Reference document 2007

Euler Hermes: Business insured. Success ensured.

EULER HERMES

A company of Allianz

Contents

Profil

Euler Hermes' strategy focuses on strengthening its leadership in credit insurance and trade receivables management.

The group's operations span fifty countries, with a 36%* market share in credit insurance. Its growth is based notably on:

- developing a network that enables it to analyse the financial health of 40 million businesses worldwide and gives it access to unparalleled information, in terms of both volume and quality;
- developing credit insurance policies adapted to the specific needs of businesses of all sizes, from small and medium-sized businesses to multinational groups;
- its financial strength, illustrated by an AA- rating from Standard & Poor's;
- its position as part of the Allianz group.

As well as credit insurance, Euler Hermes offers a full range of trade receivables management services that includes credit ratings and debt collection.

** Source ICISA, Euler Hermes*

€2,099 million consolidated turnover in 2007

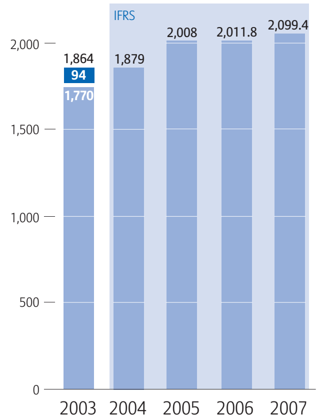
67.9% net combined ratio in 2007

6,004 employees worldwide

AA- Standard & Poor's rating (July 2007)

€800 billion of business transactions insured

Key figures



Consolidated turnover

In € million

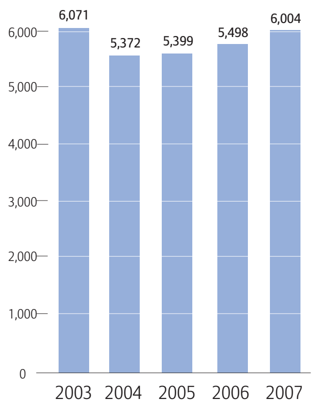
- Factoring
- Credit insurance

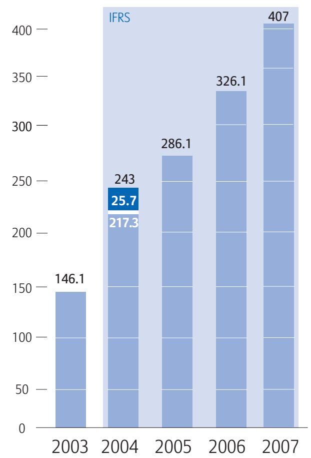
Euler Hermes recorded a 4.4% increase (5.6% at constant scope and exchange rates) in turnover in 2007. This was achieved thanks to dynamic growth of 5.3% in business transactions in its traditional markets and robust demand for credit insurance in emerging markets.
Turnover in emerging markets grew by 9.4%.

Workforce

At 31 December 2007

The 9.2% increase in the workforce in 2007 to 6,004 employees is due mainly to the group's international growth.
A multi-cultural international group, Euler Hermes integrates its staff around shared values while respecting local cultural differences.





Consolidated net income

In € million

- Post-tax contribution from activities sold
- Earnings excluding activities sold

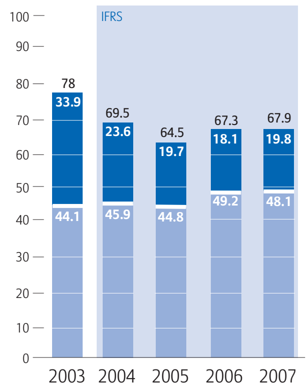
The positive trend in the combined ratio (67.9%) together with strong investment income contributed to the substantial 24.8% increase in net income, group share.

1893	1917	1918	1927	1929	1989	1992	1996	1998
ACI founded in the United States	Creation of Hermes Kreditver-sicherung in Germany	Trade Indemnity founded in the United Kingdom	Creation of SFAC in France and SIAC in Italy	COBAC founded in Belgium	Formation of the holding company Cie Financière SFAC. Creation of the Royal Nederlanske Kredietverzekering in the Netherlands	First co-operation agreement between SFAC and Hermes	AGF acquires majority in shareholding in Cie Financière SFAC, then re-named Euler. Allianz acquires majority shareholding of Hermes	Allianz acquires the majority shareholding in AGF

Key figures

Net combined ratio

As a % of earned premiums, net of reinsurance



■ Expense ratio

■ Loss ratio

The net combined ratio remained at a good level in 2007 (67.9%), in line with that of the previous year (67.3%). Both components of the combined ratio, i.e. the loss ratio and the expense ratio, performed reasonably in 2007, with a one point improvement in the loss ratio to 48.1% and a slight deterioration in the expense ratio, which rose from 18.1% to 19.8%.

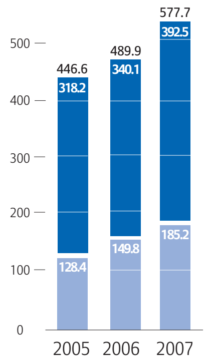
Operating income

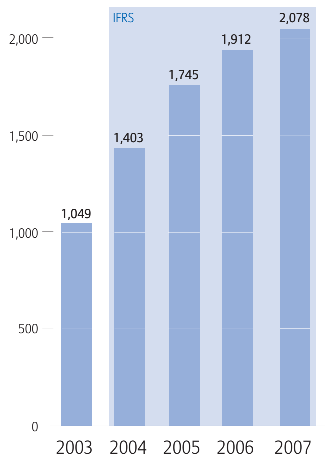
In € million

■ Operating income before net investment income

■ Net investment income

The growth in operating income (17.9% in 2007) was far higher than that of turnover (4.4%). This very strong increase is largely due to the long-term policy implemented in recent years of gradually reducing the assignment of premiums to reinsurers. In 2007, the assignment rate was reduced by another 6.6%. Net premiums therefore increased by 14.2% and the technical result by 15.4%.





Consolidated shareholders' equity

In € million

Shareholders' equity increased by 8.7% to €2,077.9 million in 2007. Return on equity reached 20.6%, higher than the group's medium-term target.

1999	2000	2002	2003	2004	2005	2006	2007
International cooperation agreement between Euler and Hermes	Euler listed on the Paris stock exchange	Euler acquires Hermes	The group and all its subsidiaries adopt the name Euler Hermes	Sales of the 49.09% stake in Eurofactor to Crédit Agricole. Further global expansion, in Finland, Greece, Portugal and Morocco	Further international expansion, in Russia, India, the Baltic States and Turkey	Further international expansion, in Ireland, Australia, New Zealand, Argentina and UAE	New operations in Argentina and Dubai, partnerships with ICIC in Israel and BOCI in China, and the acquisition of debt collection agencies UMA in the United States and R2C in Ireland.

