especially that of their customers.

The theoretical gross exposures in credit insurance correspond to the maximum amount of commitments that the group agrees to cover on its policyholders' applications. The actual amounts of policyholders' transactions that are covered are much less, in line with the actual turnover recorded by the policyholder at a given date. Like transfers of reinsurance risk, excesses and liability limits also reduce the group's final exposure.

The table below sets out the theoretical exposures not by country of the group entities, rather, in order to present a truer picture of the geographic split of risks, by country of the debtor (i.e. the policyholders' customers).

Gross theoretical exposures by the debtor's country at 31 December 2006

(€'m)	31/12/2006	As a %	31/12/2005 restated	As a %
Total Europe	**497,795**	**88.2%**	**455,347**	**88.5%**
of which:				
France	187,312	33.2%	187,670	36.5%
Germany	94,753	16.8%	84,800	16.5%
United Kingdom	60,247	10.7%	51,407	10.0%
Italy	56,516	10.0%	48,192	9.4%
Eastern Europe	19,556	3.5%	13,864	2.7%
Spain	15,598	2.8%	13,133	2.6%
Scandinavia	15,106	2.7%	13,002	2.5%
Netherlands	14,777	2.6%	13,714	2.7%
Belgium and Luxembourg	13,925	2.5%	12,370	2.4%
Rest of Europe	20,005	3.5%	17,195	3.3%
Total Americas	**49,703**	**8.8%**	**43,079**	**8.4%**
of which:				
United States	36,708	6.5%	32,755	6.4%
Canada	5,762	1.0%	5,178	1.0%
Latin America	7,233	1.3%	5,146	1.0%
Asia-Pacific	11,624	2.1%	12,545	2.4%
Near and Middle East	2,669	0.5%	2,003	0.4%
Africa	2,349	0.4%	1,640	0.3%
Total	**564,140**	**100.0%**	**514,614**	**100.0%**

As illustrated in this table of the geographical split of gross exposures, the debtors of a given policyholder may be located in very different geographical locations and this split contributes to risk diversification, which, at the group portfolio level, limits the effects of bankruptcy of individual companies or clearly defined groups of companies or even of sectors of activity.

The second table shows the gross exposures by sector of activity. The sectoral breakdown presents another effect of diversification, i.e. a reduced impact of individual bankruptcies. Regular sectoral analyses are prepared using group applications that are continually being improved. The 2006 split by sector benefited from these enhancements through more refined allocations (amounts allocated to "Other" and "Construction" were reduced with reallocations to "Wood", "Chemicals", "Metals" and "Services").

Gross exposures by the debtor's sector of activity at 31 December 2006

(€'m)	31/12/2006	As a %	31/12/2005	As a %
Metallurgy	97,935	17.4%	88,215	17.1%
Agrifood	77,005	13.7%	73,526	14.3%
Construction	71,138	12.6%	83,799	16.3%
Textiles / leather	32,607	5.8%	29,911	5.8%
Electronics	48,290	8.6%	46,278	9.0%
Services	89,980	16.0%	74,888	14.6%
Wood - Paper	35,315	6.3%	20,020	3.9%
Chemicals	44,003	7.8%	24,379	4.7%
Other	67,866	12.0%	73,598	14.3%
Total	**564,140**	**100.0%**	**514,614**	**100.0%**

3.2.4 Management of underwriting risk

In recent years, the Euler Hermes group has developed a specific organisational structure and IT applications to optimise its handling of insurance risk. This organisation and applications have gradually been extended to all group entities. The system holds policyholders' applications, stores details of cover underwritten together with debtor positions and controls all information received and sent.

Underwriting of cover draws on an optimised organisation based on a single IT system consisting of a database used specifically for underwriting of cover. Thanks to the risk rating system and its use by specialised staff, responses to applications for cover are assessed and submitted to clients very quickly. This tool facilitates the monitoring, either locally or centrally, of cover based on numerous criteria. Details of cover can thus be more readily analysed by sector of activity or by country.

While risks are underwritten locally, a central control is used to check the application of written underwriting rules and changes in exposure on a real-time basis. The central risk underwriting function thus has considerable resources available to monitor sensitive risks and risk concentrations and to limit these, both centrally and locally, according to changes in creditworthiness. The internal audit department has primary responsibility for regularly controlling the application of these rules.

All debtors, on which policyholders make applications for cover, are subject to a creditworthiness assessment accompanied by the issue of a rating (on a scale ranging from 1, for the most creditworthy, to 10, in cases of bankruptcy) on the capacity of the debtor to honour his commitments to suppliers.

In this assessment, information quality and the proximity of the risks are key factors:
- analysis of internal information is given priority;
- each group entity monitors and underwrites its policyholders' cover. Each entity also provides a service for the other entities whose policyholders work with debtors located in the geographical region that it covers.

When an assessment is performed for another entity, the communication of this information is based on rules set centrally and the determination of a creditworthiness rating for each debtor. Depending on the rating, the entity that has underwritten the insurance contract provides the export cover to its clients with the maximum amount of detail. This organisation provides clients with high service quality and facilitates close control of the underwriting risks.

Certain debtors, especially large groups, whose rating reflects a very high degree of creditworthiness, offer higher theoretical gross exposures. The 50 largest debtors or groups of debtors fall within the strongest rating categories. To assess the impact of this concentration, the solidity of these individual debtors must be taken into account, as well as the group's capacity to reduce insurance cover in the short term, the application of insurance contract parameters and the protection offered by reinsurance. As shown by internal stress tests, any potential claim net of reinsurance on these exposures should not exceed 5% of shareholders' equity. It should also be emphasised that the dynamic management of Euler Hermes' exposure during the bankruptcies of major groups with a significant theoretical gross exposure has enabled the group to avoid the impact resulting from the domino effects of bankruptcies. It is the permanent balance between the terms and conditions of the insurance policies and the management of cover or risk transfer that ensures a steady cash flow at group level. The policy terms and conditions are adapted according to the risk of each customer. Besides the service it provides, management of insurance cover means that the risks borne by the group can be modified according to individual cases but also to reflect changes in the environment. If there is an adverse change in the environment, cover is reduced on the least creditworthy debtors in order to maintain the ratio of claims to premiums paid. The capacity and reaction time of the Euler Hermes group in such situations have also improved considerably with the new group application for the management of underwriting cover on debtors having been rolled out to the main group subsidiaries during the year.

Theoretical gross exposures, managed on an ongoing basis, may be reduced at any time if the risk is deemed to be higher following an assessment of the debtor's creditworthiness. The actual exposure depends on the utilisation, which varies over time, of this cover by the policyholders and the parameters of each contract (excesses, maximum liability, etc.). Lastly, in the event of a claim, a varying proportion of the loss is shared with the reinsurer by virtue of the use of proportional and non-proportional reinsurance contracts, which contribute to reducing Euler Hermes' final exposure.

The progression from the gross exposure at a given point in time on a debtor to the potential claim amount is thus complex and variable. Similarly, the determination of the amount of exposures net of reinsurance can be calculated only after applying policyholders' liability limits and excesses.

3.3- Market risk

Each group entity has a financial portfolio, investment of which is managed locally in accordance with the investment policies recommended by the group. Applied locally, these policies are controlled within each entity by a finance committee that reviews the portfolio results and approves any new investments.

At group level, governance is provided by an investment management function and a group finance committee that sets the short- and medium-term guidelines for management of the portfolio.

Market trends and ongoing management are the primary management criteria. However, in its strategic choices, the finance committee draws on measures of risk and asset/liability management to make the most appropriate decisions according to the resources available, while also taking into account constraints regarding the cover provided by technical reserves and long-term provisions.

The risk control function fine-tunes asset/liability management tools to assess the impact of changes in investment policy. This approach is also supported by the calculation of what-if scenarios based on the choices envisaged.

The financial portfolio is diversified, by both investment type (although preference is given to bonds) and issuer. The risk concentrations on a given issuer are very limited and the weak correlation between the various assets enables the overall risk on the financial portfolio to be reduced.

Credit insurance is a short-term activity. On average, the overall duration of the liquidity of liabilities is just over one year. However, the very good continuity of the insurance business through the renewal of contracts means that account can be taken of a recurring factor, i.e. investment needs, thereby extending the term of the invested assets to increase returns on the financial portfolio. In addition, the group's short-term cash and cash equivalents cover its insurance commitments net of reinsurance and only a very sharp deterioration in the combined ratio (which would also fully offset financial income), over more than one year, could bring about a reduction in the financial portfolio. Past experience shows that the group is able to respond in the face of a deterioration in the economic environment without having to reduce its financial portfolio.

3.3.1 Description of the portfolio

Given its international positioning, Euler Hermes has investments through the various local entities. Within each entity, investments in government bonds dominate, although their weighting may fluctuate slightly from one entity to another depending on the proportion invested in equities and property.

Financial portfolio at market value

	31/12/2006		31/12/2005	
	(€'m)	As a %	(€'m)	As a %
Bonds	2,022	60%	2,015	64%
Equities	623	19%	495	16%
Investment property	135	4%	118	4%
Loans, deposits and other financial investments	235	7%	294	9%
Total financial investments	**3,014**	**90%**	**2,922**	**93%**
Cash	335	10%	222	7%
Total financial investments + cash	**3,349**	**100%**	**3,144**	**100%**

3.3.2 Equity market risk

The Euler Hermes group had invested around 19% of its financial portfolio in equities at the end of 2006. This policy stems from a cautious approach as well as the good performance by the markets in 2006. Investments are concentrated in major securities of the main financial markets. In fact, equities are considered as a risky asset whose weighting follows the strict rules of the finance committee with regard to allocation. The simulation of a fall in the markets has a relatively limited impact on the earnings of the group as a whole and means that this type of investment can be considered as providing substantial additional returns for the portfolio as a whole.

Invested mainly in the euro zone, equity investments benefited once again in 2006 from the rise in the markets. The group's policy is to maintain the equity proportion at no more than its current level.

3.3.3 Interest rate risk

Interest rate risk management, while recognising the short duration of the liabilities, also takes into account the continuity of activity in order to increase the duration of investments and thus achieve higher returns on investments in fixed-income products. The main interest rate risk stems from a rise in interest rates, which, assuming that fixed-income bonds are maintained in the portfolio, corresponds to lower remuneration over the remaining term compared with the market interest rate.

Bonds by maturity

	31/12/2006		31/12/2005	
	(€'m)	As a %	(€'m)	As a %
Less than 1 year	270	13%	324	16%
1 to 3 years	548	27%	569	28%
3 to 5 years	430	21%	439	22%
5 to 7 years	480	24%	297	15%
7 to 10 years	244	12%	293	15%
more than 10 years	49	2%	94	5%
Total	**2,022**	**100%**	**2,015**	**100%**

The yield on the bond portfolio is highly dependent on changes in interest rates and the portfolio duration. The average bond yield for 2006 was 3.3%, close to the rate offered for the current duration of the bond portfolio, i.e. around 4.1 years. Amounts represented by securities reaching maturity are replaced by equivalent securities with maturities that are slightly longer than the average portfolio duration in order to maintain a limited level of risk and stable income from bonds.

Borrowings are mainly concentred by the holding company, Euler Hermes SA, and, on an ancillary basis, by the entity located in Belgium. The borrowings of Euler Hermes SA are primarily contracted with the core shareholder, AGF, and have maturities of less than three years.

3.3.4 Property risk

Investment property continues to represent a limited proportion of the group's investment portfolio and is held mainly by the French entity.

In France, the investment consists of various residential properties, in Paris and the inner suburbs, with management of the property portfolio being outsourced. The turnover rate is limited, with portfolio properties being held for an average of 10 years. New acquisitions are concentrated on medium-sized properties offering profitability levels in line with the market average.

As most of these investments are held in the portfolio for a relatively long time, they offer unrealised capital gains and profitability similar to that of the financial portfolio. Fluctuations in property prices, which may demonstrate significant correlation with interest rate and equity risk, cannot be ruled out, but their impact on the group's results would remain marginal.

3.3.5 Liquidity risk

At 31 December 2006, almost 80% of the group's assets consisted of listed marketable securities. Equity investments are made in large caps listed on the main markets in Europe, the USA and Japan. Similarly, group companies select bonds of major public or private issuers that are listed on highly liquid markets, thus enabling such investments to be traded at short notice.

Each entity monitors the main payments falling due and, on the other side, cash and cash equivalents, which offer an adequate safety margin. The local finance committee reviews the liquidity position on a regular basis.

In the event of an exceptional need, Euler Hermes could also consider making a call on the market or its core shareholder.

In view of the levels of short-term cash and cash equivalents and bonds maturing in less than one year, the Euler Hermes group considers its liquidity risk as being very low.

3.3.6 Exchange risk

The group's exchange risk is practically limited to the location of entities in regions using currencies other than the euro. Each entity effectively underwrites contracts in its local currency and thus generates a liability in local currency. The congruence rules required by the local regulators are applied rigorously.

An analysis of the financial portfolio of each entity shows that amounts in a currency other than the euro represent less than 20% of the total. These assets are held mainly by group companies operating in the regions that use these currencies.

Notes to the consolidated financial statements

Group financial portfolio by currency

	31/12/2006		31/12/2005	
	(€'m)	As a %	(€'m)	As a %
EUR	2,395	79.5%	2,321	79.4%
GBP	304	10.1%	299	10.2%
USD	244	8.1%	249	8.5%
Other	72	2.4%	52	1.8%
Total	**3,014**	**100%**	**2,922**	**100%**

A one-eurocent change in the US dollar or British pound exchange rate would impact the consolidated profit in proportion to the contribution of these geographic regions.

Exchange risk	2006			2005		
	United States	United Kingdom	GROUP	United States	United Kingdom	GROUP
Net income, group share in €'000 at the end 2006	28,102	39,738	326,055	29,198	35,061	286,076
Closing exchange rate	0.7593	1.4892		0.8477	1.4592	
Net income, group share in local currency ('000)	**37,010**	**26,684**		**34,445**	**24,027**	
Impact of a 100 basis-point exchange rate movement	0.7493	1.4792		0.8377	1.4492	
Net income, group share in €'000 after the exchange rate movement	**27,732**	**39,471**	**325,418**	**28,854**	**34,821**	**285,491**
Change relative to initial net income (%)	**-1.32%**	**-0.67%**	**-0.20%**	**-1.18%**	**-0.69%**	**-0.20%**

United States refers to the USD-denominated component of consolidated income, United Kingdom refers to the GBP component. Income denominated in currencies other than the USD and GBP is considered to be not material.

3.4 - Credit risk

Credit risk has become an essential component of risk management following the spectacular bankruptcies of certain major groups. It is thus vital that this type of concentration is monitored regularly nowadays.

Euler Hermes matches each bond portfolio line with the issuer's rating. The breakdown of the portfolio by rating, apart from providing control over the creditworthiness of securities held in the portfolio, demonstrates that securities with a AAA rating represent 82% of the portfolio, mainly in government securities, and less than 1% of securities have no rating at all or a rating below A.

Concentration risk is very limited as no corporate bond security held in the portfolio exceeds 0.8% of the total bond portfolio.

Breakdown of bonds by rating

	31/12/2006		31/12/2005	
	(€'m)	As a %	(€'m)	As a %
AAA	1,650	82%	1,580	78%
AA +	86	4%	79	4%
AA	198	10%	97	5%
AA-	40	2%	191	9%
A +	22	1%	11	1%
A	8	0%	20	1%
Other	17	1%	36	2%
Total	**2,022**	**100%**	**2,015**	**100%**

3.5 - Reinsurance and reinsurance counterparty risk

3.5.1 Reinsurance: a risk management tool

Reinsurance is an essential part of risk management through which Euler Hermes transfers part of its commitments to reinsurers, in exchange for the payment of a premium or the assignment of a portion of its premiums. Through reinsurance, the group covers high-frequency risks and/or exceptionally large risks in order to limit the impact of an increase in the number of claims or the occurrence of specific large claims. The setting of parameters for these treaties is tested each year by the reinsurance and risk control functions using stress test scenarios. This process enables the group to check the appropriateness of the protection. The setting of parameters for reinsurance contracts entered into by the subsidiaries is carried out by the group to ensure a better balance between changes in the portfolio and coverage needs.

Proportional (share) treaties protect the group against an increase in high-frequency risks in the event that a large number of debtors go bankrupt. Through these treaties, the group assigns a portion of its risks and related premiums to reinsurers, after deducting a fee to cover administration charges. Each entity has its own assignment rate depending on its position and financial capacity.

Non-proportional (excess of loss) treaties cover the occurrence of exceptionally large risks. Such claims arise following the bankruptcy of a debtor or group of debtors with exposures high enough to generate amounts exceeding the reinsurance excesses of these treaties.

3.5.2 Reinsurance counterparty risk

Group support for establishing the entities' treaties is provided through the selection of the best reinsurance counterparties, rated A or above. The highest exposures are placed with top-tier reinsurers.

Analysis of technical reserves assigned* by rating of the reinsurer (the scope covered represents 95% of the reserves considered out of the group total at 31 December 2006)

AAA	7,874
AA	255,686
A	135,919
Others	9,323
Total	**408,802**

** Provisions for unearned premiums/claims reserves assigned.*

3.6 - Capital to cover the risk

The risk function, in conjunction with the group's main shareholder, has initiated the implementation of risk measurement procedures aimed at establishing the capital needed to cover the group's activity. These measures also form the basis for the calculation of economic added value, one of the performance indicators of each entity.

The calculation of insurance risk is a prerequisite for the definition of an internal model for credit insurance. It is the trickiest calculation to implement as it must reflect all contract parameters, debtors and risk transfers. The classification of debtors by rating, together with a probability of bankruptcy, is used as the basis of a complex process aimed at simulating the actual insurance risk exposure based on theoretical credit insurance cover.

Each entity regularly performs a detailed calculation based on its own positions. The individual results must subsequently be aggregated and adjusted to reflect the impact of diversification (on the entities and the various risk categories). The calculation of the capital required to cover the quantifiable risks is based on an economic approach. Given the consistency provided by this model, it is likely to become a key instrument in risk management. This new model being developed aims to improve the approach used up to now, which refers to the method applied by Standard & Poor's.

The current reference model, based on the Standard & Poor's method, assigns risk factors to the various balance sheet items. Securities in the financial portfolio are thus classified by rating, as are the exposures to reinsurers. The insurance and reserve risk is deduced by directly applying factors to the amounts after reinsurance of net premiums and claims reserves respectively.

The amounts simulated by this method are shown in the following table:

Risk Capital
(€'m)

	2006	2005
C1: Financial risk	169.3	145.7
C2: Counterparty risk	9.1	9.2
C4: Premium risk	832.7	742.9
C5: Reserve risk	178.6	170.0
S&P RAC* simulation	**1,594.2**	**1,433.0**

** RAC: Risk adjusted capital: C1+C2+140%(C4+C5).*

The Euler Hermes group operates in many countries and each entity is subject to local regulatory constraints. The amount consolidated resulting from local constraints is significantly less than the group's consolidated shareholders' equity.

Stress tests

In addition to the capital risk calculations, the group also regularly performs a series of stress tests designed to ensure consistency of the protection afforded and the group's sensitivity to certain scenarios involving a deterioration in risk. The results illustrate the risk considered but, as with any simulation exercise, they have their limitations. The simulation is based on the situation at a given date, being the year-end date in the present case. The results do not therefore reflect the possibility of managing events over time or ex-post. The absence of dynamic management means that only extreme cases can be simulated that do not allow for incorporation of any adaptation of the positions or of the structure in the event of a significant negative change.

Stress tests on assets

Equity and bond portfolio risk at 31 December 2006
(€'m)

	Market value at 31 December 2006	Impact of a 100bp* rise in interest rates	Impact of a 10% fall in the equity market	Market value at 31 December 2005	Impact of a 100bp** rise in interest rates	Impact of a 10% fall in the equity market
Obligation	2,022	-83.4	0.0	2,015	-66.5	0.0
Actions	623	0.0	-62.3	495	0.0	-49.5
Total	2,645			2,510		

** Average sensitivity of 4.1% calculated based on the main subsidiaries, which represented more than 93% of the bond portfolio at 31 December 2006.*

*** Average sensitivity of 3.3% calculated based on the main subsidiaries, which represented more than 95% of the bond portfolio at 31 December 2005.*

At just over four years, the duration of the bond portfolio limits the impact of a 100 basis point rise in interest rates to €83.4 million before tax. Scenarios for other financial assets involve measuring the impact of a 10% change in the assets concerned.

Stress tests on equities and the impact on shareholder's equity

Equity portfolio risk at 31 December 2006
(€'m)

	Market value at 31/12/2006 / Impact scenario	Revaluation reserve / shareholders' equity impact	Amortised cost / Economic cost impact
Total	**623**	**179**	**443**
Impact of a 10% fall in the equity market	-62	-45	0
Impact of a 30% fall in the equity market	-187	-131	-29

The impact on shareholders' equity taking deferred tax into account. The impact on income stated before tax.

A 30% decline in the equity portfolio would have an impact of €29 million on pre-tax income.

Stress tests on the main components of operating income

	Net income, group share 2006	10% reduction in premiums	10% increase in 2006 cost of claims	10% increase in claims handling expense	Restated net income, group share 2005	10% reduction in premiums	10% increase in restated 2005 cost of claims	10% increase in claims handling expense
Change	326,054	-38,096	-47,077	-42,828	286,076	-35,266	-41,986	-38,317

Assumption: effective tax rate is constant in 2005 and 2006

The first scenario of a decline in premiums involves applying constant claims-to-premiums ratios and overheads. The scenario of an increase in the cost of claims is based on a change in the amounts for the year, with no change in the amounts of claims for prior years. The 10% increase in costs covers all overheads excluding brokerage fees.

The scenarios showing the sensitivity of net income to fluctuations in the main aggregates of operating income are also a tool that can be used to ascertain the impact of an exceptional situation and the assumptions used are highly conservative, to take into account sudden changes. For each scenario, the sensitivity measured refers to an amplitude that must, in an actual scenario, be combined with other changes that may partially or fully offset the effects.

3.7 - Operational risks

Financial and insurance risks are often the first risks identified in a risk management process that lies at the heart of the group's activity. Operational risks are inherent to any structure and their occurrence may have significant consequences for any entity that does not sufficiently recognise them. Operational risks may be the consequence of internal or external problems or malicious actions that result in losses for the business and may even include disruption of activity.

Through its geographical distribution, Euler Hermes, has long applied a clear management approach to its operational situation in order to reduce related risks.

Operational risks are very broad and permeate all echelons of the organisation. Identified risks include the risk of fraud, legal risks, commercial risks, IT risks, security and damage risks, etc.

In anticipation of the constraints imposed by legislation, the group's subsidiaries that have major responsibility for monitoring these risks have, for some years now, implemented significant initiatives. The group has taken numerous measures to ensure the continuity of activity in the event of major disasters. Each entity now has in place business continuity plans and back-up sites. Furthermore, internal control has been strengthened through the introduction of the Sarbanes Oxley Act, whose constraints apply to the group's main entities.

Each subsidiary carries out its own assessment of its main risks. This assessment identifies all possible risks, estimates their impact and provides a basis for considering the possibility of their occurrence and the impact on each subsidiary and on the group of the main risks thus identified.

3.7.1 Insurance of goods and persons

The protection of assets and the risks of civil liability are analysed for each subsidiary in order to control the quality of cover and the possible financial consequences. Insurance programmes, established with experts, are underwritten with major insurance companies and include claims ceilings set at levels to limit the impact of any claims.

3.7.2 Regulatory framework

The subsidiaries have the necessary structures to comply with the regulations of the countries in which they are located. They apply the appropriate legislative measures and respond to requests made by the authorities and local supervisory bodies, and comply with specific prudence rules. In addition, each entity has appointed a contact person for the implementation of the European Directive on data protection and the group has strengthened the control structure covering the application of regulations.

3.7.3 Legal risks

Euler Hermes pays close attention to the management of its relations with third parties, and each entity has a local structure or the legal means to take appropriate legal action in the event of a dispute.
At present, other than the amounts of commitments considered as technical reserves, no significant disputes impacting Euler Hermes have been identified.

3.7.4 Environmental risks

By its very nature, the insurance business is non-polluting. In addition, no fact or information on this risk has been identified as having a material impact on the Euler Hermes group's accounts, results or activity.

3.8 - Claims reserves

The purpose of claims reserves is to cover claims that have been notified or those that have not yet been notified but which relate to the financial year. They are estimated on a claim-by-claim basis or by the application of statistical methods based on historical data and claims trends. Claims reserves are not discounted.

As shown by the table below, the group's claims for the financial year are similar to those of previous years.

Ratio of Claims / Premiums net of reinsurance

	2004	2005 restated	**2006**
Claims / Premiums Ratio*	45.9%	44.8%	49.2%

** In accordance with IFRS.*

Determining claims reserves
Due to their insurance activity, the group's subsidiaries are required to establish sufficient reserves to guarantee future claims payments. As provided for in the policy, in the event of payment default by a debtor to a policyholder or the former's insolvency, the latter declares this default to Euler Hermes, which, in turn, establishes a reserve for a sufficient amount to cover the future claims payment. A collection procedure is implemented as soon as the declaration has been made. After the claim has been settled, the loss may also be subject to collection services. The claims handling process thus involves three quite separate phases.

First of all, claims relating to the financial year but not yet declared are subject to IBNR (incurred but not reported) estimates to cover future claims payments and costs.

Reported claims are analysed based on the insurance cover granted. On receiving the specific claims notification, a cover analysis is performed to determine the amount of the provision to be recorded for this claim. Next, the amount reserved for a claim is updated for each new notification or recovery to cover potential payments on this claim. The reserve for a given claim is cancelled when the claim is fully settled or fully recovered prior to the assumed claim settlement date. Technical reserves are thus established on a claim-by-claim basis.

Once the claim has been settled, the sums may be partially or fully recovered. An estimate of related future cash flows should thus be established.

Reserves for reported claims are established based on the information that is available at the balance sheet date. Claims are settled rapidly in the field of credit insurance. In addition, based on the aggregate individual reserve amounts of each claim, the estimates are made using statistical methods that are applied in all group entities in order to achieve a more accurate estimate of the final cost that corresponds to the sum of amounts settled and received on final closure of the claim.

The estimate of reserves for claims incurred but not yet reported must distinguish two criteria that have a considerable bearing on the split of claims costs between provision and claims paid:

- First and foremost, the type of cover provided by the contracts: the two main types of cover offered in credit insurance are "declared insolvency" and "payment default". Insurance cover based purely on insolvency covers the policyholder's exposure only in the event of insolvency. An analysis of debtor defaults enables the group to identify bankruptcies and thus reduce the uncertainty regarding the potential claim amounts.
Although the insurance cover is in force when the invoice is issued or on delivery, actual payment default must take place before determining the amounts concerned and receipt of the claim notification from the policyholder. The period of uncertainty includes the time taken for payment, which varies depending on the countries or sectors concerned, and the time taken to notify the claim.
The estimate of reserves for claims incurred but not yet reported draws on statistical methods and includes economic data on claims trends. The portion of reserves subject to this calculation bears the greatest uncertainty and, de facto, necessitates a certain margin of prudence in order to avoid shortfalls in reserves.

- The second parameter relates to the claims payment period.

At the time they are estimated, the reserves take account of the likelihood of claims occurring, the possible impact of local regulations and expected changes in the economic environment. Nevertheless, due to their nature, the reserves include a certain level of uncertainty and ongoing controls are performed to maintain the reserves already established at an adequate level. Specific technical reserve control committees have been set up in all subsidiaries to ensure the consistency and adequacy of the methods used to determine the reserves established in relation to the risk to be covered.

The main methods applied by group subsidiaries are Chain Ladder, Bornhuetter Ferguson and the so-called bootstrap method. The Chain Ladder method is based on calculations of the development of claims triangles. The Bornhuetter Ferguson method draws on a projection of the claims-to-premiums ratio. The so-called bootstrap method is an extension of the Chain Ladder method, using multiple simulations to determine the margins of error.

The initial estimate of the final cost includes a certain margin of prudence. To consider a reasonable estimate timeframe, apart from the uncertainties to be included at the time of the calculation, account must also be taken of a gradual improvement in experience and the position of reserves for previous years. As demonstrated by the development of claims, it should be noted that the uncertainty stems mainly from the first year of development when minimal information is available and additions to reserves for claims incurred but not yet reported are at their highest.

This uncertainty in the first year is due to the specific nature of IBNR provisions in credit insurance. In fact, claims relating to the financial year must be estimated when the debtor's bankruptcy has yet to occur. This is because claims are related to the premium for the period. The risk arising on the issue of the policyholder's invoice, which is also the basis for the premium, and the bankruptcy followed by notification of the claim may occur only some months later.

Recoveries also cover a long period of time and are more difficult to forecast beyond a certain horizon. They may thus have a positive impact on the development of claims when they are higher than the amounts projected in the reserves.

Cost of claims

(€'000)

	2006			2005		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Cost of claims for the current year	**997,283**	**(241,600)**	**755,683**	**1,002,692**	**(349,310)**	**653,382**
of which claims paid	297,563	(96,054)	201,509	279,203	(116,540)	162,663
of which claims reserves	637,155	(143,667)	493,488	659,251	(231,057)	428,194
of which claims handling expense	62,565	(1,879)	60,686	64,238	(1,713)	62,525
Recoveries for the current year	**(72,618)**	**20,735**	**(51,883)**	**(63,323)**	**19,759**	**(43,564)**
Recoveries received	(15,718)	5,911	(9,807)	(16,336)	6,985	(9,351)
Change in reserves for recoveries	(56,900)	14,824	(42,076)	(46,987)	12,774	(34,213)
Cost of claims from prior years	**(120,335)**	**41,657**	**(78,678)**	**(242,790)**	**110,771**	**(132,019)**
of which claims paid	560,173	(190,076)	370,097	506,927	(196,694)	310,233
of which claims reserves	(680,532)	232,122	(448,410)	(744,195)	316,740	(427,455)
of which claims handling expense	24	(389)	(365)	(5,522)	(9,275)	(14,797)
Recoveries from prior years	**(111,662)**	**32,534**	**(79,128)**	**(87,450)**	**31,167**	**(56,283)**
Recoveries received	(139,577)	40,026	(99,551)	(127,172)	42,872	(84,300)
Change in reserves for recoveries	27,915	(7,492)	20,423	39,722	(11,705)	28,017
Cost of claims	**692,668**	**(146,674)**	**545,994**	**609,129**	**(187,613)**	**421,516**

The cost of claims held steady over the year. By contrast, the development of prior years' claims was less favourable with the gross surplus on reinsurance reduced to €232 million (€330 million in 2005) following the improvement in the methods and approach used for the calculation of reserves, resulting in a decrease in uncertainty in respect of estimated reserves.

Claims reserves

(€'000)

	31/12/2006			31/12/2005		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Gross claims reserves before recoveries						
Current year	680,161	(147,926)	532,235	689,672	(244,729)	444,943
Prior years	535,663	(234,905)	300,758	573,540	(240,187)	333,353
Recoveries to be received						
Current year	(56,858)	15,222	(41,636)	(49,683)	13,460	(36,223)
Prior years	(110,293)	33,335	(76,958)	(90,168)	28,264	(61,904)
Claims provisions	**1,048,673**	**(334,274)**	**714,399**	**1,123,361**	**(443,192)**	**680,169**

Breakdown by type of reserve

(€'000)

	31/12/2006 Gross	31/12/2006 Reinsurance	31/12/2006 Net	31/12/2005 Gross	31/12/2005 Reinsurance	31/12/2005 Net
Reserves for unearned premiums	241,827	(55,082)	186,745	254,586	(72,272)	182,314
Claims reserves	1,048,673	(334,274)	714,399	1,123,361	(443,192)	680,169
of which reserves for known claims	834,008	(368,996)	465,012	888,289	(471,363)	416,926
of which reserves for late claims	275,477	46	275,523	274,721	46	274,767
of which reserves for claims handling expense	105,378	(12,065)	93,313	98,811	(13,599)	85,212
of which other technical reserves	961	(1,816)	(855)	1,391	_	1,391
of which recoveries to be received	(167,151)	48,557	(118,594)	(139,851)	41,724	(98,127)
No-claims bonuses and refunds	122,842	(22,609)	100,233	119,217	(29,448)	89,769
Technical reserves	**1,413,342**	**(411,965)**	**1,001,377**	**1,497,164**	**(544,912)**	**952,252**

Development of claims reserves

For a given year, claims for that year follow the process of notification and settlement, possibly followed by collection action.

Claims reserves and payments reflect the cost of claims and related cash flows, with a sharp reduction in reserves as from the second year and an increase in claims.

The initial estimate of the final cost of claims includes a degree of uncertainty, resulting in a surplus on prior years, reflecting not only a lack of information but also a margin of prudence. Large claims at the end of the year have impacted the development of claims reserves. Major claims such as Moulinex and KMart that occurred in 2001 and Parmalat in 2003 initially impacted the ultimate cost before reinsurance of a given year and represented up to 10% of the estimated final gross cost of claims even though the cost net of reinsurance could have been reduced further. The collection or cancellation of reserves on these large claims generated substantial surplus reserves during these years.

The information comprising the claims development triangles is provided by most of the group entities. The triangles shown thus cover a broader scope than in 2005.

Estimate of the final cost of claims of most group entities (before reinsurance)

Accident \ development year	1	2	3	4	5	6	difference*	% change
2001	1,287,585	1,166,693	1,104,059	1,065,399	1,035,775	1,016,215	271,370	21.1%
2002	1,141,228	944,040	904,668	867,317	857,693		283,535	24.8%
2003	1,043,852	802,935	740,228	735,280			308,572	29.6%
2004	868,380	692,782	653,112				215,268	24.8%
2005	893,121	779,275					113,846	12.7%
2006	882,612							

** Variance: surplus or shortfall of the initial reserve over the current estimate of the final cost for the year in question.*

The aggregate tables of claims development, excluding elimination of cash flows between entities, cover more than 95% of the technical reserves of all group entities.

The initial estimate of the ultimate cost of claims is calculated using techniques based on past trends in the cost of claims. The uncertainty in the first year of development on claims not yet reported, a prudent estimate of the ultimate cost, recoveries, and the Parmalat claim in 2003 are some of the factors that explain the variance of 29.6% observed in the 2003 insurance year.

Development triangle for cumulative claims paid net of recourse for most of the group entities (before reinsurance)

Accident \ development year	1	2	3	4	5	6
2001	320,605	907,275	996,489	1,008,290	1,005,353	1,001,892
2002	317,314	716,872	802,992	821,042	822,956	
2003	256,398	594,407	643,845	668,276		
2004	238,352	551,414	602,105			
2005	285,165	652,065				
2006	300,312					

The short-term nature of credit insurance is illustrated by the development of claims payments, which are concentrated mainly in the first two years.

4 - NOTES TO THE FINANCIAL STATEMENTS

Note 1- Goodwill

(€'000)

	France	Italy	UK	US	Benelux countries	Other	31/12/2006 Total	31/12/2005 Total
At 1 January								
Gross value	393	6,229	71,144	28,656	7,978	4,928	119,328	113,003
Impairment	_	_	(10,162)	_	_	_	(10,162)	(10,162)
Net carrying amount	393	6,229	60,982	28,656	7,978	4,928	109,166	102,841
Change during the year								
Net carrying amount at 1 January	393	6 229	60,982	28,656	7,978	4,928	109,166	102,841
Other changes	_	_	_	_	_	192	192	(91)
Foreign exchange differences	_	-	1,253	(2,987)	_	159	(1,575)	6,416
Impairment	_	(409)	-	_	_	_	(409)	_
Net carrying amount at 31 December	393	5,820	62,235	25,669	7,978	5,279	107,374	109,166
At 31 December								
Gross value	393	6,229	72,905	25,669	7,978	5,279	118,453	119,328
Total impairment		(409)	(10,670)			_	(11,079)	(10,162)
Net carrying amount	**393**	**5,820**	**62,235**	**25,669**	**7,978**	**5,279**	**107,374**	**109,166**

In accordance with IFRS 3, goodwill is not amortised but instead is subject to annual impairment testing (see § 2.4.6.3).

Notes to the consolidated financial statements

The parameters used to calculate the company valuations are presented below:

	Euler Hermes A.C.I. Inc	Euler Hermes SIAC	Euler Hermes UK plc
Parameters			
Cost of capital	8.60%	7.60%	8.20%
of which, risk-free rate	5.00%	4.00%	4.60%
of which, risk premium (bêta = 0.9)	3.60%	3.60%	3.60%
Effective tax rate	37.0%	48.0%	30.0%
Normalised return on financial portfolio	5.9%	3.9%	4.8%
Net combined ratio	85.0%	83.0%	85.0%
Target retention rate	55.0%	75.0%	65.0%
Long-term growth (upper and lower assumptions)	1.5% 2.5%	1.0% 3.0%	0.0% 1.0%
Average value in use (€000)	**388,149**	**383,049**	**277,381**

The values in use of Euler Hermes ACI Inc range from €365,878 thousand to €410,420 thousand, corresponding to an assumed cost of capital of 9% and 7.6% respectively. These valuations support the fact that no goodwill impairment is recognised.
The values in use of Euler Hermes SIAC range from €323,855 thousand to €442,242 thousand, corresponding to assumed long-term growth rates ranging from 1% to 3%. These valuations support the fact that no goodwill impairment is recognised.
The values in use of Euler Hermes UK Plc range from €264,142 thousand to €290,620 thousand, corresponding to assumed long-term growth rates ranging from 0% to 1%. These valuations support the fact that no goodwill impairment is recognised.

Note 2-Other intangible assets and contracts portfolio

(€'000)

	31/12/2006				31/12/2005			
	Contracts portfolio	IT development and software	Other intangible assets	TOTAL	Contracts portfolio	IT development and software	Other intangible assets	TOTAL
At 1 January								
Gross value	2,473	79,392	9,704	91,569	2,409	67,449	8,736	78,594
Amortisation	(1,662)	(50,514)	(5,979)	(58,155)	(1,616)	(41,405)	(4,965)	(47,986)
Impairment	(811)	-	-	(811)	(763)	-	-	(763)
Net carrying amount	-	28,878	3,725	32,603	30	26,044	3,771	29,845
Change during the year								
Net carrying amount at 1 January	-	28,878	3,725	32,603	30	26,044	3,771	29,845
Acquisitions	11,684	3,719	6,026	21,429	-	18,628	274	18,902
Expenses capitalised	-	-	-	-	-	4,605	-	4,605
Changes in consolidation scope	-	56	3,221	3,277	-	(467)	(18)	(485)
Disposals	-	(5,458)	(56)	(5,514)	-	(9,923)	-	(9,923)
Reclassifications	-	112	(112)	-	-	(705)	705	-
Foreign exchange differences	(85)	(33)	(5)	(123)	-	78	(4)	74
Net amortisation	(29)	(2,550)	(1,300)	(3,879)	-	(9,698)	(1,003)	(10,701)
Net provisions for impairment	-	-	(3,527)	(3,527)	(30)	-	-	(30)
Other changes	-	(1,013)	(334)	(1,347)	-	316	-	316
Net carrying amount at 31 December	11,570	23,711	7,638	42,919	-	28,878	3,725	32,603
At 31 December								
Gross value	14,112	75,294	18,440	107,846	2,473	79,392	9,704	91,569
Amortisation	(2,542)	(51,583)	(10,802)	(64,927)	(1,662)	(50,514)	(5,979)	(58,155)
Impairment	-	-	-	-	(811)	-	-	(811)
Net carrying amount	**11,570**	**23,711**	**7,638**	**42,919**	**-**	**28,878**	**3,725**	**32,603**

The amortisation charge for the year is recognised in "Other ordinary operating income and expense".
New acquisitions consist of portfolios in Australia, New Zealand (€1,581 thousand) and Ireland (€10,103 thousand).
Other movements correspond mainly to the IRP application developed by the group.
Impairment losses of €811 thousand at 31 December 2005 were reclassified within cumulative amortisation at 31 December 2006.

Note 3 - Investment and operating property

Although presented in the balance sheet in "Operating property and other property and equipment" (Note 7), details of operating property are provided below for comparative purposes.
At 31 December 2006, accrued interest not yet due on investment property was reclassified within other receivables.

(€'000)

	31/12/2006		31/12/2005	
	Investment property	Operating property	Investment property	Operating property
At 1 January				
Gross value	107,302	192,123	107,070	189,156
Depreciation	(13,253)	(56,028)	(10,622)	(51,723)
Impairment	-	(10,014)	-	-
Net carrying amount	94,049	126,081	96,448	137,433
Change during the year				
Net carrying amount at 1 January	94,049	126,081	96,448	137,433
Acquisitions	27	909	45	3,469
Changes in consolidation scope	-	-	-	-
Disposals	(5,585)	-	(1,330)	(292)
Reclassifications	1,824	(1,902)	1,377	(1,377)
of which, accrued interest not due 2005	(78)			
Foreign exchange differences	(57)	(19)	9	9
Net depreciation	(1,811)	(3,662)	(2,637)	(3,147)
Net provisions for impairment	-	-	-	(10,014)
Other changes	207	-	137	
Net carrying amount at 31 December	**88,654**	**121,407**	**94,049**	**126,081**
At 31 December				
Gross value	105,196	180,908	107,302	192,123
Depreciation	(16,542)	(49,487)	(13,253)	(56,028)
Impairment	-	(10,014)	-	(10,014)
Net carrying amount	**88,654**	**121,407**	**94,049**	**126,081**
Fair value	**134,724**	**208,833**	**117,614**	**212,373**

The fair value of buildings is estimated based on market prices, adjusted where applicable to take into account the nature, location and other features specific to the building concerned.