Simplified organisation

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, MD — 100%

3 Mexico
Euler Hermes Seguros 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 company

Euler Hermes SFAC SA
Paris, France — 100%

9 Greece
Euler Hermes Emporiki
Athens — 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
PD's-Hertogenbosch — 100%

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

Simplified organisation

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 2007

CONTENTS

Review of 2007

2007 was a fourth consecutive year of strong growth

Global economic growth proved stronger than expected in 2007, prolonging the phase of strong growth begun in 2003 (and revised upward), with 3.8% growth in real GDP after average annual growth of 3.6% over the four previous years. The US economy, the main support of global GDP (accounting for 29% at current exchange rates), managed to stand firm despite the property market crisis (growth of 2.2%). Growth in the Japanese economy remained close to its potential despite weak domestic demand. The other developed economies experienced merely a moderation in growth, including the euro zone countries despite appreciation of the euro, while some came close to the trend in the United Kingdom, which recorded yet another acceleration in GDP growth. Lastly, growth remained generally robust in emerging countries, fuelled by exports and growing domestic demand. Emerging countries again increased their contribution to global growth (55% in 2007). However, these performances, expressed in annual averages, should not mask the reality. The global economy was heading for a slowdown before the summer of 2007, partly in the wake of the monetary tightening since 2005, notably in the United States (+450bp) and the euro zone (+200bp). Growth in developed countries had dropped back to 2% on an annualised basis in the first two quarters of 2007 before rebounding briefly in the third quarter. The sharp slowdown experienced in the United States in the fourth quarter and the consequences of the US sub-prime mortgage crisis did more than confirm the scenario of a soft landing for the world economy, they also increased the likelihood of a more brutal scenario.

2008, from uncertainty to apprehension

A lasting deterioration in US economic conditions and the difficulties currently being experienced by the banks are the two most probable factors of risk for the global economy. The first would have an adverse impact on the real economy worldwide and would increase the risk of further dollar weakening. The second raises the threat of a generalised credit crunch affecting both households and businesses, and of further turmoil in the financial markets. Other risks, such as rising inflation and high commodity prices (notably oil), should not be ignored either. However, the responsiveness of the Federal Reserve and the US government's economic stimulation plan are likely to help achieve a gradual rebound in the US economy after a significant dip in the first half of 2008. The central banks will probably manage to limit the tightening in credit conditions. Inflationary pressure, partly linked to energy prices, should moderate thanks to the commodity prices regulation. Global economic growth would thus escape a catastrophe but it would nonetheless slow significantly, losing nearly 1 percentage point of growth and dropping back to a growth rate near to 3%. Several support factors can also be expected to come into play such as the firm trend in corporate earnings and employment in developed countries in 2007, growing domestic demand in emerging countries and the strong increase in the foreign currency reserves of commodity exporting countries and Asian countries, which have fed the sovereign funds that could help relaunch the financial system.

Trend in corporate failures

Against this backdrop of slowing - although finally more vigorous than expected - economic growth in 2007, corporate failures increased slightly, rising 5% but without returning to the levels reached in 2005 and previous years. However, these global figures mask contrasting situations. GDP growth slowed sharply in the United States (from 2.9% in 2006 to 2.2% in 2007) and corporate failures increased sharply, partly due to legislative change enacted at the end of 2005. Trends were not homogenous in Western Europe, with economic growth slowing in large European countries (the drivers of the euro zone economy) such as Germany, France and Italy while the United Kingdom, Spain, Netherlands and, above all, Ireland, continued to post remarkable performances. Corporate failures continued to decline in Germany, after four very difficult years (2002 to 2005). The number dropped spectacularly in the United Kingdom whereas corporate failures increased fairly significantly in France (up 5%). Asia recorded the most spectacular economic growth, with 11.5% in China and 8.5% in India. The corporate failure rate is still low in these countries, but it seems clear that such growth can only result in increasingly numerous corporate failures and late payments in the future. Such strong economic momentum results in the creation and rapid growth of a large number of businesses whose management does not necessarily match their founder's entrepreneurial capacity.
Given the slower growth forecast for 2008, we expect corporate failures to increase in many countries, with a global increase of 5% for the year.

Corporate failures of more than €100 million in 2007 (list established at end October)

Table of the largest business failures in 2007 as at end October 2007, identified by Euler Hermes' subsidiaries in the following countries: United States, Canada, Japan, Germany, France, Italy, Spain, Netherlands, Belgium, Finland, United Kingdom, Sweden, Denmark, Norway, Switzerland and Poland.

Review of 2007

Rank	Country	Companies	Last turnover in millions of euros	Sector
1	Japan	Azabu Tatemono K.K.	3,486	Real-estate activities
2	USA	Movie Gallery Inc	2,017	Motion picture, radio, television and other entertainment activities
3	USA	New Century Financial	1,939	Real-estate activities
4	France	groupe LERO	1,078	Sale, maintenance and repair of motor vehicles and motorcycles; retailing sale of automotive fuel
5	UK	Betonsports Plc	1,059	Other community, social and personal service activities
6	France	SARL M.S ENTERPRISE LTD	983	Wholesaling (computers)
7	UK	Dixon Motor Holdings Limited	885	Sale, maintenance and repair of motorcycles and related parts and accessories
8	Germany	Schieder Möbelwerke GmbH	880	Manuf. of furniture
9	USA	Bally Total Fitness Holding Corp	840	Human health activities
10	USA	American Home Mortgage Investment Corp	829	Real-estate activities
11	Japan	Shikomu K.K.	677	Inland water transport
12	UK	Wildtower Limited	656	Restaurants, bars and canteens
13	USA	Tweeter Home Entertainment Group	615	Non-specialized retailing trade in stores
14	UK	Metronet Rail BCV Limited	500	Transport via railways
15	Japan	SSC K.K.	486	Real-estate activities
16	UK	Computer Component Marketing Plc	484	Wholesaling of household goods
17	Japan	Credia Co., Ltd.	467	Financial intermediation
18	USA	Citation Corp	462	Manuf. of basic iron and steel
19	Germany	ISE Industries und ISE Innomotive Systems Europe	450	Manuf. of parts and accessories for motor vehicles and their engines
20	UK	HM Oldco Limited (Burtons Foods Group Limited)	433	Manuf. of other food products
21	USA	Bombay Company Inc	426	Non-specialized retailing trade in stores
22	Spain	Primayor Foods SL	413	Wholesaling of agricultural raw materials, live animals, food, beverages and tobacco
23	USA	ASC Inc	397	Manuf. of parts and accessories for motor vehicles and their engines
24	Japan	K.K. Daiei	393	Sporting and other recreational activities
25	Japan	Mirai Group Co., Ltd.	370	Construction
26	Germany	Wiemer & Trachte	320	Building of complete constructions or parts thereof; civil engineering
27	UK	Beltpacker Plc	318	Retailing
28	France	groupe SMOBY	316	Manufacture of toys
29	Spain	Vitelcom mobile technology S.A	312	Manuf. of television and radio receivers, sound or video recording or reproducing apparatus, and associated goods
30	UK	Global Telecoms Distribution Plc	279	Telecommunications
31	UK	Mice Group Plc	271	Manuf. of other food products
32	UK	AC Realisations (2007) Limited (Adams Childrenswear Ltd)	266	Retailing
33	UK	Homeform Group Limited	264	Manuf. of furniture
34	Spain	Delphi Automotive Systems España SL	259	Manuf. of parts and accessories for motor vehicles and their engines
35	Italie	WEGA - SOCIETA' PER AZIONI	250	Wholesaling
36	France	groupe TOURY	250	Manuf. of dairy products
37	France	ESSENTIAL TRADING	244	Textile (commerce)
38	France	groupe Euralcom France (Lajous Industrie, Fabris, Brea)	242	Manuf. of basic metals
39	Japan	Sobu Toshi Kaihatsu K.K.	238	Sporting and other recreational activities
40	Japan	Iyo Shoji Corporation	235	Wholesaling of non-agricultural intermediate products, waste and scrap
41	Japan	Tochi Kogyo K.K.	198	Renting of other machinery and equipment
42	Japan	K.K. Mirufiyu	196	Sporting and other recreational activities
43	France	NEXIA FROID	193	Transport
44	Switzerland	WTN Group AG in Liquidation	150	Other community, social and personal service activities
45	Germany	BBS Kraftfahrzeugtechnik AG	141	Manuf. of parts and accessories for motor vehicles and their engines
46	Poland	INTERNATIONAL INVESTMENT TRADE SERVICE SP Z O O	137	Business services
47	Germany	Erich Rohde KG	130	Manuf. of footwear
48	France	NYLSTAR	125	Wholesaling of chemical products
49	France	SERPIE	125	Commerce (VPC)
50	Germany	Bohlen & Doyen Bau und Service GmbH	120	Building of complete constructions or parts thereof; civil engineering
51	France	OUTIROR	112	Wholesaling
52	Spain	Incoporc, Sociedad Agraria de Transformación 1516	106	Wholesaling of agricultural raw materials, live animals, food, beverages and tobacco
53	Germany	Anubis Electronic GmbH	100	Manuf. of office, accounting and computing machinery

Euler Hermes' strategy

Euler Hermes' strategy focuses on developing its core credit insurance business which is structured around four major axes:

A - Very strong leadership in the European market

Europe, including Eastern Europe, is Euler Hermes' main market. Euler Hermes is the market leader in most European countries and remains on the lookout for any opportunity to consolidate its position in the European market. To this end, in 2006 the group acquired Allianz's credit insurance activity in Ireland and, in 2007, raised its stake in the Portuguese market leader COSEC to 50%.

Euler Hermes' profitability in its core market enables itself to invest in new sources of growth outside Europe, in line with its clients' growing needs and in regions with the most dynamic economic growth.

B - Significant new sources of growth, notably in North America and in emerging markets

The main source of new growth outside Europe is North America, where Euler Hermes is still recording growth of more than 10% a year and continues to add to its geographic coverage and sales network.

At the same time, the group continued to expand into new markets in 2007:

- in Asia-Pacific, Euler Hermes strengthened its operations in China and India, launched an activity in Indonesia and integrated Lumley Trade Credit's credit insurance activities in Australia and New Zealand, acquired in 2006;
- it strengthened its position in Russia;
- in the Middle East, it acquired one third of the capital of ICIC, the Israeli market leader, developed its activities in Turkey and started up an activity in Dubai in partnership with Allianz;
- in Latin America, it launched operations in Argentina and Colombia.

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 is now used by all subsidiaries (except for a few small entities).

Each group company is responsible for underwriting decisions for its own account in its geographical area of competence and for arbitrating underwriting requests from sister companies relating to credit risk in its area of regional competence.

Also, the sharing of Best Practices throughout the group provides essential support for increasing productivity at all subsidiaries. In this respect, since 2006, Euler Hermes has been harmonising debt collection methods at global level in order to extend local best practices throughout the group.

A similar move was taken for the reinsurance activity in 2007 designed to achieve the migration of all reinsurance agreements to a shared platform by the end of 2008. This project will enable operational and accounting processes between the various group entities and reinsurers to be automated.

Euler Hermes has also launched a project to harmonise accounting software throughout the group by rolling out SAP at all its main operational entities. At end-2007, four of its seven largest subsidiaries had completed the migration to a shared platform. The remaining three entities will complete their migration by the end of June 2009.

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 times, 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.

These efforts continued in 2007 with the launch of an agency dedicated exclusively to international businesses. This new structure will begin operating with around 40 staff at the beginning of 2008 and will be promoted under the "Euler Hermes World Agency" name.

Euler Hermes will allocate resources to enhance its services activities, notably in the areas of debt collection and information.

Key events of the period

The following significant events occurred in 2007:

Changes in the share capital and in share ownership

The Shareholders' General Meeting of 9 May 2007 decided to distribute a dividend of €4.00 per share. At 31 December 2007, AGF owned 30,744,048 shares out of a total of 45,052,513 shares, corresponding to 68.24% of the share capital of Euler Hermes.
During 2007, 101,395 new shares were created by the exercise of options under the 1998, 2003, 2004 and 2005 stock option plans. At 31 December 2007, Euler Hermes' share capital was composed of 45,052,513 shares, including 1,369,746 treasury shares.
In addition, the group's parent company AGF was acquired by the Allianz group via a simplified mixed offer. At 31 December 2007, the German group Allianz owned 100% of the capital and voting rights of AGF.

Ongoing international expansion

On 23 January 2007, the group's US subsidiary Euler Hermes ACI acquired United Mercantile Agencies (UMA), one of the leading trade debt collection and receivables management companies in the US. The company has changed its name to Euler Hermes UMA.
At the end of the first quarter of 2007, Euler Hermes acquired a third of the capital of Israel's leading credit insurance company, Israel Credit Insurance Company Limited (ICIC), based in Tel Aviv. At the same time, Euler Hermes concluded a partnership agreement with the other two ICIC shareholders, which each own one third of the capital.
On 20 April 2007, Euler Hermes strengthened its position in Portugal by raising its shareholding in COSEC from 41% to 50% of the capital.
During the second quarter of 2007, Euler Hermes formed a subsidiary in Dubai in association with a local partner, Alliance Insurance. Alliance Insurance is one of the leading insurance companies in the United Arab Emirates.
On 2 August 2007, Euler Hermes rounded off the acquisition of Allianz's credit insurance activities in Ireland by acquiring the assets of Resolve2Collect (R2C), a Dublin-based debt collection company.
On 25 September 2007, Euler Hermes signed a credit insurance co-operation agreement with Allianz Utama, Allianz's Indonesian subsidiary. Indonesian clients will have direct access to the global risks database, to the debt collection network and will be able to benefit from the group's reinsurance capacity for this activity.
On 10 December 2007, Euler Hermes concluded a co-operation agreement with Bank of China Insurance Company Limited (BOCI). Following this agreement, corporate customers of BOCI's parent company Bank of China (BOC) will have easy access to financing solutions by taking out an insurance contract with BOCI, the group's insurance company. Euler Hermes will provide reinsurance services to BOCI. A second phase will extend the benefits of this co-operation programme to Euler Hermes' international clients.

A higher retention rate

The premium retention rate is the ratio of premiums after reinsurance to premiums before reinsurance. This rate rose from 67% in 2006 to 73.5% at end-December 2007. Earned premiums net of reinsurance increased by 14.2% year on year, of which 10.1% is attributable to the higher retention rate.

Movements in capital with no impact on the consolidation scope

The 1,150,000 shares increase in the capital of Euler Hermes Reinsurance AG was entirely subscribed by the parent company, Euler Hermes SA.
The 13,335,000 shares increase in the capital of Euler Hermes Seguro de Credito was entirely subscribed by the holding company, Euler Hermes ACI Holding.