The fair value of operating properties was reduced in 2005 following a valuation performed by Euler Hermes Kreditversicherungs AG based on the rental costs index. Given the excess supply of office space for rent in Germany, this index has declined sharply.

(€'000)

	2006	2005
Amounts recorded in the income statement:	**Investment property**	**Investment property**
Rental revenues from investment property:	9,626	9,559
Direct operating expenses relating to property:	(2,630)	(2,990)

Note 4 - Financial investments

Classification by accounting method

(€'000)

	31/12/2006					31/12/2005				
	Amortised cost	Revaluation reserve	Net carrying amount	Fair value	Unrealised gain or loss	Amortised cost	Revaluation reserve	Net carrying amount	Fair value	Unrealised gain or loss
Held-to-maturity assets										
Bonds:	23,846	-	23,846	24,001	155	33,821	-	33,821	34,300	479
- listed				9,722					10,347	
- not listed				14,279					23, 953	
Total held-to-maturity assets	23,846	-	23,846	24,001	155	33,821	-	33,821	34,300	479
Available-for-sale assets										
Equities:	443,553	1,79,341	622,894	622,894	-	337,872	155,289	493,161	493,161	-
Bonds:	1, 989,965	7,568	1,997,533	1, 997,533	-	1, 917,090	60,926	1,978,016	1, 978,016	-
- listed				1,863,869					2, 231, 201	
- not listed				756,559					239, 976	
Total available-for-sale assets	2,433,518	186,909	2,620,427	2,620,427	-	2,254,962	216,215	2,471,177	2,471,177	-
Trading assets										
Equities:	253	-	253	253	-	1,799	-	1,799	1,799	-
Bonds:	-	-	-	-	-	3,000	-	3,000	3,000	-
- listed				-					3,000	
- not listed				253					1,799	
Total trading assets	253	-	253	253	-	4,799	-	4,799	4,799	-
Loans, deposits and other financial investments	234,652	-	234,652	234,652	-	294,363		294,363	294,363	-
Total loans, deposits and other financial investments	234,652	-	234,652	234 ,652	-	294,363	-	294,363	294,363	-
Total financial investments	2,692,269	186,909	2,879 ,178	2,879, 333	155	2,587,945	216,215	2,804,160	2,804,639	479

For an instrument that is listed on an active market, the fair value is the bid price on the valuation date for an asset held or a liability to be issued and the offer price for an asset intended to be purchased or a liability intended to be held. If such prices are not available, the fair value is estimated based on the most recent transaction price.

If there is no active market for a given financial instrument, the group estimates the fair value using a valuation technique. Valuation techniques include the use of recent transactions under normal competitive conditions between informed and consenting parties, where available, reference to the current fair value of another instrument that is identical in substance, the analysis of discounted cash flows and option valuation models.

At 31 December 2006, accrued interest not yet due on financial investments was reclassified within other receivables. This accrued interest totalled €36,872 thousand at 31 December 2005.

Classification by investment category

(€'000)

	31/12/2006					31/12/2005				
	Amortised cost	Revaluation reserve	Net carrying amount	Fair value	Unrealised gain or loss	Amortised cost	Revaluation reserve	Net carrying amount	Fair value	Unrealised gain or loss
- Equities:	443, 806	179,341	623,147	623,147	-	339,671	155,289	494, 960	494,960	-
- Bonds:	2,013,811	7,568	2,021,379	2,021,534	155	1,953,911	60,926	2,014,837	2,015,316	479
- Loans and other investments	234,652	-	234,652	234,652	-	294,363	-	294,363	294,363	-
Total Financial Investments	2,692,269	186,909	2,879,178	2, 879 ,333	155	2,587,945	216,215	2,804,160	2,804,639	479

Movements in investments

(€'000)

	31/12/2006					31/12/2005
	Held-to-maturity investments	Available-for-sale investments	Trading investments	Loans, deposits and other financial investments	Total	Total
Net carrying amount at 1 January	33 821	2,471,177	4,799	294,363	2,804,160	2,532,402
Increase	43	1,526,785	-	419,147	1,945,975	937,305
Decrease	(9,603)	(1,300,660)	(2,970)	(426,427)	(1,739,660)	(736,037)
Revaluation	-	(29,307)	-	-	(29,307)	52,982
Impairment	-	(1,081)	51	(6)	(1,036)	190
Foreign exchange differences	64	(18,779)	(30)	1,119	(17,626)	33,994
Reclassification	(52)	(32,156)	-	(59,117)	(91,325)	(15,432)
of which, accrued interest not due 2005	(52)	(35,482)		(1,338)		
Other changes	(427)	4,448	(1,597)	5,573	7,997	(1,244)
Net carrying amount at 31 December	23,846	2,620,427	253	234,652	2,879,178	2,804,160

In order to comply with the group's definition of cash, an amount of €57,779 thousand was reclassified from "Other investments" to "Cash and cash equivalents" in the balance sheet.

Note 5 - Derivatives

The Euler Hermes group uses derivatives in its cash flow hedging strategy.

(€'000)

At 31 December 2006	Nominal value	Market value	Interest-rate sensitivity (*)
Euler Hermes Credit Insurance	**1.898**	**-**	
- Interest-rate swap - maturing 2007	1.898	-	3
Total	1.898	-	3

(*) Sensitivity to interest rates is calculated as the change in the market value in the event of a 100-basis point rise in rates.

(€'000)

	Nominal value	Market value	Unrealised gains and losses	Maturity of nominal		Counterparty risk				Issuer		
				One year or less	Over one year and less than five years	AAA	AA	A	<BB	OECD credit institutions	Clients	Govt., central banks
Hedging	1,898	-	-	1,898	-	-	1,898	-	-	1,898	-	-
Pay fixed rate / receive variable rate	**1,898**	**-**	**-**	**1,898**	**-**	**-**	**1,898**	**-**	**-**	**1,898**	**-**	**-**
Dexia	1,898	-	-	1,898			1, 898			1, 898		
Total	1,898	-	-	1,898	-		1,898	-		1,898		

Swaps with a nominal value of €1,898 thousand are intended to hedge the financing of the Retail activities of Euler Hermes in Belgium. The swaps booked by Euler Hermes SA were terminated in December 2006.

(€'000)

At 31 December 2005	Nominal value	Market value	Sensitivity to interest rates(*)
Euler Hermes S.A.	**110,000**	**(1,200)**	
- Interest-rate swap - maturing 2008	55,000	(600)	913
- Interest-rate swap - maturing 2008	55,000	(600)	913
Euler Hermes Credit Insurance	**5,400**	**(20)**	
- Interest-rate swap - maturing 2006	3,502	(8)	(1)
- Interest-rate swap - maturing 2007	1,898	(12)	(2)
Total	115,400	(1,220)	1,824

(*) Sensitivity to interest rates is calculated as the change in the market value in the event of a 100-basis point rise in rates.

(€'000)

	Nominal value	Market value	Unrealised gains and losses	Maturity of nominal		Counterparty risk				Issuer		
				One year or less	Over one year and less than five years	AAA	AA	A	<BB	OECD credit institutions	Clients	Govt., central banks
Hedging	115,400	(1,220)	(1,220)	3,502	111, 898	-	60,400	55,000	-	115,400	-	-
Pay fixed rate / receive variable rate	115,400	(1,220)	(1,220)	3,502	111 ,898	-	60,400	55, 000	-	115,400	-	-
CIC swap	55,000	(600)	(600)		55, 000			55, 000		55,000		
CARDIF swap	55, 000	(600)	(600)		55,000		55,000			55,000		
Dexia	5,400	(20)	(20)	3,502	1 ,898		5,400			5,400		
Total	115,400	(1,220)	(1,220)	3,502	111,898		60,400	55,000		115,400		

Derivative assets concern options to hedge the SARs (Stock Appreciation Rights) subscribed with Allianz for the incentive plans of Allianz. At 31 December 2006, they represent an amount of €5.4 million in the balance sheet and are used to hedge changes in the value of the SAR.

Note 6 - Investments accounted for by the equity method

Information on equity-accounted investments:

(€'000)

Company	Country	Assets	Shareholders' equity	Turnover	Net income	% of capital held
			31/12/2006			
Prisma Kreditversicherungs A.G.	Austria	44,997	22,753	39,597	4,712	49.00 %
Lietuvos Draudimo Kreditu Draudimas	Lithuania	4,086	3,263	767	745	51.00 %
Graydon Holding N.V.	The Netherlands	52,061	22,509	69,401	15,480	27.50 %
Companhia de Seguro de Creditos SA(COSEC)	Portugal	102,949	40,683	18,770	3,865	41.43 %
		204,093	89,208	128,535	24,802	

(€'000)

Company	Country	Assets	Shareholders' equity	Turnover	Net income	% of capital held
			31/12/2005			
Prisma Kreditversicherungs A.G.	Austria	50,107	18,942	37,634	4,418	49.00 %
Euler Hermes Credit Underwriters Hong Kong Ltd	Hong Kong	6,138	2,157	5,553	1,177	100.00 %
Bürgel Wirtschaftsinformationen GmbH & Co. K.G.	Germany	20,084	17,897	20,467	2,012	50.10 %
Lietuvos Draudimo Kreditu Draudimas	Lithuania	5,860	3,518	1,955	135	51.00 %
Graydon Holding N.V.	The Netherlands	49,238	18,390	65,161	9,141	27.50 %
Companhia de Seguro de Creditos SA(COSEC)	Portugal	103,060	33,679	14,811	2,853	41.43 %
		234,487	94,583	145,581	19,736	

Movements during the year

(€'000)

	31/12/2006	31/12/0205
Net book value at 1 January	**43,521**	**37,648**
Decreases	(10,750)	-
Share of income for the year	8,547	8,056
Dividends paid	(4,447)	(4,155)
Foreign exchange differences	-	216
Other changes	(70)	1,756
Net book value at 31 December	**36,801**	**43,521**

The decreases correspond to the change of consolidation method applied to Euler Hermes Credit Underwriters Hong Kong Ltd and Bürgel Wirtschaftsinformationen GmbH & Co. K.G., which were consolidated at 31 December 2006 using the full consolidation method.

Contribution to shareholders' equity:

(€'000)

Company	Country	31/12/2006	31/12/2005
Prisma Kreditversicherungs A.G.	Austria	9,277	7,554
Euler Hermes Credit Underwriters Hong Kong Ltd	Hong Kong	-	1,230
Bürgel Wirtschaftsinformationen GmbH & Co. K.G.	Germany	-	7,393
Lietuvos Draudimo Kreditu Draudimas	Lithuania	1,790	2,232
Graydon Holding N.V.	The Netherlands	1,933	2, 543
Companhia de Seguro de Creditos SA (COSEC)	Portugal	15,254	14,513
Share of shareholders' equity		**28,254**	**35,465**

Contribution to income:

(€'000)

Company	Country	2006	2005
Prisma Kreditversicherungs AG	Austria	2,309	2,165
Euler Hermes Credit Underwriters Hong Kong Ltd	Hong Kong	-	1,119
Bürgel Wirtschaftsinformationen GmbH & Co. KG	Germany	-	1, 008
Lietuvos Draudimo Kreditu Draudimas	Lithuania	380	69
Graydon Holding NV	The Netherlands	4,257	2,514
Companhia de Seguro de Creditos SA (COSEC)	Portugal	1,601	1,181
Share of total income		**8,547**	**8,056**

Note 7 - Operating property and other property and equipment

(€'000)

	31/12/2006			31/12/2005		
	Operating property	Other property and equipment	Total	Operating property	Other property and equipment	Total
At 1 January						
Gross value	192,123	166,810	358, 933	189,156	169,857	359,013
Amortisation	(56,028)	(137,380)	(193,408)	(51,723)	(136,363)	(188,086)
Impairment	(10,014)	-	(10,014)	-	-	-
Net carrying amount	126,081	29,430	155,511	137,433	33,494	170,927
Change during the year						
Net carrying amount at 1 January	126,081	29,430	155,511	137,433	33,494	170,927
Acquisitions	909	9,895	10,804	3 ,469	12,543	16,012
Changes in consolidation scope	-	6,964	6,964	-	(135)	(135)
Disposals	-	(38,631)	(38,631)	(292)	(14,193)	(14,485)
Reclassifications	(1,902)	-	(1,902)	(1,377)	-	(1,377)
Foreign exchange differences	(19)	(103)	(122)	9	613	622
Net depreciation	(3,662)	22,537	18, 875	(3,147)	(2,222)	(5,369)
Net provisions for impairment	-	-	-	(10,014)	-	(10,014)
Other changes	-	(143)	(143)	-	(670)	(670)
Net carrying amount at 31 December	121,407	29,949	151,356	126,081	29,430	155,511
At 31 December						
Gross value	180,908	146,448	327,356	192,123	166,810	358,933
Amortisation	(49,487)	(116,499)	(165,986)	(56,028)	(137,380)	(193,408)
Impairment	(10,014)	-	(10, 014)	(10,014)	-	(10,014)
Net carrying amount	**121,407**	**29,949**	**151,356**	**126,081**	**29,430**	**155,511**

Disposals of other property and equipment and the related depreciation correspond mainly to the updating of IT equipment in Germany and France.

Note 8 - Deferred tax

Breakdown by type of tax

(€'000)

Change by type	31/12/2006	31/12/2005
Deferred tax assets	136,400	109,719
Deferred tax liabilities	(504,739)	(464,955)
Net deferred tax	**(368,339)**	**(355,236)**
Deferred tax assets		
Tax losses	3,603	193
Deferred tax assets linked to revaluation of AFS investments	5,760	1,297
Deferred tax assets - provisions for retirement commitments	2,602	4,413
Deferred tax assets - technical reserves	63,766	32,054
Other deferred tax assets	60,669	71,762
Total	**136,400**	**109,719**
Deferred tax liabilities		
Deferred tax assets linked to revaluation of AFS investments	(65,721)	(72,091)
Deferred tax assets - provisions for retirement commitments	(12,248)	(8,470)
Deferred tax assets - technical reserves	(222,192)	(299,253)
Other deferred tax liabilities	(204,578)	(85,141)
Total	**(504,739)**	**(464,955)**
Net deferred tax	**(368 339)**	**(355,236)**
After offsetting deferred tax assets and liabilities by tax entity		
Deferred tax assets	20,912	16,732
Deferred tax liabilities	(389,251)	(371,968)

Changes in deferred tax by geographic area

(€'000)

Geographic area	31/12/2005	Foreign exchange difference	Change relating to revaluation of AFS inv.	Change through income statement	Other movements	31/12/2006
Germany	(169,998)	-	6,986	(25,744)	335	(188,421)
France	(164,236)	-	542	2,299	(1)	(161,396)
Italy	(5,488)	-	1,708	2,266	(1)	(1,515)
UK	(8,226)	(253)	35	(5,442)	2	(13,884)
US	3,945	(345)	(452)	(1,027)	(131)	1,990
Benelux countries	(9,645)	-	2,017	(429)	(3)	(8,060)
Other countries	(2,615)	(78)	(4)	2,841	1,592	1,736
Group services / Holding companies	1,027	(22)	-	483	(277)	1,211
	(355,236)	**(698)**	**10,832**	**(24,753)**	**1,516**	**(368,339)**

With regard to Germany and France, the deferred tax liability was due mainly to the cancellation under IFRS of the equalisation reserve.

Change in standard tax rate

	31/12/2006	31/12/2005
Group rate	32.76%	36.29%
France	34.43%	34.93%
Germany	40.38%	40.38%
Italy	37.25%	37.25%
United Kingdom	30.00%	30.00%
United States	35.00%	35.00%
The Netherlands	29.60%	31.50%
Belgium	33.99%	33.99%
Switzerland	24.53%	25.00%

The group tax rate corresponds to the effective tax rate, i.e. the tax charge recognised in the income statement compared with gross income before tax and adjusted for the profits of companies accounted for by the equity method. A reconciliation between the tax rate of the parent company Euler Hermes SA and the effective tax rate in 2006 is provided in note 24.

Note 9 - Insurance and reinsurance receivables

Breakdown by type

(€'000)

	31/12/2006			31/12/2005
	Gross	Provisions	Net	Net
Receivables from policyholders and agents	202,528	(17,881)	184,647	184,372
Earned premiums not yet written	132,429	-	132,429	134,736
Receivables from guaranteed debtors	78,731	-	78,731	76,995
Receivables from reinsurance transactions	100,924	(504)	100,420	77,370
Total credit insurance receivables	**514,612**	**(18,385)**	**496,227**	**473,473**

Details of receivables from guaranteed debtors

(€'000)

	31/12/2006			31/12/2005
	Gross	Provisions	Net	Net
Gross receivables	78,731	-	78,731	76,995
Reinsurers' share	(21,055)	-	(21,055)	(24,287)
Net receivables from guaranteed debtors	**57,676**	**-**	**57,676**	**52,708**

These concern receivables recognised by Euler Hermes Credit Insurance (Belgium) in respect of the retail credit activity.

Breakdown by maturity

(€'000)

	31/12/2006				
	< 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Gross receivables	315,844	1,232	-	-	317,076
Reinsurers' share	120,205	1,270	-	-	121,475
Net receivables from guaranteed debtors	57,676	-	-	-	57,676
Total credit insurance receivables	**493,725**	**2,502**	**-**	**-**	**496,227**

Note 10 - Other receivables

At 31 December 2006, other receivables and other assets were combined under the same heading, i.e. other receivables.

Furthermore, accrued interest not yet due recorded in 2005 in financial investments and investment property was reclassified within other receivables in 2006.

Breakdown by type

(€'000)

	31/12/2006			31/12/2005
	Gross	Provisions	Net	Net
Current account receivables	14,925	-	14,925	68,460
Other taxes receivable	14,314	-	14 ,314	14,228
Other receivables	103,389	(590)	102,799	45,816
of which, accrued interest not due	32,650	-	32,650	-
Deferred charges	9,138	-	9,138	9,814
Other adjustment accounts	953	-	953	4,030
Other assets	83	-	83	659
Total other receivables	**142,802**	**(590)**	**142,212**	**143,007**

Breakdown by maturity

(€'000)

	31/12/2006				
	< 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total other receivables net of provisions	**119,095**	**23,036**	**54**	**27**	**142,212**

In 2005, Euler Hermes Kreditversicherungs AG was subject to a tax audit covering the financial years from 1997 to 2000 that identified various adjustments to the tax bases for these years, the overall impact being €13.2 million (including late payment penalties and interest).

On 31 December 2005, Euler Hermes SA decided to make a call on the liabilities guarantee issued by Allianz and recognised accrued income of the same amount. Following additional enquiries made during 2006 concerning the conditions for calling this guarantee, this receivable was written back in the consolidated financial statements at 31 December 2006.

Note 11 - Cash and cash equivalents

Balance sheet

(€'000)

	31/12/2006	31/12/2005
Cash in bank and at hand	275,765	221,678
Cash pooling	59,199	-
Total cash	**334,964**	**221,678**

Reconciliation with the cash flow statement

(€'000)

	31/12/2006	31/12/2005
Total cash per balance sheet	334,964	221,678
Cash equivalents reflected in the cash flow statement	74,502	58,037
Cash pooling creditor with Allianz	(7,048)	-
Total cash and cash equivalents	**402,418**	**279,715**

The amounts taken into account in the cash position in the cash flow statement correspond to cash equivalents. These are short-term investments (less than three months) that are highly liquid and can readily be converted into a predetermined amount of cash and which are subject to a negligible risk of change in value.

Note 12 - Revaluation reserve

Available-for-sale investment and hedging derivatives are remeasured at fair value. The table below provides a reconciliation of the unrealised gains and losses, the tax amount and the impact on the revaluation reserve.

(€'000)

	Investments	Hedges	Associated companies	Tax	Other	Foreign exchange difference	Minority interests	Revaluation reserve
At 1 January	216,215	(1,200)	1,756	(73,625)	(584)	123	(222)	142,463
Movement during the year	(29,307)	1,200	(109)	10,876	1	(123)	(91)	(17,553)
At 31 December	186,908	-	1,647	(62,749)	(583)	-	(313)	124,910

The impact of €1,200 thousand corresponding to the revaluation of Euler Hermes SA's hedging swap was written back on 31 December 2006. Euler Hermes SA's swaps were effectively terminated in December 2006.

The impact of the revaluation of AFS investments of companies accounted for by the equity method was €1,647 thousand and concerned Companhia de Seguro de Creditos SA (COSEC).

Note 13 - Minority interests

Movements during the year

(€'000)

	31/12/2006	31/12/2005
Minority interests at start of period	7,869	24,883
Buy out of minority interests		
Buy out of minority interests in Euler Hermes Credit Insurance Belgium SA (N.V.)	-	(16,674)
Buy out of minority interests in Codinf Services	(147)	-
Buy out of minority interests in Euler Hermes Emporiki SA	(359)	-
Disposals		
Internal disposal of Interborg	-	(186)
Change of consolidation method		
Full consolidation of Bürgel Wirtschaftsinformationen GmbH & Co. KG	8,931	-
Movements on latent reserves	98	-
Reserve movements		
Reserve movements at Euler Hermes Emporiki SA	-	(104)
Change of method		
Other movements		
Foreign currency translation differences	12	39
Minority interests in companies that left the consolidation scope (Mundialis SA (N.V.))	-	(99)
Minority interests in companies that joined the consolidation scope (Euler Hermes in Romania)	29	-
Dividends paid to minority shareholders	(1,874)	(233)
Capital increases and other movements	413	134
Minority shareholders' share of net income	4,181	109
Minority interests at end of period	19,153	7,869

Breakdown by country

(€'000)

	31/12/2006	31/12/2005
Netherlands	396	404
France	616	708
Hungary	1,795	1,740
Romania	29	-
Germany	10,554	20
United Kingdom	1,366	1,364
Morocco	2,207	1,838
Greece	2,190	1,795
Minority interests	19,153	7,869

Note 14 - Provisions for risks and charges

The main provision items concern retirement plans, details of which are set out in note 16. Provisions for other staff benefits concern an early retirement programme in Belgium and Germany that matures at the end of 2007.

(€'000)

	31/12/05	Provision	Writeback Provision used	Writeback Provision not used	Reclassification	Other movements	31/12/2006
Retirement scheme							
Defined benefit retirement plans	49,493	13,850	(10,871)	(34)	-	430	52,868
Defined contribution retirement plans	1,807	-	(226)	-	-	(179)	1,402
Total	**51,300**	**13,850**	**(11,097)**	**(34)**	**-**	**251**	**54,270**
Other provisions for risks and charges							
Provision for tax liabilities	1,114	1,169	(391)	-	-	(8)	1,884
Provision for tax reassessment in Germany	16,963	11,486	(8,172)	(5, 869)	(596)	-	13,812
Provisions for employee benefits	15,530	6 ,572	(1,942)	(1,036)	1,571	(754)	19,941
Provisions for reinsurer default	1,943	-	-	-	-	-	1,943
Provisions for policyholder disputes	1,119	976	-	-	-	-	2,095
Provisions for debtor disputes	5,293	50	-	(2,982)	-	-	2,361
Guarantee of liabilities	879	-	-	-	-	-	879
Provision for restructuring	557	58	(161)	-	-	-	454
Provisions for sundry disputes	3,351	715	(342)	(379)	(1,837)	568	2,076
Total	**46,749**	**21,026**	**(11,008)**	**(10,266)**	**(862)**	**(194)**	**45,445**
Overall total	**98,049**	**34,876**	**(22,105)**	**(10,300)**	**(862)**	**57**	**99,715**

Preliminary results from the tax audit performed in Germany on the financial years from 1997 to 2000 resulted in the recognition of tax provisions in the 2005 financial statements. These provisions were adjusted in 2006, mainly to reflect payments made and the estimate of risks relating to subsequent financial years.

Charges to provisions for employee benefits totalling €6.5 million correspond mainly to the personnel expense relating to Allianz option plans granted to executives.

The write-backs of almost €3 million correspond to early retirement provisions for part-time staff and to provisions relating to long-service awards. The reclassification of provisions for employee benefits of €1.5 million also corresponds to the US stock option plan previously recorded in other amounts due to staff.

The reclassification of €1.8 million concerning provisions for sundry disputes corresponds to invoices not yet received that have now been recorded in accrued expenses.

A write-back of a provision for debtor disputes of €2.9 million was recognised after the Tribunal Correctionnel (court of summary jurisdiction) found in favour of Euler Hermes Sfac. The other party did not lodge an appeal against this decision.

Note15 - Employee benefits

Defined contribution plans

General description of the plans

- La Mondiale (France): insurance firms are required to pay 1% of their annual payroll into a capitalisation pension plan. The funds are managed by La Mondiale, an insurance firm.

- Euler American Credit Indemnity Company Associates Retirement Savings Plan: this is a defined contribution plan for full-time employees of Euler American Credit Indemnity. A provision must be raised pursuant to the Employee Retirement Income Security Act of 1974 (ERISA).

- United Kingdom: the company makes contributions on behalf of its employees amounting to 8% of salaries. The cash is invested in the names of the employees, who receive rights according to the return on investment generated.

- Scandinavia:

-Sweden: a multi-employer plan that is managed by SPP, one of the largest life insurance companies.
-Denmark: the plan is managed by Danica, a Danish life insurance company.
-Norway: a multi-employer plan that is managed by Vital, a Norwegian life insurance company.
-Finland: the plan is managed by Varma, a Finnish insurance company.

	France	United States	United Kingdom	Scandinavia	Total
Provision at 31 December 2006	-	(1,402)	-	-	(1,402)
Expense booked in 2006	(413)	(2,093)	(912)	(118)	(3,536)
Provision at 31 December 2005	-	(1,807)	-	-	(1,807)
Expense booked in 2005	(392)	(2,019)	(495)	(866)	(3,772)
Provision at 31 December 2004	-	(1,684)	-	-	(1,684)
Expense booked in 2004	(498)	(1,694)	(597)	(821)	(3,610)

Defined benefits plans

General description of the plans

■ Retirement indemnities: the rights in respect of retirement indemnities are defined by the insurance companies' collective agreement. This plan is financed partly by a policy taken out with an insurance company.

■ PSAD: this is a supplementary retirement benefit plan that was closed in 1978 and covers executives of Euler Hermes Sfac. Contributions are paid by the company to beneficiaries or their surviving spouse (reversion) until their death. The plan is managed by BCAC, which informs the company quarterly of the contributions to be paid. At the beginning of the year, there were 22 beneficiaries.

■ CARDIF: Employees who are members of the Group Management Board or corporate officers are eligible for a supplementary pension plan provided that they have completed at least five years' service on retirement.

■ TFR: Trattamento di Fine Rapporto is a pension plan established by Italian legislation that is similar to a defined benefit pension plan. It is valued in accordance with IAS 19 by an independent actuary.
The following items were taken into account when measuring the commitment at the year end:
- The retirement age has been taken as 60 years for women and 65 years for men;
- The probability of leaving the company within the next five years for employees under 40 years of age has been determined based on historical data;
- The average life expectancy has been determined based on current statistics;
- The probability of an early request for TFR has also been calculated using historical data available within the company.
The assets covering the actuarial liability are included along with the other assets of Euler Hermes SIAC and are not identified separately.

■ EHUK Defined Benefit plan: Euler Hermes in the UK operates a defined benefit pension plan that covers all employees who had joined the company by 31 December 2001. Under this plan, employees will be granted a pension on retirement (the normal age being 63 years), which will be a fraction of their salary upon retirement and based on their length of service within the company.

The company funds these rights through a dedicated fund. The retirement rights are revalued annually based on the constraints set by law, which provides for the mandatory application of different revaluation rates according to the vesting date of the rights.

The revaluation of certain rights, notably those earned prior to 6 April 1997, is not covered by a legal obligation, but is discretionary. The assumptions used to calculate the commitment were reviewed in 2005 following the decision to no longer finance the revaluation of the discretionary increase in rights earned prior to 1997. This took into account the company's recent practice and the current position of the fund, factors that tend to reduce the probability of such discretionary revaluations being granted in the future. The commitment was reduced by £13.7 million at 31 December 2005. In this regard, £8.4 million was treated as actuarial gains and £5.7 million was recognised in the 2006 income statement as past service costs.

At 31 December 2006, the present value of pension commitments in respect of this plan came to £98.8 million, funded partly by the fund as the market value of the assets stood at £90.8 million.

■ AVK/APV EPV: Euler Hermes Kreditversicherungs AG, Euler Hermes Forderungsmanagement GmbH, Euler Hermes Risk Management & Co.KG and Euler Hermes Rating Gmbh have implemented a defined benefit pension plan for all their employees. The beneficiaries will receive an annuity upon retirement at 63 years of age. This plan is managed in part by external companies, namely Pensionskasse AVK and Unterstûtzungskasse APV. Employees who leave the company prior to the date provided for may benefit from an annuity of a lower amount than that provided for initially.

■ Euler Hermes Credit Insurance Belgium has implemented a plan that covers the payment to employees of Euler Hermes Credit Insurance Belgium and Euler Hermes Services Belgium of a fixed capital sum, being a multiple of their salary at age 60. It also provides coverage in the event of the death, being a multiple of their salary based on the composition of their family, or invalidity of the employee.

■ Euler Hermes Kredietverzekeringen NV (the Netherlands) has implemented a defined benefit pension plan for its employees that is managed by Delta Lloyd.

Defined contribution plans:

(en milliers d'euros)

31 December 2006	France			Italy	UK	Germany	Belgium	The Netherlands	Total
	Retirement indemnities	PSAD	CARDIF						
Actuarial liability at start of period	(5,132)	(5,036)	(4,672)	(10,608)	(138,042)	(332,607)	(14,719)	(2,280)	(513,096)
- Cost of services provided during the period	(345)	-	-	(978)	(3,970)	(9,761)	(761)	(416)	(16,231)
- Interest expense	(198)	(192)	(185)	(267)	(6,585)	(13,525)	(573)	(171)	(21,696)
- Employee contributions	-	-	-	-	-	(2,598)	(158)	-	(2,756)
- Change of pension plan	-	-	-	-	-	1,925	-	-	1,925
- Acquisitions/disposals of subsidiaries	66	(193)	-	-	-	(605)	-	-	(732)
- Reductions of pension plans	-	-	1,473	-	-	-	-	8	1,481
- Disposals of pension plans	-	-	-	-	-	-	-	-	-
- Exceptional events	-	-	-	-	-	-	-	-	-
- Actuarial gains (losses) due to a change in assumptions	-	-	-	-	(2,256)	26,082	412	447	24,685
- Actuarial gains (losses) due to a change in experience	(46)	(145)	222	-	(389)	(6,256)	-	(437)	(7,051)
- Benefits paid	377	488	122	1,489	3,156	8,505	200	1	14,338
- Translation differences	-	-	-	-	(2,837)	-	-	-	(2,837)
- Other	-	-	-	-	210	(166)	461	(1,817)	(1,312)
- Removal of the discretionary clause	-	-	-	-	3,623	-	-	446	4,069
Actuarial liability at end of period	(5,278)	(5,078)	(3,040)	(10,364)	(147,090)	(329,006)	(15,138)	(4,219)	(519,213)
Fair value of assets at start of period	858	-	4,672	-	125,154	245,321	8,093	1,664	385,762
- Actual return on plan assets	57	-	224	-	7,690	12,310	535	5	20,821
- Experience effect on returns from assets					325	(2,032)			(1,707)
- Employee contributions	-		-	-	-	2,598		-	2,598
- Employer contributions	98		-	-	2,919	6,125	158	308	9,608
- Acquisitions/disposals of subsidiaries	74		-	-	-	-	832	210	1,116
- Reductions of pension plans	-		(1,473)	-	-	-	-	-	(1,473)
- Disposals of pension plans	-		-	-	-	-	-	-	-
- Benefits paid	(249)		(122)	-	(3,156)	(5,444)	(200)	(1)	(9,172)
- Translation differences	-		-	-	2,572	-	-	-	2,572
- Other	-		-	-	(210)	-	-	755	545
Fair value of assets at end of period	838	-	3,301	-	135,294	258,878	9,418	2,941	410,670
Actuarial differences still to be amortised	(283)	-	261	-	(30,124)	(43,325)	(422)	(110)	(74,003)
Net commitments	(4,157)	(5,078)	-	(10,364)	18,328	(26,803)	(5,298)	(1,168)	(34,540)
Expenses for the period	(513)	(530)	1,473	(1,245)	4,255	(11,078)	(994)	(955)	(9,587)
- Cost of services provided during the period	(345)		-	(978)	(3,970)	(9,761)	(761)	(416)	(16,231)
- Financial cost (discounting effect)	(198)	(192)	(185)	(267)	(6,585)	(13,525)	(573)	(171)	(21,696)
- Expected return on plan assets	35		185	-	7,690	12,310	340	5	20,565
- Expected return on all other assets	-		-	-	-	-	-	-	-
- Amortisation of actuarial gains and losses	(2)		-	-	(1,324)	(2,027)	-	-	(3,353)
- Amortisation of past service costs	-		-	-	-	1,925	-	200	2,125
- Amortisation of initial unrecognised liability	-		-	-	-	-	-	-	-
- Profit or loss resulting from reduction or liquidation	(3)		1,473	-	-	-	-	8	1,478
- Asset ceiling	-		-	-	-	-	-	-	-
- Exceptional events	-		-	-	-	-	-	-	-
- Other (see explanatory note above)	-	(338)	-	-	8,444	-	-	(581)	7,525

Notes to the consolidated financial statements

31 December 2006	France			Italy	UK	Germany	Belgium	The Netherlands
	Retirement indemnities	PSAD	CARDIF					
Actuarial assumptions								
- Discount rate	4.00 %	4.60 %	4.00 %	4.50 %	5.10 %	4.60 %	4.50 %	4.60 %
- Rate of inflation	2.00 %	2.00 %	-	2.00 %	3.15 %	1.50 %	2.00 %	2.00 %
- Expected rate of return on plan assets	4.00 %	-	4.00 %	-	6.40 %	5.00 %	4.50 %	4.60 %
- Expected rate of return on all reimbursement rights	-	-	-	-	-	-	-	-
- Expected rate of salary increases	3.00 %	-	-	2.50 %	4.15 %	2.40 %	3.50 %	2.00 %
- Rate of increase in medical costs	-	-	-	-	-	-	-	2.00 %
- Rate of increase in annuities	-	1.90 %	-	-	3.15 %	1.50 %	-	-
- Retirement age	60		60	60-65	63	63	60	65
- Remaining length of service	10		5	-	20	15	12	28
- Other major assumptions used (1)	-	60.00 %	-	-	-	-	-	-

(1) the 60% on the PSAD plan corresponds to the reversion rate.

Structure of plan assets								
- Equities	-	-	23.00 %	-	49.00 %	20.34 %	-	-
- Bonds	100.00 %	-	27.00 %	-	31.00 %	77.21 %	-	-
- Property	-	-	-	-	-	2.43 %	-	-
- Other	-	-	50.00 %	-	20.00 %	0.02 %	100.00 %	100.00 %

The €52,868 thousand in note 14 corresponds to the total net commitments at 31 December 2006 (€34,540 thousand) adjusted for the positive net commitment of €18,328 thousand in the United Kingdom.

31 December 2005	France			Italy	UK	Germany	Belgium	The Netherlands	Total
	Retirement indemnities	PSAD	CARDIF						
Actuarial liability at start of period	(4,508)	(5,032)	(3,505)	(10,938)	(122,581)	(271,361)	(11,341)	(1,691)	(430,957)
- Cost of services provided during the period	(276)	-	(603)	(1,352)	(3,352)	(6,579)	(666)	(316)	(13,144)
- Interest expense	(203)	(196)	(185)	(213)	(6,758)	(13,298)	(537)	(79)	(21,469)
- Employee contributions	-	-	-	-	-	(2,613)	(148)	-	(2,761)
- Change of pension plan	(114)	-	-	-	-	564	-	-	450
- Acquisitions/disposals of subsidiaries	(341)	-	-	-	-	-	-	-	(341)
- Reductions of pension plans	-	-	-	-	-	-	-	-	-
- Disposals of pension plans	-	-	-	-	-	-	-	-	-
- Exceptional events	-	-	-	-	-	-	-	-	-
- Actuarial gains (losses) due to a change in assumptions	78	(288)	(390)	-	(3,969)	(49,245)	(1,420)	(195)	(55,429)
- Benefits paid	213	480	11	1,896	2,182	9,925	119	1	14,826
- Translation differences	-	-	-	-	(3,533)	-	-	-	(3,533)
- Other	19	-	-	-	(31)	-	(726)	-	(738)
Actuarial liability at end of period	(5,132)	(5,036)	(4,672)	(10,608)	(138,042)	(332,607)	(14,719)	(2,280)	(513,095)
Fair value of assets at start of period	803	-	2,688	-	105,181	216,581	6,535	1,016	332,804
- Actual return on plan assets	29	-	194	-	15,243	28,221	333	281	44,301
- Employee contributions	-	-	-	-	-	2,613	148	19	2,780
- Employer contributions	228	-	1,801	-	3,880	4,971	440	402	11,722
- Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-
- Reductions of pension plans	-	-	-	-	-	-	-	-	-
- Disposals of pension plans	-	-	-	-	-	-	-	-	-
- Benefits paid	(213)	-	(11)	-	(2,182)	(7,065)	(119)	(1)	(9,591)
- Translation differences	-	-	-	-	3,031	-	-	-	3,031
- Other	11	-	-	-		-	756	(53)	725
Fair value of assets at end of period	858	-	4,672	-	125,154	245,321	8,093	1,664	385,762
Actuarial differences still to be amortised	(333)	-	-	-	(23,817)	(63,145)	(1,489)	16	(88,768)
Net commitments	(3,941)	(5,036)	-	(10,608)	10,930	(24,141)	(5,137)	(632)	(38,565)

31 December 2005	France			Italy	UK	Germany	Belgium	The Netherlands	Total
	Retirement indemnities	PSAD	CARDIF						
Expenses for the period	**(450)**	**(484)**	**(985)**	**(1,565)**	**(4,707)**	**(7,977)**	**(870)**	**(349)**	**(17,388)**
- Cost of services provided during the period	(276)	-	(603)	(1,352)	(3,352)	(6,616)	(666)	(292)	(13,157)
- Financial cost (discounting effect)	(203)	(196)	(185)	(213)	(6,758)	(13,298)	(537)	(79)	(21,469)
- Expected return on plan assets	29	-	194	-	6,982	11,696	333	49	19,283
- Expected return on all other assets	-	-	-	-	-	-	-	-	-
- Amortisation of actuarial gains and losses	-	(288)	(391)	-	(1,550)	(357)	-	-	(2,586)
- Amortisation of past service costs	-	-	-	-	-	598	-	-	598
- Amortisation of initial unrecognised liability	-	-	-	-	-	-	-	-	-
- Profit or loss resulting from reduction or liquidation	-	-	-	-	-	-	-	-	-
- Asset ceiling	-	-	-	-	-	-	-	-	-
- Exceptional events	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	(31)	-	-	(27)	(58)

Actuarial assumptions								
- Discount rate	4.00%	4.00%	4.00%	3.50%	4.85%	4.10%	3.75%	4.00%
- Rate of inflation	2.00%	2.00%	-	2.00%	2.65%	1.38%	2.00%	2.00%
- Expected rate of return on plan assets	4.00%	-	4.00%	-	6.10%	5.00%	3.75%	4.00%
- Expected rate of return on all reimbursement rights	-	-	-	-	-	-	-	-
- Expected rate of salary increases	3.00%	-	-	2.50%	3.65%	2.40%	3.50%	2.00%
- Rate of increase in medical costs	-	-	-	-		-	-	2.00%
- Rate of increase in annuities	-	1.90%	-	-	2.65%	1.38%	-	-
- Retirement age	60		60	60-65	63	63	60	62
- Remaining length of service	10		5		20	15	14	28
- Other major assumptions used (1)	-	60.00%	-	-	-	-	-	-

(1)The 60% on the PSAD plan corresponds to the reversion rate.

Structure of plan assets								
- Equities	-	-	23.00 %	-	50.00 %	16.52 %	-	-
- Bonds	100.00 %	-	27.00 %	-	50.00 %	80.30 %	-	-
- Property	-	-	-	-	-	2.78 %	-	-
- Other	-	-	50.00 %	-	-	0.40 %	100.00 %	100.00 %

The €49,493 thousand in note 14 corresponds to the total net commitments at 31 December 2005 (€38,565 thousand) adjusted for the positive net commitment of €10,930 thousand in the United Kingdom.

31 December 2004	France			UK	Italy	Germany	Belgium	Total
	Retirement indemnities	PSAD	CARDIF					
Actuarial liability at start of period	**(4,057)**	**(5,308)**		**(100,930)**	**(11,056)**	**(248,468)**	**(10,345)**	**(380,164)**
- Cost of services provided during the period	(247)	-		(3,641)	(1,202)	(6,006)	(785)	(11,881)
- Interest expense	(203)	-		(5,490)	(207)	(13,666)	(559)	(20,125)
- Employee contributions		(196)				(2,492)		(2,688)
- Change of pension plan		-		(421)				(421)
- Acquisitions/disposals of subsidiaries		-		-			-	-
- Reductions of pension plans		-		-		-	-	-
- Disposals of pension plans		-		-		-	-	-
- Exceptional events		-		-		-	-	-
- Actuarial gains (losses) due to a change in assumptions	(98)	-		(10,937)		(10,322)	-	(21,357)
- Benefits paid	97	472		(1,162)	1,527	9,210	348	10,492
- Translation differences								-
- Other		-		-		383	-	383
Actuarial liability at end of period	**(4,508)**	**(5,032)**	**(3,505)**	**(122,581)**	**(10,938)**	**(271,361)**	**(11,341)**	**(429,266)**
Fair value of assets at start of period	**709**	**-**		**72,028**		**203,812**	**6,231**	**282,780**
- Actual return on plan assets	26	-		15,227		12,229	320	27,802
- Employee contributions		-		-		2,492	636	3,128
- Employer contributions	165	-	817	19,088		3,844	157	24,071
- Acquisitions/disposals of subsidiaries		-		-		-	-	-
- Reductions of pension plans		-		-		(2)	-	(2)
- Disposals of pension plans		-		-		-	-	-
- Benefits paid	(97)	-		(1,162)		(6,625)	(348)	(8,232)
- Translation differences		-		3,031		-	-	3,031
- Other		-				831	(461)	370
Fair value of assets at end of period	**803**	**-**	**2,688**	**108,212**		**216,581**	**6,535**	**334,819**
Actuarial differences still to be amortised	**(97)**	**-**		**(28,828)**		**(30,820)**		**(59,745)**
Net commitments	**(3,608)**	**(5,032)**	**(817)**	**14,459**	**(10,938)**	**(23,960)**	**(4,806)**	**(34,702)**
Expenses for the period	**(426)**	**(192)**		**(6,252)**	**(1,409)**	**(7,443)**	**(1,196)**	**(16,918)**
- Cost of services provided during the period	(247)	-		(3,641)	(1,202)	(6,006)	(785)	(11,881)
- Financial cost (discounting effect)	(203)	(192)		(5,490)	(207)	(13,666)	(559)	(20,317)
- Expected return on plan assets	26	-		4,750		12,229	320	17,325
- Expected return on all other assets		-		-		-	-	-
- Amortisation of actuarial gains and losses	(2)			(1,450)			-	(1,452)
- Amortisation of past service costs	-	-		-			-	-
- Amortisation of initial unrecognised liability	-	-		-		-	-	-
- Profit or loss resulting from reduction or liquidation	-	-		-		-	-	-
- Asset ceiling	-	-		-		-	-	-
- Exceptional events	-	-		-		-	-	-
- Other	-	-		(421)		-	(172)	(593)

31 December 2004	France			UK	Italy	Germany	Belgium
	Retirement indemnities	PSAD	CARDIF				
Actuarial assumptions							
- Discount rate	5.00%	4.00%		6.00%	4.00%	5.00%	6.00%
- Rate of inflation	2.00%	2.00%		3.00%	1.50%	0.00%	2.00%
- Expected rate of return on plan assets	5.00%	0.00%		7.00%		5.00%	5.00%
- Expected rate of return on all reimbursement rights	0.00%	0.00%		0.00%		0.00%	5.00%
- Expected rate of salary increases	3.00%	0.00%		4.00%	2.50%	2.00%	4.00%
- Rate of increase in medical costs	0.00%	0.00%		3.00%		0.00%	0.00%
- Rate of increase in annuities	0.00%	2.00%		3.00%		2.00%	0.00%
- Retirement age	60			63	60-65	63	60
- Remaining length of service	10	0		20		15	14
- Other major assumptions used [1]	0.00%	60.00%		0.00%		0.00%	3.00%

(1) The 60% on the PSAD plan corresponds to the reversion rate.

Structure of plan assets							
- Equities	0.00%	0.00%		52.00%		14.00%	0.00%
- Bonds	100.00%	100.00%		47.00%		82.00%	0.00%
- Property	0.00%	0.00%		0.00%		3.00%	0.00%
- Other	0.00%	0.00%		1.00%		1.00%	100.00%

A detailed actuarial analysis had not been performed for the CARDIF pension plan or the defined benefit pension plan in the Netherlands at 31 December 2004.

Note 16 - Borrowings

Breakdown by type of borrowing

(€'000)

	31/12/06	31/12/05
Subordinated debt	**-**	**140**
Term loans and other term borrowings	-	110,244
Demand accounts	-	-
Borrowings from banking sector businesses	**-**	**110,244**
Other borrowings	**302,369**	**226,435**
Total borrowings	**302,369**	**336,819**

"Other borrowings" include three loans to Euler Hermes SA from AGF amounting to €292,230 thousand (see note 27 Related parties and regulated agreements and commitments, pages 186 to 188).
The balance represents cash pooling liabilities due to Allianz (€7 million) and a borrowing by the Greek subsidiary from its shareholder Banque Emporiki (€2.6 million).

The €110 million syndicated loan managed by Société Générale was repaid in November 2006. A €67 million loan was arranged with AGF (regulated agreements and commitments, pages 186 to 188).

Breakdown by maturity

(€'000)

	31/12/06				
	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total borrowings	**10,369**	**-**	**292,000**	**-**	**302,369**

Note 17 - Technical reserves

(€'000)

	31/12/05	Provision	Write back	Foreign exchange differences	Other changes	31/12/06
Reserve for unearned premiums	254,586	2,816	(11,945)	(6,231)	2,601	241,827
Reserve for claims	1,123,361	672,666	(747,685)	(3,590)	3,921	1,048,673
Reserve for no-claims bonuses and refunds	119,217	7,435	(760)	189	(3,239)	122,842
Gross technical reserves	**1, 497,164**	**682,917**	**(760,390)**	**(9,632)**	**3,283**	**1,413,342**
Reserve for unearned premiums	72,272	(30,014)	6,758	145	5 ,921	55,082
Reserve for claims	443,192	(114,377)	7,031	(916)	(656)	334,274
Reserve for no-claims bonuses and refunds	29,448	(6,031)	(139)	45	(714)	22,609
Reinsurers' share of technical reserves	**544,912**	**(150,422)**	**13,650**	**(726)**	**4,551**	**411,965**
Net technical reserves	**952,252**	**833,339**	**(774,040)**	**(8,906)**	**(1,268)**	**1,001,377**

Additional explanations on technical reserves are provided in section 3.8 under risk management.

Cost of claims

(€'000)

	2006			2005		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Cost of claims for the current year	**997,283**	**(241,600)**	**755,683**	**1,002,692**	**(349,310)**	**653,382**
of which, claims paid	297,563	(96,054)	201,509	279,203	(116,540)	162,663
of which, claims reserves	637,155	(143,667)	493,488	659,251	(231,057)	428,194
of which, claims handling expenses	62,565	(1,879)	60,686	64,238	(1,713)	62,525
Recoveries for the current year	**(72,618)**	**20,735**	**(51,883)**	**(63,323)**	**19,759**	**(43,564)**
Recoveries received	(15,718)	5,911	(9,807)	(16,336)	6,985	(9 351)
Change in reserves for recoveries	(56,900)	14,824	(42,076)	(46,987)	12,774	(34,213)
Cost of claims from prior years	**(120,335)**	**41,657**	**(78,678)**	**(242,790)**	**110,771**	**(132,019)**
of which, claims paid	560,173	(190,076)	370,097	506,927	(196,694)	310,233
of which, claims reserves	(680,532)	232,122	(448,410)	(744,195)	316,740	(427,455)
of which, claims handling expenses	24	(389)	(365)	(5,522)	(9,275)	(14,797)
Recoveries from prior years	**(111,662)**	**32,534**	**(79,128)**	**(87,450)**	**31,167**	**(56,283)**
Recoveries received	(139,577)	40,026	(99,551)	(127,172)	42,872	(84,300)
Change in reserves for recoveries	27,915	(7,492)	20,423	39,722	(11,705)	28,017
Cost of claims	**692,668**	**(146,674)**	**545,994**	**609,129**	**(187,613)**	**421,516**

Claims reserves

(€'000)

	31/12/06			31/12/05		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims reserves gross of recoveries	**1,215,824**	**(382,831)**	**832,993**	**1,263,212**	**(484,916)**	**778,296**
Current year	680,161	(147,926)	532,235	689,672	(244,729)	444,943
Prior years	535,663	(234,905)	300,758	573,540	(240,187)	333,353
Recoveries to be received	**(167,151)**	**48,557**	**(118,594)**	**(139,851)**	**41,724**	**(98,127)**
Current year	(56,858)	15,222	(41,636)	(49,683)	13,460	(36,223)
Prior years	(110,293)	33,335	(76,958)	(90,168)	28,264	(61,904)
Claims reserves	**1,048,673**	**(334,274)**	**714,399**	**1,123,361**	**(443,192)**	**680,169**

Breakdown by type of provision

(€'000)

	31/12/06			31/12/05		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reserves for unearned premiums	**241,827**	**(55,082)**	**186,745**	**254,586**	**(72,272)**	**182,314**
Claims reserves	**1,048,673**	**(334,274)**	**714,399**	**1,123,361**	**(443,192)**	**680,169**
of which, reserves for known claims	834,008	(368,996)	465,012	888,289	(471,363)	416,926
of which, reserves for late claims	275,477	46	275,523	274,721	46	274,767
of which, reserves for claims handling expenses	105,378	(12,065)	93,313	98,811	(13,599)	85,212
of which, other technical reserves	961	(1,816)	(855)	1,391	-	1,391
of which, recoveries to be received	(167,151)	48,557	(118,594)	(139,851)	41,724	(98,127)
No-claims bonuses and rebates	**122,842**	**(22,609)**	**100,233**	**119,217**	**(29,448)**	**89,769**
Technical reserves	**1,413,342**	**(411,965)**	**1,001,377**	**1,497,164**	**(544,912)**	**952,252**

Note 18 - Insurance and reinsurance receivables

Breakdown by type

(€'000)

	31/12/06	31/12/05
Policyholders' guarantee deposits and miscellaneous	127,414	132,664
Due to policyholders and agents	62,651	79,411
Liabilities arising from inwards insurance and reinsurance transactions	**190,065**	**212,075**
Due to reinsurers and assignors	66,175	86,906
Deposits received from reinsurers	51,131	72,659
Net outwards reinsurance liabilities	**117,306**	**159,565**
Total insurance and reinsurance liabilities	**307,371**	**371,640**

Breakdown by maturity

(€'000)

	31/12/06				
	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total insurance and reinsurance liabilities	**244,427**	**62,759**	**-**	**185**	**307,371**

Note 19 - Other liabilities

At 31 December 2006, other operating liabilities and other liabilities were combined under other liabilities.

Breakdown by type

(€'000)

	31/12/06	31/12/05
Tax and social liabilities	109,623	103,929
Other operating liabilities	156,848	125,312
Deferred income	10,281	8,711
Other accrued expenses	3,332	5,374
Other liabilities	5,535	4,106
Total other liabilities	**285,619**	**247,432**

Breakdown by maturity

(€'000)

	31/12/06				
	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total other liabilities	**229,618**	**52,353**	**3,648**	**-**	**285,619**

Note 20 - Breakdown of income net of reinsurance

(€'000)

	2006			2005 restated		
	Gross	Outwards reinsurance	Net	Gross	Outwards reinsurance	Net
Premiums and commissions on direct business	1,690,314	(523,616)	1,166,698	1,630,023	(666,872)	963,151
Premiums on inwards reinsurance	49,227	(31,779)	17,448	89,965	(42,572)	47,393
Premiums refunded	(81,274)	21,375	(59,899)	(80,580)	31,364	(49,216)
Gross premiums written - credit insurance	1,658,267	(534,020)	1,124,247	1,639,408	(678,080)	961,328
Change in unearned premiums	508	(14,489)	(13,981)	(30,527)	10,497	(20,030)
Earned premiums	1,658,775	(548,509)	1,110,266	1,608,881	(667,583)	941,298
Premium-related revenues	353,045	-	353,045	318,488	-	318,488
Turnover	**2,011,820**	**(548,509)**	**1,463,311**	**1,927,369**	**(667,583)**	**1,259,786**
Net investment income	**149,802**	**-**	**149,802**	**128,372**	**-**	**128,372**
Claims paid	*(702,441)*	*240,193*	*(462,248)*	*(642,622)*	*263,377*	*(379,245)*
Claims reserves expense	*72,362*	*(95,787)*	*(23,425)*	*92,209*	*(86,752)*	*5,457*
Claims handling expense	*(62,589)*	*2,268*	*(60,321)*	*(58,716)*	*10,988*	*(47,728)*
No-claims bonuses	-	-	-	-	-	-
Insurance services expenses	**(692,668)**	**146,674**	**(545,994)**	**(609,129)**	**187,613**	**(421,516)**
Brokerage commissions	*(188,554)*	-	*(188,554)*	*(203,833)*	-	*(203,833)*
Other acquisition costs	*(95,371)*	-	*(95,371)*	*(84,327)*	-	*(84,327)*
Change in acquisition costs capitalised	*(102)*	-	*(102)*	*4,158*	-	*4,158*
Contract acquisition expense	**(284,027)**	**-**	**(284,027)**	**(284,002)**	**-**	**(284,002)**
Impairment of portfolio securities and similar	**-**	**-**	**-**	**(708)**	**-**	**(708)**
Administration expense	**(193,879)**	**-**	**(193,879)**	**(189,029)**	**-**	**(189,029)**
Commissions received from reinsurers	**-**	**214,093**	**214,093**	**-**	**230,048**	**230,048**
Other ordinary operating income and expense	**(313,395)**	**-**	**(313,395)**	**(276,307)**	**-**	**(276,307)**
Ordinary operating income	**677,653**	**(187,742)**	**489,911**	**696,566**	**(249,922)**	**446,644**

Note 21 Net financial income

(€'000)

	2006	2005 Restated
Revenues from investment property	9,626	9,559
Revenues from securities	76,905	74,869
Revenues from other financial investments	27,398	21,784
Other financial income	2,732	11,399
Investment income	**116,661**	**117,611**
Depreciation of investment property	(2,958)	(2,954)
Investment management expenses	(8,278)	(11,165)
Interest paid to reinsurers	(1,242)	(1,498)
Other financial expenses	(4,306)	(9,032)
Investment expense	**(16,784)**	**(24,649)**
Profits on sales of property	3,100	1,409
Profits on sales of securities	64,570	42,854
Profits on sales of participating interests	-	-
Writebacks of investment impairment reserves	-	310
Losses on sales of property	-	-
Losses on sales of securities	(13,546)	(7,580)
Losses on sales of participating interests	(1,540)	(71)
Net gain (loss) on sales of investments less impairment and depreciation writebacks	**52,584**	**36,922**
Change in fair value of investments recognised at fair value through the income statement	**1,715**	**188**
Reserve for impairment of investments	(4,374)	(1,700)
Change in impairment of investments	**(4,374)**	**(1,700)**
Net financial income (excluding financing expense)	**149,802**	**128,372**

Note 22 - Operating leases

(€'000)

			2006		
	United Kingdom	United States	Netherlands	France	Scandinavia
Less than 1 year	4,125	1,548	446	566	6
1 to 5 years	11,658	5,099	640	475	706
More than 5 years	1,601	7,664	0	0	0
Total	**17,384**	**14,311**	**1,086**	**1,041**	**712**

(€'000)

			2005		
	United Kingdom	United States	Netherlands	France	Scandinavia
Less than 1 year	4,014	1,639	721	131	284
1 to 5 years	15,118	5,786	0	149	423
More than 5 years	1,819	9,640	0	0	0
Total	**20,951**	**17,065**	**721**	**280**	**707**

Note 23 - Other ordinary operating revenues and expenses

(€'000)

	2006	2005 restated
Other technical income	14,952	15,984
Other technical expense	(305,418)	(265,635)
of which, service provision costs	*(268,753)*	*(257,795)*
Other non-technical income	7,226	21,559
Other non-technical expense	(21,146)	(27,557)
Employee profit sharing and bonuses	(9,002)	(8,145)
Provisions for risks and charges	-	886
Costs relating to operating properties	(6)	(10,995)
Other expense	(1)	(2,615)
Other income	-	211
Other ordinary operating income and expense	**(313,395)**	**(276,307)**

Note 24 - Corporation tax

Breakdown of tax charge	2006
Tax payable:	
Corporation tax	127,063
Adjustments relating to prior years	4,917
Total	**131,980**
Deferred tax:	
Timing differences	37,491
Change in tax rate or new tax	468
Reclassification of tax payable as deferred tax	(8,013)
Tax benefits relating to prior years	(3,226)
Tax on dividends paid	-
Other	(1,966)
Total	**24,754**
Total tax charge in the income statement	**156,734**

Tax proof	2006	
Income before tax	478,422	
Tax at theoretical tax rate	164,721	34.43%
Impact of differences between group and local tax rates	4,587	0.96%
Impact of permanent differences between taxable and accounting income	13,094	2.74%
Impact of specific tax situations	(20,703)	-4.33%
Impact of income taxed at reduced rates	(5,431)	-1.14%
Impact of using the liability method	466	0.10%
Tax at effective tax rate	**156,734**	**32.76 %**

The tax proof provides an explanation of items making up the difference between the tax charge at the theoretical tax rate of 34.43%, i.e. the parent company's tax rate, and the actual tax charge recorded in the income statement giving an effective tax rate of 32.76%.

The main variances stem from the difference between the local tax rate of each entity and the group tax rate, permanent differences contributed by each entity, tax charged at reduced rates and specific tax positions.
The impact of specific tax positions consists mainly of the write-back of deferred tax on the two German funds liquidated during the year.

Note 25 - Earnings per share and dividend per share

Earnings per share

	2006	2005
Distributable net income (€000)	326,054	286,076
Weighted average number of ordinary shares before dilution	43,434,049	42,468,142
Earnings per share (€)	**7.51**	**6.74**

	2006	2005
Distributable net income (€000)	326,054	286,076
Weighted average number of ordinary shares after dilution	43,780,821	42,767,665
Diluted earnings per share (€)	**7.45**	**6.69**

The dilution impact takes into account the exercise of options. The average number of shares resulting from the dilution is 346,773 in 2006 (299,522 in 2005). The group share of net income is used as the basis for this calculation.

Dividend per share

The dividend paid in 2006 totalled €151,821 thousand, i.e. €3.50 per share. A dividend of €174,159 thousand, i.e. €4 per share, will be proposed at the next Ordinary General Meeting on 9 May 2007.

Note 26 - Sectoral data

Sectoral assets are operating assets that are used by a sector for its operating activities and which are directly attributable to that sector or can reasonably be assigned to it. Sectoral liabilities are operating liabilities arising from the operating activities of a sector and which are directly attributable to that sector or can reasonably be assigned to it.

Sectoral profit or loss comprises income and expense arising from the operating activities of a sector that are directly attributable to that sector and the relevant portion of income and expense that can reasonably be assigned to the sector, notably income and expense relating to sales to external customers and income and expense relating to transactions with other sectors of the same business.

The primary sector for the Euler Hermes group is the geographic sector as it corresponds to the information presented to the group's management bodies.
The six main geographic sectors correspond to the geographic regions covering the majority of the activity and which are therefore monitored in detail. These sectors are Germany, France, Italy, the United Kingdom, the United States and the Benelux countries.

First-level information: geographic region

Profit (loss) by sector

(€'000)

	2006									
	Germany	France	Italy	United Kingdom	United States	Benelux countries	Other countries	Group services	Inter-sector eliminations	GROUP
Premiums written	658,891	349,721	190,802	198 ,261	168,639	106,309	319,746	-	(252,829)	1,739,540
Premium refunds	(37,361)	(26,537)	(4,402)	(6, 831)	(77)	(2,580)	(12,899)	-	9,413	(81,274)
Net premiums written	621,530	323,184	186, 400	191, 430	168,563	103,729	306,848	-	(243,417)	1,658,266
Change in unearned premiums	5,763	2, 244	135	(4,523)	(8,455)	(1,407)	967	-	5,785	509
Earned premiums - non-group	627,293	325, 428	186,535	186,907	160,108	102,322	307,815	-	(237,633)	1,658,775
Premium-related revenues - non-group	168,713	76,535	45,918	23,118	20,647	25,278	38,606	-	(45,770)	353,045
Turnover - intra-sectoral	**796,006**	**401,963**	**232,453**	**210,025**	**180,755**	**127,600**	**346,421**	**-**	**(283,403)**	**2,011,820**
Investment income	49,158	69,657	11,774	10,126	7,651	25,345	9,854	230,485	(264,248)	149,802
Of which, dividends	*11,260*	-	-	-	-	*67*	-	*218,094*	*(229,421)*	-
Total ordinary income	**845,164**	**471,620**	**244,227**	**220,151**	**188,406**	**152,945**	**356,275**	**230,485**	**(547,651)**	**2,161,622**
Insurance services expense	(207,513)	(179,851)	(97,125)	(48,956)	(62,053)	(54,171)	(175,379)	-	132,380	(692,668)
Outwards reinsurance expense	(365, 672)	(71,012)	(81,224)	(84,380)	(75,585)	(46,076)	(91,637)	-	245,702	(569,884)
Outwards reinsurance revenues	272,831	66,246	65,845	58,271	55,914	30,652	72,172	-	(239,789)	382,142
Other income and expense	(315,284)	(154,988)	(103,543)	(87,151)	(64,447)	(41,960)	(143,878)	(23,987)	143, 937	(791,301)
Total other income and expense	**(615,638)**	**(339,605)**	**(216,047)**	**(162,216)**	**(146,171)**	**(111,555)**	**(338,722)**	**(23,987)**	**282,230**	**(1,671,711)**
Ordinary operating income	**229,526**	**132,015**	**28,180**	**57,935**	**42,235**	**41,390**	**17,553**	**206,498**	**(265,421)**	**489,911**
Financing expense	(17)	-	-	-	(128)	(65)	(247)	(12,760)	1,728	(11,489)
Income from companies accounted for by the equity method	6,946	1,601	-	-	-	-	-	-	-	8,547
Corporation tax	(63,332)	(46,308)	(13,519)	(18,044)	(14,607)	(6,609)	(2,830)	8,515	-	(156,734)
Consolidated net income	**173,123**	**87,308**	**14,661**	**39,891**	**27,500**	**34,716**	**14,476**	**202,253**	**(263,693)**	**330,235**
Minority interests	**(2,858)**	**(254)**	**-**	**(154)**	**-**	**(18)**	**(897)**	**-**	**-**	**(4,181)**
Net income, group share	**170,265**	**87,054**	**14,661**	**39,737**	**27,500**	**34,698**	**13,579**	**202,253**	**(263,693)**	**326,054**

(€'000)

	2005 restated									
	Germany	France	Italy	United Kingdom	United States	Benelux countries	Other countries	Group services	Inter-sector eliminations	GROUP
Premiums written	688,359	372,644	182, 933	201, 329	154,356	105, 026	106,273	-	(90,932)	1,719,988
Premium refunds	(41,239)	(25,506)	(6, 042)	(3, 391)	-	(2,511)	(3,344)	-	1,453	(80,580)
Net premiums written	647,120	347,138	176,891	197, 938	154,356	102,515	102,929	-	(89,479)	1,639,408
Change in unearned premiums	(11,021)	(87)	(817)	2 ,063	(5,300)	(3,560)	(17,507)	-	5,702	(30,527)
Earned premiums - non-Group	636,099	347, 051	176,074	200, 001	149,056	98,955	85, 422	-	(83,777)	1,608,881
Premium-related revenues - non-Group	145,873	75,288	43,855	25, 938	20,579	22,225	35,944	-	(51,214)	318,488
Turnover - intra-sectoral	**781,972**	**422,339**	**219,929**	**225,939**	**169,635**	**121,180**	**121,366**	**-**	**(134,991)**	**1,927,369**
Investment income	48, 412	48,785	7,125	13, 457	6,141	3,240	4,506	113,801	(117,095)	128,372
Of which, dividends	*3 ,138*	*1,438*	-	*49*	-	-	-	*112,653*	*(117,278)*	-
Total ordinary income	**830,384**	**471,124**	**227,054**	**239,396**	**175,776**	**124,420**	**125,872**	**113,801**	**(252,086)**	**2,055,741**
Insurance services expense	(201,123)	(162,796)	(65,153)	(64,104)	(44,472)	(51,191)	(50,543)	-	30,253	(609,129)
Outwards reinsurance expense	(371,321)	(63,208)	(77,139)	(87,558)	(65,685)	(46,066)	(70,501)	-	82,531	(698,947)
Outwards reinsurance revenues	229,541	47,456	39,608	57,755	41,740	28,661	65,380	-	(61,116)	449, 025
Other income and expense	(313,495)	(169,504)	(101,116)	(96,765)	(61,411)	(38,320)	(56,360)	5,604	81,321	(750 ,046)
Total other income and expense	**(656,398)**	**(348,052)**	**(203,800)**	**(190,672)**	**(129,828)**	**(106,916)**	**(112,024)**	**5,604**	**132,989**	**(1, 609, 097)**
Ordinary operating income	**173,986**	**123,072**	**23,254**	**48,724**	**45,948**	**17,504**	**13,848**	**119,405**	**(119,097)**	**446 ,644**
Financing expense	-	(3)	-	-	-	(14)	(8)	(10,096)	-	(10,121)
Income from companies accounted for by the equity method	4,360	-	-	-	-	2,514	1,182	-	-	8, 056
Corporation tax	(69,600)	(42,672)	(10,564)	(13,460)	(16,750)	(5,941)	(4,208)	4,801	-	(158 ,394)
Consolidated net income	**108,746**	**80,397**	**12,690**	**35,264**	**29,198**	**14,063**	**10,814**	**114,110**	**(119,097)**	**286,185**
Minority interests	(4)	(234)	-	(203)	-	(52)	384	-	-	(109)
Net income, Group share	**108,742**	**80,163**	**12,690**	**35,061**	**29,198**	**14,011**	**11,198**	**114,110**	**(119,097)**	**286,076**

Depreciation, amortisation and provisions by sector

(€'000)

		2006									
		Germany	France	Italy	United Kingdom	United States	Benelux countries	Other countries	Group services	Inter sector eliminations	GROUP
Provisions for loans and receivables	(Note 10)	(59)	(4, 330)	(32)	(365)	-	(137)	-	(736)	-	(5,659)
Amortisation and depreciation of non-current assets	(Note 1, 2, 7)	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-	-	-	-	
Goodwill	*(Note 1)*	-	-	-	-	-	-	-	-	-	-
Intangible assets	*(Note 2)*	-	-	-	-	-	-	-	-	-	-
Property and equipment	*(Note 7)*	-	-	-	-	-	-	-	-	-	-

(€'000)

		Germany	France	Italy	United Kingdom	United States	Benelux countries	Other countries	Group services	Inter-sector eliminations	GROUP
		2005									
Provisions for loans and receivables	(Note 10)	(549)	(3,974)	(24)	(603)	-	(225)	-	(3,188)	4,024	(4,539)
Amortisation and depreciation of non-current assets	(Note 1, 2, 7)	(502)	(1,147)	(913)	(161)	(619)	(289)	(178)	(624)	-	(4,433)
Impairment		(9,973)	-	-	-	-	(51)	(158)	-	-	(10,182)
Goodwill	*(Note 1)*	-	-	-	-	-	-	-	-	-	-
Intangible assets	*(Note 2)*	-	-	-	-	-	-	*(158)*	-	-	*(158)*
Property and equipment	*(Note 7)*	*(9,973)*	-	-	-	-	*(51)*	-	-	-	*(10, 024)*

The amortisation and impairment charges on non-current assets are now split by function. Consequently, the breakdown in the income statement is no longer directly available as from 2006.

Assets and liabilities by sector

(€'000)

	Germany	France	Italy	United Kingdom	United States	Benelux countries	Other countries	Group services	Inter-sector eliminations	GROUP
	31/12/06									
Goodwill	34	393	5,820	62,235	25,668	7,978	5,246	-	-	107,374
Other intangible assets	16,301	6,679	1,120	11,584	421	523	1, 210	5,081	-	42, 919
Investments - insurance businesses	394,584	891,029	181,723	54,692	43,505	62,686	75,513	1,357,323	(87,754)	2,973,301
Investments accounted for by the equity method	19,946	16,917	-	-	-	-	-	-	(62)	36,801
Share of assignees and reinsurers in the technical reserves and financial liabilities	194,819	42,379	146,035	55,675	21,709	36,173	53,711	-	(138,536)	411,965
Insurance and reinsurance receivables	99,954	119,037	96,677	22,785	51,538	77,953	74,320	-	(46,037)	496,227
Other assets	242, 365	162,940	81,161	37,156	38,754	50,625	88,523	69,574	(65,305)	705,793
Total assets	**968,003**	**1,239,374**	**512,536**	**244,127**	**181,595**	**235,938**	**298,523**	**1,431,978**	**(337,694)**	**4,774,880**
Technical reserves net of reinsurance	404,152	298,053	312,266	130,853	109,904	111,602	183,382	-	(136,870)	1,413,342
Liabilities related to inwards insurance and reinsurance transactions	28,278	82,451	42,983	20,791	4,756	8,473	13,621	-	(11,288)	190,065
Liabilities related to outwards reinsurance transactions	35,552	35,409	49,764	10,530	16,371	23,964	27,051	-	(81,335)	117,306
Other liabilities	354,868	278,909	80,097	47,462	21,887	47,526	48,557	365,366	(102,544)	1,142,128
Total liabilities (excluding shareholder's equity)	**822,850**	**694,822**	**485,110**	**209,636**	**152,918**	**191,565**	**272,611**	**365,366**	**(332,037)**	**2, 862,841**

(€'000)

	31/12/05									
	Germany	France	Italy	United Kingdom	United States	Benelux countries	Other countries	Group services	Inter-sector eliminations	GROUP
Goodwill	(139)	393	6,229	60,982	28,655	7,978	5,068	-	-	109,166
Other intangible assets	11,197	7,824	5,005	1,484	827	552	1,094	4,620	-	32,603
Investments - insurance businesses	851, 281	1,130,955	275,108	317, 807	206,687	132,866	78,871	1,323,676	(1,417,623)	2,899,628
Investments accounted for by the equity method	22,769	-	-	-	-	5,057	15,695	-	-	43,521
Share of assignees and reinsurers in the technical reserves and financial liabilities	242,510	38,985	150, 878	58,110	20,015	40,161	59,392	-	(65,139)	544,912
Insurance and reinsurance receivables	93,747	129,973	106,480	14,325	53,680	67,283	30,802	-	(22,817)	473,473
Other assets	201,866	137,102	49,376	47,743	41,586	25,921	38,985	119,849	(67,537)	594, 891
Total assets	**1,423,231**	**1,445,232**	**593,076**	**500,451**	**351,450**	**279,818**	**229,907**	**1,448,145**	**(1,573,116)**	**4,698,194**
Technical reserves net of reinsurance	481,354	319,901	314,607	146,257	107,554	107,574	82,845	-	(62,928)	1,497,164
Liabilities related to inwards insurance and reinsurance transactions	29,614	83,264	64,012	21,640	7, 563	4,980	5,894	-	(4,892)	212,075
Liabilities related to outwards reinsurance transactions	33,998	34,748	35,957	9,340	16,182	29,889	27,853	-	(28,402)	159,565
Other liabilities	**296,430**	**278,986**	**54,416**	**42,159**	**32,535**	**47,978**	**23,896**	**382,428**	**(74,360)**	**1,084,468**
Total liabilities (excluding shareholder's equity)	**841,396**	**716,899**	**468,992**	**219,396**	**163,834**	**190,421**	**140,488**	**382,428**	**(170,582)**	**2,953,272**

Second-level information: sectors of activity

The secondary sector is the business line, which comprises credit insurance and the other sectors under which are grouped less significant businesses: bonding (financial guarantees), fidelity (insurance against malicious actions taken by employees), retail (personal loan reinsurance) and export guarantee management on behalf of the German State.

(€'000)

Turnover	**2006**	2005 restated
Credit insurance	1,755,154	1,666,465
Other	256,666	260,904
Total	**2,011,820**	**1,927,369**

(€'000)

Total assets	**31/12/06**	31/12/05
Credit insurance	4 ,408,227	3,185,276
Other	366,153	1,512,918
Total	**4,774,380**	**4,698,194**

Note 27 - Related parties

Euler Hermes is 68.39%-owned by the AGF group, which in turn is 62.23%-owned by the Allianz group.

The breakdown of the percentage holdings of the AGF group in the Euler Hermes group is as follows:

- AGF Vie: 3,879,818 shares, i.e. 8.63% of the shares
- AGF SA: 5,442,444 shares, i.e. 12.11% of the shares
- AGF Holding: 21,421,782 shares, i.e. 47.66% of the shares

Related party transactions, receivables and liabilities

Transactions :

(€'000)	31/12/2006			31/12/2005		
	Allianz SE	AGF SA	Related companies and joint ventures	Allianz SE	AGF SA	Related companies and joint ventures
Operating income	(831)	-	23,577	-	-	22,590
Insurance services expense	-	-	(818)	-	-	(14,236)
Net income or expense on reinsurance	(42,906)	-	(43)	(54,105)	-	(7)
Financing expense	-	(7,290)	-	-	(3,661)	-
Other income and expense	(8,155)	208	(7,123)	15,949	8	(11,184)

The movement in other income and expense in respect of Allianz SE stems from the writeback of the receivable recognised in 2005 following the call made by Euler Hermes SA on the liabilities guarantee issued by Allianz SE in connection with the additional tax assessment on Euler Hermes Kreditversicherungs AG (see note 10).

Receivables and liabilities:

(€'000)	31/12/2006			31/12/2005		
	Allianz SE	AGF SA	Related companies and joint ventures	Allianz SE	AGF SA	Related companies and joint ventures
Current account	52,054	-	297	60,392	20	(255)
Net operating receivables	5,891	-	1,905	472	-	6,046
(including provisions on operating receivables)	-	-	-	-	-	(8)
	-	-	-	-	-	-
Borrowings	-	292,330	-	-	225,197	-
Operating liabilities	17,928	-	4,247	12,937	-	5,389

The current account with Allianz SE corresponds to part of the group's cash position, which is centralised by Allianz SE under a cash pooling arrangement.
Borrowings correspond to three borrowings contracted with AGF SA:
- 2004 borrowing of €90 million maturing on 19 December 2008, remunerated at 3-month Euribor + 30 basis points;
- 2005 borrowing of €135 million maturing on 24 June 2010, remunerated at 6-month Euribor + 20 basis points;
- 2006 borrowing of €67 million maturing in December 2008, remunerated at 6-month Euribor + 6 basis points.

Remuneration of senior executives

Members of the group Management Board

(€'000)	31/12/06	31/12/05
- salaries and other short term benefits	2,842	2,937
- severance indemnities	1,568	-
- other specific indemnities	45	-
	4,455	2,937
Share-based payments (number)		
- Euler Hermes options	52,500	42,000
- SAR	13,574	29,268

Members of the Supervisory Board forming part of AGF group and Allianz group

(€'000)	31/12/06	31/12/05
- salaries and other short term benefits	5,626	8,245
- severance indemnities	-	-
	5,626	8,245
Share-based payments (number)		
- AGF options	115,000	280,000
- SAR/RSU	37,428	77,537

In addition, some corporate officers benefited in 2005 from membership of a supplementary pension plan. The Supervisory Board meeting of 30 August 2006 approved the termination of this plan.

Furthermore, Messrs Clemens von Weichs and Gerd-Uwe Baden, members of the Group Management Board, benefited from membership of an additional pension plan of the Allianz group.

Note 28 - Group employees

	31/12/06	31/12/05	31/12/04
Euler Hermes A.C.I. (United States)	325	308	313
Euler Hermes Credit Insurance (Belgium)	212	215	216
Euler Hermes Credit Insurance Kredietverzekering (Netherlands)	103	97	82
Euler Hermes Servicios (Spain)	99	90	76
Euler Hermes Serviços (Brazil)	19	14	12
Euler Hermes Seguro de Credito S.A. (Mexico)	23	16	0
Euler Hermes SFAC (France)	942	941	968
Euler Hermes SIAC (Italy)	447	454	458
Euler Hermes United Kingdom	477	475	517
Sous-total	*2,647*	*2,610*	*2,642*
Euler Hermes Cescob AS (Czech Republic)	33	33	31
Euler Hermes Credit Services (Japan)	7	7	13
Euler Hermes Guarantee PLC (United Kingdom)	29	31	29
Euler Hermes Magyer Hitelbiztosito (Hungary)	57	50	49
Euler Hermes Kreditversicherungs (Sweden)	120	115	113
Euler Hermes Kreditversicherungs (Germany)	1,934	2,058	2,123
Euler Hermes Kreditversicherungs Service (Switzerland)	45	40	32
Euler Hermes Zarzadzanie Ryzykiem Sp.Z.o.o. (Poland)	351	263	256
Euler Hermes Servicii Financiare S.R.L (Romania)	9	0	0
Euler Hermes Services OÜ Tallinn (Estonia)	3	0	0
Euler Hermes Services SIA Riga, Latvia (Latvia)	5	0	0
UAB Euler Hermes Services Baltic (Lithuania)	22	0	0
Euler Hermes Emporiki SA (Greece)	57	52	41
Euler Hermes Acmar (Morocco)	32	23	20
EH Credit Insurance Agency (Singapore)	21	0	0
Euler Hermes Services (HK) Ltd	27	14	0
Sub-total	*2,752*	*2,686*	*2,707*
TOTAL	5,399	5,296	5,349

Staff costs totalled €353,478 thousand for the year ended 31 December 2006. Remuneration paid to members of the Group Management Board during the year came to €2,842 thousand and €5,626 thousand for members of the Supervisory Board.

The staff numbers shown correspond to the full-time equivalent headcount. For companies consolidated using the proportional method, the headcount shown is based on the proportion of the company included in the consolidated financial statements (concerns only NV Interpolis Kreditverzekeringen). The headcount of companies accounted for by the equity method is not taken into account.

Note 29 - Commitments given and received

The table below shows all the off-balance sheet commitments given and received of the Euler Hermes group. In accordance with the application of IFRS, financial instruments no longer appear as commitments given and received, but are presented in note 5.

(€'000)

Commitments given and received		31/12/06	31/12/05
Commitments received		**10,116**	**7,118**
	■ Deposits, sureties and other guarantees	10,116	7,118
Commitments given		**36,383**	**45,788**
	■ Deposits, sureties and other guarantees	36,383	38,188
Of which:	– Commitments associated with membership of an EIG	8,160	9,725
	– Securities buyback agreement	1,343	1,789
	■ Maximum guarantee commitment in favour of Crédit Agricole (1)		7,600

(1) Euler Hermes has given a guarantee commitment in favour of Crédit Agricole for up to €10 million to cover any additional tax assessments concerning Eurofactor SA. This corresponds to a tax risk of €22 million given the excess of €1 million. This liabilities guarantee provision expired on 31 December 2006.

Note 30 - Stock option plans

Share option plans

Amount charged in the consolidated income statement

(€'000)	2006	2005
Charge in respect of the 8 July 2003 allocation of share subscription options	-	500
Charge in respect of the 6 July 2004 allocation of share subscription options	324	723
Charge in respect of the 27 June 2005 allocation of share subscription options	1,019	524
Charge in respect of the 22 September 2006 allocation of share purchase options	440	-
Total	**1,783**	**1,747**

The impact on the consolidated financial statements of the 1997, 1998 and 1999 plans has not been recognised, as the rights vesting period has elapsed.

Characteristics of the share option plans

Euler Hermes uses the "Cox-Ross-Rubinstein" model to measure the personnel expense related to options granted.
The assumptions used were as follows:

	Subscription plans						Purchase plans		
	Apr-1997	Aug-1998	Apr-1999	Jul-2003	Jul-2004	June-2005	Apr-00	Feb-01	Sep-2006
Fair value of options allocated	4.68	5.22	5.41	8.93	11.66	13.10	14.77	12.74	22.29
Characteristics									
Date of EGM	29/04/97	29/04/97	29/04/97	23/04/03	23/04/03	23/04/03	7/04/00	7/04/00	22/05/06
Period of validity of options	10 years	10 years	10 years	8 years	8 years	8 years	8 years	8 years	8 years
Rights vesting period	2 years	2 years	2 years	2 years	2 years	2 years	2 years	2 years	2 years
Assumptions									
Risk-free interest rate	5.64 %	5.10 %	4.04 %	3.80 %	4.16 %	3.01 %	5.63 %	5.09 %	4.01 %
Expected volatility*	20 %	20 %	20 %	30 %	30 %	25 %	23 %	20 %	25 %
Rate of return on shares	2 %	2 %	2 %	2.81 %	4.14 %	3.98 %	2.63 %	2.65 %	3.74 %

** Expected volatility is calculated using historical market prices.*

Sundry restrictions

■ Subscription plans adopted by the EGM of 29/04/1997
The options allocated in 1998 and 1999 cannot be exercised for a period of at least five years as from the allocation date except in the event of resignation, dismissal, retirement, incapacity, death, or change of control. The shares are transferable as from the exercise date.

■ Subscription plans adopted by the EGM of 23/04/2003
The beneficiaries must have six months of service with the company on the allocation date. They may be on permanent or fixed-term contracts. The shares obtained by the exercise of the options are registeered in the shareholder's name. They can be transferred freely after an initial period of four years as from the allocation date. This period of unavailability does not apply in certain cases such as loss of employment, retirement, incapacity or death of the beneficiary.

■ Purchase plans adopted by the EGM of 23/04/2003
The beneficiaries of the scheme are all the employees and corporate officers of Euler Hermes SA and its subsidiaries, with permanent or fixed-term employment contracts and at least six months length of service on the options allocation date. The shares purchased are transferable either immediately or after a period of four years from the date of the offer (other than in the event of loss of employment , retirement, incapacity or death), depending on the country.

■ Mixed plans adopted by the EGM of 22/05/2006
The beneficiaries of the scheme are all the employees and corporate officers of Euler Hermes SA and of more than 50%-owned subsidiaries, with permanent or fixed-term employment contracts and at least six months length of service on the options allocation date. The options may be freely exercised after a period of four years from the date of the offer, other than as provided for by article 91 ter of Appendix II to the French General Tax Code (loss of employment , retirement, incapacity or death), depending on the country.