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 2007.
The most significant move included the transfer to Euler Hermes UK of the holding in the UK insurance company Euler Hermes Guarantee Plc, previously majority owned by the German subsidiary Euler Hermes Kreditversicherung AG. This transaction was followed by the acquisition of further Euler Hermes Guarantee Plc shares, bringing Euler Hermes UK's share of the capital to 98.72%.
Sale by Euler Hermes Rating Gmbh to Euler Hermes Kreditversicherungs AG of its shares in Euler Hermes Forderungsmanagement.
Euler Hermes Gesellschaft für Informations Dienstleistungen Gmbh, Euler Hermes Gesellschaft für Finanzdienstleistungen Gmbh, Hermes Risk Management Hamb and Euler Hermes Risk Management Gmbh were merged within Euler Hermes Forderungsmanagement.

Key events of the period

After acquiring the remaining shares in Interborg to take its holding to 100%, Euler Hermes Kreditversicherungs-AG sold its entire holding in Euler Hermes Interborg to Euler Hermes Kredietverzekering N .V.

Euler Hermes Credit Insurance Belgium sold its shares in Euler Hermes Cescob to Euler Hermes Kreditversicherungs-AG.

Change in the tax rate applicable in Germany

A tax reform was introduced on July 6th, 2007 with effect from 1 January 2008. This reform reduces the tax rate by 8 percentage points (from 40.38% to 32.38%).

EH Kreditversicherungs-AG recorded a positive impact in the deferred tax in the liabilities of €44 million at the end of the 3rd quarter of 2007.

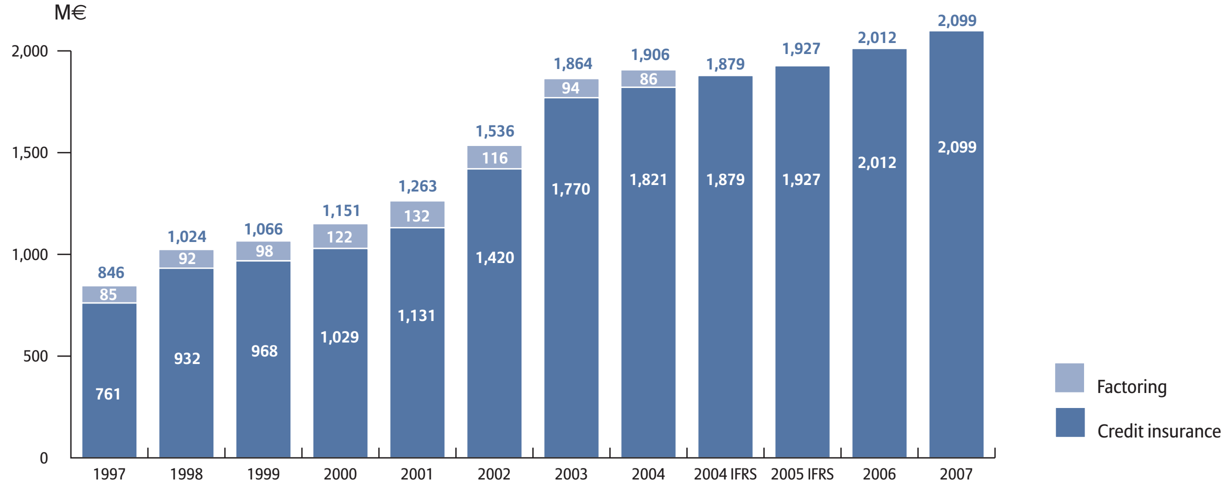
Business activity

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 expenses claims for the year. Turnover in 2007 came to €2,099.1m, up by 4.4% compared with turnover for 2006 (€2,011.8m).

After taking into account changes in the consolidation scope and in exchange rates, turnover increased by 5.6%.

Consolidated turnover

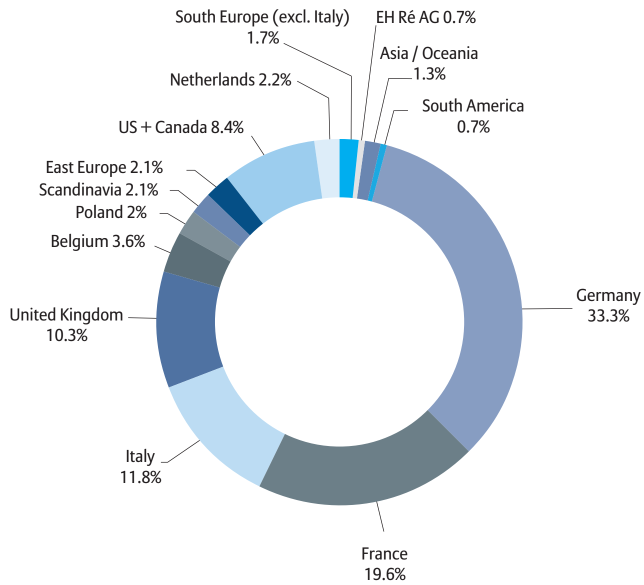
CAGR 1997-2007: 9,5%



Historical data up to 2004, pro forma figures for 2005.

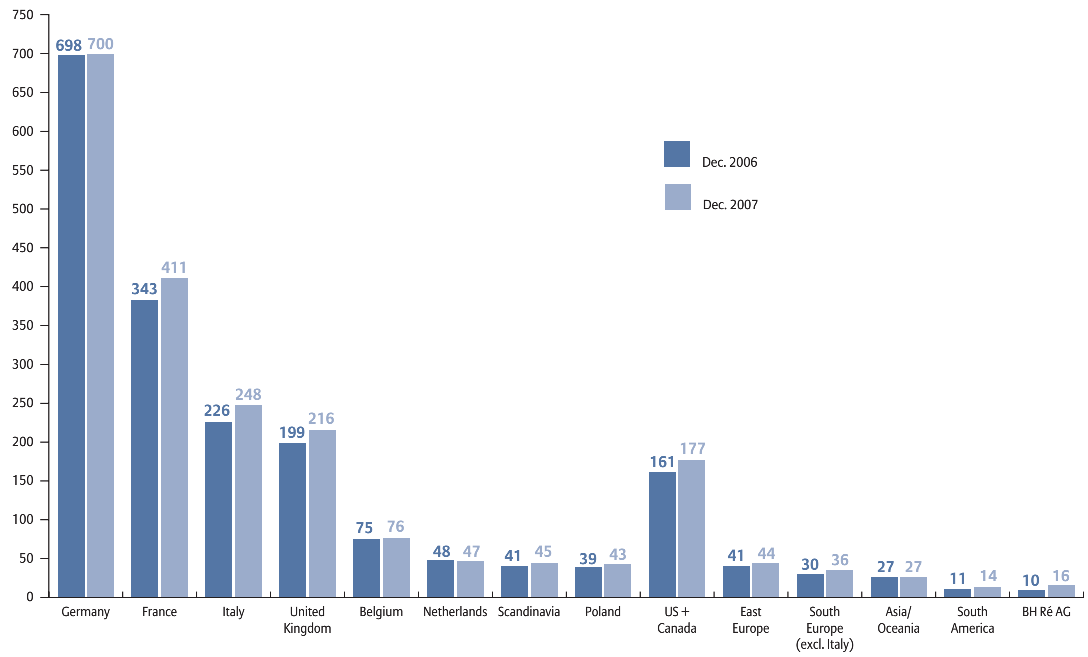
The growth in turnover in 2007 reflected a sales momentum differentiated by geographic zone and type of activity.