Information on plans currently in effect

At 31 December 2006, the following options were potentially exercisable :

	Subscription plans *						Purchase plans **		
Allocation date	Apr-1997	Aug-1998	Apr-1999	Jul-2003	Jul-2004	June-2005	Apr-2000	Feb-2001	Sep-2006
Number of options outstanding	930	38,918	0	127,760	111,200	155,550	58,866	35 218	158,100
End of subscription period	Apr-2007	Aug-2008	Apr-2009	Jul-2011	Jul-2012	June-2013	Apr-2008	Feb-2009	Sep-2014
Exercise price of valid options at end of period	15.55	18.27	21.12	27.35	44.41	63.08	50.11-52.74	49.31-52.65	91.82

** These subscriptions plans are intended for members of the management bodies of Euler Hermes and its subsidiaries.*

*** The EGM of 7 April 2000 authorised the allocation of share purchase options to all Euler Hermes group employees in the context of a general stock option plan and to certain executives of its subsidiaries under a discretionary scheme. The EGM of 22 May 2006 authorised the allocation of share purchase and/or subscription options to all Euler Hermes Group employees and possibly to its corporate officers. The options granted in September 2006 were purchase options only.*

Transactions under the share option plans since 1 January 2005 may be summarised as follows:

	Dec-06				
	Average exercise price (€)	Number of options	Average price of EH share on exercise dates (€)	Average residual term (years)	Exercise price range of options still outstanding at end of period (€)
Start of period	43.04	778,657			
Allocation	91.82	160,000			
Exercise	38.15	235,517	92,64		
Cancellation	27.87	16,598			
End of period	55.80	686,542		5.29	15.55-91.82

	Dec-05				
	Average exercise price (€)	Number of options	Average price of EH share on exercise dates (€)	Average residual term (years)	Exercise price range of options still outstanding at end of period (€)
Start of period	39.88	899,058			
Allocation	63.08	160,000			
Exercise	44.43	276,654	65.33		
Cancellation	36.29	3,747			
End of period	43.04	778,657		4.98	15.55 - 63.08

Allianz Group Equity Incentive plans

The schemes set in place under the Allianz Group Equity Incentives plan concern executives of Allianz and its subsidiaries worldwide. Starting in 1999, Allianz issued Stock Appreciation Rights (SAR) whose remuneration is entirely and directly a function of Allianz's share price performance. In 2003, Allianz issued Restricted Stock Units (RSU) with a vesting period of five years. The remuneration is granted by each entity concerned in accordance with the conditions set by Allianz. The reference price of SAR and RSU for the remuneration of the executives is the average trading price of Allianz shares over the ten trading days immediately preceding Allianz's Annual General Meeting of shareholders.

Characteristics of the SAR and RSU plans

■ SAR

After a vesting period of two years, the SAR can be exercised at any time between the second anniversary date and the seventh anniversary date under the following conditions:

- if during the contractual period, the Allianz share price has outperformed the Dow Jones index at least once for a period of five consecutive days;
- if the Allianz share price exceeds the reference price by at least 20% on the exercise date.

If these conditions are met, the Allianz group companies must pay in cash the difference between the reference price and the Allianz share price on the exercise date.

■ RSU

On the exercise date, after a five-year vesting period, Allianz can choose to remunerate the RSU in cash or by allocating Allianz shares or other securities granting access to the capital. If it opts for a cash remuneration, payment will be made based on the average price of the Allianz share over the ten trading days prior to the end of the vesting period.

Impact on the consolidated financial statements as at 31 December 2006

The fair value of the liabilities resulting from the SAR and RSU plans is reassessed at each balance sheet date based on the Allianz share price, until expiry of the obligation, and is calculated using the Cox-Ross-Rubinstein binomial valuation model. The charge is recognised as the rights are vested, and is thus spread over two years for the SAR and five years for the RSU. At 31 December 2005, the liability relating to the SAR and RSU still to be exercised amounted to €6,361 thousand.

	SAR plans									RSU plans
(€'000)	Apr-99	Apr-00	Apr-01	Apr-02	May-03	May-04	May-05	May-06	Total	May-03
Fair value at 31 December 2006 (in €)	0.00	0.01	0,01	1.51	90.84	73.28	63.88	54,10		153.82
Total commitment	0	0	0	16	788	2,435	2,697	2,044	7,981	561.00
Opening commitment	0	0	0	3	696	1,521	671	-	2,892	231.00
Charge recognised during the period	0	0	0	1	92	914	1,464	596	3,066	171.00
Closing commitment	0	0	0	4	788	2,435	2,135	596	5,959	402.00

Information on plans currently in effect

	Dec-06 SAR					RSU			
Allocation date	Rights vesting period (years)	Reference price (€)	SAR granted	SAR cancelled	SAR exercised	Rights vesting period (years)	RSU granted	RSU cancelled	RSU exercised
Apr-00	2	332.10	9,734	-	-	-	-	-	-
Apr-01	2	322.14	10,264	303	-	-	-	-	-
Apr-02	2	239.80	11,250	568	-	-	-	-	-
May-03	2	65.91	11,338	-	2,658	5	3,645	-	-
May-04	2	83.47	39,538	-	6,309	-	-	-	-
May-05	2	92.87	49,597	7,377	-	-	-	-	-
May-06	2	132.41	37,779	-	-	-	-	-	-

Note 31 - Post-balance sheet events

Offer by Allianz to purchase the minority interests in AGF

Allianz plans to make an offer for the minority interests in its subsidiary AGF before the end of February 2007. AGF's shareholders will be offered €87.5 plus 0.25 shares in Allianz SE for each AGF share held. AGF has no intention of making an offer for Euler Hermes, in which it has a holding of 68.39% that does not represent a core asset for AGF, nor does it consider itself under the obligation to do so. Allianz SE has confirmed to AGF that it has no intention of making an offer for this company.

Acquisition of United Mercantile Agencies (UMA), an American collection company

On 23 January 2007, Euler Hermes ACI acquired United Mercantile Agencies, one of the United States' leading companies in commercial collections and management of trade receivables. This company has been renamed Euler Hermes UMA. The company had turnover and net income in 2006 of $7,729 thousand and $1,002 thousand respectively.

Branch closures in Germany

Between now and the end of 2008, Euler Hermes plans to close six of its smaller branches of the 17 located in Germany. A new IT application will then be implemented in order to increase the effectiveness of the German entity. Some 40 of the approximately 2,000 employees could lose their jobs, while others may be offered internal relocation. These measures are not expected to have a material impact on costs.

Report of the independent auditors on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meetings, we have audited the consolidated financial statements of Euler Hermes SA for the year ended 31 December 2006, as attached to this report.

The consolidated financial statements have been drawn up by the Group Management Board. We are required to express an opinion on these financial statements, on the basis of our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we perform such tests and procedures so as to obtain reasonable assurance that the consolidated financial statements are free from material misstatement. An audit includes examining, on a sample basis, evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and any significant estimates made in drawing up the financial statements, and an evaluation of the overall presentation of those statements. We believe that our audit provides a reasonable basis for the opinion expressed below.

In our opinion, having regard to the IFRS adopted within the European Union, the consolidated financial statements for the financial year present fairly the assets and liabilities, financial position and results of the group formed by the entities and companies included in the consolidation scope.

2. Substantiation of assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code relating to the substantiation of our assessments, we hereby provide you with the following information:

- Your company recognises technical reserves to cover its commitments as shown in Note 2.4.19.2. to the consolidated financial statements. Our assessment of the technical reserves is based on an analysis of the methodology used for calculations and a review of the assumptions used in the calculations performed by the various group companies. In the context of our assessments, we satisfied ourselves that such estimates were reasonable.
- The financial assets have been recognised and measured using the methods described in Note 2.4.9.1. to the consolidated financial statements. We satisfied ourselves that the valuation methods were correctly implemented and also checked that the classification system used was consistent with group documents.
- The recoverability of goodwill is tested at the time of each statement of assets and liabilities in accordance with the methods described in Note 2.4.6.3. to the consolidated financial statements. We assessed the consistency of the assumptions used and reviewed the calculations performed by the group. In the context of our assessments, we satisfied ourselves that the assumptions used and resulting valuations were reasonable.

The assessments thus made form part of our procedure for auditing the consolidated financial statements taken as a whole and therefore contributed to the formation of our opinion as expressed in the first section of this report.

3. Specific checks

In accordance with professional standards applicable in France, we also checked the information provided in the report on the management of the group. We have no observations to make on the accuracy of such information or its consistency with the consolidated financial statements.

Paris-la-Défense, Neuilly-sur-Seine and Paris, 19 April 2007

The independent auditors

KPMG AUDIT	PRICEWATERHOUSECOOPERS AUDIT	ACE - AUDITEURS ET CONSEILS D'ENTREPRISE
A division of KPMG SA		
Xavier Dupuy	Christine Bouvry	Alain Auvray

Parent company financial statements at 31 December 2006

Summary

Balance sheet as at 31 December 2006

(in euros)

	Notes	Gross	Amort & depr.	Net 31-12-2006	Net 31-12-2005	Net 31-12-2004
ASSETS						
Intangible assets	**3.1**	**8,764,224**	**4,302,598**	**4,461,626**	**4,569,476**	**4,970,382**
Property and equipment	**3.1**	**487,316**	**395,334**	**91,982**	**127,454**	**9,280**
Long-term investments						
Equity investments	3.2	1,324,761,389	11,766,345	1,312,995,044	1,277,917,468	1,226,929,584
Other long-term investments	3.3	87,837,446		87,837,446	92,287,364	89,573,953
Non-current assets		**1,421,850,375**	**16,464,277**	**1,405,386,098**	**1,374,901,763**	**1,321,483,199**
Receivables	3.4	24,362,038		24,362,038	24,476,969	18,197,923
Cash and cash equivalents	3.5	22,669,319		22,669,319	7,329,753	4,675,510
Current assets		**47,031,357**		**47,031,357**	**31,806,722**	**22,873,433**
Translation differences	**3.6**	**395,411**		**395,411**	**0**	**0**
TOTAL ASSETS		**1,469,277,143**	**16,464,277**	**1,452,812,866**	**1,406,708,485**	**1,344,356,632**
Off-balance sheet commitments received:	5.3			0	110,000,000	345,000,000

(in euros)

	Notes	31-12-2006	31-12-2005	31-12-2004
SHAREHOLDERS' EQUITY AND LIABILITIES				
Capital stock	3.7.1	14,384,358	14,345,678	13,793,815
Additional paid-in capital		448,058,354	444,985,453	353,912,260
Reserves				
- legal reserve		1,434,568	1,379,382	1,329,658
- special reserve for long-term capital gains		0	0	178,243,227
- general reserve		77,473,535	77,473,535	77,473,535
- reserve for treasury shares		81,307,936	92,589,093	92,589,093
- other reserves		185,080,804	173,799,647	0
Retained earnings brought forward		88,254,173	140,818,268	189,970,879
Net income for the year		214,151,289	99,317,488	50,074,199
Shareholders' equity	**3.7.2**	**1,110,145,016**	**1,044,708,542**	**957,386,666**
Provisions	**3.8**	**1,445,116**	**1,244,737**	**6,073,983**
Borrowings and other financial liabilities	3.9	322,758,064	335,443,003	353,635,744
Trade payables		918,887	1,083,439	3,927,987
Social security, tax and other liabilities	3.10	17,545,783	24,225,359	23,328,878
Liabilities		**341,222,734**	**360,751,801**	**380,892,609**
Translation differences		**0**	**3,405**	**3,374**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,452,812,866**	**1,406,708,485**	**1,344,356,632**
Off-balance sheet commitments given:	5.3	9,496,019	121,506,337	358,156,682

Income statement

(in euros)

	Notes	2006	2005	2004
Operating and financial revenues				
Revenues from equity investments	4.1	217,548,315	112,711,686	75,557,853
Revenues from other securities and non-current asset receivables		0	0	348,416
Net income from sale of securities		1 042,505	294,317	93,743
Reversal of provisions for impairment of treasury shares		0	3,017,068	22,954,592
Reversal of provisions for impairment of equity investments	3.2.2	6,041,000	6,111,232	0
Other financial income	4.2	3,780,678	8,249,695	9,149,884
Sundry services	4.3	6,126,827	2,612,115	531,790
Expenses capitalised	3.1.1	715,326	1,969,596	962,610
Total I		**235,254,651**	**134,965,709**	**109,598,888**
Operating and financial expenses				
External charges	4.4	9,924,466	11,031,644	11,006,119
Taxes, duties and similar payments		361,426	464,093	5,258,535
Payroll and social security contributions	4.5	2,170,574	1,398,261	1,354,033
Other ordinary management expenses	5.2	260,000	260,000	260,000
Depreciation and amortisation of non-current assets	3.1.2	859,319	624,082	2,898,188
Provisions for exchange losses	3.7	395,411	0	0
Provisions for impairment of equity investments		0	3,123,577	20,795,000
Other financial expenses	4.6	16,393,116	25,896,793	30,202,475
Total II		**30,364,310**	**42,798,451**	**71,774,350**
Ordinary income (I - II)		**204,890,341**	**92,167,259**	**37,824,538**
Exceptional revenues				
Proceeds from sale of equity investments		0	20,849,782	189,217,258
Proceeds from sale of intangible assets		0	1,807,860	0
Other exceptional income	4.7	3,073,085	3,509,518	723,199
Reversal of provisions	3.7	202,034	5,194,983	8,211,994
Total III		**3,275,118**	**31,362,142**	**198,152,451**
Exceptional charges				
Book value of equity investments sold		0	26,902,240	176,889,906
Book value of intangible assets sold		0	1,807,860	0
Other exceptional charges		196,447	433,626	5,770,361
Provisions	3.7	7,002	365,737	5,194,983
Total IV		**203,449**	**29,509,463**	**187,855,250**
Net exceptional income (charge) (III - IV)		**3,071,670**	**1,852,679**	**10,297,201**
Corporation tax	**4.8**	**6,189,278**	**5,297,550**	**1,952,460**
Net income		**214,151,289**	**99,317,488**	**50,074,199**

Notes to the parent company financial statements

These notes should be read in conjunction with the balance sheet before the allocation of net income for the year ended 31 December 2006, which shows total assets of €1,452,812,866 and the income statement, which shows net income of €214,151,289.

The financial year covers the twelve months from 1 January to 31 December 2006.

These notes comprise:
- accounting principles and methods;
- significant events during the year;
- notes to the balance sheet;
- notes to the income statement;
- other information.

These notes and tables form an integral part of the annual financial statements as approved by the Group Management Board and reviewed by the Supervisory Board at its meeting of 16 February 2007.

1 - ACCOUNTING, PRINCIPLES AND METHODS

The 2006 parent company financial statements have been prepared in accordance with Articles L. 123-12 to L. 123-28 of the French Commercial Code, the provisions of application decree No. 83 – 1020 of 29 November 1983, the regulations of the Comité de la Réglementation Comptable (French Accounting Regulations Committee -CRC), and in particular with CRC regulation No. 99 – 03 of 29 April 1999 relating to the revision of the French general chart of accounts.

2 - SIGNIFICANT EVENTS DURING THE YEAR

The following events occurred during 2006:

Acquisition of a subsidiary

In 2006, Euler Hermes purchased the entire capital of the Dutch company Euler Hermes Kredietverzekering NV from Euler Hermes Credit Insurance Belgium, Euler Hermes Kreditversicherungs-AG and various minority shareholders (*see Note 3.2.1 Participating interests*).

Repayment of a loan from a credit institution

The €110 million syndicated loan was repaid in full, and the swaps for the nominal amount of the loan that were put in place to hedge the related interest-rate risk were closed out (*see Note 3.9 Borrowings and other financial liabilities*).
Euler Hermes refinanced the loan exclusively with related companies in an amount of €97 million (*see Note 3.9 Borrowings and other financial liabilities*).

IRP (Information, Risk, Policies) system

Development of the IRP system, the group's standardised management system for Information, Risk and Policies, was completed in 2006. In accordance with the terms of a cost-sharing agreement, Euler Hermes capitalised the portion of development costs applicable to member companies of the Euler Hermes group that are not signatories to the agreement.
Since 2002 the IRP system has been rolled out at Euler Hermes Credit Insurance Belgium, Euler Hermes Services BV, Euler Hermes SFAC Crédit, Euler Hermes ACI, Euler Hermes UK and Euler Hermes SIAC, and was extended in 2006 to Euler Hermes Kreditversicherungs-AG (*see Note 3.1.1 Intangible assets, property and equipment and Note 4.4 External charges*).

3 - NOTES TO THE BALANCE SHEET

A – ASSETS

3.1 - Intangible assets, property and equipment, and amortisation and depreciation

3.1.1 Intangible assets, property and equipment

Intangible assets, property and equipment at 31 December 2006 were as follows (*see Note 2 Significant events during the year*):

(in euros)

	Gross value at 01-01-2006	Increase	Decrease	Gross value at 31-12-2006
Intangible assets	**8,048,898**	**3,400,253**	**2,684,927**	**8,764,224**
Intangible assets in progress - IRP (1) (2)	1,969,601	715,326	2 684,927	0
Software - IRP (2)	5,804,754	2,684,927	0	8,489,681
Software - other	274,543	0	0	274,543
Property and equipment (3)	**1,202,239**	**36,251**	**751,175**	**487,316**
TOTAL	**9,251,138**	**3,436,504**	**3,436,102**	**9,251,540**

(1) In accordance with Article 331-3 II.c of the French general chart of accounts, the share of expenses relating to the programming of the IRP system corresponding to those companies not included in the cost-sharing agreement has been recorded under "Intangible assets in progress", with the corresponding credit entry being posted to "Costs capitalised" in an amount of €715 thousand.

(2) Euler Hermes capitalises the portion of development costs applicable to member companies of the Euler Hermes group that are not signatories to the cost-sharing agreement. In this respect, the portion of development costs attributable to such companies has been reclassified under "Software – IRP" in an amount of €2,685 thousand and is subject to amortisation.

(3) Property and equipment comprises IT equipment (production and receipts servers), fixtures and fittings, furniture and other equipment.

3.1.2 Amortisation and depreciation of intangible assets, property and equipment

The breakdown of amortisation and depreciation at 31 December 2006 was as follows:

(in euros)

	Provision at 01-01-2006	Charge	Reversal	Provision at 31-12-2006
Intangible assets	**3,479,422**	**823,176**	**0**	**4,302,598**
Software - IRP	3,204,879	823,176	0	4,028,055
Software - other	274,543	0	0	274,543
Property and equipment	**1,074,785**	**41,391**	**720,842**	**395,334**
TOTAL	**4,554,207**	**864,567**	**720,842**	**4,697,932**

- The IRP software is amortised on a straight-line basis over a period of seven years corresponding to its estimated useful life.
- Other software is amortised pro rata temporis over twelve months. Such software has been fully amortised.
- IT equipment is depreciated on a straight-line basis over three years. Fixtures and fittings, furniture and other equipment are depreciated on a straight-line basis over periods ranging from one to seven years.

3.2 - Participating interests and provisions for impairment of participating interests

3.2.1 Participating interests

Participating interests are long-term investments that are deemed to contribute to Euler Hermes' business, particularly because they enable it to influence the management or assume control of the company concerned.

Participating interests are recognised at historical cost (purchase cost or contribution value) including any related purchase costs.
Movements in the gross value of participating interests were as follows:

(in euros)

	Gross value at 01-01-2006	Increase	Decrease	Gross value at 31-12-2006
Holding				
Euler Hermes SFAC	169,083,674	543,642	15	169,627,302
Euler Hermes Services	38,112			38,112
Euler Hermes Credit Insurance Belgium S.A.	53,408,321			53,408,321
Euler Hermes UK plc.	238,683,768			238,683,768
Euler Hermes SIAC	94,535,667			94,535,667
Euler Hermes Inc. , USA	909			909
Euler Hermes ACI Inc.	143,541,100			143,541,100
Euler Hermes Kreditversicherungs-AG	540,816,011			540,816,011
Euler Hermes Hitelbiztosito Rt	434,540			434,540
Euler Hermes Magyar Követeléskezelö Kft	204,519			204,519
Euler Hermes Kredietverzekering NV (1)	0	28,492,950		28,492,950
Kepler Ratings	89,904			89,904
Euler Hermes Reinsurance AG	54,888,286			54,888,286
TOTAL	**1,295,724,813**	**29,036,592**	**15**	**1,324,761,389**

(1) The main movement during the year was the acquisition of the entire capital of Euler Hermes Kredietverzekering NV, comprising 799,887 shares at a cost of €28,492,950 (see Note 2 Significant events during the year).

3.2.2 Provisions for impairment of participating interests

At each year end, participating interests are re-measured based on their value in use. When necessary, an impairment provision is recognised on an individual investment basis, taking into account both the value in use and the general prospects of the subsidiary concerned.

Movements in the provisions for impairment of participating interests were as follows:

(in euros)

	Provision at 01-01-2006	Increase	Decrease	Provision at 31-12-2006
Euler Hermes UK plc.	14,683,768	0	6,041,000	8,642,768
Euler Hermes Credit Insurance Belgium S.A.	3,123,577	0	0	3,123,577
TOTAL	**17,807,345**	**0**	**6,041,000**	**11,766,345**

3.3 - Other long-term investments

This item comprises mainly:
- A Swiss-franc denominated advance equivalent to €10,579 thousand intended to cover the initial financing of the recently-formed company, Euler Hermes Reinsurance AG,
- A loan granted during the year to Euler Hermes Kredietverzekering NV in an amount of €2,544 thousand, including accrued interest of €44 thousand,
- Treasury shares with a net book value of €74,713 thousand.

As part of Euler Hermes' share buy-back programme, authorised by the Extraordinary General Meeting of 7 April 2000, the company held own shares at the year end representing 3.14% of the capital stock, as shown below:

(in euros)

	Provision at 01-01-2006	Increase	Decrease	Provision at 31-12-2006
Purpose for which held				
Unrestricted use				
- number of shares	1,526,002		114,643	1,411,359
- average price (€)	52.937			52.937
- total (€)	80,781,718		6,068,838	74,712,880
% of capital	3.40 %			3.14 %
Adjustment of share price				
- number of shares	12,231		12,231	0
- average price (€)	43.023			0.000
- total (€)	526,217		526,217	0
% of capital	0.03 %			0.00 %
TOTAL	**81,307,936**	**0**	**6,595,055**	**74,712,880**

During 2006, 114,643 options granted under the share purchase option plans were exercised (*see Note 5.5 Share purchase option plan*), and 12,231 shares were sold by Euler Hermes to close out the line entitled "Adjustment of share price". These movements reduced the number of treasury shares held.

For balance sheet purposes, treasury shares are valued using the average market price during the last month of the financial period. Accordingly, a provision for impairment was not recognised at the year end.

3.4 - Receivables

As in 2005, this item includes the balances of transactions between subsidiaries included in the Euler Hermes tax group (*see Note 4.8.1 Current tax*).

All these receivables are due within one year.

3.5 - Cash and cash equivalents

Cash and cash equivalents comprise demand deposits and money market funds, the latter being shown in the balance sheet at their latest published redemption price on the balance sheet date.

3.6 - Translation differences

This item corresponds to an unrealised foreign exchange loss recognised on the balance sheet date on a Swiss-franc denominated advance. A provision for the foreign exchange loss has been created (*see Note 3.8 Provisions*).

B – SHAREHOLDERS' EQUITY AND LIABILITIES

3.7 - Shareholders' equity

3.7.1 Composition of the capital stock

At 31 December 2005, the capital stock comprised 44,830,244 shares totalling €14,345,678.

During the year, 120,874 options relating to the stock subscription option plans were exercised for an amount of €3,112 thousand, corresponding to a capital increase of €39 thousand and additional paid-in capital of €3,073 thousand (*see Note 5.4 Stock subscription option plans*).

At the year end, the capital stock thus comprised 44,951,118 issued and fully paid-up shares totalling €14,384,358.

3.7.2 Changes in shareholders' equity

The movements during the year can be analysed as follows:

(in euros)

	31-12-2005	Allocation of 2005 net income	Dividends paid	Other movements during the year	**31-12-2006**
Capital stock	14,345,678			38,680	14,384,358
Additional paid-in capital	444,985,453			3,072,902	448,058,354
Reserves					
- Legal reserve	1,379,382	55,186			1,434,568
- General reserve	77,473,535				77,473,535
- Reserve for treasury shares	92,589,093			(11,281,158)	81,307,936
- Other reserves	173,799,647			11,281,158	185,080,804
Retained earnings brought forward	140,818,268	99,262,301	(151,823,861)	(2,535)	88,254,173
Net income for the year	99,317,488	(99,317,488)		214,151,289	214,151,289
TOTAL	**1,044,708,542**	**0**	**(151,823,861)**	**217,260,335**	**1,110,145,016**

Reserve for treasury shares

The reserve for treasury shares was written back in an amount of €11,281 thousand to take account of sales related to the exercise of share purchase options during the year. The write back was credited in full to "Other reserves", in accordance with a resolution of the General Meeting of 22 May 2006.

The balance on the reserve for treasury shares at 31 December 2006 was €81,308 thousand.

3.8 - Provisions

Provisions can be analysed as follows:

(in euros)

	Provision at 01-01-2006	Charge	Reversal	Provision at 31-12-2006
Provisions for exchange losses	0	395,411	0	395,411
Provision for the Eurofactor liabilities guarantee	879,000	0	0	879,000
Provision for risks on treasury shares	363,610	0	202,034	161,576
Other provisions	2,127	7,002	0	9,129
TOTAL	**1,244,737**	**402,413**	**202,034**	**1,445,116**

The movements during the year were as follows:

- **provision for foreign exchange loss:** a provision of €395 thousand has been recognised on a Swiss-franc denominated advance to Euler Hermes Reinsurance AG to reflect the unrealised foreign exchange loss (*see Note 3.6 Translation differences*).

- **provision for liabilities guarantee:** the provision to cover exercise of the liabilities guarantee granted by Euler Hermes in accordance with the terms of a transaction entered into on 26 July 2004 between Euler Hermes, Eurofactor and Crédit Lyonnais has been maintained at €879 thousand. This guarantee is distinct from the liabilities guarantee described in Note 5.3.3. Liabilities guarantee.

- **provision for risks on treasury shares:** in view of the level of the Euler Hermes share price, a provision calculated as the difference between the purchase cost to Euler Hermes of the treasury shares and the exercise price of the share purchase option plans was recognised at the close of the 2005 financial year. At 31 December 2006, €202 thousand of the provision was written back to take into account the options exercised during the year.

3.9 - Borrowings and other financial liabilities

The breakdown by maturity of "Borrowings and other financial liabilities" was as follows:

(in euros)

	31-12-2006	31-12-2005	Change
Less than 1 year	30,755,368	443,003	30,312,365
From 1 to 5 years	292,000,000	335,000,000	(43,000,000)
TOTAL	**322,755,368**	**335,443,003**	**(12,687,635)**
of which, with related companies	322,755,368	225,197,125	97,558,243

The €110 million syndicated loan was repaid in full during the year (*see Note 2 Significant events during the year*). The interest-rate swaps hedging the loan were closed out at the same time. The income and expense relating to the swaps have been recognised separately under "Other financial income" and "Other financial expense" (*see Note 4.2 Other financial income and Note 4.6 Other financial expense*).
Euler Hermes refinanced the loan exclusively with related companies in an amount of €97 million (regulated agreements and commitments, pages 186 to 188).

All the borrowings are at variable interest rates and are denominated in euros.

3.10 - Social security, tax and other liabilities

As in 2005, this item comprises mainly balances on transactions between the subsidiaries belonging to the Euler Hermes tax group (*see Note 4.8.1 Current tax*).
All such liabilities are payable within one year.

4 - NOTES TO THE INCOME STATEMENT

4.1 - Revenues from participating interests

This item comprises dividends received from related companies, as follows:

(in euros)

	2006	2005
Euler Hermes SFAC	82,327,210	67,614,576
Euler HermesSIAC	13,720,000	10,080,000
Euler Hermes ACI	23,612,751	6,259,776
Euler Hermes Germany GmbH	0	20,600,000
Euler Hermes Kreditversicherungs-AG	61,305,559	315,336
Euler Hermes UK plc	30,823,426	7,841,998
Euler Hermes Credit Insurance Belgium S.A.	5,599,771	0
Euler Hermes Magyar Követeléskezelö Kft.	90,133	0
Euler Hermes Magyar Hitelbiztosito Zrt	69,465	0
Total	**217,548,315**	**112,711,686**

4.2 - Other financial income

The main component of this item is €3,564 thousand in variable-rate interest relating to the interest-rate swaps that were closed out during the year when the loan they were hedging was repaid (*see Note 3.9 Borrowings and other financial liabilities and Note 4.6 Other financial expense*).
It also includes interest of €202 thousand in respect of related companies.

4.3 - Sundry services

This item includes €3,896 thousand re-billed to subsidiaries that are not included in the cost-sharing agreement for IRP system licence fees.
Re-billing of IRP system maintenance to the same subsidiaries commenced in 2006, in an amount of €2,231 thousand.

4.4 - External charges

This item comprises the external structural charges of Euler Hermes as well as the expenses incurred for the final development phase of the IRP system (*see Note 2 Significant events during the year*).

4.5 - Payroll and social security contributions

Ce poste comprend les rémunérations des salariés de la société.

4.6 - Other financial expense

This item comprises mainly (*see Note 3.9 Borrowings and other financial liabilities*):
- interest of €8,674 thousand, including €755 thousand of accrued interest, in respect of related companies,
- €3,968 thousand in fixed-rate interest relating to the interest-rate swaps that were closed out during the year when the variable-rate loan they were hedging was repaid (*see Note 4.2 Other financial income*);
- interest of €3,385 thousand on bank loans;
- interest of €23 thousand on lines of credit.

4.7 - Other exceptional income

This item comprises mainly the repayment by the Italian tax authorities of the tax credit on dividends paid by the subsidiary company Euler Hermes SIAC in an amount of €2,543 thousand.

4.8 - Corporation tax

The breakdown of the tax charge for the year is as follows:

(en euros)

	2006	2005
Tax grouping surplus	4,024,325	7,310,821
Deferred tax	2,164,953	(2,013,271)
TOTAL	**6,189,278**	**5,297,550**

4.8.1 Current tax and tax grouping surplus

Euler Hermes is the head of a tax group formed with its subsidiaries Euler Hermes SFAC, Euler Hermes SFAC Crédit, Euler Hermes SFAC Recouvrement, Euler Hermes Services, Euler Hermes Tech, Euler Hermes SFAC Asset Management, CCA, Kepler Ratings, Financière Bételgeuse and Financière Cassiopée. Each company pays the company heading the tax group the tax that it would have paid to the authorities if it had been taxed individually (*see Note 3.4 Receivables and Note 3.10 Social security, tax and other liabilities*).

The current tax liability is calculated at the rate of 34.43% and at 8.26% for net long-term capital gains on participating interests, including the 3.3% social security contribution on profits (based on the tax charge after deducting an allowance of €763 thousand).

To calculate the taxable income of Euler Hermes itself, dividends received from the subsidiaries are deducted in accordance with the parent company/subsidiary tax regime and the share of corresponding expenses and charges is added back. After taking account of all deductions and amounts added back, a taxable loss was generated.

As the total of the individual tax liabilities of the members of the tax group was higher than the tax charge for the tax group, a tax grouping surplus of €4,024 thousand was generated in favour of Euler Hermes.

4.8.2 Deferred tax

Deferred tax arises from timing differences between the year in which an income or expense item is recognised in the accounts and its inclusion in the taxable income or loss of a subsequent year. Deferred tax is calculated using the following preferential methods:
- application of the balance sheet liability method, under which unrealised differences are added to the timing differences;
- use of the full provision method, under which recurring differences and differences that will only reverse in the long term are included;
- application of the liability method, under which deferred tax recognised in prior years is adjusted for any changes in the tax rates; the rate used for 2006 and subsequent years is 34.43%.

As none of the significant deferred tax assets and liabilities has a set maturity, discounting has not been applied to any items.

Deferred tax assets and liabilities are offset only when they have the same nature and maturity.

5 - OTHER INFORMATION

5.1 - Consolidation

The company's financial statements are fully consolidated within the financial statements prepared by Assurances Générales de France SA (Trade and Companies Registry no. 303 265 128).

5.2 - Directors' attendance fees

Attendance fees paid to members of the Supervisory Board in accordance with the decision of the Combined Ordinary and Extraordinary General Meeting of 25 April 2001 amounted to €260 thousand.

5.3 - Off-balance sheet commitments

5.3.1 Off-balance sheet commitments received

The reciprocal financial commitment of €110 million included in off-balance sheet commitments received at 31 December 2005 corresponding to the nominal amount of the interest-rate swap used to hedge the interest-rate risk on a variable-rate loan was extinguished when the swaps were closed out.

5.3.2 Off-balance sheet commitments given

The commitments given comprise:

- a commitment of €8,153 thousand relating to the liabilities of GIE Euler Hermes SFAC Services, whose registered office is at 1 rue Euler, 75008 Paris. As a member of this economic interest grouping (GIE), Euler Hermes is jointly and severally liable for all its liabilities after deducting any liabilities of the grouping to its own members (Article 4 paragraph 1 of ordinance no. 67 821); Euler Hermes shares this commitment with the following direct and indirect subsidiaries: Euler Hermes SFAC, Euler Hermes SFAC Crédit, Euler Hermes SFAC Recouvrement, Euler Hermes Services, Euler Hermes Tech and Euler Hermes SFAC Asset Management;
- a commitment of €1,343 thousand given to group employees in respect of the liquidity of the current stock subscription option plans at subsidiaries.

5.3.3 Liabilities guarantee

The liabilities guarantee given to Crédit Agricole in connection with the disposal of the shares in Eurofactor was extinguished on 31 December 2006. This guarantee is distinct from the liabilities guarantee described in Note 3.8. Provisions.

At 31 December 2005 it was envisaged that the liabilities guarantee issued by Allianz in connection with the acquisition of Euler Hermes Kreditversicherungs-AG would be called.
Following further investigations undertaken in 2006, it was decided that the conditions for calling this liabilities guarantee had not been met.

5.4 - Stock subscription option plans

The Extraordinary General Meeting of 29 April 1997 authorised a stock subscription option plan covering 1% of the capital stock, i.e. 348,750 shares. In accordance with the decisions of various Group Management Board meetings, a total of 314,200 options were granted during 1997, 1998 and 1999 (the number of shares was multiplied by 50 in accordance with the decision of the Combined Ordinary and Extraordinary General Meeting of 7 April 2000).

The Extraordinary General Meeting of 23 April 2003 approved a stock subscription option plan. In accordance with the decisions of various Group Management Board meetings, 380,000 options were granted during 2003 and 2004.

In accordance with the decision of the Group Management Board meeting of 27 June 2005, 160,000 stock subscription options have been allocated.

The movements during the year were as follows: (*see Note 3.7.1 Composition of the capital stock*):

Year of allocation	1997	1998	1999	2003	2004	2005
Options still to be exercised at start of year	17,980	53,602	3,100	206,150	124,100	160,000
Options exercised (1)	17,050	14,684	3,100	76,690	9,350	0
Options allocated during the year	0	0	0	0	0	0
Options cancelled (2)	0	0	0	1,700	3,550	4,450
Options still to be exercised at end of year	**930**	**38,918**	**0**	**127,760**	**111,200**	**155,550**
Exercise price (€)	15.55	18.27	21.12	27.35	44..41	63.08

(1) See Note 3.6 Shareholders' equity.

(2) Options renounced by beneficiaries.

5.5 Stock purchase option plans

The Extraordinary General Meeting of 7 April 2000 approved a stock purchase option plan. In accordance with the decisions of various Group Management Board meetings, 376,340 options were granted in May 2000 (first allocation) and 187,590 options were granted in March 2001 (second allocation).

Lastly, the Extraordinary General Meeting of 22 May 2006 approved a mixed stock subscription and purchase option plan for employees and corporate officers of Euler Hermes and of its more than 50%-owned subsidiaries.

By decision of the Group Management Board meeting of 18 September 2006, 160,000 stock purchase options were allocated in September 2006.

The movements during the year were as follows (*see Note 3.3 Other long-term investments*):

Date of the General Meeting	07-04-00		22-05-06
	(1st allocation)	(2nd allocation)	
Date of the Group Management Board meeting	**27-04-00**	**28-03-01**	**18-09-06**
Options still to be exercised at start of year	130,996	82,729	0
Options exercised	68,057	46,586	0
Options allocated	0	0	160,000
Options cancelled	4,073	925	1,900
Options still to be exercised at end of year	**58,866**	**35,218**	**158,100**
Exercise price (1)	50.11 - 52.74	49.31 - 52.65	91,82

(1) Range of exercise prices for options still to be exercised at end of year.

Subsidiaries and participating interests

Subsidiaries and participating interests	Capital	Other shareholders' equity	Proportion of capital held	Carrying amount of securities held gross	Carrying amount of securities held net	Outstanding loans and advances	Sureties and guarantees given	Net revenues for past year	Net income for past year	Dividends received during the year
			in %	EUR	EUR (1)	EUR	EUR	EUR (2)	EUR (2)	EUR
A. Detailed information concerning securities whose gross value exceeds 1% of the capital stock										
1. Subsidiaries										
Euler Hermes SFAC										
1, rue Euler - 75008 Paris	EUR 90,266,496	EUR 140,485,652	99.99%	169,627,301	169,627,301	3,959,143	509,794	360,540,043	75,942,326	82,327,210
Euler Hermes UK plc										
1, Canada Square - Londres E14 5DX		(3)						(3)	(3)	
UNITED KINGDOM	GBP 50,614,000	GBP 41,946,000	99.99%	238,683,768	230,041,000	-	833,226	192,046,165	37,419,211	30,823,426
Euler Hermes Credit Insurance Belgium SA										
15, rue Montoyer - 1000 Bruxelles										
BELGIUM	EUR 27,916,000	EUR 21,063,000	99.99%	53,408,321	50,284,744	-	-	79,041,000	30,365,000	5,599,771
Euler Hermes ACI Holding Inc.										
800 Red Brook Boulevard										
Owings Mills o/d 21 117 - USA	USD 129,526,334	USD (27,131,334)	100.00%	143,541,100	143,541,100	1,427,738	-	-	28, 561,124	23,612,751
Euler Hermes SIAC S.p.A.										
Via Raffaello Matarazzo, 19		(4)						(4)	(4)	
00139 Rome - ITALY	EUR 28,000,000	EUR 60,424,000	100.00%	94,535,667	94,535,667	333,864	-	236,855,000	14,661,000	13,720,000
Euler Hermes Kreditversicherungs-AG										
Friedensalle 254, 22763 Hamburg										
GERMANY	EUR 54,080,000	EUR 45,754,113	100.00%	540,816,011	540,816,011	41,934	-	714,990,000	101,707,045	61,305,559
Euler Hermes Reinsurance AG										
Tödistrasse, 65 - CH-8002 Zürich										
SWITZERLAND	CHF 85,000,000	CHF (728,000)	100.00%	54,888,286	54,888,286	-	-	196,355,094	(8,879,831)	-
Euler Hermes Kreditversicherungs NV										
Pettelaarpak 20 - 52160 PD S-Hertogenbosch										
NETHERLANDS	EUR 3,999,000	EUR 8,023,000	100.00%	28,492,950	28,492,950	197,271	-	37,422,000	3,591,000	-
2. Participations										
Euler Hermes Hitelbiztosito Magyarorszag Rt.										
Nagybatonyi u.8.										
H-1037 Budapest										
HUNGARY	HUF 450,000,000	HUF 526,025,000	17.86%	434,540	434,540	17,142	-	7,927,001	1,215,514	69,465
Euler Hermes Magyar Követeléskezelö Kft										
Nagybatonyi u.8.										
H-1037 Budapest										
HUNGARY	HUF 30,000,000	HUF 342,611,000	20.10%	204,519	204,519	79,194	-	3,161,763	(100,218)	90,133
B. Participating interests										
French subdiaries	EUR 101,875	EUR 958,098		128,016	128,016	1,360,794	-	13,932,363	(634,657)	-
Foreign subdiaries	USD 5,000	USD (7 717)		909	909	-	-	0	(36,858)	-
Summary information concerning other securities whose gross value does not exceed 1% of the capital stock										
French subsidiaries										
Euler Hermes Services	EUR 40,000	EUR 982,980	100.00%	38,112	38 112	1,360,794	-	13,932,363	(624,078)	-
Kepler Ratings	EUR 61,875	EUR (24,882)	100.00%	89,904	89 904	-	-	-	(10 579)	-
TOTAL	**101,875**	**958,098**		**128,016**	**128,016**	**1,360,794**	**-**	**13, 932,363**	**(634,657)**	**-**
Foreign subsidiaries										
Euler Hermes Inc, USA	USD 5,000	USD (7 717)	100.00%	909	909	-	-	-	(36,858)	-

(1) An impairment provision has been recognised at the year end for securities whose carrying amount exceeds the value in use of the company (cf. 3.2.2. Provisions for impairment of participating interests).

(2) The exchange rate used for companies outside the euro zone is the closing rate on 31 December 2006.

(3) Amounts corresponding to the Euler Hermes UK sub-group, of which Euler Hermes UK plc is the holding company.

(4) Amounts corresponding to the Euler Hermes SIAC sub-group, of which Euler Hermes SIAC S.p.A. is the holding company.

Five-year financial summary

(in euros)

	2002	2003	2004	2005	**2006**
Capital					
Capital stock	12 892,753	13,296,576	13,793,815	14,345,678	14,384,358
Number of shares in issue	40,289,852	41,551,801	43,105,673	44,830,244	44,951,118
Maximum number of shares that could be created	268,056	418,338	471,680	564,932	434,358
Results for the year					
Income from ordinary activities (1)	122,486,579	38,541,826	75,557,853	112,711,686	217,548,315
Income before tax, depreciation, amortisation and provisions	87,438,283	9,043,647	45,645,213	84,010,139	202,980,447
Corporation tax	(27,480,855)	625,032	(1,952,460)	(5,297,550)	(6,189,278)
Income after tax, depreciation, amortisation and provisions	72,621,154	36,168,675	50,074,199	99,317,488	214,151,289
Dividends paid (2)	32,231,882	75,624,278	107,764,183	156,905,854	179,804,472
Earnings per share					
Income after tax but before depreciation, amortisation and provisions	2.85	0.20	1.10	1.99	4.65
Income after tax, depreciation, amortisation and provisions	1.80	0.87	1.16	2.22	4.76
Dividend per share	0.80	1.82	2.50	3.50	4.00
Employees					
Average number of employees	1	1	2	2	2

(1) In accordance with CNC notice dated 27 March 1985 and COB bulletin no. 181 of May 1985, in view of Euler Hermes' activity as a holding company, this item comprises ordinary investment revenues instead of turnover.
(2) Includes dividends on treasury shares, which will be credited to "Retained earnings" upon payment.

General report by the independent auditors at the annual financial statements

YEAR ENDED 31 DECEMBER 2006

To the shareholders,

In compliance with the assignment entrusted to us by your General Meetings, we hereby submit our report for the financial year ended 31 December 2006 on the:

- audit of your company's financial statements, as attached to this report;
- substantiation of our assessments;
- specific checks and information required by law.

The annual financial statements were drawn up by the Group Management Board. We are required to express an opinion on these financial statements on the basis of our audit.

I - Opinion on the annual financial statements

We conducted our audit in accordance with the professional standards applicable in France. These standards require us to perform such tests and procedures as to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a sample basis, the evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and any significant estimates made in drawing up the financial statements, and an evaluation of the overall presentation of these statements. We believe that our audit provides a reasonable basis for the opinion expressed below.

In our opinion, the financial statements, drawn up in accordance with the generally accepted accounting principles in France, are true and fair and accurately present the company's results for the year ended 31 December 2006 and the company's financial position and its assets and liabilities at that date.

II – Substantiation of our assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code relating to the substantiation of our assessments, we hereby provide you with the following information:

As your company's assets consist mainly of equity interests, we verified that the valuations made were at least equal to the net book values shown in the balance sheet. We consider that the methods of valuing these interests, in accordance with the methods described in Note 3.2.2 to the financial statements, are appropriate.

The assessments thus made form part of our procedure for auditing the annual financial statements taken as a whole and therefore contributed to the formation of our opinion as expressed in the first section of this report.

III - Vérifications et informations spécifiques

In accordance with professional standards applicable in France, we also carried out the specific checks required by law.

We have no comments to make on:

- the accuracy of the information provided in the management report drawn up by the Group Management Board and in the documents sent to the shareholders on the company's financial position and the annual financial statements, or whether this information is consistent with the financial statements;
- the accuracy of the information provided in the management report relating to remuneration and benefits paid to the corporate officers concerned and to commitments given in their favour when assuming, ceasing or changing functions or subsequent to these.

We verified that the management report contains the information required by law relating to participating and controlling interests acquired and the identity of the owners of the company's capital.

Neuilly-sur-Seine, Paris La Défense and Paris, April 19, 2007

The independent auditors

PRICEWATERHOUSECOOPERS AUDIT	KPMG AUDIT A division of KPMG SA	ACE - AUDITEURS ET CONSEILS D'ENTREPRISE
Christine Bouvry	Xavier Dupuy	Alain Auvray

Euler Hermes shares on the stock exchange market

Contents

Euler Hermes shares on the stock exchange market

A long-term relationship with clients and shareholders

Euler Hermes has built a long-term relationship with its clients and shareholders based on dialogue, ethics, rigour and transparency.
By securing business transactions throughout the world, Euler Hermes contributes to its clients' profitable growth and optimises the investment of its shareholders. The group's commitment to clients and its shareholders is based in particular on irreproachable business practices and constant dialogue. Euler Hermes' employees are constantly attentive to clients' needs so as to develop the most appropriate services. At the same time, the group works unceasingly to extend its knowledge of each business sector and all the corresponding players. By systematically gathering detailed and exclusive information, the group can identify the risks incurred by its clients very early on and guide their response. By anticipating and responding rapidly, the group provides the security its clients need to develop their business.
The same transparency, rigour and ethics underpin Euler Hermes' commitment to its shareholders. The capital allocated to the group by its main shareholders, AGF and Allianz, and by the public, is a mark of their confidence and a resource that must be developed and made profitable. Euler Hermes commitment to this task is reflected in its long-term development strategy.
The Group Management Board and Supervisory Board, and the various associated committees (audit committee, remuneration and appointments committee, finance committee), set ambitious targets and take full responsibility for their strategic choices. The visibility conferred by Euler Hermes' stock market listing contributes to promoting credit insurance to business leaders throughout the world.

Share price performance

Euler Hermes share price relative to the SBF 120 index in 2006Euler Hermes' market capitalisation increased by more than 44% to nearly ?5 billion in 2006, significantly outperforming the French MID 100 and SBF 120 indices, which gained 30% and 19% respectively. The price of the Euler Hermes share rose from €76.20 at 31 December 2005 to ?109.60 at 31 December 2006.
The share price has been multiplied by 4.98 over the past four financial years. The rise reflects the group's strong earnings growth over the same period and the high returns on its shares.
The share's liquidity improved further during 2006 reflecting investors' growing interest in the share. Average daily trading volumes increased in 2006 to €4.3 million, corresponding to 46401 shares at an average price of €93.06.

With the support of its majority shareholder AGF, a member of the Allianz Group, and of its minority shareholders, Euler Hermes will strive unceasingly to develop its insurance business and services throughout the world, whilst preserving its margins. The group's strategy of carefully reasoned development and risk taking will enable Euler Hermes to keep profitability high in the common interest of all its partners.

Euler Hermes share price relative to the SBF 120 index in 2006

Year 2006

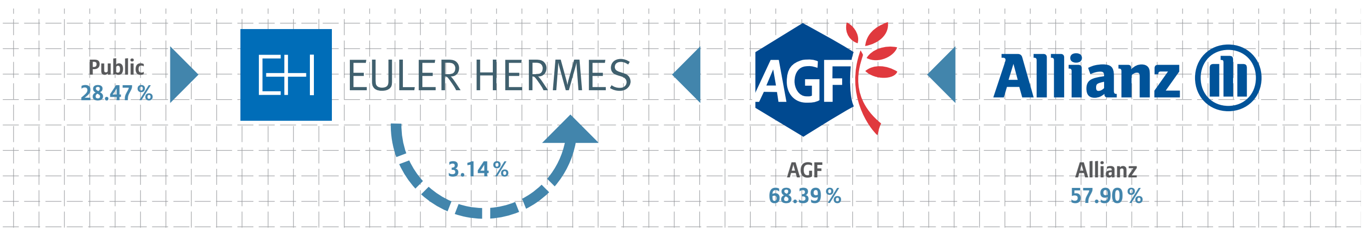
Euler Hermes shares on the stock exchange market

Shareholder structure

The number of Euler Hermes shares held by AGF remained stable in 2006 at 30,744,048 corresponding to 68.39% of the capital and 70.61% of the voting rights. The public own 28.47% of the shares and 29.39% of the voting rights. Euler Hermes holds 3.14% of the capital in treasury stock.

Shareholder structure at 31 December 2006

Shareholder	Number of shares	As a % of the capital	Number voting rights	As a % of the capital
AGF IART	4	0.00%	4	0.00%
AGF Vie	3,879,818	8.63%	3,879,818	8.91%
AGF	5,442,444	12.11%	5,442,444	12.50%
AGF Holding	21,421,782	47.66%	21,421,782	49.20%
Total AGF	**30,744,048**	**68.39%**	**30,744,048**	**70.61%**
Euler Hermes (treasury shares)	**1,411,359**	**3.14%**	**0**	**0.00%**
Public	**12,795,711**	**28.47%**	**12,795,711**	**29.39%**
TOTAL	**44,951,118**	**100.00%**	**43,539,759**	**100.00%**



EULER HERMES share price performance in 2005 and 2006 (Euronext Paris - Compartment A)

Code ISIN : FR0004254035	Total trading volumes		Share price	
Month	Number of shares	Capital(€)	High (€)	Low (€)
2006 January	847,061	69,990,277	87.30	75.20
February	771,537	69,801,164	95.85	84,10
March	1,375,598	133,370,467	104.50	88.30
April	710,016	71,168,810	104.90	95.25
May	1,864,304	172,262,025	102.00	85.15
June	1,530,235	128,967,042	91.25	79.20
July	722,838	61,658,311	88.70	80.20
August	611,700	55,770,988	96.15	86.50
September	925,279	85,228,436	96.00	87.85
October	1,230,648	122,910,728	106.60	92.50
November	754,998	77,692,120	105.60	99.90
December	488,096	52,289,363	110.10	101.30
2005 January	2,337,049	127,930,062	59.30	50.75
February	914,337	53,397,281	59.90	57.10
March	926,764	56,439,928	64.00	58.00
April	1,167,460	73,304,813	64.60	60.35
May	850,573	51,816,907	62.90	58.85
June	603,825	38,415,347	65.50	61.10
July	507,982	33,430,295	68.00	61.80
August	303,729	20,447,036	68.80	64.90
September	1,039,817	73,483,867	74.50	66.65
October	501,330	35,604,457	75.00	68.50
November	877,639	63,154,902	73.95	68.55
December	682,116	52,120,484	78.00	71.80

Fundamentals of the Euler Hermes share

Unit: €	2002	2003	2004 [1]	2005 [1]	**2006 [1]**
Net income, Group share (in thousands) [2]	51,205	146,145	242,984	286,076	326,054
Earnings per share [2]	1.43	3.72	5.97	6.74	7.51
Dividend paid (in thousands)	32,232	75,624	107,764	156,906	179,805
Net dividend per share [3]	0.80	1.82	2.50	3.50	4.00
Payout ratio [4]	62.95%	51.75%	44.35%	54.85%	55.15%
Highest share price	46.13	40.00	53.90	77.95	110.00
Lowest share price	15.10	19.01	37.26	51.15	79.20
Last share price (31 December)	22.00	38.10	50.70	76.20	109.60
Number of shares	40,289,852	41,551,801	43,105,673	44,830,244	44,951,118
Market capitalisation (in millions)	907	1,583	2,185	3,415	4,927

(1) In accordance with IFRS.

(2) In 2002, a capital increase facilitated the creation of 5,371,368 new shares on the basis of 2 new shares for every 13 old shares. In addition, 18,584 shares were created following the exercise of stock options granted during previous years.

In 2003, following partial payment of the dividend in the form of shares, 1,172,431 new shares were created. In addition, 89,518 shares were created following the exercise of stock options granted during previous years.

In 2004, following partial payment of the dividend in the form of shares, 1,502,151 new shares were created. In addition, 51,721 shares were created following the exercise of stock options granted during previous years.

In 2005, following partial payment of the dividend in the form of shares, 1,661,023 new shares were created. In addition, 63,548 shares were created following the exercise of stock options granted during previous years.

In 2006, 120,874 new shares were created following the exercise of stock options granted during previous years.

(3) The dividend in respect of 2006 will be submitted for approval by the General Meeting of 9 May 2007.

(4) The payout ratio corresponds to the dividend distributed compared with net income, Group share.

General information

Summary

General information

General information about the company

Company name and head office

Company name

In the course of the group's formation, the original corporate name "Société Française d'Assurance-Crédit" (Sfac) was adopted in 1989 by the subsidiary responsible for its credit insurance business in France, then changed to "Compagnie Financière Sfac". In 1996 it took the corporate name "Euler".
Following the takeover of the German credit insurance company Hermes AG, the General Meeting of shareholders held on 17 April 2002 changed the corporate name from Euler to Euler & Hermes. The General Meeting of 23 April 2003 decided to simplify the name to "Euler Hermes". For the purpose of harmonisation, "Euler Hermes" is incorporated into the name of each of the group's subsidiaries.

Head office

1-3-5, rue Euler, 75008 Paris, France
Telephone: + 33 (0)1 40 70 50 50
Fax: + 33 (0)1 40 70 50 80
Website: www.eulerhermes.com

Legal form and applicable legislation

Euler Hermes is a public limited company under French law [Société Anonyme] with a Group Management Board and Supervisory Board. It is governed by the provisions of the Second Book of the French Commercial Code and by the provisions of Decree No. 67-236 of 23 March 1967.
Euler Hermes Sfac, a wholly-owned subsidiary of Euler Hermes, is authorised as an insurance company by the Minister for the Economy and Finance. It is subject to the provisions of the Insurance Code [Code des Assurances] and comes under the joint control of the French Treasury and the Insurance Control Commission [Commission de Contrôle des Assurances].
Euler Hermes Sfac Crédit, itself a wholly-owned subsidiary of Euler Hermes Sfac, is authorised as a financial company by the Credit Institutions and Investment Companies Committee, CECEI, [Comité des Etablissements de Crédit et des Entreprises d'Investissement]. It is therefore subject to the provisions of the Monetary and Financial Code relating to the activity and control of credit institutions and to the regulations of the Banking and Finance Regulatory Committee [Comité de la Réglementation Bancaire et Financière].
It is subject to the joint control of the CECEI and the Banking Commission [Commission Bancaire].
As a shareholder of these companies, Euler Hermes is subject to certain aspects of these regulations and to control by the above-cited authorities. The following provisions are specifically applicable:
– Articles L. 322-4 and R. 322-11-1 of the Insurance Code stipulate that any operation for the takeover, enlargement or disposal of a holding, whether direct or indirect, in companies that have received government authorisation to operate direct insurance in France, that would enable a person or several persons acting in concert either to acquire or to lose effective power or control over such a company, or to cross the thresholds of one-half, one-third, one-fifth or one-tenth of the voting rights in that company, must first obtain approval from the Minister for the Economy and Finance. The Minister has three months in which to raise any objection to the proposal, on the advice of the Insurance Companies Commission [Commission des Entreprises d'Assurance].
Furthermore, any transaction that results in one person, or several persons acting in concert, being able to acquire or dispose of one-twentieth of the voting rights in such a company must be reported to the Minister for the Economy and Finance prior to completion.
These provisions are applicable to Euler Hermes Sfac, a wholly-owned subsidiary of Euler Hermes, which is authorised as an insurance company.
– Regulation No. 96-16 of 20 December 1996 of the Banking and Finance Regulatory Committee stipulates that any person or group of persons acting in concert must obtain authorisation from the CECEI prior to the realisation of any operation for the takeover, enlargement or disposal of a holding, whether direct or indirect, in a company authorised by that Committee, if such an operation enables that person or those persons to acquire or to lose effective power or control over the management of that company, or to acquire or to lose one-third, one-fifth, or one-tenth of the voting rights in that company. The Committee then has three months to inform the applicant if the proposed operation necessitates a reassessment of the authorisation for the company in question.
Furthermore, any transaction that results in one person, or several persons acting in concert, being able to acquire one-twentieth of the voting rights in such a company must be immediately reported to the CECEI.
These provisions are applicable to Euler Hermes Sfac Crédit, a wholly-owned subsidiary of Euler Hermes Sfac, which is authorised as a financial company.
These provisions are applicable to transactions in the company's shares as a direct and indirect shareholder of Euler Hermes Sfac and Euler Hermes Sfac Crédit.

Date of incorporation and term

The company was incorporated on 28 March 1927 for a term of 99 years, which will expire on 27 March 2026.

Corporate purpose

Under the terms of Article 3 of the Articles of Association, the purpose of the company, directly or indirectly, in France and internationally, is financial services and insurance and especially any activities contributing to companies' management of their accounts receivable, and in this respect, activities regarding credit insurance, factoring and debt collection.
In addition to investments, the company may take holdings in any companies whose activity relates to this purpose or participate in any operations likely to facilitate its expansion or development.
The company may acquire any property or assets in any form.

General information about the company

Trade and Companies Registry

RCS registration number: 552 040 594 RCS Paris - APE number: 741J

Consultation of legal documents

The legal and corporate documents relating to the company (Articles of Association, minutes of General Meetings, reports of the independent auditors and other documents available to shareholders) can be consulted at the company's registered office, within the Company Secretary's department, at 1-3-5, rue Euler, 75008 Paris.

Financial year

Each financial year covers twelve months, commencing on 1st January and terminating on 31 December.

Statutory distribution of earnings

Pursuant to the law and the provisions of Article 21 of the Articles of Association, the income statement summarises the income and expenditure for the year. The difference between them, after deductions for amortisation, depreciation and provisions, shows the income or loss for the year.
From the income for the year, less any losses from previous years, at least 5% is transferred to the legal reserve, as required by law.
This deduction ceases to be obligatory when the reserve reaches one-tenth of the capital stock. It becomes obligatory again when, for any reason, the reserve falls below one-tenth. The distributable income is made up of the income for the year, less any losses from previous years and the sums transferred to re serves as required by law or the Articles of Association, plus retained earnings.
After the accounts have been approved and the existence of distributable income ascertained, the Ordinary General Meeting resolves to allocate the distributable income to one or more reserve accounts, the application or use of which is regulated by the General Meeting, to carry it forward or to distribute it.
The Ordinary General Meeting may decide to distribute sums from the reserves avail able to it, expressly indicating the reserve accounts from which the deductions are made. However, dividends are deducted first from the distributable income for the year. Apart from the instance of capital reduction, no distribution can be made to share holders if the shareholders' equity is, or would as a result, become less than the amount of the capital plus the reserves that the law or the Articles of Association do not allow to be distributed. A revaluation reserve may not be distributed but it can be capitalised, in whole or in part.
The methods for paying dividends voted by the Ordinary General Meeting are fixed by the Meeting or, failing that, by the Group Management Board. Dividends must be paid within the period set by law. When a balance sheet drawn up during or at the end of the year and certified by the auditors shows that the company has, since the end of the previous year, after the constitution of the necessary amortisation, depreciation and other provisions, after deduction of previous losses if any, and sums taken to re serves pursuant to the law or the Articles of Association and including retained earnings, produced an income, an interim dividend or dividends can be paid before approval of the financial statements. The amount of the interim dividend(s) cannot exceed the total income as defined above.
The Ordinary General Meeting is entitled to grant each shareholder, for some or all of the dividend or interim dividend(s) to be distributed, an option between payment of the dividend or interim dividend(s) in cash or in company shares. The legally prescribed term for dividends is five years from the date payment is authorised by the General Meeting.
Taxation applied to the distribution of dividends to non-French companies complies with the legal regulations; generally these dividends are subject to a withholding tax. However, this principle is subject to certain exceptions under law or international tax treaties.

General Meetings and voting rights

In accordance with the law and the terms of Article 20 of the Articles of Association, General Meetings of shareholders are convened and take place under legally prescribed conditions.
The meetings are held either at the registered office, or at some other place specified in the notice of the meeting.
Ordinary and Extraordinary General Meetings include all shareholders who hold at least one share.
Special General Meetings include all shareholders who own at least one share of the class concerned.
However, in respect of amounts called but not paid on shares, such shares do not give right of admission to shareholders' meetings and are deducted for purposes of the quorum calculation.
Subject to the aforementioned, every shareholder is entitled, on proof of identity, to participate in General Meetings, either by attending in person, by returning a postal voting form, or by appointing a proxy, who may be his spouse or another shareholder, provided that:
– for registered shareholders, their shares are entered in the company's register;
– for bearer shareholders, a certificate issued by the custodian is deposited at the address indicated in the meeting notice, stating that the shares have been placed in a non-transferable account until the date of the Meeting.
These formalities must be completed at least five days before the date of the Meeting.
However, Decree No. 2006-1566 of 11 December 2006 modified Decree No. 67-236 of 23 March 1967 on commercial companies. As a result, for companies whose shares are either fully or partially in bearer form, the procedure requiring proof of the temporary immobilisation of the shares is abandoned in favour of a system based on the record date, i.e. a snapshot of the shareholder structure on the third working day (at midnight) prior to the Meeting. To reflect these amendments, a proposal will be put to the Extraordinary General Meeting of 9 May 2007 to amend paragraph 6 of Article 20 of the Articles of Association (as mentioned above), which will be re-drafted as follows:

General information about the company

"Subject to the above provisions, any shareholder has the right, on providing proof of identity, to participate in General Meetings, either by attending in person, returning a postal voting form or appointing a proxy (his spouse or another shareholder), provided that the shares are recorded for accounting purposes in the name of the shareholder or that of the custodian on his behalf:

- for registered shareholders, their shares must be entered in the company's register;
- for bearer shareholders, in the bearer share accounts held by the custodian.

These formalities must be completed by the third working day prior to the General Meeting by midnight, Paris time."

General Meetings are chaired by the Chairman of the Supervisory Board or, in his absence, by the Vice Chairman or a member of the Supervisory Board specially delegated by the Supervisory Board for this purpose. Failing this, the General Meeting appoints its own Chairman.

The duties of teller are performed by the two members of the General Meeting who have the greatest number of votes who accept this role.

The officers of the General Meeting appoint the secretary who may be chosen from outside the shareholders. Every member of the General Meeting is entitled to as many votes as the number of shares he owns or represents. There is no clause in the Articles of Association providing for double voting rights for shareholders in the company.

Statutory disclosure thresholds

The shares may be freely traded and may be sold in accordance with the legal and regulatory conditions in force.

Apart from the legal obligation provided for in Articles L.233-7 of the Commercial Code to inform the company when certain fractions of the capital are held and to make any consequent declaration of intention, Article 8 of the Articles of Association voted by the Extraordinary General Meeting of 7 April 2000 provides for an additional disclosure obligation whereby any individual or corporate entity acting alone or in con cert, which comes to hold a number of shares and/or voting rights in the company greater than or equal to:

1 – 1% of the total number of shares and/or voting rights must, within fifteen days from the date of crossing this threshold, inform the company of the total number of shares and/or voting rights held, by recorded letter with return receipt (or equivalent means in countries outside France), fax or telex. This declaration must be renewed each time a new 1% threshold is crossed upwards to 50% inclusive and each time a new 1% threshold is crossed downwards to 1% inclusive.

2 – 5% of the total number of shares and/or voting rights must, within fifteen days from the date of crossing this thresh old, apply to the company to have all the shares held in registered form. This obligation for shares to be held in registered form is applicable to all shares already held and to those that have just been acquired taking the shareholder over the threshold. The request for shares to be registered shall be sent by letter, fax or telex to the company within fifteen days of crossing the threshold. The declaration due under the preceding point (1) on crossing the threshold that is prescribed in this paragraph shall be the equivalent of a request for shares to be registered.

For the determination of the thresholds prescribed in (1) and (2), shares and/or voting rights held indirectly and shares and/or voting rights equivalent to shares and/or voting rights owned as defined by the provisions of Articles L.233-7 et seq. of the Commercial Code shall be taken into account.

For each of the above-mentioned disclosures, the declarer must certify that the disclosure made includes all the securities owned or held pursuant to the previous paragraph. He must also specify the date(s) of acquisition. Investment fund management companies are required to provide this information for all the voting rights attached to shares in the company held by the funds they manage.

In the event of non-compliance with the obligation to provide the information referred to in (1) above or the obligation to register the shares in (2) above, one or more share holders owning at least 2% of the capital or voting rights may request that shares exceeding the fraction which should have been disclosed be deprived of voting rights for all shareholders' meetings that are held until the expiry of a period of two years from the date the notification is complied with. The shareholders' application will be recorded in the minutes of the General Meeting and the sanction referred to above will be applied automatically.

Articles L.233-9 and L.233-10 of the Commercial Code referred to in the third paragraph stipulate that:

1 – shares and voting rights deemed to be akin to shares and voting rights owned by the person required to disclose when a threshold is crossed or to have their shares registered are:

I – shares or voting rights owned by other persons on behalf of that person;

II – shares or voting rights owned by companies that control that person;

III – shares or voting rights owned by a third party with whom that person is acting in concert;

IV – shares or voting rights which that person or one of the persons mentioned in (I) and (III) above is entitled to acquire on request by virtue of an agreement.

2 – persons acting in concert are deemed to be persons who have concluded an agreement with the intention of acquiring or selling voting rights or with the intention of exercising voting rights in order to implement a joint policy with regard to the company.

Ownership of the Euler Hermes trademark

The company is the owner of the following brands in France : Euler Hermes, EH, EH Euler Hermes, registred in the class 35 (management of commercial affairs), 36 (insurance and financial affairs), and 42 (software for computers). Furthermore, the brand, the logo and the brand joined to the logo are being registered as a European brand (« marque communautaire ») in the countries of the EEC. The three « trademarks » have been registered on the basis of the « System of Madrid for the registration of international brands » in the following countries: Algeria, Australia, Bulgaria, Croatia, Egypt, Estonia, Romania, Switzerland, China, Cezch Republic, Hungary, Japan, South Korea, Latvia, Lithuania, Morocco, Norway, Poland, Russia, Singapore, Slovakia, Slovenia, Turkey, Vietnam, Lichtenstein, Montenegro, Serbia.

Lastly, for countries that are not covered by the Madrid agreements, the trademark, logo and the trademark associated with the logo are being registered individually in the national registers of the following countries: United States, Canada, Hong Kong, Taiwan, Colombia, Venezuela, Chile and Argentina.

General information about the company's capital

Statutory conditions for changes to capital

The company's share capital may be increased, reduced or amortised under the conditions laid down by law.

Total issued capital, number and classes of shares

As at 31 December 2006, the company's share capital amounted to €14,384,357.76, divided into 44,951,118 shares, all of the same class, fully subscribed and paid up, including 1,411,359 treasury shares with a net carrying amount of €74,713 thousand.
All the shares have been fully subscribed and paid up. The shares are in registered form until fully paid up. Shares must be fully paid up on subscription.
Shares are held in registered or bearer form at the choice of the shareholder, subject to the particular stipulations prescribed by law. Any shareholder holding 5% or more of the total number of shares and/or voting rights in the company must apply for his shares to be held in registered form.
The company is authorised to apply the provisions of commercial company law at any time to identify holders of shares giving immediate or eventual voting rights at its General Meetings.
The company's securities and assets are not subject to any pledges.

Authorisations for capital increases

a – Pursuant to the provisions of Articles L. 225-129 to L. 225-129-6, L. 228-91 and L. 228-92 of the Commercial Code, the Extraordinary General Meeting of 22 May 2006 delegated to the Group Management Board, for a period of 26 months from the date of that General Meeting, i.e., until 21 July 2008, the necessary powers to issue, maintaining the shareholders' pre-emptive subscription right, shares in the company and or other securities – including freestanding equity warrants as a bonus or rights issue – giving immediate and/or future access to shares in the company, to be subscribed either in cash or as settlement for liabilities.
The maximum amount of the immediate or future capital increase resulting from all the issues made by virtue of this delegation is set at a nominal amount of €4.4 million, with the proviso:
– that the above total is fixed not taking into account the consequences on the amount of the capital increase of any adjustments that may be made, following the issue of securities giving access to shares in the company,
– and that the following are expressly excluded:
- the issue of preference shares with voting rights;
- the issue of non-voting preference shares;
- the issue of investment certificates, whether preferential or not;
- the issue of securities giving immediate and/or future access to voting or non-voting preference shares or investment certificates.

Securities thus issued, giving access to company shares, may consist of securities representing debts or they may be linked to the issue of such securities or enable their issue as intermediate securities. These debt securities may be issued in the form of bonds or fungibles, especially perpetual or fixed-term subordinated notes, at floating or fixed rates, with or without capitalisation, issued in euros and/or any other currency or in composite monetary units, with possible rights, especially in the form of warrants, to receive and/or subscribe to other bonds or fungibles, repayable in the currency or composite monetary unit of issue and/or by any other means, up to the aforementioned maximum amount of €4.4 million, or its equivalent in another currency or composite monetary unit, it being specified that the maximum amount applies to all bonds or fungibles issued immediately or following the exercise of warrants, but that this amount does not include the redemption premium, if any.
This maximum nominal amount is separate from that set for the authorisation given to the Group Management Board to issue the debt securities described below.
The Group Management Board may institute for the benefit of shareholders a subscription right to new shares or securities, which may be exercised in proportion to their rights and up to the amount of their request. If the exercise of rights to subscribe to new shares and, if applicable, available excess shares does not absorb the entire issue, the Group Management Board may, in the order that it deems appropriate, and in accordance with the law, either limit the issue to the amount of subscriptions received, provided that at least three-quarters of the decided issue is subscribed, or freely allocate some or all of the shares that have not been subscribed, or offer them to the public.
The decision of the General Meeting entails:
- for the automatic benefit of holders of securities, waiver by the shareholders of their preferential subscription right to shares to which these securities may give entitlement;
- and involves the express waiver by shareholders of their pre-emptive subscription right to the shares to which rights are given by:

– securities in the form of convertible bonds,
– freestanding equity warrants in a bonus or rights issue.

The amount paid or due to the company for each of the shares issued by virtue of this authorisation shall be at least equal to the nominal value of the shares, as calculated before the proposed issue.
In accordance with Article 12 of the Articles of Association, the maximum amount for each of the capital increases decided by the Group Management Board under this authorisation must first be approved by the Supervisory Board.
The General Meeting gave full authority to the Group Management Board, with the ability to delegate this authority in accordance with the law, to carry out these issues within the above-specified limits, and to define their terms and conditions, and more specifically to:
- carry out the aforementioned issues thus increasing the capital, on one or several occasions and in the proportions and on the dates determined by it, in France and/or in other countries, if appropriate, and/or on the international market, or refrain from doing so if appropriate;
- determine the categories and characteristics of the securities issued;
- set their subscription price, as well as the issue premium, if any;
- set the date from which the shares issued or to be issued shall have dividend rights attached, which may be retroactive;

General information about the company's capital

- if securities are issued that give access to the capital, define the terms for adjusting the conditions of access to shares in order to preserve their rights;
- define, in accordance with the law, the situations in which the Group Management Board shall be entitled to suspend the exercise of all rights attached to securities giving immediate or future access to shares, for a maximum period of three months;
- define the terms for buying on the financial markets or offering to purchase or exchange securities issued as a result of this resolution, or redeeming said securities;
- charge the costs of issuing the shares and securities against the premiums generated by the capital increases and draw from said premiums any amount needed to bring the legal reserve up to one-tenth of the amount of the capital after said capital increases;
- amend the Articles of Association accordingly;
- generally, enter into any arrangements, sign any agreements with any bank or institution, take any action and complete any formalities relating to the issue, listing and financial servicing of the shares and/or securities issued pursuant to this resolution, and otherwise do anything that may be necessary.

After obtaining approval from the Supervisory Board, the Group Management Board took advantage of a previous authorisation granted by the General Meeting of 17 April 2002, by increasing the capital on 18 July 2002 for a total of €171,883,776 through the issue of 5,371,368 new shares.

b – Furthermore, the Extraordinary General Meeting of 22 May 2006, in accordance with Articles L. 225-129 to L. 225-129-6 and L. 225-130 of the Commercial Code, also gave full authority to the Group Management Board for a period of 26 months from the date of that Meeting, i.e. to 21 July 2008 or until it is renewed by an Extraordinary General Meeting before said date, to increase the share capital, on one or more occasions, at the times and on the terms of its choosing, by the capitalisation of reserves, income or premiums, in the form of the allocation of bonus shares or increasing the par value of existing shares or a combination of both methods.
The General Meeting gave the Group Management Board authority to decide that the rights forming fractional shares would not be negotiable and that the corresponding shares should be sold, the sums derived from the sale to be allocated to the owners of the rights within thirty days of the date of registration of the number of whole shares allocated to their account.
The amount of the capital increase that may be made pursuant to this resolution may not exceed a nominal amount of €4.4 million, a ceiling shared with that set for the capital increases resulting from the issues of shares or securities described above.
The General Meeting gave the Group Management Board full authority, with the ability to delegate in accordance with the law, to implement this resolution, amend, if applicable, the Articles of Association accordingly and, generally, do anything that may otherwise be necessary.
The Group Management Board has not made use of this authorisation.

Securities that give access to capital

The Extraordinary General Meeting of 29 April 1997 adopted a share option plan for 1% of the capital, being 348,750 shares, for certain members of the Group Management Board of the company and certain senior executives of the subsidiaries, representing 56 persons in total. Of the 314,200 share options allocated, 750 were exercised in 1997, 3,500 in 1998, 10,300 in 1999, 6,250 in 2000, 6,500 in 2001 and 18,584 in 2002, i.e. a total of 45,884 options of which 29,884 at €6.07 each and 16,000 at €18.88 each. In 2003, 89,518 options were exercised, of which 22,217 at €15.55 each and 67,301 at €18.27 each. In 2004, 51,721 options were exercised, of which 3,669 at €15.55 each, 31,001 at €18.27 each and 17,051 at €21.12 each. In 2005, 19,119 options were exercised at €15.55 each, 23,767 at €18.27 each and 5,012 at €21.12 each. In 2006, 34,834 options were exercised, of which 17,050 at €15.55 each, 14,684 at €18.27 each and 3,100 at €21.12 each (see page 149, note 5.4 to the parent company financial statements).
The Supervisory Board meeting of 28 September 1999 decided not to allocate additional options under this plan.
Following the Euler Hermes capital increase in 2002, and in accordance with legal and regulatory provisions, 9,040 new options have been granted taking the balance of options remaining to be exercised to 268,056 as at 31 December 2002. In addition, 13,537 options were lost when holders either left the company or when potential beneficiaries refused the options. Following the exercise of options during 2003, 2004 and 2005, 178,538 options had not been exercised on 31 December 2003, 122,580 had not been exercised on 31 December 2004, and 74,682 had not been exercised on 31 December 2005. The number of options that had not been exercised under this plan stood at 39,848 on 31 December 2006.

The Extraordinary General Meeting of 22 May 2006 also gave the Group Management Board full authority, subject to maintaining the shareholders' pre-emptive subscription right, to issue securities – including freestanding equity warrants issued as a bonus or rights issue – giving immediate and/or future access to shares in the company.

Lastly, in accordance with the provisions of Articles L.225-177 et seq. of the Commercial Code, the Extraordinary General Meeting of 7 April 2000 authorised the Group Management Board to grant share options for existing shares on the following terms: the beneficiaries must be employees or corporate officers of the company or affiliated companies as defined in Article L.225-180 of the Commercial Code. The options may be granted by the Group Management Board to some or all of these beneficiaries for up to 3% of the share capital.
This authorisation was granted for a period of three years from the date of the Extraordinary General Meeting of 7 April 2000.
The total number of options granted during this three-year period may not give entitlement to purchase a number of shares representing, on the date of allocation and taking account of the options already granted, more than 3% of the company's share capital, on the understanding that, during the twelve-month period following the date of the Extraordinary General Meeting of 7 April 2000, the Group Management Board only granted options under the following conditions:

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1 – taking account of the tax, company and stock exchange legislation in the various countries involved, and the conclusions that the Group Management Board may accordingly reach as to the possibility of granting the options to potential beneficiaries resident in the various countries concerned, under acceptable conditions, an initial allocation of options, in one or more batches depending on the companies involved, to the greatest possible number of beneficiaries and giving entitlement to acquire a number of shares representing 0.6% of the company’s capital on the date of allocation; and

2 – a second allocation of options, in one or more batches depending on the countries concerned, reserved for certain beneficiaries who are members of the management of the company and subsidiaries according to a list drawn up by the Group Management Board, giving entitlement to purchase a number of shares representing 0.6% of the company’s capital on the date of allocation.

– Subsequently, for each of the two years following this first twelve-month period and for each of the three years defined in the renewal of the authorisation given by the Extraordinary General Meeting of 17 April 2002, within the limits set by said Extraordinary General Meeting, the Supervisory Board decided on the maximum number of options that the Group Management Board could grant in each year within the limit of 3% of the capital of the company, taking into account options already granted.

The shares thus acquired by exercise of the options granted shall have been previously purchased by the company, either pursuant to Article L.225-208 of the Commercial Code, or, if applicable, under the share buyback programme, which renewal will be submitted for approval to the Ordinary General Meeting of 22 May 2006, to replace the authorisation previously given by the Ordinary General Meeting of 22 April 2005 pursuant to Article L.217-2 of the law of 24 July 1966.

The exercise price of the options granted is set by the Group Management Board on the following basis:

– the exercise price may not be less than 95% of the average share price quoted in the twenty stock market trading days preceding the date on which the options were granted, and no option may be granted within twenty trading days after the detachment from the shares of a coupon giving entitlement to a dividend or a rights issue;

– the exercise price may not be less than 80% of the average purchase price of the shares held by the company pursuant to Article L.225-28 of the Commercial Code and, if applicable, the above-mentioned share buyback programme.

The Extraordinary General Meeting has given full authority to the Group Management Board, within the limits defined above, to:

– determine the procedures for allocation and exercise of the options and especially to limit, restrict or prohibit (a) the exercise of options, or (b) the sale of shares obtained by exercising the options, during certain periods or following certain events;

– and, more generally, to delegate in accordance with the law, sign any agreements, draw up any documents, carry out any formalities and make any declarations to any organisations and otherwise do everything that may be necessary.

In the context of this authorisation and following the meeting of the Supervisory Board on 26 April 2000, at its meeting on 27 April 2000, the Group Management Board decided to grant options to purchase existing shares in the company, on the one hand to all employees in the group who may benefit fiscally (Plan 1), and on the other hand to certain members of the management of the company and its subsidiaries (Plan 2).

Following the meeting of the Supervisory Board on 27 February 2001, at its meeting on 28 March 2001, the Group Management Board again decided to grant options to purchase shares in the company to certain members of the management of the company and its subsidiaries (Plan 2, second grant).

The Extraordinary General Meeting of 17 April 2002 renewed this authorisation for a term of three years, i.e. until 17 April 2005 or until the date it is renewed by an Extraordinary General Meeting held prior to that date. However, the Extraordinary General Meeting of 23 April 2003 withdrew this authorisation with regard to the unused part.

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Details of these two option plans are summarised in the following table:

	Plan 1	Plan 1 1st grant	Plan 2 2nd grant
Date of General Meeting	07/04/2000	07/04/2000	07/04/2000
Date of Supervisory Board meeting	26/04/2000	26/04/2000	27/02/2001
Number of persons who have not yet exercised options	354	10	13
- of whom, members of the Euler Hermes Group Management Board	0	0	0
Start date for exercise of options	27/04/2000	27/04/2000	28/03/2001
Expiry date	26/04/2008	26/04/2008	27/03/2009
Weighted average purchase price in euros (1)	51.43	51.71	50.74
Terms of exercise	Purchase	Purchase	Purchase
Number of shares subscribed or purchased at 31 December 2006	32,421	39,709	47,511
Shares still available for subscription/purchase at 31 December 2006	30,007	28,859	35,218
Of which, available to members of the Euler Hermes Group Management Board	0	0	10,863

(1) The average exercise price in euros is the result of the individual weighted average exercise price, which may differ according to the tax treatment of the beneficiaries. For employees and directors of the French company or one of its French subsidiaries, the exercise price is the average price for the twenty stock market trading days preceding the date of the Group Management Board meeting. A 5% discount is applied for French residents. For the other beneficiaries (employees of the group's foreign subsidiaries) who are not subject to the same lock-in requirements or period for holding the shares as the employees or directors of the French companies, the exercise price is set at the closing price on the day of the Group Management Board meeting at which the options are granted.

Following Euler Hermes' capital increase in 2002 and in accordance with legal and regulatory provisions, 17,803 new options were allocated taking the balance of outstanding options to 457,734 options as at 31 December 2003. The balance of outstanding options as at 31 December 2006 was 94,084.

In 2003, options were exercised under previously established option plans at two of the company's subsidiaries, Euler Hermes Sfac (France) and Euler Hermes Holdings United Kingdom.

1 – Euler Hermes Sfac options:
– In 2004, no options were exercised by the members of the Group Management Board as it existed on 31 December 2004.
– In 2004, only one employee exercised a total of 2,000 options at the average price of €81.30 each.
– In 2005, no options were exercised by any members of the Group Management Board as it existed on 31 December 2005 as none of them were beneficiaries of any Euler Hermes Sfac options.
One employee exercised 300 options at an average subscription price of €81.04 and three people who had left the company exercised 2,400 options at an average subscription price of €75.53.
- In 2006, 4,400 options of subscription have been exercised by five persons at the average weighted price of 81.01 euros.

2 – Euler Hermes Holdings UK options:
– In 2004, no options were exercised.
– In 2005, six employees exercised a total of 254,486 options at a subscription price of £0.80 each.
– In 2006, stock-option-plan finished since 2006.

In addition, during 2001, options were allocated under the Euler Hermes option plans following the authorisation granted by the Extraordinary General Meeting of 7 April 2000 (see note 4.18 to the consolidated financial statements).
The number of options allocated under this plan to the 10 highest-paid employees of the group totalled 30,211; the weighted average allocation price was €51.97.