Analysis of turnover by country



Business activity

Turnover



The chart above uses 2006 turnover after adjustment for changes in consolidation scope and exchange rates and after excluding accountancy adjustments.
Growth in turnover in 2007 was in line with that recorded in 2006.
With the exception of Germany, the euro zone's contribution to turnover increased by 6.9%, exceeding the economic growth rate.
Germany's flat contribution to turnover is attributable mainly to the strong pressure on premiums on renewal of contracts in 2007, resulting from the exceptionally low claims rate over the past three years.
Business in the UK increased by 7.8% (8.6% excluding the currency effect) in a highly competitive market after declining for several years. The very good performance is explained by very dynamic new production and reduced pressure on premiums rate.
The US contribution to turnover continued on a positive trend with 6.4% growth, (11.4% excluding the currency effect) in a market where Euler Hermes continues to invest significantly in its sales force.
Lastly, momentum remained strong in new markets with growth of 6.4% (9.4% after adjusting for changes in the consolidation scope and exchange rates).

Breakdown of turnover between premiums and service activities

(in million of euros)	Dec 2007 YTD	Dec 2006 YTD	Variation in amount	Variation in %
Premium	1,726.7	1,658.8	67.9	4.1%
Other Revenues	372.7	353.0	19.7	5.6%
Total Credit insurance turnover	**2,099.4**	**2,011.8**	**87.6**	**4.4%**

Premiums grew at a slower pace than overall turnover, which was boosted by growth in service revenues. Service revenues increased by 5.6% and benefited from the acquisition of United Mercantile Agencies (UMA), one of the leading trade receivables debt collection and management companies in the United States.

Net income, group share

The definition of the various ratios has changed since 2006 as the result of the reclassification under earned premiums of refunds granted to policy holders, previously booked to insurance service expenses claims for the year. The loss ratio is defined as the cost of claims relative to earned premiums after deduction of policy holder refunds. The expense ratio is defined as the sum of the contract acquisition expenses, administration expenses, other underwriting incomes and 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 4.1% to €1,726.7 million.
The outward reinsurance rate continued to decrease, down by 6.6 percentage points in 2007 as the result of Euler Hermes' strategy of increasing retention.

(In thousand of euros)	2007	2006	Variation %
Gross earned premiums	1,726,703	1,658,775	4.1%
Ceded premiums	(458,243)	(548,509)	-16.5%
Net earned premiums	1,268,460	1,110,266	14.2%
Cession rate	**-26.5%**	**-33.1%**	

Net earned premiums increased by 14.2%, of which 10.1 points resulted directly from the higher retention rate.

Cost of claims

(In thousand of euros)	2007	2006	Variation %
Gross claims costs	(754,063)	(692,668)	8.9%
Ceded claims costs	144,207	146,674	-1.7%
Net claim costs	**(609,856)**	(545,994)	11.7%
Gross Claims ratio	**43.7%**	**41.8%**	
Net Claims ratio	**48.1%**	**49.2%**	

The gross cost of claims increased by 8.9% in 2007, i.e. by €61 million. This situation is mainly explained by the sharp fall in liquidation surpluses on prior years (down by 26.8% or €62 million), which was partly offset by a slight fall in claims costs for the year (by €0.6 million).
Claims ceded to reinsurers decreased by 1.7% (€2.5 million), reflecting the higher retention rate for the year - a negative impact of €24.5 million - partly offset by reduced quota share cession of prior year liquidation surpluses (€22 million).
Consequently, 2007 featured a sharp rise in the net cost of claims, up by 11.7%, i.e. €64 million more than in 2006.
The loss ratio after reinsurance came to 48.1%, down by 1.1 points relative to 2006.

Cost of claims for the current attachement year

(In thousand of euros)	2007	2006	Variation %
Gross claims costs current attachment year	(923,920)	(924,665)	-0.1%
Ceded claims costs current attachment year	196,380	220,865	-11.1%
Net claim costs current attachment year	**(727,540)**	**(703,800)**	**3.4%**
Cession rate current attachement year	**21%**	**24%**	

Net income, group share

Like in 2006, Euler Hermes benefited in 2007 from the favourable trend in claims for the year. Claims fell by 0.1% compared with a 4.1% increase in earned premiums, thanks in particular to the low level of claims in mainland Europe.

The claims cession rate decreased by 3 points due to the increase in retention. The smaller increase in the claims retention rate relative to the premium retention rate (6.6 points) is largely explained by geographic factors such as the decrease in claims for the year concerned countries with high retention rates.

After taking reinsurance into account, the cost of claims for the year increased by 3.4% relative to 2006, i.e. 10.8 points less than growth in net premiums

Liquidation surpluses

(In thousand of euros)	2007	2006	Variation %
Gross claims costs previous attachment year	169,857	231,997	-26.8%
Ceded claims costs previous attachment year	(52,173)	(74,190)	-29.7%
Net claims costs previous attachement year	**117,684**	**157,806**	**-25.4%**

Prior year gross liquidation surpluses decreased by 26.8% compared with 2006. This decrease is explained by the development of 2006 loss curves in 2007 closer to those estimated at the end of 2006. The ratio of gross liquidation surpluses to gross premiums was 9.8% compared with 14% at end-2006.

Liquidation surpluses ceded in 2007 decreased by 29.7% due to the overall increase in the retention rate since 2002. At constant cession rates, liquidation surpluses would have come to €54 million in 2007 compared with their actual level of €52 million.

(In thousand of euros)	2007	2006	Variation %
Net claim costs current attachment year	(727,540)	(703,800)	3.4%
Net claims costs previous attachment year	117,684	157,806	-25.4%
Net claims costs	**(609,856)**	**(545,994)**	**11.7%**

The general increase in retention in recent years and reduced prior year gross liquidation surpluses are the main reasons for the 11.7% increase in net cost of claims. However, the net cost of claims grew at a lower pace than earned premiums (14.2%), resulting in an improvement in the net loss ratio, which dropped from 49.2% to 48.1%.

Operating expenses

Growth in operating expenses remained in line with growth in gross premiums. The gross cost ratio remained virtually stable.

Reinsurance commissions on proportional assignment fell by 14.6% while ceded premiums decreased by 16.5%. 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.

However, controlled growth in gross expenses and better reinsurance terms only partly offset the loss of commissions linked to increasing the retention rate. Net operating expenses therefore rose by 25.2%, pushing up the net expense ratio to 19.9% in 2007 compared with 18.1% the previous year.