In 2001, no options were granted to any members of the Group Management Board as it existed on 31 December 2006.
No further allocation was made under these plans in 2002, except for the 9,040 new options allocated following the Euler Hermes capital increase, in accordance with legal and regulatory provisions.
In addition, the General Meeting of 23 April 2003 authorised the Group Management Board to grant subscription options or options to purchase shares, immediately cancelling the unused portion of the authorisation to grant options to purchase shares in the company that was approved in the Ninth Resolution of the Combined Ordinary and Extraordinary General Meeting of 7 April 2000 and then replaced by the authorisation given to the Group Management Board in the Twelfth Resolution of the Combined Ordinary and Extraordinary General Meeting of 17 April 2002, to grant options to purchase shares in the company.
Therefore, the Group Management Board is authorised, as stipulated by Articles L.225-177 to L.225-186 of the Commercial Code, to grant, on one or more occasions, for the benefit of employees and possibly for the directors and officers both in the company and in companies or interest groupings that are affiliated as defined in Article L.225-180 of that Code or to only some of them, options giving rights to subscribe to new shares in the company to be issued through a capital increase, as well as options giving rights to purchase existing shares in the company obtained in buy-backs made by the company as prescribed by law.
The subscription or purchase options for new and existing shares granted by virtue of this authorisation may not give rights to a total number of shares greater than 3% of the share capital on the day of the Group Management Board's decision, on the understanding that, within the confines of this resolution, the Supervisory Board shall define the number of options for new and existing shares that the Group Management Board may grant at each allocation.
The price to be paid when exercising the options for new or existing shares shall be determined by the Group Management Board on the day that the options are granted and it being understood that:
(I) – in the case of options for new shares, this price shall not be lower than 80% of the average of the opening prices of the Company's share

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on Euronext Paris SA for the 20 trading sessions preceding the day on which the share options are granted, and

(II) – in the case of options for existing shares, this price shall not be lower than or equal to the value specified in (i) above, or 80% of the average purchase price of the shares held by the company pursuant to Articles L.225-208 and L.225-209 of the Commercial Code.

This authorisation requires the express waiver by shareholders of their pre-emptive subscription rights to the shares that will be issued as and when the options for new shares are exercised, in favour of the beneficiaries of the share options.

The General Meeting of 23 April 2003 granted full authority to the Group Management Board to implement this authorisation, especially as regards:

- drawing up a list of beneficiaries for the options and the number of options allocated to each of them;
- determining the terms and conditions for the options, especially:

– the period for which the options will be valid, on the understanding that the options must be exercised within a maximum period of 8 years from the date they are granted;

– the date(s) or period(s) of exercise for the options, on the understanding that the Group Management Board will have the option of (a) bringing forward the dates or periods for the exercise of the options, (b) extending the exercisable nature of the options, or (c) modifying the dates or periods within which the shares obtained by exercise of the options may not be transferred or held in bearer form;

– possible clauses prohibiting the immediate resale of some or all of the shares provided that the obligatory holding period for the shares does not exceed three years from the date the option is exercised;

– if applicable, limit, suspend, restrict or prohibit the exercise of options, or the sale or transfer to bearer form of shares obtained by exercise of options, during certain periods or following certain events, and this decision may cover some or all of the options or shares or concern some or all of the beneficiaries;

– determine the date, which may be retroactive, from which the new shares derived from the exercise of share options shall take effect;

– if applicable, make any adjustments to the number and price of the shares that may be obtained by the exercise of the options pursuant to the legal and regulatory provisions then in force;

– decide that the Group Management Board shall also have full authority, with the ability to delegate to its Chairman as legally prescribed, to recognise the capital increases for the amount of shares that have actually been subscribed by the exercise of share options, and make the necessary amendments to the Articles of Association and, if it deems appropriate, it is empowered to make the decision to charge the costs of the capital increases to the amount of premiums arising from these transactions and deduct from this amount the sums necessary to raise the legal reserve to one-tenth of the new share capital after each increase, and perform any necessary formalities for the listing of the shares thus issued, any declarations to the authorities and otherwise do all that is necessary thereto.

– This authorisation was given for a period of 38 months from 23 April 2003, i.e. until 22 June 2006 and was renewed by the Ordinary General Meeting for a further 38 months, i.e. until 21 July 2009.

The Group Management Board informs the Ordinary General Meeting each year of the transactions undertaken pursuant to this delegation in accordance with Article L.225-184 of the Commercial Code.

In the context of this plan, the breakdown of the number of options still to be exercised is as follows:

	2003	2004	2005	**2006**
Date of Shareholders meeting	23/04/2003	23/04/2003	23/04/2003	22/06/2006
Date of Supervisory Board meeting	20/05/2003	25/05/2004	24/05/2005	30/08/2006
Date of the Management Board meeting	08/07/2003	06/07/2004	27/06/2005	18/09/2006
Number of beneficiaries	91	97	103	104
Number of beneficiaries who did not yet exercised	47	80	100	102
of which Management Board members(*)	1	4	4	4
Total number of options allocated	250,000	130,000	160,000	160,000
of which options to the Management Board members(*)	21,500	25,000	33,000	52,500
Started date of exercise	08/07/2003	06/07/2004	27/06/2005	18/09/2006
Expiring date	07/07/2011	05/07/2012	26/06/2013	17/09/2014
Price of exercise	€27.35	€44.41	€63.08	€91.82
Modality of exercise	Subscription	Subscription	Subscription	Purchase
Options to be exercised as of 01/01/2006	206,150	124,100	160,000	-
Options exercised in 2006	76,690	9,350	-	-
Options cancelled in 2006	1,700	3,550	4,450	1,900
Options to exercise as of 31/12/2006	127,760	111,200	155,550	158,100

** In its composition as of 01/01/2007.*

The 10 highest-paid employees in the group received the following options in recent years:

- 2003: 48,300 options with a weighted average price of €27.35;
- 2004: 23,800 options with a weighted average price of €44.41;
- 2005: 60,400 options with a weighted average price of €63.08;
- 2006: 68,500 options with a weighted average price of €91.82.

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The number of share options granted to members of the Group Management Board, as it existed on 31 December 2006, in connection with this plan in 2003, 2004, 2005 and 2006 amounted to 21,500, 25,000, 33,000 and 52,500 respectively, at a weighted average price of €27.35, €41.41, €63.08 and €91.82 respectively.

	2003	2004	2005	2006
Clemens von Weichs	17,000	7,000	9,000	15,000
Gerd-Uwe Baden		7,000	9,000	10,000
Nicolas Hein		7,000	9,000	17,500
Michel Mollard	4,500	4,000	6,000	10,000
Total	21,500	25,000	33,000	52,500

Share buyback programme

A resolution will be proposed at the Ordinary General Meeting on 9 May 2007 to authorise the Group Management Board, in accordance with Article L.225-209 of the Commercial Code, Regulation No. 2273/2003 of the European Commission of 22 December 2003 taken pursuant to the Directive 2003/6/EC of 28 January 2003 and Articles 241-1 to 241-8 of the General Regulations of the French securities regulator (Autorité des Marchés Financiers – AMF), to purchase, sell, or transfer a number of shares representing a maximum of 10% of the share capital under the following terms:

- this authorisation is valid for a maximum period of eighteen months from the date of the Meeting, i.e. until 8 November 2008, or until the date it is renewed by an Ordinary General Meeting prior to that date; it brings an end to the authorisation given by the Eleventh Resolution of the Ordinary General Meeting held on 22 May 2006 as far as the fraction not made use of is concerned;
- the total amount that the company can allocate to the buyback of its shares during the life of this authorisation is €149.8 million;
- the maximum purchase price is set at €190 per share, which corresponds to the price as at 31 December 2006 multiplied by a factor equal to the greatest increase in the share price over any given year since its listing, i.e. 73% in 2003, it being stipulated that in the event of transactions involving the company's capital, in particular the capitalisation of premiums, reserves or profits resulting in an increase in the par value of the shares or the creation and allocation of bonus shares or the division or grouping of shares, the Group Management Board shall have full power, as required, to adjust these prices and the number of shares accordingly, and if the shares thus acquired are used to allocate bonus shares in accordance with Article L.443-5 of the Employment Code, the pecuniary equivalent of the shares allocated shall be determined in accordance with the specific legal provisions that apply;
- the acquisitions made by the company by virtue of this authorisation cannot in any case lead to it holding more than 10% of the company's authorised share capital;
- the acquisition, sale, transfer or exchange of these shares may be made, as prescribed by the market authorities and the applicable laws and regulations, by any means including by acquisition or sale of blocks of shares (if applicable, off-market, OTC, or by using derivatives, especially options or warrants, in compliance with applicable regulations), and at the times that the Group Management Board or the person delegated by the Group Management Board shall choose;
- these share purchases are authorised for any purpose allowed according to legislation, notably to:

(I) – boost the market for the shares, namely by improving the share's liquidity via an investment service provider acting independently within the framework of a liquidity contract, in accordance with a code of conduct recognised by the French securities regulator (Autorité des Marchés Financiers - AMF);
(II) – allocate shares to employees or directors of the company and its subsidiaries in accordance with the terms and conditions specified by law, in particular within the framework of a profit-sharing scheme, share purchase options, the allocation of existing bonus shares or a company savings plan;
(III) – purchase shares for retention and subsequent delivery of shares as payment or in exchange, within the context of any acquisitions, in accordance with stock market regulations, on condition that the number of shares acquired by the company for retention and subsequent delivery as payment or in exchange within the context of a merger, spin-off or other operation shall not exceed 5% of its share capital;
(IV) – deliver shares when rights attached to securities giving access to a share of the company's capital are exercised;
(V) – cancel these shares subject to approval by the General Meeting of 9 May 2007 authorising the Group Management Board to make such cancellation (Fourteenth resolution).
(VI) – implement any market practice that is recognised by law or by the Autorité des Marchés Financiers, in which case the company shall bring to the public's attention, under the applicable legal and regulatory conditions, any amendments to the programme concerning the modified objectives.

The company may undertake the transactions in (I) to (VI) above during a cash or share-exchange takeover bid in accordance with the applicable legislation.
In accordance with paragraph 4 of Article L.225-209 of the Commercial Code, the Group Management Board will inform the AMF every month of the purchases, sales, transfers and cancellations made. This information will be published by the AMF.

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In addition, in accordance with Article 12 of the Articles of Association, the Group Management Board will seek the approval of the Supervisory Board for the policy it intends to follow with regard to share buybacks pursuant to this resolution.
The Group Management Board, which may delegate to its Chairman or, with his approval, to one or more of its members, is granted full authority to give orders for deals on the stock market or over the counter, assign or re-assign the shares acquired to the various objectives targeted under the applicable legal and regulatory conditions, sign any agreements notably to keep registers of share purchases and sales, compile information documents, make declarations to the AMF and any other authorities and, generally, do everything that is necessary hereto.
The Group Management Board shall inform the General Meeting of all transactions undertaken pursuant to this authorisation.
The company did not buy back any shares in 2006.

Besides the share subscription and purchase option plans described in this reference document, no group members are covered by an option or a conditional or unconditional agreement under which it would be placed under an option.

Changes in capital in the last five years

The table below shows changes in the company's share capital in the last five years:

Date	Transaction	Number of shares issued	Nominal amount of capital increase	Additional paid-in capital per share	Cumulative additional paid-in capital	Cumulative authorised capital	Total number of shares	Par value
FY 2002	Exercise of share options	18,584	€5,946.88	€16.28	€95,168,677.12	€11,173,914.88	34,918,484	€0.32
17 June 2002	Capital increase by issue of new shares	5,371,368	€1, 718 ,837.76	€31.68	€265 ,333,615.36	€12,892,752.64	40, 289,852	€0.32
June 2002	Write-back from reserve for treasury shares				€265, 790,282.01			
August 2002	Capital increase costs charged against additional paid-in capital				€263,487,257.18			
June 2003	Write-back from reserve for treasury shares				€265,136,083.68			
June 2003	Payment of dividend in shares	1,172,431	€375,177.92	€21.84	€290,741,976.72	€13,267,930.56	41 ,462,283	€0.32
October 2003	Exercise of share options	14,467	€4,629.44	€17.95	€291,001,659.37	€13,272,560.00	41,476,750	€0.32
November 2003	Exercise of share options	72,984	€23,354.88	€17.12	€292,251,291.93	€13,295,914.88	41,549,734	€0.32
December 2003	Exercise of share options	2,067	€661.44	€17.95	€292,288,394.58	€13,296,576.32	41,551,801	€0.32
January 2004	Exercise of share options	827	€264.64	€15,23	€292,300,989.79	€13,296,840.96	41,552,628	€0.32
January 2004	Exercise of share options	2,067	€661.44	€17.95	€292,338,092.44	€13,297,502.40	41,554,695	€0.32
February 2004	Exercise of share options	10, 850	€3,472.00	€17.95	€292,532,849.94	€13,300,974.40	41,565,545	€0.32
April 2004	Exercise of share options	6,717	€2,149.44	€17.95	€292,653 420.09	€13,303,123.84	41,572,262	€0.32
May 2004	Exercise of share options	2,894	€926.08	€20.80	€292,713,615.29	€13,304,049.92	41,575,156	€0.32
June 2004 [2]	Payment of dividend in shares	1,502,151	€480,688.32	€40.38	€353,370,472.67	€13,784,738.24	43,077,307	€0.32
November 2004	Exercise of share options	2,842	€909.44	€15.23	€353,413,756.33	€13,785,647.68	43,080,149	€0.32

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November 2004	Exercise of share options	2,584	€826.88	€20.80 €	€353,467,503.53	€13,786,474.56	43,082,733	€0.32
November 2004	Exercise of share options	3,617	€1,157.44	€17.95 €	€353,532,428.68	€13,787,632.00	43,086,350	€0.32
December 2004	Exercise of share options	11,573	€3,703.36	€20.80 €	€353,773,147.08	€13,791,335,36	43,097,923	€0,32
December 2004	Exercise of share options	7,750	€2,480.00	€17.95 €	€353,912,259.58	€13,793,815.36	43,105,673	€0.32
January-February 2005	Exercise of share options	7,751	€2 480.32	€15.23 €	€354,030,307.31	€13,796,295.68	43,113,424	€0.32
January-February 2005	Exercise of share options	1,912	€611.84	€20.80 €	€354,070,076.91	€13,796,907.52	43,115,336	€0.32
March-April 2005	Exercise of share options	7,750	€2,480.00	€17.95 €	€354,209,189.41	€13,799,387.52	43,123,086	€0.32
June 2005 (1)	Payment of dividend in shares	1,661,023	€531,527.36	€54.08 €	€444,037,313.25	€14,330,914.88	44,784,109	€0.32
June 2005	Exercise of share options	3,100	€992.00	€20.80 €	€444,101,793.25	€14,331,906.88	44,787,209	€0.32
June-July 2005	Exercise of share options	1,500	€480.00	€27.03 €	€444,142,338.25	€14,332,386.88	44,788,709	€0.32
July-August 2005	Exercise of share options	9,450	€3, 024.00	€27.03 €	€444,397,771.75	€14,335,410.88	44,798,159	€0.32
September 2005	Exercise of share options	7,750	€2,480.00	€17.95 €	€444,536 884.25	€14,337,890.88	44,805,909	€0.32
September 2005	Exercise of share options	5,684	€1,818.88	€15.23 €	€444,623,451.57	€14,339,709.76	44,811,593	€0.32
October 2005	Exercise of share options	5,684	€1,818.88	€15.23 €	€444,710 018.89	€14,341,528.64	44,817,277	€0.32
November 2005	Exercis of share options	4,700	€1,504.00	€27.03 €	€444,837,059.89	€14,343,032.64	44,821,977	€0.32
December 2005	Exercise of share options	8,267	€2,645.44	€17.95 €	€444,985,452.54	€14,345,678.08	44,830,244	€0.32
January-March 2006	Exercise of share options	4,750	€1,520.00	€15.23 €	€445,057,795.04	€14,347,198.08	44,834,994	€0.32
January-March 2006	Exercise of share options	14,417	€4,613.44	€17.95 €	€445,316,580.19	€14,351,811.52	44,849,411	€0.32
January-March 2006	Exercise of share options	3,100	€992.00	€20.80 €	€445,381,060.19	€14,352,803.52	44,852,511	€0.32
January-March 2006	Exercise of share options	4,950	€1,584.00	€27.03 €	€445,514,858.69	€14,354,387.52	44,857,461	€0.32
April-June 2006	Exercise of share options	7,500	€2,400.00	€15.23 €	€445,629,083.69	€14,356,787.52	44,864,961	€0.32
April-June 2006	Exercise of share options	23,600	€7,552.00	€27.03 €	€446,266,991.69	€14,364,339.52	44,888, 561	€0.32
July-September 2006	Exercis of share options	267	€85.44	€17.95 €	€446,271,784.34	€14,364,424.96	44,888,828	€0.32
July-September 2006	Exercise of share options	29,515	€9,444.80	€27.03 €	€447,069,574.79	€14,373,869.76	44,918,343	€0.32
July-September 2006	Exercise of share options	7,900	€2,528.00	€44.09 €	€447,417,885.79	€14,376,397.76	44,926,243	€0.32
October-December 2006	Exercise of share options	4,800	€1,536.00	€15.23 €	€447,490,989.79	€14,377,933.76	44,931,043	€0.32
October-December 2006	Exercise of share options	18,625	€5, 960.00	€27.03 €	€447,994,423.54	€14,383,893.76	44,949,668	€0.32
October-December 2006	Exercise of share options	1 ,450	€464.00	€44.09 €	€448,058,354.04	€14,384,357.76	44,951,118	€0.32

(1) Capital increase with pre-emptive subscription rights maintained.

Capital and voting rights

Capital and voting rights as at 31 December 2006

As at 31 December 2006, the company's share capital was made up of 44,951,118 shares, majority-owned by the AGF group (68.39% of the capital representing 70.61% of the voting rights). The total number of voting rights amounted to 43,539,759. On 21 March 2005, the Swiss reinsurance company, Swiss Re, stated that it had sold shares and accordingly had fallen below the threshold of 5% of shares owned. On the same date, it declared that it held 3.4% of the capital. At the end of the year, 28.47% of the capital, i.e. 29.39% of the voting rights, was held by the public, including Swiss Re, and the company owned 3.14 % of the capital.

Capital World Growth and Income Fund, Inc., acting on behalf of investment funds, reported that, following the acquisition on the stock market of shares in the company on 26 June 2002, it had crossed the threshold of 5% of the capital and voting rights and henceforth held 1,759,281 shares representing 5.04% of the capital and 5.3% of the existing voting rights. On 19 August 2002, the same company reported that it had crossed the threshold of 5% of the capital and voting rights downwards and henceforth held 1,796,848 shares representing 4.46% of the capital and 4.66% of the existing voting rights.

In a letter dated 22 May 2003, the companies FMR Corporation and Fidelity International Limited, acting on behalf of investment funds managed by its subsidiaries, declared that following the sale of shares on the market on 21 March 2003 they had fallen below the 5% threshold of the capital of the company, and owned on behalf of those funds 2,002,270 shares representing 4.97% of the capital on that date.

Since those dates, no further declarations concerning the crossing of the 5% threshold either way have been made, and the company is not aware of the number of shares still held by these companies as at 31 December 2005.

As far as the company is aware, there are no other shareholders or groups of shareholders who hold or are likely to hold, directly or indirectly, alone, jointly or in concert, 5% or more of the capital and voting rights.

The table below shows changes to the capital and voting rights of the company in the last three years:

Capital and voting rights at 31 Decembre 2006

	As at 31 December 2004				As at 31 December 2005				**As at 31 December 2006**			
	Shares		Voting rights		Shares		Voting rights		Shares		Voting rights	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
AGF IART	29,393,252	68.2%	29,393,252	71.1%	4	0.0%	4	0.0%	4	0.0%	4	0.0%
AGF Vie		0.0%		0.0%	3,879,818	8.7%	3,879,818	9.0%	3,879,818	8.6%	3,879,818	8.6%
AGF SA		0.0%		0.0%	5,442,444	12.1%	5,442,444	12.6%	5,442,444	12.1%	5,442,444	12.1%
AGF Holding		0.0%		0.0%	21,421, 782	47.8%	21,421,782	49.5%	21,421,782	47.7%	21,421,782	47.7%
AGF Group	29,393,252	68.2%	29,393,252	71.1%	30,744,048	68.6%	30,744,048	71.0%	30,744,048	68.4%	30,744,048	68.4%
Swiss Re (1)	2,261,162	5.2%	2,261,162	5.5%		0.0%	0	0.0%		0.0%	0	0.0%
Treasury shares	1,751,339	4.1%		0.0%	1,538,233	3.4%		0.0%	1,411,359	3.1%	1,411,359	3.1%
Public	9,681 040	22.5%	9,681,040	23.4%	12,518,883	27.9%	12,518,883	28.9%	12,795,711	28.5%	12,795,711	28.5%
Other (2)	17,605	0.0%	17,605	0.0%	24,868	0.1%	24,868	0.1%		0.0%		0.0%
Directors (3)	1,275	0.0%	1,275	0.0%	4,212	0.0%	4,212	0.0%		0.0%		0.0%
Total	**43,105,673**	**100.0%**	**41,354,334**	**100.0%**	**44,830,244**	**100.0%**	**43,292,011**	**100.0%**	**44,951,118**	**100.0%**	**44,951,118**	**100.0%**

(1) Following the declaration by Swiss Re that its holding had fallen below the 5% threshold, its shares are now included under "public".
(2) Shares held by individuals, including 49,469 held by group employees at 31 December 2006.
(3) As at 31 December 2006, members of the Supervisory Board and the group management board held 6,558 registered shares.

The AGF group, which is one of the leading French insurance companies, posted turnover of €18.6 billion in 2006 and has been attributed a Standard & Poor's financial strength rating of AA-.

AGF is 57.6%-owned by Allianz, one of the world's largest insurance companies with turnover of almost €101 billion in 2006.

Furthermore, Allianz announced an offer to buy back the 42.4% of shares held by minority shareholders on 18 January 2007. On completion of this transaction, it will own 100% of the shares in AGF.

Until it was privatised in May 1996, AGF was one of the company's principal shareholders, alongside Partner Re, Swiss Re, SCOR and Coface. Under the company's capital restructuring following the privatisation of the AGF group, AGF became the company's majority shareholder.

On 27 April 2000, when the company was floated on the stock market, the principal shareholders sold 9,850,534 shares in total, divided between the AGF group (4,978,054 shares), Swiss Re (3,480,665 shares) and SCOR (1,391,815 shares).

Following this transaction, the company created a holding of its own shares, acquiring 1,720,857 shares from the three major shareholders, in proportion to their shareholding.

Capital and voting rights

Since that date, SCOR sold its entire holding, by placing its shares on the market and Swiss Re significantly reduced its holding. Swiss Re reported that its holding had fallen below the 5% threshold on 21 March 2005 and now holds only 3.4% of the capital.
Besides this declaration, the following events altered the capital structure and voting rights during the last five years:
AGF subscribed to 4,080,198 shares in the capital increase of 18 July 2002, of which 3,392,106 shares were due to its own subscription entitlement and 688,092 shares to subscription rights bought from other shareholders. In addition, by buying shares on the market, AGF raised its holding to 67.4% in the course of 2002. Following the decision of the General Meeting on 23 April 2003 to propose the payment of dividends with the choice between payment in cash or in shares, the distribution gave rise to the creation of 1,172,431 new shares. At that time, AGF chose to receive all dividends paid in shares. As at 31 December 2003, the AGF group held 67.7% of the company. Likewise, following identical decisions by the General Meetings on 28 April 2004 and 22 April 2005, the distribution of a dividend gave rise to the creation of 1,502,151 and 1,661,023 new shares, respectively. AGF chose to receive all dividends paid in shares, and held 68.6% of the company as at 31 December 2005.
During 2006, the AGF group's percentage holding was slightly reduced following the creation of shares as a result of the exercise of subscription options. At 31 December 2006, the AGF group held 68.4% of the company.

There is no clause in the Articles of Association providing for shareholders in the company to have double voting rights.

Relations with shareholders

As far as the company is aware, there is no shareholders' agreement currently in existence between shareholders of the company.
There are some regulated agreements and commitments whose details are given in pages 186 to 188.
Swiss Re is one of the group's reinsurance companies, as is Allianz, the majority shareholder of AGF. The company accords its reinsurer shareholders the same treatment as the many other reinsurance companies with which group companies are reinsured in the normal course of their business, both regarding the selection of reinsurers and in the negotiation of the terms of their contracts. The shareholders' proportion of the group's reinsurance therefore corresponds to their role in this market and these reinsurance contracts cover ongoing operations and are signed under normal market conditions.
In June 1998, Swiss Re became the owner of NCM, one of the four other leading European credit insurance companies and a competitor of Euler Hermes. When NCM was taken over by the Gerling group, Swiss Re remained one of the principal shareholders of the new group that was founded, Gerling-NCM, now called Atradius. The company's management considers that this situation does not have any adverse effect on the quality of its relations with its historical shareholder, Swiss Re, which has continued to provide its support for the group's development.

There are no preferential terms for the sale or purchase of shares on at least 5% of the capital or voting rights.

Treasury shares

As at 31 December 2006, treasury shares represented a total of 3.14% of the company's capital, i.e. 1,411,359 shares.
During the year, no purchases or sales were made within the framework of the share buyback programmes authorised by the General Meetings on 22 April 2005 and 22 May 2006. The 376,340 shares initially assigned explicitly for share option plans were reclassified as non-transferable shares as at 31 December 2002 following the decision of the Group Management Board on 19 December 2002.

Other persons or entities exercising control over the company

Companies in the AGF group own, directly and indirectly, a total of 68.39% of the capital and 70.61% of the voting rights in the company. AGF group is itself 57.6%-owned by Allianz Aktiengesellschaft ("Allianz"), a company under German law.
In accordance with the law and the Articles of Association, every member of the Supervisory Board must own at least five shares. Currently, as far as the company is aware, the members of the Supervisory Board and the Group Management Board hold 6,558 shares in registered form.
In addition, the members of the Group Management Board as at 31 December 2006 did not hold any share acquisition options allocated under the share option plan implemented when the company was floated on the stock market in 2000. In 2002, no new options were allocated, apart from those following the company's capital increase, pursuant to legal and regulatory provisions (cf. Securities giving access to capital).
The General Meeting of 23 April 2003 decided to implement a new share subscription or purchase option plan, which ended the unused part of the option plan set up in 2000. In the context of this new plan, the numbers of options granted to members of the Group Management Board, as it existed on 31 December 2006, were as follows:
- during 2003: 21,500 options for new shares;
- during 2004: 25,000 options for new shares;
- during 2005: 33,000 options for new shares.

The General Meeting of 22 May 2006 voted to implement a new share subscription or purchase option plan that effectively cancelled, for its unused portion, the option of purchase of actions plan implemented in 2003. Under this new plan, 52,500 options were allocated to members of the Group Management Board, as it existed on 31 December 2006, during 2006.

Capital and voting rights

Employee shareholdings

As at 31 December 2006, the group's employees held 31,316 shares through a company savings plan, representing 0.1% of the capital.
In addition, the employees and the members of the Management Board were granted stocks'purchase and subscription options. The number of non-exercised subscription options on old plans 1997, 1998 and 1999 amounted to 39,848 as per 31/12/2006. In the framework of the stock purchase options' plan of 27/04/2000, the number of non-exercised options amounted to 94,084 as per 31/12/2006. Under the share option plan of the 27th of april 2000, the number of outstanding options as at 31 december 2006 is 94,084.

Under the share option plan voted by the Extraordinary General Meeting of 22 May 2006, the management staff of the company and of the subsidiaries were granted options.
The number of outstanding options still to be exercised at 31 December 2006 was 158,100.

Corporate governance

All members of the Supervisory Board and the managers of the various subsidiaries and directors of the cross-company functions of the company are appointed in accordance with the expertise that they possess in the exercise of their responsibilities and their experience in management matters.
Furthermore, no members of the corporate governance bodies have been found guilty of fraud, involved in a bankruptcy, subject to a receiving order or liquidation, or subject to an official public sanction during the last five years.
The company applies the principles of corporate governance by adapting them as required for the direction and control of the subsidiaries.

These principles have thus been implemented within the largest subsidiaries and are described in the Chairman's Report pursuant to Article L.225-37 of the French Commercial Code.

Composition and operation of the Supervisory Board

The members of the Supervisory Board as at 1st March 2007 were:

Members	Main offices held	Date of appointment	Term of office last renewed	Term of office expires
Jean-Philippe Thierry Chairman	Chairman and CEO, AGF Member of Management Board, Allianz	27/02/2001	General Meeting of 22/04/2005	General Meeting in 2008
François Thomazeau Vice-Chairman	General Manager, AGF	25/04/2001	General Meeting of 28/04/2004	General Meeting in 2007 Renewal of office proposed at General Meeting of 9 May 2007
Clement Booth	Member of Management Board, Allianz AG (Germany)	01/01/2006	Co-option of Clement Booth to the functions fulfilled by Mr Reiner Hagemann at the General Meeting of 22 May 2006	General Meeting in 2007 Renewal of office proposed at General Meeting of 9 May 2007
Diethart Breipohl	Member of Supervisory Board, Allianz AG (Germany)	17/04/2002	General Meeting of 22/04/2005	General Meeting in 2008
John Coomber	Member of Board of Directors, Swiss Re (Switzerland)	23/04/2003	General Meeting of 22/05/2006	General Meeting in 2009
Charles de Croisset	Member of Board of Directors of various companies	07/04/2000	General Meeting of 28/04/2004	General Meeting in 2007 Renewal of office proposed at General Meeting of 9 May 2007
Robert Hudry	Non-voting member of Board (Censor), AGF	07/04/2000	General Meeting of 28/04/2004	General Meeting in 2007 Renewal of office proposed at General Meeting of 9 May 2007
Yves Mansion	Chairman and CEO, Société Foncière Lyonnaise	12/05/1992	General Meeting of 22/05/2006	General Meeting in 2009
Laurent Mignon	General Manager, AGF	07/04/2000	General Meeting of 28/04/2004	General Meeting in 2007 Renewal of office proposed at General Meeting of 9 May 2007
Jean-Hervé Lorenzi	Member of Supervisory Board, Compagnie Financière Saint-Honoré	01/01/2005	Appointed by the Supervisory Board meeting of 19 November 2004	

The other offices held by the members of the Supervisory Board are listed in the management report, on page 44 to 47 of this reference document.

No family relationships exist between the members of the Supervisory Board or between these members and those of the Group Management Board. Furthermore, none of the members concerned were impacted by a conflict of interests with regard to any decisions taken by the company. There is no service contract linking the members of the Supervisory Board to the company or any one of its subsidiaries that provides for the granting of benefits at the end of such a contract.

Two members of the Supervisory Board are qualified as independant according to the « report Bouton » (rapport Bouton) : Mr Yves Mansion and Mr Charles de Croisset. They do not have any relation of any kind of nature with the company, its group, its management or any of its shareholder holding more than 10% of the capital which could compromise their freedom of judgement.

At the Ordinary General Meeting on 9 May 2007, shareholders will be asked to renew the terms of office of Messrs François Thomazeau, Clement Booth, Charles de Croisset and Laurent Mignon as members of the Supervisory Board for three years, i.e. until the General Meeting called to approve the financial statements for the year ending 31 December 2009.
Based on information provided by each member of the Supervisory Board, the number of offices held by the members of the Supervisory Board complies with Article 110 of the NRE 2001-420 Act of 15 May 2001.
In accordance with the law and the terms of Article 11 of the Articles of Association, the Supervisory Board exercises permanent control over the Group Management Board's management of the company. It is composed of a minimum of three and a maximum of twelve members, appointed by the Ordinary General Meeting; there are no internal regulations for the Supervisory Board.
The number of members of the Supervisory Board over the age of 70 must be less than one-third of all the members. Whenever this level is exceeded, the eldest member must resign.
The Supervisory Board elects its Chairman and a Vice Chairman, who must be individuals, from among its members. The Chairman, and in his absence, the Vice-Chairman, is responsible for convening the Board meetings and chairing its deliberations.
The Supervisory Board may appoint non-voting members (censors) if it considers this would be useful. They may be individual persons or corporate entities, proposed by the Chairman, and may or may not be from among the shareholders. Their term of office is at the Board's discretion and the Board also sets their remuneration. This remuneration is taken from the annual amount for Supervisory Board members' fees allocated by the Ordinary General Meeting.
At its meeting on 19 November 2004, the Supervisory Board appointed Mr Jean-Hervé Lorenzi as a non-voting member of the Board (censor) with effect from 1st January 2005. The non-voting members of the Board may be called to and may attend all the Supervisory Board meetings but with a right of discussion only.

Each member of the Supervisory Board must own at least five shares during his or her term of office. Members of the Supervisory Board serve a three-year term, although there are particular provisions for the first appointments to ensure the regular renewal of members. The members of the Supervisory Board may be re-elected. The Supervisory Board is partially renewed every year at the Ordinary General Meeting, according to the number of members in office, so that renewal is an ongoing process and complete within each three-year period. In the event of a vacant position, following the death or resignation of one or more members of the Supervisory Board, a provisional replacement may be elected by the remaining members, the appointment being subject to ratification by the next Ordinary General Meeting.
The members of the Supervisory Board may receive remuneration in the form of Supervisory Board members' fees, the amount of which is fixed by the Ordinary General Meeting, and exceptional remuneration under the conditions provided for by law. In addition, the Chairman and the Vice Chairman may receive special remuneration, the amount of which is set by the Supervisory Board.
In accordance with the law and under the terms of Article 12 of the Articles of Association, the Supervisory Board exercises permanent control over the management of the company through the Group Management Board and gives the Group Management Board the preliminary authorisations required by law or the Articles of Association.
The Supervisory Board appoints the members of the Group Management Board, decides on their number, and appoints their Chairman, and General Managers where appropriate. It also sets their remuneration. It may remove from office or recommend to the Ordinary General Meeting the removal from office of one or more members of the Group Management Board.
Throughout the year, the Supervisory Board makes the checks and controls it considers appropriate and can publish any documents that it considers useful in the completion of its mission.
At least once a quarter, the Group Management Board presents a report to the Supervisory Board. The Group Management Board must present the annual financial statements to the Supervisory Board for verification and control purposes within three months of the year-end, and must submit its recommendations for allocation of the year's income to the Supervisory Board for its prior approval. The Supervisory Board presents to the General Meeting of shareholders its observations on the Group Management Board's report and on the annual financial statements.
The Supervisory Board can call shareholders' meetings and set the agenda.
The Supervisory Board can decide to create committees and it sets their composition and attributes. Their activity is exercised under the Board's responsibility, without the said attributes being a delegation of the powers attributed to the Supervisory Board by law or the Articles of Association, nor having the effect of reducing or limiting the powers of the Group Management Board. Accordingly, the following committees have been created:

■ the Board Audit Committee, whose members as at 1 March 2007 were:
- Mr Robert Hudry, Chairman;
- Mr Yves Mansion;
- Mr François Thomazeau.

The Audit Committee is responsible for supervising procedures for external and internal audits of group companies. In particular, its mission is to oversee:
– those responsible for the internal audit of subsidiaries with regard to their activity report and provisional assignment planning,
– those responsible for accounting and finance as regards the company financial statements,
– the independent auditors and their assignments.
The Audit Committee met four times in 2006.

■ The Remuneration and Appointments Committee, whose members as at 1 March 2007 were:
- Mr François Thomazeau, Chairman;
- Mr Charles de Croisset;
- Mr Jean-Hervé Lorenzi.

The purpose of the Remuneration and Appointments Committee is to recommend to the Supervisory Board the appointment and remuneration for company directors and the general rules for remuneration of the group's main executives, including share option schemes. It examines whether their remuneration complies with these regulations and also takes account of the general policy for management remuneration. The Remuneration and Appointments Committee met three times in 2006.
In addition, the following decisions of the Group Management Board are subject to prior authorisation from the Supervisory Board:
– the sale of property and the total or partial sale of shareholdings and the constitution of sureties on company assets,
– direct transactions or equity holdings that might significantly affect the group's strategy and materially modify its financial structure or scope of activity,
– the issue of securities, of any kind, that may result in a modification of the registered capital,
– transactions aimed at granting or contracting any borrowings or loans, credits or advances, or constituting sureties, guarantees, deposits or bonding.
The Supervisory Board authorises the Group Management Board to carry out the above-specified transactions, up to a ceiling that it fixes for each one. When a transaction exceeds the specified amount, the approval of the Supervisory Board is required in each case.
The Supervisory Board met five times in 2006. In 2006, an average of close to 90% of all members of the Supervisory Board attended its meetings.

Composition and operation of the Group Management Board

The Group Management Board is the company's decision-making body. At 1 January 2007, the Group Management Board of Euler Hermes had the following members:
■ **Mr Clemens Freiherr von Weichs**, Chief Executive Officer, joined the Group Management Board on 19 February 2002 and was appointed Chairman of the Group Management Board (CEO) on 25 May 2004. He has special responsibility for coordinating the work of the members of the Group Management Board, is responsible for the organisation and coordination of all group company businesses and represents the company vis-à-vis third parties. He also supervises the following cross-company functions in the group: Information Technology, Strategy, Communications, Audit, Careers and international mobility. He also directly supervises the operating entities in the United Kingdom, Belgium, the Netherlands, Italy and the United States.
■ **Mr Gerd-Uwe Baden**, appointed member of the Group Management Board on 25 May 2004. He is responsible for the group's Risks and Commitments cross-company function. He is also Chairman of the Management Board of the group's German subsidiary, Euler Hermes Kreditversicherung AG.
■ **Mr Nicolas Hein**, appointed member of the Group Management Board on 25 May 2004. As the group's Chief Finance Officer, he is responsible for the group's Finance & Accounting and Reinsurance cross-company functions.
■ **Mr Michel Mollard**, appointed member of the Group Management Board on 25 May 2004. He has specific responsibility for the Commercial cross-company function. He is also Chairman of the Management Board of the group's French subsidiary, Euler Hermes SFAC.

The offices held by members of the Management Board within the company's subsidiaries and any other companies are listed in the management report on pages 44 and 45 of this reference document.

No family relationships exist between the members of the Group Management Board and none of the members concerned have been found guilty of fraud, involved in a bankruptcy, subject to a receiving order or liquidation, or subject to an official public sanction during the last five years. Furthermore, none of the members concerned were impacted by a conflict of interests with regard to any decisions taken by the company. If there had been a conflict of interests, the decision formed an integral part of the regulated agreements, on which the independent auditors' report is presented on pages 186 to 188 of this document.
There is no service contract linking the members of the Group Management Board to the company or any one of its subsidiaries that provides for the granting of benefits at the end of such a contract.

The number of offices held by members of the Group Management Board complies with Article 11 of the NRE 2001-420 Act of 15 May 2001.
In accordance with the law and the terms of Article 15 of the Articles of Association, the company is run by the Group Management Board, which is composed of a minimum of two members and a maximum of six members, who are appointed by the Supervisory Board and who may or may not be shareholders.

Members of the Group Management Board must be individuals under the age of 65, effective from the completion of the nearest General Meeting. However, when a member of the Group Management Board reaches this age, the Supervisory Board can, on one or more occasions, extend his functions for a total term that may not exceed three years. A member of the Supervisory Board cannot be a member of the Group Management Board.

The Group Management Board is appointed for a period of three years and its members may be re-appointed. They can be removed from office by the Supervisory Board or by the General Meeting on the recommendation of the Supervisory Board. The Supervisory Board sets the method and amount of remuneration for each of the members of the Group Management Board.

In accordance with the law and under the terms of Article 16 of the Articles of Association, the Supervisory Board confers the title of Chairman on one of the members of the Group Management Board. The Chairman exercises his functions for the period of his office as a member of the Group Management Board. He represents the company in its relations with third parties. The Supervisory Board can grant the same power of representation to one or more other members of the Group Management Board who then bear the title of General Manager.

Agreements concerning the company and any commitments undertaken in its name are signed by the Chairman of the Group Management Board, or by any member of the Group Management Board who has been appointed General Manager by the Supervisory Board, or by any representative especially empowered for this purpose.

In accordance with the law and under the terms of Article 17 of the Articles of Association, the Group Management Board is vested with the most extensive powers to act in all circumstances in the name of the company. It exercises these powers within limits defined by the corporate purpose and subject to those powers expressly allocated to the Supervisory Board and General Meetings by the law and the Articles of Association.

The Group Management Board can give one or more of its members or any outside person permanent or temporary special assignments that it decides upon, and can delegate to them for one or more particular cases, with or without the option of sub-delegation, the powers that it considers appropriate.

The Group Management Board operates according to "internal regulations" which are designed to complement the operating principles stipulated in the Articles of Association, while respecting the collegiate principle of the Group Management Board and facilitating the work of the Supervisory Board. These regulations specify the powers and allocation of responsibilities between members of the Group Management Board and, in accordance with Article 12 of the Articles of Association, the decisions that require prior authorisation from the Supervisory Board. In addition, the regulations define the practical procedures for holding meetings and recording minutes.

The Group Management Board can set up new committees. It decides on their composition and attributes, and they carry out their activity under its responsibility, but it cannot delegate its powers. No committee has yet been established.

The Group Management Board was appointed on 25 May 2004. It will be reappointed for a further period of three years on 4 May 2007.

In 2006, the Group Management Board met on virtually a fortnightly basis.