Net income, group share

(In thousand of euros)	2007	2006	Variation %
Contract acquisition expenses	(302,514)	(284,027)	6.5%
Administration expenses (recurrent items)	(214,270)	(193,879)	10.5%
Other ordinary income and charges	(290,930)	(290,470)	0.2%
Service fees	372,745	353,045	5.6%
Gross operating charges	**(434,969)**	**(415,331)**	**4.7%**
Reinsurance commission	182,925	214,093	-14.6%
Net operating expenses	**(252,044)**	**(201,238)**	**25.2%**
Gross operating expenses ratio	-25.2%	-25.0%	
Net operating expenses ratio	-19.9%	-18.1%	

Ordinary operating income before financial income

Ordinary operating income before financial income increased by 15.4% to €392.5 million. This increase, higher than that of net premiums, is explained by slower growth in the cost of claims, partly offset by the higher growth in net operating expenses.

(In thousand of euros)	2007	2006	Variation %
Net earned premium	1,268,460	1,110,266	14.2%
Net claims costs	(609,856)	(545,994)	11.7%
Net operating expenses	(252,044)	(201,238)	25.2%
Other non techincal charges	(14,030)	(22,924)	-38.8%
Ordinary Operating income excluding financial income	**392,530**	**340,110**	**15.4%**
Combined ratio	**-67.9%**	**-67.3%**	

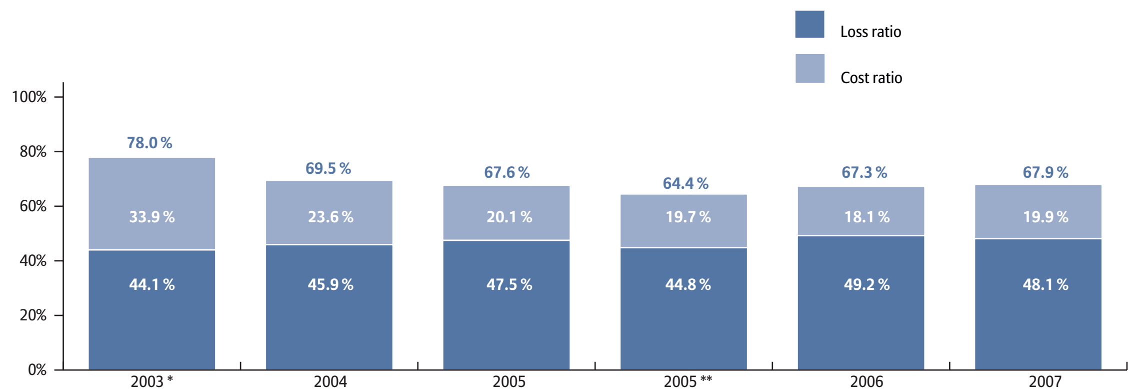
Net combined ratio

The net combined ratio after reinsurance came to 67.9% for 2007, up by 0.6 point compared with 2006.
This increase reflects the following:

- The slight decrease in the loss ratio despite reduced liquidation surpluses.
- Higher operating expenses.
- Lower reinsurance commissions resulting from the increased retention rate.

Net combined ratio after reinsurance

in % of net earned premium



* historical datas

** new definition (rebates deducted from premium, non technical expense excluded).

Net income, group share

Financial market trends

2007 can be divided into two phases. The first half, during which the stock markets were boosted by very good company earnings in both the United States and Europe and a record level of mergers and acquisitions (4,500 billion dollars, up 24% over 2006). By the end of June, the Euro Stoxx index had posted a gain of 9%. This performance was achieved despite ongoing monetary tightening by the European Central Bank (ECB), with interest rates up from 3.5% to 4%.

However, starting in July investors began to sell on a large scale, concerned by the possible scope of the US property market crisis and its unforeseen consequences on the credit markets.

The stock market fall was nonetheless halted by the response of the central banks and notably of the Federal Reserve, which took action on 18 August. These movements and the significant inflow of capital from Asia and oil producing countries enabled the main markets to stabilise and even to post gains. At the end of the year, although the CAC index was up by only 1.31%, the US Dow Jones was up by 6.4% and the Frankfurt-based DAX index was up by 22.3%.

Between September and December 2007, the Federal Reserve implemented three successive rate cuts, bringing its FED funds rate from 5.25% to 4.25%. In contrast, the European Central Bank left its interest intervention rate unchanged at 4%.

The fall in interest rates and investors' flight to quality resulted in a rally in the US bond market, where yields at the end of the year stood at 4.07% compared with 4.70% on 1st January. In the euro zone, in France yields rose by 45 basis points to 4.43% compared with 3.98% at the beginning of the year.

Against the background of this crisis, the dollar failed to play its role as a refuge currency in the foreign exchange markets. The euro therefore appreciated by 10.6% over the year.

Commodity prices continued to rise pushed up by strong demand from emerging countries and indications of inflationary pressures appeared. Oil ended the year at $96 per barrel, up by 58% during the year. The price of gold rose by 32% during the year and agricultural commodity prices increased strongly.

Financial income

Against this background, financial income rose to €185.2 million, up by 23.6% relative to 2006.

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

Given the strong rally in the equity markets in the first part of 2007, the group decided to make disposals in order to maintain the group's exposure to the equity markets at less than 15% of the investment portfolio, i.e. 12.2% of the portfolio including cash. These disposals generated significant gains. Gains on disposals amounted to €78.6 million in 2007 compared with €52.6 million in 2006.

(In thousand of euros)	2007	2006	variation %
Income from investment property	**7,460**	**9,626**	**-22.5%**
Income from securities-Bonds	72,186	66,680	8.3%
Income from securities-equities	10,112	10,225	-1.1%
Income from securities	**82,298**	**76,905**	**7.0%**
Other financial income	**35,203**	**30,130**	**16.8%**
Investments income	**124,961**	**116,661**	**7.1%**
Investment expenses	(12,330)	(16,784)	-26.5%
Net gains and losses on sales of investments less impairment and amortisation	**72,528**	**49,925**	**45.3%**
Net financial income (excluding financing expense)	**185,159**	**149,802**	**23.6%**

At end-December 2007, the market value of the group's investment portfolio was €3,119.5 million, 3.5% more than at 31 December 2006. Including cash, investments came to €3,497.6 million at end-December 2007 compared with €3,349.0 million at end December 2006. The €148.6 million increase is attributable to market gains for €50.3 million and to a net increase in investments for the remainder.

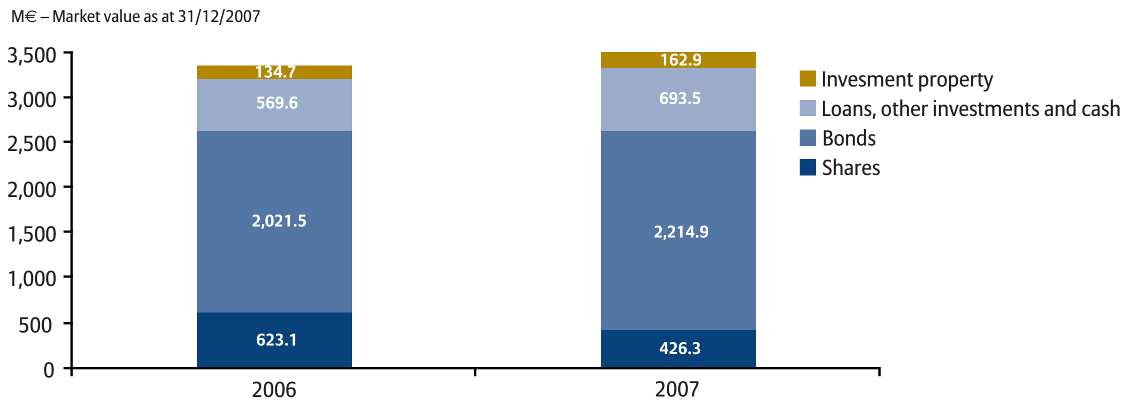
Despite the capital gains realised (€78.6 million), unrealised capital gains and revaluation reserves fell only slightly, down €22.2 million (i.e. 9.5%) to €210.9 million, corresponding to 6.0% of the investment portfolio.

The economic performance net of investment portfolio expense for 2007 came to 5.3%.

Net income, group share

(In thousand of euros)	2007					2006				
	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:	297,844	128,498	426,342	426,342	-	443,806	179,341	623,147	623,147	-
- Bonds:	2,209,150	5,749	2,214,899	2,214,884	(15)	2,013,811	7,568	2,021,379	2,021,534	155
- Loans and other investments:	315,349	-	315,349	315,349	-	234,652	-	234,652	234,652	-
Total financial investments	**2,822,343**	**134,247**	**2,956,590**	**2,956,575**	**(15)**	**2,692,269**	**186,909**	**2,879,178**	**2,879,333**	**155**
Build third party use			**86,247**	**162,931**	**76,684**			**88,654**	**134,724**	**46,070**
Cash			378,103	378,103	-			334,964	334,964	-
Total			**3,420,940**	**3,497,609**	**76,669**			**3,302,796**	**3,349,021**	**46,225**

Investment portofolio



Ordinary operating income

After including net financial income, ordinary operating income from the credit insurance business amounted to € **577.7** million in 2007 compared with €**489.9** million in 2006.

(In thousand of euros)	Dec 2007 YTD	Dec 2006 YTD	Variation %
Technical result	392,530	340,110	15.4%
Financial income net of expenses	185,159	149,802	23.6%
Ordinary operating income	**577,689**	**489,911**	**17.9%**

Net income, group share

Net income, group share increased by 24.8% relative to 2006.

(In thousand of euros)	Dec 2007 YTD	Dec 2006 YTD	Variation %
Ordinary operating income	**577,689**	**489,911**	**17.9%**
Financing expenses	(12,918)	(11,489)	12.4%
Income from companies accounted for by equity method	8,277	8,547	-3.2%
Corporation tax	(162,085)	(156,734)	3.4%
Minority interest	(4,006)	(4,181)	-4.2%
Consolidated net income	**406,958**	**326,054**	**24.8%**

Performance of the 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

This segment comprises the direct insurance and reinsurance activities carried out by the German companies in their home market and through foreign branches located in Asia, the Baltic countries and Switzerland.

(In thousand of euros)	2007	2006	Variation %
Earned premiums	635,239	627,293	1.3%
Premium-related revenues	170,263	168,713	0.9%
Turnover	**805,502**	**796,006**	**1.2%**
Net financial income	87,257	49,158	77.5%
Total revenues from ordinary activities	**892,759**	**845,164**	**5.6%**
Insurance services expense	(229,159)	(207,513)	10.4%
Reinsurance and retrocession expense	(93,869)	(92,841)	1.1%
Other expenses	(332,752)	(315,284)	5.5%
Total other expenses	**(655,780)**	**(615,638)**	**6.5%**
Ordinary operating income	**236,979**	**229,526**	**3.2%**
Net combined ratio	44.1%	36.8%	

At 1.2% in 2007, growth in turnover at the German subsidiaries remained slower than for the rest of the group. The low turnover growth reflects strong pressure on premiums on contract renewal in 2007 due to the exceptional low claims ratio over the past three years.
Insurance service expense increased by 10.4% in 2007 even though earned premiums increased by only 1.3% relative to 2006. This increase resulted from opposing trends: a sharp fall in liquidation surpluses relating to prior years which was only barely offset by a slight fall in claims for the year, which remained at an historically low level for the second consecutive year.
The policy of increasing the retention rate implemented since 2002 and improved reinsurance terms and conditions enabled the group to maintain the share of underwriting income assigned to reinsurers at almost the same level as in 2006 (up 1.1%, i.e. smaller than the 1.3% increase in earned premiums).
Operating expense rose by 5.5% relative to the previous year. This increase was linked mainly to exceptional items arising from the reorganisation of the sales organisation and financing of early retirement schemes, and to accelerated depreciation of the head office in Hamburg. Excluding exceptional elements, operating expense remained virtually stable thanks to tight cost control and a slight reduction in staff numbers.

The rise in the net combined ratio is due primarily to the significant reduction in liquidation surpluses relating to prior years and to higher operating expense.
Operating income nonetheless remained stable at €237.0 million thanks to a significant increase in financial income (77.5%) resulting mainly from disposals of equity interests within the group.
Excluding the proceeds from these disposals, operating profit was down slightly but nonetheless enabled Germany to confirm its position as the largest contributor to group operating income.

Performance of the group's main geographic segments

France

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

In thousand of euros	2007	2006	Variation %
Earned premiums	337,412	325,428	3.7%
Premium-related revenues	79,586	76,535	4.0%
Turnover	**416,998**	**401,963**	**3.7%**
Net financial income	66,569	69,657	-4.4%
Total revenues from ordinary activities	**483,567**	**471,620**	**2.5%**
Insurance services expense	(132,653)	(179,851)	-26.2%
Reinsurance and retrocession expense	(13,376)	(4,766)	180.7%
Other expenses	(153,751)	(154,988)	-0.8%
Total other expenses	**(299,780)**	**(339,605)**	**-11.7%**
Ordinary operating income	**183,787**	**132,015**	**39.2%**
Net combined ratio	52.9%	73.3%	

France posted an excellent performance with a 39.2% increase in ordinary operating income.
Turnover grew by 3.7% thanks to a good level of new production and growth in our clients' business.
The loss ratio fell by 17 points relative to 2006 as the result of lower claims for the year and notably the absence of any large claims.
Net financial income was down slightly due to a loss recorded on bond investments.
Tight cost control resulted in a 0.8% decrease in operating expense.
As a result, the net combined ratio improved significantly.

Italy

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

In thousand of euros	2007	2006	Variation %
Earned premiums	207,369	186,535	11.2%
Premium-related revenues	46,110	45,918	0.4%
Turnover	**253,479**	**232,453**	**9.0%**
Net financial income	15,561	11,774	32.2%
Total revenues from ordinary activities	**269,040**	**244,227**	**10.2%**
Insurance services expense	(108,006)	(97,125)	11.2%
Reinsurance and retrocession expense	(16,785)	(15,379)	9.1%
Other expenses	(106,495)	(103,543)	2.9%
Total other expenses	**(231,286)**	**(216,047)**	**7.1%**
Ordinary operating income	**37,754**	**28,180**	**34.0%**
Net combined ratio	81.9%	84.5%	

Turnover growth was sustained in Italy, up by 9.0% relative to 2006 thanks mainly to an 11.2% increase in earned premiums.
Premium-related service revenues remained relatively flat, however, as the result of strong competitive pressures on this type of service.
Both the frequency and average amount of claims increased, pushing up insurance services expense. This increase nonetheless remained in line with the growth in earned premiums.
Operating expense remained under control, notably in view of the increase in turnover.
Accordingly, the combined ratio improved significantly despite the deterioration in the loss ratio.