DIRECTORS' REMUNERATION AND INTERESTS IN THE COMPANY'S CAPITAL

Remuneration and benefits in kind received by the directors

A. The Group Management Board

In 2006, the direct and indirect remuneration paid by the company and any subsidiary of the company to members of the Group Management Board in respect of their mandate and duties exercised throughout the group's companies amounted to €4.661 million and breaks down as follows:

en milliers d'euros

	Fixed remuneration paid in 2005	Variable remuneration paid in 2005 (for 2004)	Specific allowances (2)	Benefits in kind 2005 (3)	Total paid in 2005	Fixed remuneration paid in 2006	Variable remuneration paid in 2006 (for 2005)	Variable remuneration (mid-term bonus)	Specific allowances (2)	Benefits in kind 2006 (3)	Total paid in 2006
Clemens von Weichs	390.0	293.1	45.0	18.1	746.2	390.0	350.0		45.0	19.8	804.8
Jean Marc Pillu (1)	375.0	252.5		3.0	630.5	250.0	280.0	147.8	1,697.7	3.0	2,378.5
Gerd-Uwe Baden (1)	360.0	134.7	70.0	13.6	578.2	375.0	280.0			13.6	668.6
Nicolas Hein	260.0	90.0		2.8	352.8	290.0	168.0			4.3	462.3
Michel Mollard (4)	200.0	50.8		2.1	252.9	232.5	112.0			2.0	346.5
Total	**1,585.0**	**821.1**	**115.0**	**39.5**	**2,560.6**	**1,537.5**	**1,190.0**	**147.8**	**1,742.7**	**42.7**	**4,660.6**

(1) Mr Jean-Marc Pillu left the group on 21 July 2006. He received a pro-rata portion of his fixed remuneration and the variable remuneration (mid-term bonus) for the period from 1 January 2005 to 31 July 2006.
(2) Specific allowances comprise a housing allowance paid to Mr Clemens von Weichs and a severance allowance paid to Mr Jean-Marc Pillu (€1,568.9 thousand) and his 2006 variable remuneration on a pro rata basis (€128.3 thousand).
(3) Benefits in kind relate to company cars.
(4) Mr Michel Mollard received variable remuneration paid in 2006 in respect of 2005 amounting to €112.0 thousand, comprising €91.8 thousand in the form of a bonus and €20.2 thousand as savings in respect of incentive schemes and profit sharing.

All amounts are stated gross, i.e. before tax.

The direct and indirect remuneration allocated by the company and any subsidiary of the company to members of the Group Management Board in respect of 2006 amounted to €4,301 million and breaks down as follows:

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	Fixed remuneration 2005	Variable remuneration (for 2005)	Specific allowances [2]	Benefits in kind 2005 [3]	Total (for 2005)	Fixed remuneration 2006	Variable remuneration (for 2006)	Specific allowances [2]	Benefits in kind 2006 [3]	Total paid (for 2006)
Clemens von Weichs	390,0	350,0	45,0	18,1	803,1	390,0	363,6	45,0	19,8	818,4
Jean Marc Pillu (1)	375,0	280,0		3,0	658,0	250,0	128,3	1 569,4	3,0	1 950,7
Gerd-Uwe Baden	360,0	280,0		13,6	653,6	375,0	270,9		13,6	659,5
Nicolas Hein	260,0	168,0		2,8	430,8	290,0	196,3		4,3	490,6
Michel Mollard (4)	200,0	112,0		2,1	314,1	232,5	147,4		2,0	381,9
Total	**1 585,0**	**1 190,0**	**45,0**	**39,5**	**2 859,5**	**1 537,5**	**1 106,4**	**1 614,4**	**42,7**	**4 301,0**

(1) Mr Jean-Marc Pillu left the group on 21 July 2006. He received a pro-rata portion of his fixed remuneration and the variable remuneration (mid-term bonus) for the period from 1 January 2005 to 31 July 2006.

(2) Specific allowances comprise a housing allowance paid to Mr Clemens von Weichs and a severance allowance paid to Mr Jean-Marc Pillu (€1,568.9 thousand).

(3) Benefits in kind relate to company cars.

(4) Mr Michel Mollard's variable remuneration in respect of 2006 amounted to €147.4 thousand, comprising €125.3... thousand in the form of a bonus and €22.1... thousand as savings in respect of incentive schemes and profit sharing.

The benefits in kind consist only of company cars.

The principles governing the remuneration of members of the Group Management Board and the amount thereof are set by the Remuneration and Appointments Committee and approved by the Supervisory Board. Remuneration consists of a fixed part and a variable part. The fixed part is determined by comparison with market practices for similar functions. The variable part is based on three criteria: the first is linked to consolidated net income, group share, the second is linked to the attainment of objectives relating to operating contribution and the third to the achievement of qualitative personal objectives. The objectives are proposed by the Remuneration and Appointments Committee and approved by the Supervisory Board.

At the end of each year, the Committee assesses the extent to which the various objectives have been reached and reports to the Supervisory Board. The Supervisory Board decides on the amount of the variable part of the remuneration calculated in this way.

The members of the Group Management Board, as it existed on 1 March 2007, were also allocated 25,000 options for new Euler Hermes shares in 2004, 33,000 in 2005 and 52,500 in 2006 (purchase options).

In addition, as part of the global incentive scheme for Allianz group senior executives, the members of the Group Management Board received SARs (Stock Appreciation Rights), the value of which is linked to changes in the Allianz share price over seven years. 15,531 SARs were allocated in 2004, 21,891 in 2005 and 13,574 in 2006 (purchase options).

Euler Hermes share options and Allianz SARs were allocated as follows:

Share options and other benefits (in units)

	Options allocated in 2005	Options exercised in 2005	Options allocated in 2006	Options exercised in 2006	SARs allocated in 2005	SARs allocated in 2006
Clemens von Weichs	9,000	0	15,000	6,500	8,030	4,491
Gerd-Uwe Baden	9,000	0	10,000	0	6,622	3,989
Nicolas Hein	9,000	0	17,500	0	4,385	2,949
Michel Mollard	6,000	0	10,000	0	2,854	2,145
Total	**33,000**	**0**	**52,500**	**6,500**	**21,891**	**13,574**

In 2006, the supplementary pension scheme from which certain corporate officers benefited under certain conditions was terminated.

Only Messrs Clemens von Weichs and Gerd-Uwe Baden, members of the Group Management Board, are members of the Allianz group's supplementary pension scheme.

Some members of the Group Management Board are included in the Mid Term Bonus (MTB) system, which was introduced by Allianz to improve the loyalty of its directors. The system is based on a three-year period: if the objectives are achieved over the three-year period, an additional bonus will be paid at the end of the period. The potential bonus is a set amount, corresponding to a fraction of the fixed remuneration plus a possible 20% upside. It is divided into two parts, each equally weighted and based on the EVA and the strategic objectives, respectively. If an average rate of between 70% and 120% is achieved for both parts, a proportional calculation will be made to reflect the degree of achievement of the objectives. Currently, Messrs Clemens von Weichs and Gerd-Uwe Baden are members of the scheme.

According to the achievement level of the defined objection, a mid-term bonus will be allocated for the first time during 2008 for the years 2005 to 2007.

Lastly, some members of the Group Management Board who do not hold any other position and are not employees are protected by special agreements in the event they are removed from office. These agreements are intended to replace the statutory provisions protecting salaried employees in the event of dismissal. Messrs Clemens von Weichs and Gerd-Uwe Baden are protected by these provisions. They provide for the payment of gross compensation of between 50% (Dr Gerd-Uwe Baden) and 200% (Mr Clemens von Weichs) of the amount of their last fixed annual remuneration.

B. Share options allocated to corporate officers in office at 31 December 2006 and options exercised

Year	2003	2004	2005	2006	Total
Date of shareholders meeting	23/04/2003	23/04/2003	23/04/2003	22/06/2006	
Date of supervisory board meeting	20/05/2003	25/05/2004	24/05/2005	30/08/2006	
Number of benefiting board members *	2	4	4	4	
Board members having not yet exercised*	1	4	4	4	
Total number of options allocated to the board *	21,500	25,000	33,000	52, 500	132,000
Starting date of exercise	8/07/03	6/07/04	27/06/05	18/09/2006	
Expiring date	07/07/2011	05/07/2012	26/06/2013	17/09/2014	
Price of exercise	27.35	44.41	63.08	91.82	
Modality of exercise	subscription	subscription	subscription	purchase	
Options to exercise as of 01/01/2006	**21,500**	**25 000**	**33,000**	**-**	**79,500**
- Clemens von Weichs	17,000	7,000	9,000	-	33,000
- Gerd-Uwe Baden		7,000	9,000	-	16,000
- Nicolas Hein		7,000	9,000	-	16,000
- Michel Mollard	4,500	4,000	6,000	-	14,500
Options exercised in 2006	**6,500**	**-**	**-**	**-**	**6,500**
- Clemens von Weichs	6,500	-	-	-	6,500
- Gerd-Uwe Baden	-	-	-	-	-
- Nicolas Hein	-	-	-	-	-
- Michel Mollard	-	-	-	-	-
Options cancelled in 2006	**-**	**-**	**-**	**-**	**-**
Options to exercise as of 31/12/2006	**15,000**	**25,000**	**33,000**	**52,500**	**125,500**
- Clemens von Weichs	10,500	7,000	9,000	15,000	41,500
- Gerd-Uwe Baden	-	7,000	9,000	10,000	26,000
- Nicolas Hein	-	7,000	9,000	17,500	33,500
- Michel Mollard	4,500	4,000	6,000	10,000	24,500

(*) in its composition as of 01/01/2007

Furthermore, two members of the Group Management Board (in its current composition) benefited from AGF stock subscription options granted during 2002:

Year	2002	2004	2005	2006	Total
Date of the board	02/09/2002				
Date of allocation	30/09/2002				
Expiring date	30/09/2002				
Price of exercise	33.25 €				
Clemens von Weichs					
Options allocated	4,091				4,091
Options exercised			4,091		4,091
Michel Mollard					
Options allocated	821				821
Options exercised				821	821
Total options allocated	**4,912**	**0**	**0**	**0**	**4,912**
Total options exercised	**0**	**0**	**4,091**	**821**	**4,912**

C. The Supervisory Board

Attendance fees paid to members of the Supervisory Board amounted to €260,000. Every member of the Supervisory Board is paid a fee. The Chairman of the Board receives a double fee for performing that role. Each member of the Supervisory Board who is also a member of the Audit Committee and/or the Remuneration and Appointments Committee is paid an additional fee. No member can be paid more than a double fee in total, apart from the Chairman of the Supervisory Board.

In 2006, the following fees were paid:

(€000)	Attendance fees 2005	Attendance fees 2006
Jean-Philippe Thierry, Chairman	30.6	30.6
François Thomazeau, Vice-Chairman, member of the Audit Committee and the Remuneration and Appointments Committee	30.6	30.6
Clement Booth	-	15.3
Diethart Breipohl	15.3	15.3
John Coomber	15.3	15.3
Charles de Croisset, member of the Remuneration and Appointments Committee	30.6	30.6
Reiner Hagemann, member of the Remuneration and Appointments Committee (in 2005)	30.6	-
Robert Hudry, member of the Audit Committee	30.6	30.6
Yves Mansion, member of the Audit Committee	30.6	30.6
Laurent Mignon	30.6	30.6
Jean-Hervé Lorenzi, censor (non-voting member), member of the Remuneration and Appointments Committee (w.e.f. 2006)	15.3	30.6
TOTAL	**260.0**	**260.0**

All amounts are stated gross, i.e. before tax.
The members of the Supervisory Board receive no remuneration other than the attendance fees paid by Euler Hermes itself or by the subsidiaries controlled by it according to article L.233-16 of the Commercial Code.

The remuneration received by members of the Supervisory Board with links to a company controlling Euler Hermes is listed in the management report, on pages 42 and 43 of this reference document.

No member of the Group Management Board or Supervisory Board has received any loan or guarantee in his or her favour from the company. There are no agreements between the directors, members of the Supervisory Board or shareholders with an interest of more than 5% in the company's capital or voting rights, nor were there any transactions between the company and the directors, corporate officers and shareholders with an interest of 5% or more in the company's capital or voting rights.

Incentives and profit-sharing

Profit-sharing

On 7 December 1994, Euler Hermes Sfac, Euler Hermes Sfac Crédit and Euler Hermes Sfac Recouvrement agreed a profit-sharing plan that benefits all employees of these companies after six months' service. This agreement is for an unlimited period. The agreement was amended on 27 January 1998 to include Euler Hermes Services.

Incentives

On 5 May 1999, Euler Hermes SFAC, Euler Hermes SFAC Crédit, Euler Hermes SFAC Recouvrement and Euler Hermes Services (hereby named "UES EH SFAC") agreed an incentive plan that benefits all employees of these companies after six months' service. This agreement was made for a three-year period from 1st January 1999. It is a continuation of the incentive agreements dated 18 June 1991, 27 June 1994 and 17 June 1996.
For information, the amounts paid under the incentive and profit-sharing schemes for the years ended 31 December for the years from 1996 to 2006 were as follows:

(in millions of euros)

	Profit-sharing UES EH-SFAC	Incentive UES EH-SFAC
1996	1,689	1,327
1997	2,135	1,138
1998	3,294	1,990
1999	3,994	2,338
2000	3,610	2,432
2001	4,960	2,515
2002	3,484	2,005
2003	4,435	2,495
2004	5,000	2,700
2005	5,289	2,789
2006	6,146	2,845

Company savings scheme

On 15 June 1994, a company savings scheme was set up for the employees of Euler Hermes Sfac, Euler Hermes SFAC Crédit and Euler Hermes SFAC Recouvrement. On 27 January 1998, the benefits of this scheme were extended to the employees of EULER HERMES Services. The scheme benefits all employees of these companies after six months' service. It was set up for an initial period of one year, continued by tacit renewal. It can be supplemented by funds from profit-sharing plans and all or part of the incentive plans, by subscribers' voluntary contributions, by a company contribution, by portfolio income and capital gains, by related tax credits and, where applicable, by the transfer of revenues from profit-sharing plans after a five-year lock-in period.

Other items of general information

Disputes and other exceptional events

Apart from the dispute referred to below, neither the company nor any of its subsidiaries are or have been party to judicial proceedings or arbitration likely to have or to have had, in the recent past, a material impact on the financial position of the company, its business and its income. The company has no knowledge that any such proceedings are envisaged against it by government authorities or third parties.

California Holocaust Victim Insurance Relief Act

As a member of the Allianz group, Euler ACI is subject to the 1999 California Holocaust Victim Insurance Relief Act, which requires Allianz to reach agreement with the California Department of Insurance relating to compensation for victims of the Holocaust. If the parties fail to reach agreement, there is a risk that the California Department of Insurance, on the basis of the California Holocaust Victim Insurance Relief Act, will institute proceedings for the revocation of authorisations to conduct insurance activities in California, from which the insurance companies in the Allianz group and, in the case in point, Euler Hermes ACI, benefit.
On 21 March 2000, taking over proceedings started by another insurance company, the American Insurance Association, of which Euler Hermes ACI is not a member, instituted proceedings before the US Federal Tribunal aimed at contesting the constitutional basis of the California Holocaust Victim Insurance Relief Act. On 10 June 2000, the court found in favour of the American Insurance Association.
In the first instance, the court judged the Holocaust Victim Insurance Relief Act to be anti-constitutional, given that it infringed the exclusive jurisdiction of the USA federal government in matters of foreign policy and external trade regulation.
An appeal is currently in process. This appeal suspends the application of the California Holocaust Victim Insurance Relief Act. Euler Hermes ACI is a beneficiary of this favourable judgement and considers there is little likelihood of the judgement being overturned by the appeal proceedings. However, there is no certainty in this regard. Euler Hermes ACI's turnover in California represents a minimal proportion of the turnover of the group's credit insurance business.
No significant court decisions were made in 2001 or 2002 that could affect the decisions of 2000 and, on 23 June 2003, the USA Supreme Court confirmed the judgment of the lower court, ruling that the California Holocaust Victim Insurance Relief Act was unconstitutional. No appeal may be made against this decision. Following the decision, there is now virtually no risk that Euler Hermes ACI will have its license to run insurance businesses in California withdrawn.

Employees

Since the company does not employ any staff, there is no report on employment matters.

Name and title of the person responsible for this document

M. Clemens Freiherr von Weichs, Président du Directoire de la société.

Declaration by the person responsible

"Having exercised reasonable due diligence, I confirm that to the best of my knowledge the information contained in this reference document is correct and that no information has been omitted that would materially alter its interpretation.
I have obtained from the independent auditors an assignment completion letter, in which they indicate that they have verified the information relating to the financial position and financial statements provided in this reference document and that they have read the annual report in its entirety."

Paris, April 20, 2007

Clemens Freiherr von Weichs
Chairman of the Group Management Board

Name, address and appointment of independent auditors

Independent auditors

In accordance with company law, the independent auditors named below have examined the annual financial statements for the last three years:
- ACE Audit, 5 avenue Franklin Roosevelt, 75008 Paris, represented by Mr Alain Auvray. ACE Audit is registered with the Paris Court of Appeal;
- PricewaterhouseCoopers Audit, 32, 63 rue de Villiers, 92208 Neuilly-sur-Seine, represented by Mrs Christine Bouvry. PricewaterhouseCoopers Audit is registered with the Versailles Regional Association of Statutory Auditors [Compagnie Régionale des Commissaires aux Comptes de Versailles];
- KPMG SA, 1 cours Valmy, 92923 Paris la Défense Cedex, represented by Mr Xavier Dupuy. KPMG SA is registered with the Versailles Regional Association of Statutory Auditors.

Mr Alain Auvray was appointed by a resolution of the Ordinary General Meeting of 26 May 1987, and his mandate was renewed by a resolution of the Ordinary General Meeting of 27 April 1999 convened to approve the financial statements for the year ended 31 December 1998, for six financial years, i.e. until the General Meeting called to approve the financial statements for the year ended 31 December 2004.
The General Meeting of 22 April 2005 appointed ACE, Auditors et Conseils d'Entreprises, represented by Mr Alain Auvray, as the auditor for six financial years, i.e. until the General Meeting called to approve the financial statements for the year ending 31 December 2010.
Coopers & Lybrand Audit was appointed by a resolution of the Ordinary General Meeting of 17 May 1995 convened to approve the financial statements for the year ended 31 December 1994, for six financial years.

Other items of general information

The firm's term of office was renewed at the General Meeting of 25 April 2001 called to approve the financial statements for the year ended 31 December 2000, for six financial years, i.e. until the General Meeting called to approve the financial statements for the year ending 31 December 2006. The General Meeting of 22 April 2005 recorded the absorption of Coopers & Lybrand Audit by PricewaterhouseCoopers Audit and accordingly its assumption of the office of auditor. The term of office of PricewaterhouseCoopers Audit will not be renewed.

KPMG Cabinet Cauvin Angleys Saint-Pierre Révifrance (SA) was appointed by a resolution of the Ordinary General Meeting of 27 April 1999 convened to approve the financial statements for the year ended 31 December 1998, for six financial years. Its term of office was due to expire at the General Meeting called to approve the financial statements for the year ended 31 December 2004. Following the merger in which the firm Cauvin Angleys Saint-Pierre Révifrance (SA) transferred its business to KPMG SA, whose registered office is at 2 bis, rue de Villiers, Levallois Perret (92300), the General Meeting of 25 April 2001 approved the appointment of the latter firm as auditor for the remaining term of the mandate of the absorbed company. The General Meeting of 22 April 2005 renewed the appoint of KPMG SA as auditor for six financial years, i.e. until the General Meeting called to approve the financial statements for the year ending 31 December 2010.

Alternate auditors

- Mr Emmanuel Charrier, 5 avenue Franklin Roosevelt, 75008 Paris, alternate auditor for ACE, Auditeurs et Conseils d'Entreprises;
- Mr Yves Nicolas, 32, 63 rue de Villiers 92208 Neuilly-sur-Seine, alternate auditor for PricewaterhouseCoopers Audit;
- Jean-Claude André et Autres [SCP], 1 cours Valmy, 92923 Paris la Défense Cedex, alternate auditor for KPMG SA.

The General Meeting of 22 April 2005 appointed Mr Emmanuel Charnier as alternate auditor for the company ACE, Auditeurs et Conseils d'Entreprises, for six financial years, i.e. until the General Meeting called to approve the financial statements for the year ending 31 December 2010.

The Ordinary General Meeting of 25 April 2001 appointed Mr Pierre-Bernard Anglade as alternate auditor for Coopers & Lybrand Audit for a term of six years, i.e. until the General Meeting called to approve the financial statements for the year ended 31 December 2006. The General Meeting of 23 April 2003 was notified of the resignation as of that date of Mr Pierre-Bernard Anglade, alternate auditor. The Meeting was asked to appoint in his place as alternate auditors PricewaterhouseCoopers Audit, a société anonyme with share capital of €1,255,230, whose registered office is at 32 rue Guersant 75017 Paris, and which is registered in the Paris Trade and Companies' Registry under number 672 006 483 for the remaining term of office of its predecessor, i.e. until 31 December 2006. The General Meeting of 22 April 2005 recorded the absorption of Coopers & Lybrand Audit by PricewaterhouseCoopers Audit and accordingly its assumption of the office of auditor. As a result, the General Meeting also appointed Mr Yves Nicolas as alternate auditor for PricewaterhouseCoopers Audit until his predecessor's term of office expires, i.e., until the General Meeting called to approve the financial statements for the year ended 31 December 2006.

La Fiduciaire de France was appointed by a resolution of the Ordinary General Meeting of 27 April 1999 called to approve the financial statements for the year ended 31 December 1998, for six financial years. La Fiduciaire de France changed its name to KPMG SA at its General Meeting of 17 March 2000. Following the merger in which Cauvin Angleys Saint-Pierre Révifrance (SA) transferred its business to KPMG SA, whose registered office is at 2 bis, rue de Villiers, Levallois-Perret (92300), the appointment of KPMG SA expired early and the General Meeting of 25 April 2001 approved the appointment of Mr Gérard Rivière domiciled at Paris la Défense (92923) as alternate auditor until the expiry of his predecessor's term of office, i.e. until the General Meeting called to approve the financial statements for the year ended 31 December 2004.
KPMG SA's appointment was renewed by the General Meeting of 22 April 2005 for six financial years, i.e. until the General Meeting called to approve the financial statements for the year ending 31 December 2010. The General Meeting of 22 April 2005 also appointed SCP Jean-Claude André et Autres as alternate auditor for KPMG SA for six financial years, i.e. until the General Meeting called to approve the financial statements for the year ending 31 December 2010.

Fees of the independent auditors

Total fees paid to the independent auditors and other members of their worldwide network amounted to €3,950 million. This remuneration takes into account the fees paid for acting as independent auditors, the review and certification of individual financial and single statements, i.e. €3,471 thousand, and ancillary audit-related assignments, i.e. €437 thousand. In addition, fees in a total amount of €42 thousand were paid for other services performed by the independent auditors.

Other items of general information

Auditors' remuneration

(in millions of euros)

	PricewaterhouseCoopers				KPMG Audit				ACE			
	Amounts[(1)]		%		Amounts[(1)]		%		Amounts[(1)]		%	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Audit												
Statutory audit and report on company and consolidated financial statements												
- Issuer	278	281	13%	9%	272	409	18%	22%	84	122	31%	42%
- Fully-consolidated subsidiaries	1,513	1,971	72%	66%	1,167	1,318	75%	71%	157	151	58%	52%
Other services directly related to appointment as statutory auditor												
- Issuer	0		0%	0%	100	0	6%	0%	0		0%	0%
- Fully-consolidated subsidiaries	288	324	14%	11%	0	61	0%	3%	29	16	11%	6%
Sub-total	2,079	2,576	98%	86%	1,539	1,788	99%	96%	270	289	100%	100%
Other services provided to fully-consolidated subsidiaries												
Legal, tax and social	-16	400	-1%	13%	10	39	1%	2%			0%	0%
IT					0				0			
Strategy									0			
Human resources												
Other	48	25	2%	1%	0	26	0%	1%			0%	0%
Sub-total	32	425	2%	14%	10	65	1%	4%	0	0	0%	0%
Total	**2,111**	**3,001**	**100%**	**100%**	**1,549**	**1,853**	**100%**	**100%**	**270**	**289**	**100%**	**100%**

(1) Services provided in respect of the financial period and charged in the income statement

Persons responsible for the information

Nicolas Hein
Chief Finance Officer, member of the Group Management Board
Benoît des Cressonnières
Head of Reinsurance & Investor Relations
Corporate Secretary

1, rue Euler
75715 Paris Cedex 08
Tel.: +33 (0)1 40 70 50 50
www.eulerhermes.com

Information policy

Every major event that is likely to have a material impact on the company (acquisition, disposal, commercial partnership, start-up, etc.) is generally the subject of a press release sent to media agencies and financial analysts and posted on the company's website www.eulerhermes.com In addition, each of the company's subsidiaries is responsible for communication on its own market, under the supervision of Euler Hermes' group-wide Communications function. All information of a financial nature is strictly controlled and must be authorised by the company.

In general, Euler Hermes provides regular information about its activities through analysts' meetings, conferences and press releases. The provisional schedule for the company's financial announcements in 2006 is as follows:

Annual results for 2006
16 February 2006

Dividend declaration
16 February 2006

General Meeting
9 May 2007

Quarterly results 2007
Q1: 4 May 2007 (press release)
Q2: 27 July 2007 (briefing for analysts and journalists)
Q3: 9 November 2007 (press release)

Annual results for 2007
February 2008; the precise date will be announced later.
All announcements made at meetings or in press releases are simultaneously posted on the company's website: www.eulerhermes.com.

Special report of the independent auditors on regulated agreements and commitments.

Year ended 31 December 2006

To the shareholders,

In our capacity as auditors of your company, we hereby submit our report on regulated agreements and commitments.

Agreements and commitments authorised during the year

Pursuant to Article L. 225-88 of the French Commercial Code, we have been advised of the agreements and commitments for which prior authorisation has been given by the Supervisory Board.

It is not our role to seek out the possible existence of other agreements or commitments but to inform you, based on the information given to us, of the principal terms and characteristics of the agreements and commitments of which we have been informed, without passing judgement on their relevance or validity. It is your responsibility, under the terms of Article 117 of the Decree of 23 March 1967, to evaluate the potential benefit of such agreements and commitments in order for you to approve them.

We have carried out our work in accordance with the professional standards applicable in France. Those standards require us to perform tests designed to verify that the information we have been given is consistent with the original documents from which it is derived.

1. Amendment of specific clauses in the contract of Mr Clemens Von Weichs

Corporate officer concerned: Mr Clemens Von Weichs
Supervisory Board Meeting of 22 March 2006

At its meeting on 22 March 2006, the Supervisory Board approved the provisions proposed by the Remuneration and Appointments Committee regarding the contract between Mr Clemens Von Weichs, Chairman of the Group Management Board, corporate officer, and your company.

In the event of the removal of Mr Clemens Von Weichs, who is exclusively a corporate officer and does not benefit from the status of an employee, the amount of the gross indemnity that he would be paid is to be increased to 200% of the amount of the last annual fixed and variable remuneration he received.

2. Loan agreement between Euler Hermes and AGF Holding

Corporate officers concerned: Messrs Jean-Philippe Thierry, François Thomazeau and Laurent Mignon
Supervisory Board meeting of 8 December 2006.

On 21 December 2006, Euler Hermes contracted a new borrowing of €67 million with AGF Holding under the following terms and conditions:

Term:	2 years
Maturity:	21 December 2008
Base rate:	6-month Euribor variable
Margin:	6 basis points
Interest:	quarterly.

Interest expense of €79,166 was recognised in 2006.

3. Guarantee granted by Euler Hermes to Euler Hermes Kredietverzekering NV (Netherlands)

In connection with the rating assigned to Euler Hermes by Standard & Poor's, your company accepted to guarantee the commitments of Euler Hermes Kredietverzekering NV (Netherlands) in accordance with the Deed of Guarantee dated 20 May 2003.
This guarantee was granted to enable the Dutch company to benefit from the same rating as that of other group companies.

Agreements and commitments approved in prior years and still in force during the year ended 31 December 2006

In addition, pursuant to the Decree of 23 March 1967, we have been informed that the execution of the following agreements and commitments approved in prior years continued during the year ended 31 December 2006.

1. Seller's guarantee in favour of Eurofactor

At its meeting on 29 November 1999, the Supervisory Board authorised the signing of a seller's guarantee in favour of Société Française de Factoring International Factors France (SFF) in the context of the merger of the factoring activities of Crédit Lyonnais and Euler Hermes.

The principal provisions of this guarantee cover any increase in liabilities or decrease in assets of SFF, the origin of which arose before 1 January 1999 (30 December 1999 for tax and employee-related liabilities), subject to an excess per item of FRF 300,000 (€45,457.50) with a cumulative total of FRF 20,000,000 (€3,048,980.35). This guarantee was due to expire at the end of the prescribed period plus three months for tax and employee-related liabilities and on 30 June 2001 in all other cases.

This seller's guarantee is currently still in effect in an amount of €879,000.

It will end definitively on completion of the ongoing legal proceedings.

2. Tax liabilities guarantee in favour of Crédit Agricole

As part of the disposal of the company's 49.09% interest in Eurofactor, the Supervisory Board meeting of 4 March 2005 authorised the issue of a guarantee in favour of Crédit Agricole, pro rata to such interest, against the consequences of any additional tax assessment falling within the competency of the French tax authorities concerning Eurofactor SA for events arising prior to 31 December 2003.

The maximum amount that could be paid under this guarantee may not in any event exceed €10 million, subject to an excess of €1 million.

This liabilities guarantee expired on 31 December 2006.

3. Long Term Incentive Plan 2000 du Groupe Allianz

At its meeting on 26 September 2000, the Supervisory Board approved the provisions for the establishment of a global incentive plan for senior managers of the Allianz group.

Each Allianz group company must bear the cost of this plan for the portion relating to the company in question.

At the Supervisory Board meeting of 30 August 2006, the Remuneration Committee specified that in 2006, it would allocate 13,574 SAR to the Group Management Board at a price of €132.41 per share. These SAR required implementation of a hedging contract, the cost of which (€356,325) was booked by Euler Hermes.

4. Supplementary pension scheme for members of the Group Management Board

At its meeting on 23 November 1998, the Group Management Board of Euler Hermes adopted a supplementary pension scheme for the corporate officers of Euler Hermes and Euler Hermes SFAC.

In accordance with the terms and conditions of this scheme, the corporate officers eligible to benefit from the scheme are, at the date of this report, Messrs Clemens Von Weichs, Nicolas Hein and Michel Mollard from the date of their appointment as members of the Group Management Board of Euler Hermes and Mr Jean-Marc Pillu from the date of his appointment as Chairman of Euler Hermes SFAC.

This supplementary retirement scheme was terminated during the year.

5. Loan agreement between Euler Hermes, AGF Vie and AGF Holding

A new senior loan for €85 million, maturing on 24 June 2010, was contracted with AGF Holding. The loan agreement was signed on 24 June 2005 under the following terms and conditions:

Term:	5 years
Maturity:	24 June 2010
Base rate:	6-month Euribor variable
Margin:	20 basis points
Interest:	6-monthly.

A rider to the agreement was signed on 20 December 2005 in an amount of €50 million, taking the total amount of the loan to €135 million under the same terms and conditions as those described above.

Interest expense of €4,278,282 was recognised in 2006.

6. Loan agreement between Euler Hermes and AGF Holding

A five-year loan for €90 million was arranged under the following terms and conditions:
Three drawdowns of €30 millions each, between the end of 2003 and the end of 2004

Maturity:	19 December 2008
Base rate:	3-month Euribor variable
Margin:	30 basis points
Interest:	quarterly

The first tranche of €30 million was drawn down on 19 December 2003.
The second tranche of €30 million was drawn down on 1 June 2004.
The third tranche of €30 million was drawn down on 20 December 2004.

Interest expense of €2,932,223 was recognised in 2006.

7. Mid Term Bonus plan

At its meeting of 4 March 2005, the Supervisory Board approved the provisions for the implementation of a Mid Term Bonus system to the loyalty of its senior management.

The system is based on a three-year period: if the predetermined objectives are achieved over the three-year period, an additional bonus will be paid at the end of the period. The potential bonus is a set amount, corresponding to a fraction of the fixed remuneration plus a possible 20% upside. The calculation consists of two parts, each equally weighted and based on the EVA and the strategic objectives. If an average rate of between 70% and 120% is achieved for both parts, a proportional calculation will be made to reflect the degree to which the objectives are achieved.enhance

Neuilly-sur-Seine, Paris La Défense and Paris, April 19, 2007

The independent auditors

PRICEWATERHOUSECOOPERS AUDIT	KPMG AUDIT A division of KPMG SA	ACE
Christine Bouvry	Xavier Dupuy	Alain Auvray

Resolutions submit to the vote of the General Meeting of 9 May 2007

ORDINARY AND EXTRAORDINARY GENERAL MEETING OF 9 MAY 2007

Resolution project

Ordinary resolutions

First resolution

Approval of the company financial statements for the year ended 31 December 2006.

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, and after taking cognisance of the Group Management Board's management report, the Supervisory Board's observations and the independent auditors' general report, the General Meeting approves the financial statements for the year ended 31 December 2006, including the balance sheet, the income statement and the notes appended thereto, as presented to it, together with the transactions recorded in the financial statements and summarised in the reports. It records that the net income for the financial year is €214,151 thousand.

Second resolution

Approval of the consolidated financial statements for the year ended 31 December 2006

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, and after taking cognisance of the Group Management Board's management report, the Supervisory Board's observations and the independent auditors' report on the consolidated financial statements for the year ended 31 December 2006, the General Meeting approves the consolidated financial statements presented to it, which show net income of €326,054 thousand, together with the transactions recorded in the financial statements and summarised in the reports.

Third resolution

No non-deductible charges

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, and after taking cognisance of the Group Management Board's report and the Supervisory Board's observations, as required by Article 223 quater of the General Tax Code (Code Général des Impôts), the General Meeting records that no non-deductible expenses or charges were incurred over the past financial year.

Fourth resolution

Release for the members of the Group Management Board and discharge for the members of the Supervisory Board and the independent auditors

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, the General Meeting releases each of the members of the Group Management Board as regards the performance of their duties over the past financial year, and also discharges each of the members of the Supervisory Board and each of the independent auditors as regards the performance of their duties.

Fifth resolution

Allocation of income for the financial year ended 31 December 2006 and distribution of dividend

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, after taking cognisance of the Group Management Board's report and the independent auditors' general report, and after listening to the Supervisory Board's observations, the General Meeting records that the following amount is available for distribution:

(€000)	
- retained earnings	88,254.2
- net income for the financial year	214,151.3
i.e.	302,405.5

and resolves to allocate the distributable income as follows:

- legal reserve	3.9
- proposed dividend: €4.00 per share	179,804.5
- retained earnings	122,597.1
i.e.	302,405.5

Accordingly, the General Meeting resolves to distribute a net dividend of €4.00 per share for the past financial year. The total number of shares is 44,951,118 on the date of this General Meeting. The dividend will be paid in cash on 11 May 2007.

Dividend tax credits were abolished by the 2004 Finance Act and, in accordance with Article 243 bis of the General Tax Code, the dividend distributed pursuant to this resolution, i.e. €179,804.5 thousand, is eligible for the 40% tax reduction provided in Article 158.3-2 of the General Tax Code, for the part distributed to individuals. In accordance with Article 243 ter of the General Tax Code, shareholders are reminded that the company has not made any distribution that is not eligible for the deduction pursuant to the aforementioned Article 158.3-2 since the deduction came into effect.

In the event the company holds treasury shares at the time the dividend is paid, the distributable income corresponding to the unpaid dividend on such treasury shares shall be allocated to retained earnings.

Resolutions submit to the vote of the General Meeting of 9 May 2007

As required by law, shareholders are reminded that the following dividends were distributed over the past five financial years:

	2006 (1)	2005 (2)	2004 (2)	2003 (2)	2002 (2)
Total amount (in €000)	179,805	156,906	107,764	75,624	32,232
Amount per share before tax credit (3)	€4.00	€3.50	€2.50	€1.82	€0.80
Tax credit (4)	-	-	-	€0.91	€0.40
Amount per share after tax credit	**€4.00**	**€3.50**	**€2.50**	**€2.73**	**€1.20**

(1) Dividend proposed to the General Meeting.
(2) Dividend for the year, paid in the following year.
(3) The dividend per share is calculated on the basis of the total number of shares.
(4) At the historical rate of 50% for individuals and legal entities eligible for parent-daughter company treatment.

Sixth resolution

Adjustment of treasury shares reserve

L'Assemblée Générale, statuant aux conditions de majorité et de quoVoting in accordance with the majority and quorum requirements applying to ordinary general meetings, the General Meeting takes note that the company did not purchase or sell any treasury shares over the past financial year under the company's share buyback programme authorised by the Ordinary General Meeting of 22 May 2006, and further notes the terms and conditions governing the purchase of treasury shares by the company pursuant to Articles L.225-209 et seq. of the Commercial Code (Code de Commerce). The General Meeting resolves to adjust the treasury shares reserve by writing back a provision of €6,595.1 thousand to take into account sales made to satisfy share options exercised over the past year, in accordance with Article L.225-210-3 of the Commercial Code. The write-back shall be posted to the "other reserves" account.

Accordingly, the General Meeting records that the treasury shares reserve, which totalled €81,307,936 on 31 December 2005 will be adjusted to €74,712,880.

Seventh resolution

Approval of regulated agreements pursuant to Article L. 225-86 of the Commercial Code

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, and after taking cognisance of the independent auditors' special report on transactions referred to in Article L.225-86 of the Commercial Code, the General Meeting approves the agreements mentioned in the report.

Eighth resolution

Renewal of the appointment of Mr François THOMAZEAU as a member of the Supervisory Board

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, the General Meeting resolves to renew the appointment as a member of the Supervisory Board of Mr François THOMAZEAU, who was born on 7 June 1949 in Neuilly-sur-Seine and who has French nationality, electing to reside at 88 rue de Richelieu, 75002 Paris, for a term of three financial years, i.e. until the General Meeting called to vote on the financial statements for the year ending 31 December 2009.

Mr François THOMAZEAU is also General Manager of AGF.

Ninth resolution

Renewal of the appointment of Mr Laurent MIGNON as a member of the Supervisory Board

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, the General Meeting resolves to renew the appointment as a member of the Supervisory Board of Mr Laurent MIGNON, who was born on 29 December 1963 in Paris (16th district) and who has French nationality, electing to reside at 88 rue de Richelieu, 75002 Paris, for a term of three financial years, i.e. until the General Meeting called to vote on the financial statements for the financial year ending 31 December 2009.

Mr Laurent MIGNON is also General Manager of AGF.

Tenth resolution

Renewal of the appointment of Mr Clement BOOTH as a member of the Supervisory Board

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, the General Meeting resolves to renew the appointment as a member of the Supervisory Board of Mr Clement BOOTH, who was born on 16 July 1954 in Kapstadt (South Africa) and who has South African nationality, electing to reside at 27 Leadenhall Street, London EC3A 1AA (UK), for a term of three financial years, i.e. until the General Meeting called to vote on the financial statements for the financial year ending 31 December 2009.

Mr Clement Booth is also a member of the Management Board of Allianz AG.

Resolutions submit to the vote of the General Meeting of 9 May 2007

Eleventh resolution

Renewal of the appointment of Mr Charles de Croisset as a member of the Supervisory Board

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, the General Meeting resolves to renew the appointment as a member of the Supervisory Board of Mr Charles de Croisset, who was born on 28 September 1943 in New York (US) and who has French nationality, residing at 13 Warwick Square, London SW1V 2AB (UK), for a term of three financial years, i.e. until the General Meeting called to vote on the financial statements for the financial year ending 31 December 2009.

Mr Charles de Croisset is also a member of the Board of Directors of various companies, including Bouygues, Renault and Thalès.

Twelfth resolution

Renewal of the appointment of Mr Robert Hudry as a member of the Supervisory Board

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, the General Meeting resolves to renew the appointment as a member of the Supervisory Board of Mr Robert Hudry, who was born on 5 April 1946 in Argentière la Besse (France) and who has French nationality, residing at 53, quai Michelet (Bateau YSE) 92300 Levallois-Perret, for a term of three financial years, i.e. until the General Meeting called to vote on the financial statements for the financial year ending 31 December 2009.

Mr Robert Hudry is also a member of the Board of Directors of AGF.

Thirteenth resolution

Authorisation to be given to the Group Management Board in the context of the company's share buyback programme

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, and having taken cognisance of the Group Management Board's report and the Supervisory Board's observations, and in accordance with Article L.225-209 of the Commercial Code, European Commission Regulation 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of 28 January 2003, and Articles 241-1 to 241-6 of the General Regulations of the AMF (Autorité des Marchés Financiers – France's securities regulator), the General Meeting authorises the Group Management Board to purchase, sell or transfer a number of shares representing no more than 10% of the share capital on the date of this General Meeting, i.e. 4,495,111 shares, under the following terms:

- This authorisation is valid for a maximum period of eighteen months from the date of this General Meeting, i.e. until 8 November 2008, or until it is renewed by an Ordinary General Meeting held before that date; it brings an end to the authorisation given by the Ordinary General Meeting of 22 May 2006 in its eleventh resolution;

- The total amount that the company can allocate to the buyback of its shares during the validity of this authorisation is €149.8 million;

- The maximum purchase price is set at €190 per share, which corresponds to the share price as at 31 December 2006 multiplied by a factor equal to the greatest increase in the share price over any given year since its listing, i.e. 73% in 2003, it being stipulated that in the event of transactions involving the company's capital, in particular the capitalisation of premiums, reserves or profits resulting in an increase in the nominal value of the shares, the issue and allocation of bonus shares, reverse share splits or the division of the nominal value of shares, the Group Management Board shall have full power, as required, to adjust these prices and the number of shares accordingly, and if the shares thus purchased are used to allocate bonus shares in accordance with Article L.443-5 of the Employment Code (Code de Travail), the pecuniary equivalent of the shares allocated shall be determined in accordance with the applicable legal provisions;

- Shares purchased by the company pursuant to this authorisation cannot, under any circumstances, result in it holding more than 10% of the company's share capital;

- These shares may be purchased, sold, transferred or exchanged under the conditions determined by the market authorities and in accordance with the applicable laws and regulations, by any means including by the purchase or sale of blocks of shares (including off-market, over-the-counter, or through derivatives transactions, namely options or warrants, in compliance with applicable regulations) and at the times set by the Group Management Board or the person authorised by the Group Management Board for that purpose;

- Share buybacks are authorised for any of the purposes allowed by the applicable laws, notably to:

(I) boost the market for the shares, namely by improving the share's liquidity via an investment service provider acting independently within the framework of a liquidity contract, in accordance with a code of conduct recognised by the AMF;

(II) allocate shares to employees and/or officers of the company and its subsidiaries in accordance with the terms and conditions specified by law, in particular within the framework of a profit-sharing scheme, share purchase options, the allocation of existing bonus shares or a company savings plan;

(III) buy shares to keep them and subsequently deliver them as payment or in exchange, within the framework of any acquisition transaction, as allowed by the stock market regulations, with the proviso that the number of shares purchased by the company to be kept and subsequently delivered as payment or in exchange within the framework of a merger, demerger or capital contribution shall not exceed 5% of its capital;

Resolutions submit to the vote of the General Meeting of 9 May 2007

(IV) deliver shares in connection with the exercise of rights attached to securities giving access to the company's capital;

(V) cancel these shares subject to approval by this General Meeting in the fourteenth resolution;

(VI) make use of any market practices allowed by the law and the AMF, in which case the company will inform the general public of any changes to its programme and its new objectives, as required by the applicable laws and regulations.

The company may undertake the transactions in (i) to (vi) above during a takeover bid or exchange offer in accordance with the applicable legislation.

In accordance with paragraph 4 of Article L.225-209 of the Commercial Code, the company will inform the AMF every month of the purchases, sales, transfers and cancellations made. This information will be published by the AMF.

In addition, in accordance with Article 12 of the Articles of Association, the Group Management Board will seek the approval of the Supervisory Board for the policy it intends to follow with regard to share buy-backs pursuant to this resolution.

The Group Management Board, which may delegate to its Chairman or, with his approval, to one or more of its members, is granted full powers to give orders on the stock markets or off-market, allocate or re-allocate the shares purchased for various purposes as allowed by the applicable laws and regulations, sign any agreements, notably with a view to keeping registers of share purchases and sales, compile information documents, make declarations to the AMF and any other authorities, and generally do anything that may be necessary.

The Group Management Board shall inform the General Meeting of all transactions carried out pursuant to this authorisation.

Extraordinary resolutions

Fourteenth resolution

Authorisation to be given to the Group Management Board to reduce the share capital by cancelling shares purchased within the framework of the share buyback programme.

Voting in accordance with the majority and quorum requirements applying to extraordinary general meetings, and after taking cognisance of the Group Management Board's report, the Supervisory Board's observations and the independent auditors' special report, and in accordance with Article L.225-209 of the Commercial Code and also in view of the vote on the thirteenth resolution, the General Meeting authorises the Group Management Board to reduce the share capital on one or more occasions over a twenty-four month period from the date of this General Meeting, within a maximum limit of 10% of the share capital, by the cancellation of treasury shares purchased within the framework of the share buyback programmes approved by the company's shareholders prior to or after this General Meeting.

The General Meeting authorises the Group Management Board to charge the difference between the purchase price of the cancelled shares and their nominal value, calculated at the time of cancellation, to the available premiums and reserves.

The General Meeting grants full powers to the Group Management Board, which may sub-delegate, in order to define the terms and conditions of such cancellation or cancellations, amend the Articles of Association if necessary, file all statements and declarations, carry out all other formalities, and generally to do anything that may be necessary.

This authorisation replaces the authorisation given by the Ordinary and Extraordinary General Meeting of 22 May 2006 in its twelfth resolution.

In accordance with Article 12 of the Articles of Association, the transactions decided by the Group Management Board pursuant to this resolution shall require prior authorisation from the Supervisory Board.

Fifteenth resolution

Amendments to be made to the company's Articles of Association as a result of legislative changes

Decree No. 2006-1566 of 11 December 2006 modified Decree No. 67-236 of 23 March 1967 on commercial companies. As a result, for companies whose shares are either fully or partially in bearer form, the procedure requiring proof of the temporary immobilisation of the shares is abandoned in favour of a system based on the record date, i.e. a snapshot of the shareholder structure on the third working day (at midnight) prior to the Meeting. Voting in accordance with the majority and quorum requirements applying to extraordinary general meetings, after taking cognisance of the Group Management Board's report, the General Meeting resolves to amend the current drafting of Article 20 of the Articles of Association.

Paragraph 6 of Article 20 of the Articles of Association was previously drafted as follows:

"Subject to the above provisions, any shareholder has the right, on providing proof of identity, to participate in General Meetings, either by attending in person, returning a postal voting form or appointing a proxy (his spouse or another shareholder), provided that:

- for registered shareholders, their shares are entered in the company's register on their behalf,
- for bearer shareholders, a certificate issued by the custodian is deposited at the address indicated in the meeting notice, stating that the shares have been placed in a non-transferable account until after the Meeting. These formalities must be completed at least five days before the date of the Meeting."

Resolutions submit to the vote of the General Meeting of 9 May 2007

Paragraph 6 of Article 20 of the Articles of Association will now be drafted as follows:

"Subject to the above provisions, any shareholder has the right, on providing proof of identity, to participate in General Meetings, either by attending in person, returning a postal voting form or appointing a proxy (his spouse or another shareholder), provided that the shares are recorded for accounting purposes in the name of the shareholder or that of the custodian on his behalf:

- for registered shareholders, their shares must be entered in the company's register,
- for bearer shareholders, in the bearer share accounts held by the custodian.

These formalities must be completed by the third working day prior to the General Meeting by midnight, Paris time."

Sixteenth resolution (voting as an ordinary meeting)

Powers for formalities

The General Meeting grants full powers to the bearer of an original or copy of, or an excerpt from, the minutes of this Meeting in order to carry out all legal or administrative formalities and make any filings or registrations required by the applicable law.

Description of the share buyback programme submitted to the vote of the General Meeting of 9 May 2007

DESCRIPTION OF THE SHARE BUYBACK PROGRAMME THAT WILL BE SUBMITTED FOR APPROVAL BY THE SHAREHOLDERS AT THE ORDINARY AND EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS ON 9 MAY 2007

I- Number of shares and percentage of capital held directly or indirectly by the issuer and breakdown by objective of the securities held

Euler Hermes directly held a total of 1,404,853 shares at 31 March 2007, corresponding to 3.13% of the capital at that date. Euler Hermes held no shares indirectly.
The breakdown by objective of own shares held was as follows:
- 958,915 shares for allocation to employees or officers of the Company or its subsidiaries in respect of their right to a share in the fruits of the Company's growth, a share purchase option plan, allocation of bonus shares and company savings plan;
- 365,938 shares for use in share exchange arrangements in the context of acquisitions or issues of securities giving access to the Company's capital.
- 80,000 shares held under a liquidity contract concluded with Rotschild & Cie Banque, shares initially allocated to acquisition transactions.

II- Objectives of the programme

Euler Hermes, a company listed on Compartment A of Euronext's Eurolist market (Euronext Paris), wishes to implement a share buyback programme under the authorisation submitted to the shareholders at the Ordinary and Extraordinary General Meeting of 9 May 2007.
This programme will replace the existing programme set in place by the Ordinary and Extraordinary General Meeting of 22 May 2006, which had authorised the Group Management Board of Euler Hermes to acquire its own shares, by any means whatsoever.
These share buybacks will be authorised for any of the purposes allowed by the applicable laws, notably to:
(I) boost the market for the shares, namely by improving the share's liquidity via an investment service provider acting independently within the framework of a liquidity contract, in accordance with a code of conduct recognised by the AMF;

(II) allocate shares to employees and/or officers of the Company and its subsidiaries in accordance with the terms and conditions specified by law, in particular within the framework of a profit-sharing scheme, share purchase options, the allocation of bonus shares or a company savings plan;

(III) buy shares to keep them and subsequently deliver them as payment or in exchange, within the framework of any acquisition transaction, as allowed by the stock market regulations, with the proviso that the number of shares purchased by the Company to be kept and subsequently delivered as payment or in exchange within the framework of a merger, demerger or capital contribution shall not exceed 5% of its capital;

(IV) deliver shares in connection with the exercise of rights attached to securities giving access to the Company's capital;

(V) cancel these shares subject to approval of the fourteenth resolution by the General Meeting of 9 May 2007;

(VI) make use of any market practices allowed by the law and the AMF, in which case the Company will inform the general public of any changes to its programme and its new objectives, as required by the applicable laws and regulations.

The Company may enter into the transactions in (i) to (vi) above during a takeover bid or exchange offer in accordance with the applicable legislation.

III- Maximum percentage of the capital, maximum number and characteristics of securities and maximum purchase price

1- Maximum share of the capital that may be acquired by Euler Hermes

Euler Hermes undertakes, in accordance with the applicable law, not to hold directly or indirectly more than the maximum limit of 10% of its own capital, which by way of indication consisted of 44,951,118 shares at 31 March 2007. At the date of this presentation, Euler Hermes had acquired under the authorisations granted on 7 April 2000, 25 April 2001 and 17 April 2002, a total of 1,779,073 own shares and held 1,404,853 shares corresponding to 3.13% of the capital. Consequently, taking into account the 10% limit and the share capital composed of 44,951,118 shares at 31 March 2007, it would be possible for Euler Hermes to purchase a maximum of 3,090,258 shares, or 6.87% of the capital.

Moreover, the total amount that the Company may allocate to the buy-back of its shares under this buyback programme is ?149.8 million as laid down in the thirteenth resolution submitted to the Ordinary and Extraordinary General Meeting of 9 May 2007.

Description of the share buyback programme submitted to the vote of the General Meeting of 9 May 2007

2- Characteristics of the securities concerned

Type of securities repurchased: ordinary shares
Share ticker: ELE
ISIN Code: FR 0004254035

3- Maximum purchase price

In accordance with the thirteenth resolution submitted to the Ordinary and Extraordinary General Meeting of 9 May 2007, the maximum purchase price is set at ?190 per share, which corresponds to the share price as at 31 December 2006 multiplied by a factor equal to the greatest increase in the share price over any given year since its listing, i.e. 73% in 2003, it being stipulated that in the event of transactions involving the Company's capital, in particular the capitalisation of premiums, reserves or profits resulting in an increase in the nominal value of the shares, the issue and allocation of bonus shares, reverse share splits or the division of the nominal value of shares, the Group Management Board shall have full power, as required, to adjust these prices and the number of shares accordingly, and if the shares thus purchased are used to allocate bonus shares in accordance with Article L.443-5 of the Employment Code (Code de Travail), the pecuniary equivalent of the shares allocated shall be determined in accordance with the applicable legal provisions.

IV- Duration of the programme

In accordance with the resolution submitted to the Ordinary and Extraordinary General Meeting of 9 May 2007, the duration of the programme shall be a maximum period of eighteen months from the date of the said General Meeting, i.e. until 8 November 2008, or until it is renewed by an Ordinary General Meeting held before that date;

V- Transactions carried out under the previous programme:

The Ordinary and Extraordinary General Meeting of shareholders of 22 May 2006 had, in its eleventh resolution, authorised the Group Management Board, which could delegate such authority to its Chairman, to implement a share buyback programme for a period of 18 months. The said programme was implemented as from 23 May 2006, i.e. the day after the Ordinary and Extraordinary General Meeting

I. Transactions carried out under the previous share buyback programme from 22 April 2006 to 31 March 2007

Share of own capital held directly or indirectly at 31 March 2007	3.13% of the capital
Number of shares cancelled over the past 24 months	0
Shares held at 31 March 2007	1,404,853 shares, corresponding to 3.13% of the capital
Book value of own shares held at 31 March 2007	€74,368,473
Market value of own shares held at 31 March 2007 (based on the share price on 30 March 2007, i.e. €105.44)	€148,127,700

II. Issuer's statement of trading in own shares from 22 April 2006 to 31 March 2007

	Gross cumulative transactions		Positions open at 31 March 2007			
Period from 22 April 2006 to 31 March 2007	Bought	Sold	Buy positions		Sell positions	
Number of shares	0	53,068	Call options bought	Forward purchases	Call options sold	Forward sales
Average maximum maturity			None	None	None	None
Average share price (1)	€58.90					
Average strike price (1)	€50.69					
Amount(1)	€3,125,447					

(1) These transactions concerned the exercise of options to purchase the Company's shares (40,837 shares at an average exercise price of €50.69) and shares sold following termination of a liquidity contract (12,231 shares at a price of €86.28)

Company Articles of Association (as at 31 March 2007)

TITLE I

PURPOSE - NAME – HEAD OFFICE - TERM

Article 1 – Form of the Company

The Company is a public limited company [Société Anonyme]. It is governed by existing and future legal and regulatory provisions and in particular by Articles L 225-57 et seq. of the French Commercial Code [Code de Commerce], Articles 96 et seq. of the Decree of 23 March 1967, and by these Articles of Association.

Article 2 – Company name

The Company's name is: **EULER HERMES**

Article 3 – Corporate purpose

The purpose of the Company, directly or indirectly, in France and internationally, is financial services and insurance and especially any activities contributing to companies' management of their accounts receivable, and in this respect, activities regarding credit insurance, factoring and debt collection.

In addition to investments, the Company may take holdings in any companies whose activity relates to this purpose or participate in any operations likely to facilitate its expansion or development.

The Company may acquire any property or assets in any form.

Article 4 - Head office

The Company's head office is located at 1-3-5, rue Euler, 75008 Paris.

It may be transferred to any other location in Paris or in another département by a decision by the Supervisory Board, subject to ratification of this decision by the next General Meeting of the shareholders.

It may be transferred anywhere else pursuant to a decision by an Extraordinary General Meeting.

Article 5 – Term of the Company

Unless an Extraordinary General Meeting decides to dissolve the Company early or extend its term, the Company's term is set at 99 years. It will expire on 27 March 2026.

TITLE II

SHARE CAPITAL - SHARES

Article 6 – Share capital

The Company's capital is set at the amount of € 14,384,357.76 (fourteen million three hundred and eighty-four thousand, three hundred and fifty-seven euros and seventy-six centimes). It is divided into 44,951,118 (forty-four million, nine hundred and fifty-one thousand, one hundred and eighteen) shares, all of the same class.

Article 7 - Form of shares

Shares are held in registered or bearer form at the choice of the shareholder, subject to the particular stipulations prescribed by law and those provided for in paragraph (2) in Article 8 below.

Shares are registered in an account opened by the Company or any authorised intermediary in the name of each shareholder and are held under the conditions and in accordance with the terms provided for by the applicable legal and regulatory provisions.

The Company shall be authorised to use, at any time, the provisions set forth in Articles L 228-2 et seq. of the Commercial Code as regards identifying holders of securities that give their holders the right to vote at its own General Meetings of shareholders immediately or subsequently.

Article 8 – Transfer and sale of shares

The shares may be freely traded and may be sold in accordance with the legal and regulatory conditions in force.

Apart from the legal obligation to inform the Company when certain fractions of the capital are held and to make any consequent declaration of intention, any individual or corporate entity, acting alone or in concert, which comes to hold a number of shares and/or voting rights in the Company greater than or equal to:

(1) 1% of the total number of shares and/or voting rights must, within fifteen days from the date of crossing this threshold, inform the Company of the total number of shares and/or voting rights held, by recorded letter with return receipt (or equivalent means in countries outside France), fax or telex. This declaration must be renewed each time a new 1% threshold is crossed upwards to 50% inclusive and each time a new 1% threshold is crossed downwards to 1% inclusive.

(2) 5% of the total number of shares and/or voting rights must, within fifteen days from the date of crossing this threshold, apply to the Company to have all the shares held in registered form. This obligation for shares to be held in registered form is applicable to all shares already held and to those that have just been acquired taking the shareholder

over the threshold. The request for shares to be registered shall be sent by letter, fax or telex to the Company within fifteen days of crossing the threshold. The declaration due under the preceding point (1) on crossing the threshold that is prescribed in this paragraph shall be the equivalent of a request for shares to be registered.

For the determination of the thresholds prescribed in (1) and (2), shares and/or voting rights held indirectly and shares and/or voting rights equivalent to shares and/or voting rights owned as defined by the provisions of Articles L.233-7 et seq. of the Commercial Code shall also be taken into account.

For each of the above-mentioned disclosures, the declarer must certify that the disclosure made includes all the securities owned or held pursuant to the previous paragraph. He must also specify the date(s) of acquisition.

Investment fund management companies are required to provide this information for all the voting rights attached to shares in the Company held by the funds they manage.

In the event of non-compliance with the obligation to provide the information referred to in (1) above or the obligation to register the shares in (2) above, one or more shareholders owning at least 2% of the capital or voting rights may request that shares exceeding the fraction which should have been disclosed be deprived of voting rights for all shareholders' meetings that are held until the expiry of a period of two years from the date the notification is complied with. The shareholders' application will be recorded in the minutes of the General Meeting and the sanction referred to above will be applied automatically.

Article 9 – Rights and obligations attached to each share

Each share entitles [the holder] to a portion of the ownership of corporate assets and to a share in the profits equal to the proportion of the share capital that it represents. In addition, each share entitles [the holder] to vote and to be represented at General Meetings of the shareholders under legal conditions and those laid down in the Articles of Association.

Whenever it may be necessary to own a certain number of shares in order to exercise a right, shareholders who own fewer shares than the number required may, where applicable, group and, possibly, buy or sell the necessary number of shares or rights.

Shareholders are liable for the Company's debts only up to the par value of their contributions.

All the securities which make up the share capital, now or in the future, shall be completely identical for taxation purposes. As a result, any tax and levy that, for any reason whatsoever, may, due to the redemption of capital, become payable for only some of said securities, either during the Company's life or when it is liquidated, shall be divided among all the securities which make up the capital at the time of this (these) redemption(s), such that, taking into account any nominal value of the securities that has not been amortised, and the respective rights of said securities, all current and future securities shall give their holders the same benefits and shall entitle them to receive the same net amount.

Article 10 – Paying up of shares

Shares must be fully paid up on subscription.

TITLE III

ADMINISTRATION OF THE COMPANY

Supervisory Board

Article 11 - Members - Duties - Payment

The Supervisory Board exercises a permanent control over the Group Management Board's management of the Company. The Supervisory Board has at least three and no more than twelve members who are appointed by Ordinary General Meetings of the shareholders.

The number of members of the Supervisory Board who are 70 years of age or older may not be more than one-third of the members in office. If this limit is exceeded, the oldest member must automatically resign.

If the Supervisory Board considers it useful, it may, when so proposed by its Chairman, appoint non-voting members of the Board (censors), for a term that it chooses. These non-voting members may be individuals or legal entities and may but need not be shareholders. The Board determines the responsibilities and terms and conditions of their remuneration. This remuneration is taken from the annual amount for Supervisory Board members' fees allocated to the Supervisory Board by the Ordinary General Meeting.

These non-voting members may be called to and may attend and participate in all Supervisory Board meetings but with a right of discussion only.

The Supervisory Board elects a Chairman and a Vice-Chairman from among its members. The Chairman, and in his absence the Vice-Chairman, is responsible for convening Board meetings and chairing its deliberations.

Members of the Supervisory Board must own at least five shares during their term of office. However, this provision shall not apply to shareholders who are employees and who are appointed members of the Supervisory Board pursuant to Article L 225-71 of the Commercial Code.

Company Articles of Association (as at 31 March 2007)

Subject to special provisions to be made for first appointments so as to comply with the [requirement for the] regular replacement of its members, Supervisory Board members serve a three-year term.

Supervisory Board members may always be re-elected.

The membership of the Supervisory Board is partly changed every year at the Annual Ordinary General Meeting of the shareholders, depending on the number of members in office, such that changes are made as regularly as possible and so that all members have changed by the end of every three-year period.

In the event of a vacant position, following the death or resignation of one or more members of the Supervisory Board, a provisional replacement may be elected by the remaining members, with the appointment being subject to ratification by the next Ordinary General Meeting of the shareholders.

The members of the Supervisory Board may receive remuneration in the form of Supervisory Board members' fees, the amount of which is fixed by the Ordinary General Meeting of the shareholders, and exceptional remuneration under the conditions provided for by law.

The Supervisory Board allocates the amount of these fees freely between its members.

In addition, the Chairman and the Vice-Chairman may receive special remuneration, the amount of which is set by the Supervisory Board.

Article 12 - Powers

The Supervisory Board continuously monitors the company's management by the Group Management Board and gives this Board the prior authorisations required under the law or the Articles of Association.

The Supervisory Board appoints the members of the Group Management Board, decides on their number, and appoints their Chairman, and General Managers where appropriate. It also sets their remuneration.

It may recommend that the Ordinary General Meeting remove one or more members of the Group Management Board from office.

Throughout the year, the Supervisory Board makes the checks and controls it considers appropriate and can publish any documents that it considers useful for the completion of its mission.

At least once a quarter, the Group Management Board presents a report to the Supervisory Board.

The Group Management Board must present the annual financial statements to the Supervisory Board for verification and control purposes within three months of the year-end, and must submit its recommendations for allocation of the year's income to the Supervisory Board for its prior approval. The Supervisory Board presents to the General Meeting of shareholders its observations on the Group Management Board's report and on the annual financial statements.

The Supervisory Board can call shareholders' meetings and set the agenda.

The Supervisory Board can decide to create committees and it sets their composition and attributes. Their activity is exercised under the Board's responsibility, without the said attributes being a delegation of the powers attributed to the Supervisory Board by law or the Articles of Association, nor having the effect of reducing or limiting the powers of the Group Management Board.

In addition, the following decisions of the Group Management Board are subject to prior authorisation from the Supervisory Board:

- the sale of property and the total or partial sale of shareholdings and the constitution of sureties on company assets;

- direct transactions or equity holdings that might significantly affect the group's strategy and materially modify its financial structure or scope of activity;

- the issue of securities, of any kind, that may result in a modification of the registered capital;

- transactions aimed at granting or contracting any borrowings or loans, credits or advances, constituting sureties, guarantees, deposits or bonding.

The Supervisory Board authorises the Group Management Board to carry out the above transactions within the limits of an amount it shall set for each such transaction. Where a transaction exceeds the specified amount, the approval of the Supervisory Board is required in each case.

Article 13 - Agreements

Agreements entered into directly or by an intermediary between the Company and one of the members of the Supervisory Board or the Group Management Board, a shareholder with a fraction of voting rights exceeding 5% or, if it is another company that is a shareholder, the company controlling it within the meaning of Article L 233-3 of the Commercial Code, must be subject to the prior approval of the Supervisory Board.

This shall also be the case for agreements in which one of the individuals or entities referred to in the foregoing paragraph is indirectly involved.

Agreements between the Company and [another] company, if one of the members of the Company's Group Management Board or

Company Articles of Association (as at 31 March 2007)

Supervisory Board is the owner, partner with unlimited liability, manager, director, member of the supervisory board or, generally, an executive within this other company, shall also be subject to prior approval.

The party involved shall inform the Chairman of the Supervisory Board of agreements on day-to-day matters and entered into under arm's length conditions. The Chairman shall send a list of and the subject of such agreements to the members of the Supervisory Board and to the independent auditors.

Article 14 - Supervisory Board meetings

Meetings are convened by any means, even verbally.

However, the Chairman of the Supervisory Board must convene a meeting of the Board on a date which may not be more than fifteen days after the date on which a member of the Group Management Board or at least one third of the members of the Supervisory Board submit a request to him for a meeting to be convened. If the request has not been followed up, the authors of the request may convene a meeting themselves, indicating the agenda.

Any member of the Supervisory Board may appoint another member to represent him. Each member may only hold one proxy.

Decisions are taken under the conditions as regards quorum and majority provided for by law. In the event of a tie, the Chairman of the meeting shall have the casting vote.

Members of the Supervisory Board who attend the meeting by videoconferencing means, the nature and conditions of application of which have been specified in a decree issued by the Conseil d'Etat, France's highest administrative court, are deemed to be present in the calculation of the quorum and the majority.

However, the provisions in the foregoing paragraph do not apply to the adoption of the decisions provided for in Articles L 225-59 (appointment of members of management boards), L 225-61 (removal from office of members of management boards) and L 225-81 (appointment of chairmen and vice-chairmen of supervisory boards) of the Commercial Code.

Members of Management may attend Board meetings in an advisory capacity, on the Chairman's initiative.

An attendance register is kept and minutes of meetings are drawn up in accordance with the law.

Group Management Board

Article 15 - Members – Duties - Payment

The Company is run by a Group Management Board made up of at least two and no more than six members, who may but need not be shareholders, appointed by the Supervisory Board.

If the Company's shares are listed for trading on a regulated market, the number of members of the Group Management Board may be increased, if so decided by the Supervisory Board, to no more than six.

Members of the Group Management Board must be individuals under the age of 65, effective from the completion of the nearest General Meeting of shareholders. However, when a member of the Group Management Board reaches this age, the Supervisory Board can, on one or more occasions, extend his functions for a total term that may not exceed three years.

A member of the Supervisory Board cannot be a member of the Group Management Board.

The Group Management Board is appointed for a period of three years and its members may be re-appointed. They can be removed from office by the Supervisory Board or by the General Meeting of shareholders on the recommendation of the Supervisory Board.

The Supervisory Board sets the method and amount of remuneration for each of the members of the Group Management Board when they are appointed.

Article 16 - Chairman – General Managers – Representation

The Supervisory Board appoints one of the members of the Group Management Board as Chairman.

The Chairman exercises his functions for the period of his office as a member of the Group Management Board.

He represents the company in its relations with third parties.

The Supervisory Board can grant the same power of representation to one or more other members of the Group Management Board who then bear the title of General Manager.

Agreements concerning the company and any commitments undertaken in its name are signed by the Chairman of the Group Management Board, or by any member of the Group Management Board who has been appointed General Manager by the Supervisory Board or by any representative especially empowered for this purpose.

Article 17 - Powers

The Group Management Board is vested with the most extensive powers to act in all circumstances in the name of the company. It exercises these powers within limits defined by the corporate purpose, subject to those expressly allocated to the Supervisory Board and General Meetings by the law and the Articles of Association.

The Group Management Board can vest one or more of its members or any outside person with special assignments that it decides upon, which may be permanent or temporary, and can delegate to them the powers that it considers appropriate for one or more particular cases, with or without the option of sub delegation.

The Group Management Board can set up committees. It decides on their composition and attributes, and they carry out their activity under its responsibility, but it cannot delegate its powers.

Article 18 - Group Management Board meetings

The Group Management Board meets as often as required in the interests of the Company. Meetings are convened by the Chairman of the Group Management Board, or, if he is unable to act, by at least two members of the Board.

The meetings are held either at the registered office, or at some other place specified in the notice of the meeting.

Meetings are convened by any means, even verbally.

Group Management Board meetings are chaired by the Chairman, or, failing this, by a member chosen by the Group Management Board at the start of the meeting.

Any member of the Group Management Board may appoint another member to represent him. Each member may hold only one proxy.

For its decisions to be valid, the number of members of the Group Management Board present must be at least equal to half the members in office.

Decisions are taken by a majority of members present or represented.

In the event of a tie, the Chairman shall have the casting vote.

Group Management Board meetings are reported in minutes registered in a special register and signed by the Chairman of the meeting and at least one member of the Group Management Board.

Copies or excerpts from the minutes may be certified [as true copies] by the Chairman of the Group Management Board or by any of its members.

TITLE IV

INDEPENDENT AUDITORS

Article 19

Ordinary General Meetings appoint at least two independent auditors for six financial years. Their terms of office end at the close of the Ordinary General Meeting called to approve the financial statements for the sixth financial year. They may be re-elected.

Ordinary General Meetings must also appoint at least two alternate independent auditors, who will be called on to replace the independent auditors in the event of said auditors' refusal, inability to act, resignation or death.

When they are appointed, or, where applicable, when their term of office is renewed, the independent auditors must be under 65 years of age.

The independent auditors are vested with the supervisory powers and shall perform their assignment within the scope of the legal provisions in force.

Their fees shall be set by law or, failing this, by Ordinary General Meetings.

TITLE V

GENERAL MEETINGS OF SHAREHOLDERS

Article 20

General Meetings of shareholders are convened and take place under legally prescribed conditions.

The meetings are held either at the registered office, or at some other place specified in the notice of the meeting.

Ordinary General Meetings include all shareholders who hold at least one share under the conditions set forth below. Extraordinary General Meetings include all shareholders who hold at least one share under the conditions set forth below. Special General Meetings include all shareholders of a class of shares who own at least one share of the class concerned under the conditions set forth below.

Two members of the Works Council, appointed by said Council and one of whom belongs to the category of executive employees, technicians and supervisory staff and the other to the category of clerical staff and workers or, where applicable, the individuals referred to in the third and fourth paragraphs of Article L 432-6 of the French Employment Code [Code du travail], may attend General Meetings.

Company Articles of Association (as at 31 March 2007)

In respect of amounts called but not paid on shares, such shares do not give right of admission to shareholders' meetings and are deducted for purposes of the quorum calculation.

Subject to the aforementioned, every shareholder is entitled, on proof of identity, to participate in General Meetings, either by attending in person, by returning a postal voting form, or by appointing a proxy, who may be his spouse or another shareholder, provided that:

- for registered shareholders: their shares are entered in the Company's register;

- for bearer shareholders: a certificate issued by the custodian is deposited at the address indicated in the meeting notice, stating that the shares have been placed in a non-transferable account until the date of the General Meeting.

These formalities must be completed at least five days before the date of the General Meeting.

General Meetings are chaired by the Chairman of the Supervisory Board or, in his absence, by the Vice Chairman or a member of the Supervisory Board specially delegated by the Supervisory Board for this purpose. Failing this, the General Meeting appoints its own Chairman.

The duties of teller are performed by the two members of the General Meeting who have the greatest number of votes who accept this role.

The officers of the General Meeting appoint the secretary who may be chosen from outside the shareholders.

Every member of the General Meeting is entitled to as many votes as the number of shares he owns or represents.

The voting right belongs to the beneficial owner in all General Meetings of shareholders.

Ordinary General Meetings meet validly only if, when they are convened for the first time, the shareholders present, represented or having voted by post own at least one quarter of the shares having a voting right. When such meeting is convened for the second time, no quorum s required.

Extraordinary General Meetings meet validly only if the shareholders present, represented or having voted by post own at least one third of the shares having a voting right when the meeting is convened for the first time, and one quarter when it is convened for the second time.

Special General Meetings meet validly only if the shareholders present, represented or having voted by post own at least half of the shares having a voting right when the meeting is convened for the first time, and one quarter when it is convened for the second time.

Ordinary General Meetings decide by a majority of the votes held by the shareholders present, represented or having voted by post.

Extraordinary General Meetings and Special General Meetings decide by a majority of two-thirds of the votes held by the shareholders present, represented or having voted by post.

Shareholders who attend General Meetings by videoconferencing or by means of telecommunication allowing them to be identified, the nature and conditions of application of which have been specified in a decree issued by the Conseil d'Etat, are deemed to be present in the calculation of the quorum and the majority.

Minutes of General Meetings are drawn up and copies thereof certified and issued in accordance with the law.

TITLE VI

CORPORATE FINANCIAL STATEMENTS

Article 21

Each financial year covers twelve months, commencing on 1st January and terminating on 31 December.

The income statement summarises the income and expenditure for the year. The difference between them, after deductions for amortisation, depreciation and provisions, shows the income or loss for the year.

From the income for the year, less any losses from previous years, at least 5% is transferred to the legal reserve, as required by law. This deduction ceases to be obligatory when the reserve reaches one-tenth of the capital stock. It becomes obligatory again when, for any reason, the reserve falls below one-tenth.

The distributable income is made up of the income for the year, less any losses from previous years and the sums transferred to reserves as required by law or the Articles of Association, plus retained earnings.

After the accounts have been approved and the existence of distributable income ascertained, the Ordinary General Meeting resolves to allocate the distributable income to one or more reserve accounts, the application or use of which is regulated by the General Meeting, to carry it forward or to distribute it.

The Ordinary General Meeting may decide to distribute sums from the reserves available to it, expressly indicating the reserve accounts from which the deductions are made. However, dividends are deducted first from the distributable income for the year.

Apart from the instance of capital reduction, no distribution can be made to shareholders if the shareholders' equity is, or would as a result, become less than the amount of the capital plus the reserves that the law or the Articles of Association do not allow to be distributed. A revaluation reserve may not be distributed but it can be capitalised, in whole or in part.

The methods for paying dividends voted by the Ordinary General Meeting are fixed by the Meeting or, failing that, by the Group Management Board. Dividends must be paid within the period set by law.

When a balance sheet drawn up during or at the end of the year and certified by the auditors shows that the Company has, since the end of the previous year, after the constitution of the necessary amortisation, depreciation and other provisions, after deduction of previous losses if any, and sums taken to reserves pursuant to the law or the Articles of Association and including retained earnings, produced an income, an interim dividend or dividends can be paid before approval of the financial statements.

The amount of the interim dividend(s) cannot exceed the total income as defined above.

The Ordinary General Meeting is entitled to grant each shareholder, for some or all of the dividend or interim dividend(s) to be distributed, an option between payment of the dividend or interim dividend(s) in cash or in Company shares.

TITLE VII

DISSOLUTION - LIQUIDATION

Article 22

When the Company is dissolved, one or several liquidators is appointed by a General Meeting under the conditions as regards quorum and majority laid down for Ordinary General Meetings.
The liquidator represents the Company. He is vested with the broadest powers to realise assets, even by private arrangement. He is authorised to pay creditors and to allocate the available balance.

A General Meeting of the shareholders may authorise him to continue business in progress or to enter into new business activities for the requirements of the liquidation.

The net assets remaining after the refund of the par value of the shares are distributed between all the shareholders in the same proportions as their share of the capital.

TITLE VIII

DISPUTES

Article 23

All disputes that may arise on corporate matters during the Company's life or during liquidation between the shareholders, the members of the Group Management Board or the Supervisory Board and the Company or between the shareholders themselves shall be referred to the Commercial Court [Tribunal de Commerce] in the place of the Company's head office

Cross references to the reference document

Information specifically referred to:
In compliance with Article 28 of Commission Regulation (EC) no. 809/2004, the following information is specifically referred to in the reference document:
- the company and consolidated financial statements, together with the related reports of the independent auditors, as shown on pages 58 to 128, and the Group Management Board report as shown on pages 5 to 45 of the reference document for the year ended 31 December 2004, which was filed with the AMF on 12 April 2005 under reference no. D.05-404;
- the company and consolidated financial statements, together with the related reports of the independent auditors, as shown on pages 55 to 128, and the Group Management Board report as shown on pages 5 to 41 of the reference document for the year ended 31 December 2003, which was filed with the AMF on 8 April 2004 under reference no. D.04-0436.

The other sections of these documents are either not applicable to investors or are covered in another section of the reference document for the year ended 31 December 2006.
In order to facilitate the reading of this reference document, which has been filed with the Autorité des Marchés Financiers (AMF), the following cross-reference table enables identification of the main information required by the AMF in application of its general regulations and application instructions.

Cross references to the reference document

Glossary

Share: a share is a title instrument. It confers certain rights: pecuniary rights, rights to information, voting rights and rights over the assets.

Credit limit: response given by Euler Hermes to a request made by a policyholder to cover all or part of the trade exposure on one of its clients.

Credit insurance: Credit insurance: a technique by which a company protects itself against the risks of non-payment of its trade receivables.

Capital increase: when a company needs funds, it may make a capital increase. It offers the opportunity, notably to existing shareholders, to subscribe to new shares at a given price.

Earnings per share: this is calculated as the consolidated net income divided by the number of shares comprising the share capital (less any treasury shares).

Market capitalisation: this represents a company's stock market value. It is calculated by multiplying the share price by the number of shares comprising the share capital.

Cash pooling: this is the centralised management at a single point of all the bank accounts of all the companies in a group. Its goal is to optimise cash requirements and surpluses. It may be operated at domestic or international level and may be notional or involve an actual transfer of funds.

Broker: an independent intermediary who canvasses companies in order to offer them a credit insurance policy or factoring agreement. He advises the policyholder when the policy or agreement is put in place and in its day-to-day administration.

Sustainable development: launched in 1987 by the Brundtland Commission of the United Nations, this concept is based on the precept that we should "meet the needs of the present without compromising the ability of future generations to meet their own needs". When applied to a company, a sustainable development policy assumes the simultaneous pursuit of three objectives: economic growth, preservation of the environment and social well-being.

Dividend: the portion of a company's earnings that is attributable to the shareholder. A distinction is made between the net dividend, i.e. the amount actually paid by the company to the shareholder, and the gross dividend, which also includes the tax credit.

Permanent difference: difference between the accounting rules and the tax rules that has no impact on the subsequent year's taxable profit.

Timing difference: difference between the accounting rules and the tax rules that has an impact on the subsequent year's taxable profit.

Dilution: impact of an event that reduces earnings per share (e.g. an increase in the number of shares).

Shareholders' equity: total assets owned by a company less all its liabilities.

Trade receivables management: the suite of services offered to a company covering the collection of receivables after the service is invoiced to the debtor up to the litigation phase, where applicable.

Integrated group: a group that owns an exclusive network of subsidiaries that pool their resources and skills to offer uniform service quality and local management.

IAS (International Accounting Standard)/IFRS (International Financial Reporting Standard): IAS/IFRS correspond to all the accounting standards drawn up by the IASB up to 2002 .

IASB (International Accounting Standards Board): the IASB is a private body that was founded in 1973 by the accounting institutes of nine countries. Its main objectives are to establish internationally acceptable accounting standards, to promote their use and, more generally, to work towards the international harmonisation of accounting practices and presentation of accounts. The IASB comprises 14 independent members.

Index: an instrument used to measure and compare the performance of shares or bonds.

Indemnification: reimbursement by Euler Hermes of losses incurred by a policyholder due to the insolvency of one or more of its own clients subject to any prior guarantee.

Proprietary information: information prepared by group companies and which is owned exclusively by Euler Hermes. It is a measure of the service quality offered to its clients.

Insolvency: legally recognised incapacity of the debtor to meet his commitments and thus to pay his debts.

Solvency margin: regulatory amount to be constituted, in addition to technical reserves, to ensure that commitments towards the group's clients are met.

Cox-Ross-Rubinstein (CRR) Model: a simplified version of the binomial model. The model represents a basic financial market, which is simplistic to say the least, in which the instantaneous yields on risky assets are, at all times, at values in the same two point interval.

Bond: A bond is a negotiable debt security that represents a portion of a borrowing issued by a company, a public sector entity or the State. The bondholder will be reimbursed ahead of the shareholders in the event that the issuer becomes bankrupt. In exchange, the bondholder is not entitled to any of the corporate rights attached to the shares (rights to earnings and rights to management of the company via voting rights).

Glossary

PER: the Price Earnings Ratio is the ratio of the share price to earnings per share. It is also referred to as the capitalisation multiple.

Policy: credit insurance contract between Euler Hermes and the policyholder.

Premium: amount paid by the policyholder to his insurer in exchange for risk coverage. A distinction is made between:
- the written premium: the amount invoiced during the period for coverage against the risks stipulated in the policy, and
- the earned premium: the portion of the premium written during the period or earlier corresponding to the coverage of risks during the period concerned.

Issue premium: in the context of a capital increase, the issue premium is the difference between the subscription value (company valuation) and the nominal value of the capital. The issue premium forms part of a company's shareholders' equity

Merger premium: this premium is equal to the difference between the capital increase of the absorbing company and the contribution of the acquired company.

Tax reconciliation: explanation of the items making up the difference between the theoretical tax charge calculated using the parent company's tax rate and the actual tax charge recognised in the income statement.

Prevention: process by which the policyholder can, by using the information provided by Euler Hermes on the creditworthiness of its clients, select its clients and thus reduce its own losses.

Technical reserves: amount of an insurer's commitments towards its clients. They appear as liabilities in the balance sheet.

Expense ratio: overheads as a proportion of premiums.

Loss ratio: amount of indemnifications as a proportion of premiums.

Combined ratio: sum of the expense ratio and the loss ratio.

Reinsurance: an operation by which an insurer obtains cover from a third party (the reinsurer) for part of the risks that it has guaranteed, in exchange for the payment of a premium.

Collection: extra-judicial and/or judicial procedure conducted by Euler Hermes to secure payment of a receivable from the debtor.

Risk: object of the insurance, probability of a claim occurring.

SAR (Stock Appreciation Rights): these are the financial equivalent of stock subscription option plans (see Stock option definition).

Loss: situation in which a risk is realised and which entitles the policyholder to indemnification, thus triggering application of the indemnification provided for in the credit insurance policy.

Stock option: stock options are options to purchase or subscribe to shares at a given price that are generally allocated to a company's managers in order to give them a direct interest in increasing the company's value.

Interest rate swap: the principle of an interest rate swap is to compare a variable interest rate with a guaranteed interest rate and for the two parties to pay each other the interest rate differentials without exchanging nominal amounts.

RSU (Restricted Stock Units): these are the financial equivalent of free stock option plans.

Net book value: this represents the company's net assets, i.e. total assets less all liabilities. It can also be considered as representing the company's wealth. It can be calculated for the parent company (company net book value) or for the entire group of companies (consolidated net book value).

SUBSEQUENT CHECKS
This reference document was filed with the Autorités des Marchés Financiers (AMF) in accordance with Article 212-13 of its General Regulations. It may be used in support of a financial transaction if it is supplemented by a Transaction Memorandum certified by the AMF.
Copies of this Reference Document are available free of charge from Euler Hermes, 1 rue Euler, 75008 Paris (France).

Design and Production: PUBLICOR – : Publisher: Euler Hermes Communications Department