Performance of the group's main geographic segments

The strong growth in ordinary operating income also reflected a 32.2% increase in financial income resulting mainly from the disposal of equity interests within the group. Ordinary operating income therefore increased by 34.0% relative to 2006.

United Kingdom

This segment comprises all the activities carried out by group companies located in the United Kingdom.
Turnover in the UK grew by 7.7% in 2007.

In thousand of euros	2007	2006	Variation %
Earned premiums	202,986	186,907	8.6%
Premium-related revenues	23,293	23,118	0.8%
Turnover	**226,279**	**210,025**	**7.7%**
Net financial income	23,923	10,126	136.3%
Total revenues from ordinary activities	**250,202**	**220,151**	**13.7%**
Insurance services expense	(80,753)	(48,956)	65.0%
Reinsurance and retrocession expense	(20,543)	(26,109)	-21.3%
Other expenses	(97,848)	(87,151)	12.3%
Total other expenses	**(199,144)**	**(162,216)**	**22.8%**
Ordinary operating income	**51,058**	**57,935**	**-11.9%**
Net combined ratio	77.8%	54.8%	

This growth resulted from an increase in premiums due to reduced pressure on premium rates and strong new production.
Premium related services posted low growth as the result of the transfer of the Dubai services activities to the German subsidiary and a decrease in revenues from debt collection activities.
Insurance services expense increased significantly given the exceptionally low level of claims in 2006.
The increase in insurance services expense and the deterioration in other income and expense (exceptional income of €8 million in 2006) contributed to the deterioration in the net combined ratio.

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.

In thousand of euros	2007	2006	Variation %
Earned premiums	160,767	160,107	0.4%
Premium-related revenues	31,680	20,647	53.4%
Turnover	**192,447**	**180,754**	**6.5%**
Net financial income	14,471	7,651	89.1%
Total revenues from ordinary activities	**206,918**	**188,405**	**9.8%**
Insurance services expense	(82,063)	(62,053)	32.2%
Reinsurance and retrocession expense	(8,730)	(19,671)	-55.6%
Other expenses	(71,289)	(64,447)	10.6%
Total other expenses	**(162,082)**	**(146,171)**	**10.9%**
Ordinary operating income	**44,836**	**42,234**	**6.2%**
Net combined ratio	62.9%	60.0%	

Earned premiums grew by 0.4% (6.6% at constant exchange rates) thanks to the particularly strong new production achieved since the second half of 2006.

Performance of the group's main geographic segments

The 53.4% increase in premium-related services came partly from growth in sales of information outside the group and partly from the acquisition during the year of UMA, a debt collection company which generated turnover of $9.1 million (€6.6 million) for the year.
Financial income was up by 89.1% thanks to the combined effects of high returns on investments and a significant increase in gains on disposals.
The strong rise in the cost of claims was linked to the deterioration in the current loss ratio and a drop in prior year liquidation surpluses.
Operating income increased by 6.2% even though the dollar depreciated by 8.4% over the year.

Belgium

This segment comprises the activities of the Belgian subsidiaries.
Turnover generated in Belgium increased by 3.1% thanks to a 3.0% increase in premiums, and a 3.6% rise in service revenues thanks to growth in information sales.
The increase in insurance expense was due to a slight deterioration in the loss ratio for the "Retail" activity and a decrease in liquidation surpluses for the year.

In thousand of euros	2007	2006	Variation %
Earned premiums	64,931	63,056	3.0%
Premium-related revenues	14,633	14,118	3.6%
Turnover	**79,564**	**77,174**	**3.1%**
Net financial income	10,631	24,060	-55.8%
Total revenues from ordinary activities	**90,195**	**101,234**	**-10.9%**
Insurance services expense	(41,296)	(36,193)	14.1%
Reinsurance and retrocession expense	(8,145)	(11,065)	-26.4%
Other expenses	(18,430)	(18,856)	-2.3%
Total other expenses	**(67,871)**	**(66,114)**	**2.7%**
Ordinary operating income	**22,324**	**35,120**	**-36.4%**
Net combined ratio	69.8%	68.8%	

The drop in other operating expense is attributable to the increase in interest on arrears in the Retail activity and good cost control.
The very sharp fall in financial income for the year results from the €21.2 million exceptional gain recorded in 2006 on the sale of the shareholding in the Dutch subsidiary to Euler Hermes S.A. Financial income in 2007 included a €5.9 million gain on disposals of equity interests within the group.

Netherlands

This segment comprises the activities of the Dutch subsidiaries.
Turnover remained virtually stable due to a 1.3% decline in premiums which was offset by 4.7% growth in service revenues.

In thousand of euros	2007	2006	Variation %
Earned premiums	38,747	39,266	-1.3%
Premium-related revenues	11,684	11,160	4.7%
Turnover	**50,431**	**50,426**	**0.0%**
Net financial income	3,228	1,285	151.3%
Total revenues from ordinary activities	**53,659**	**51,711**	**3.8%**
Insurance services expense	(17,546)	(17,978)	-2.4%
Reinsurance and retrocession expense	(3,844)	(4,360)	-11.8%
Other expenses	(22,989)	(23,104)	-0.5%
Total other expenses	**(44,379)**	**(45,447)**	**-2.3%**
Ordinary operating income	**9,279**	**6,269**	**48.0%**
Net combined ratio	67.9%	74.4%	

Performance of the group's main geographic segments

The drop in premiums is attributable to increased competitive pressure over the year.
The increase in prior year liquidation surpluses totally offset the deterioration in the loss ratio during the year.
Operating income was up by 13.9% thanks to better reinsurance terms and conditions and satisfactory cost control.

Other countries

This segment comprises the activities 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 include 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.
This segment recorded very strong growth (44.7%) in turnover for the second year in a row. Growth was particularly strong in Southern Europe (19.9%). The increase was also attributable to disposals by group subsidiaries to Euler Hermes Reinsurance AG. The greater part of this turnover was eliminated at group level in the consolidated accounts.
Cost of claims and operating expense increased by respectively 24.7% and 103.3%, linked mainly to the inclusion in 2006 of our reinsurance subsidiary in Switzerland (most of these expenses are eliminated at the consolidated group level). The inclusion of our reinsurance subsidiary resulted in a high net combined ratio, but which is improving.
Ordinary operating income posted exceptional growth thanks to strong growth in turnover and contained operating expense.

In thousand of euros	2007	2006	Variation %
Earned premiums	454,178	307,814	47.5%
Premium-related revenues	47,174	38,606	22.2%
Turnover	**501,352**	**346,420**	**44.7%**
Net financial income	12,879	9,854	30.7%
Total revenues from ordinary activities	**514,231**	**356,274**	**44.3%**
Insurance services expense	(218,745)	(175,379)	24.7%
Reinsurance and retrocession expense	(39,581)	(19,465)	103.3%
Other expenses	(206,151)	(143,878)	43.3%
Total other expenses	**(464,477)**	**(338,722)**	**37.1%**
Ordinary operating income	**49,754**	**17,552**	**183.5%**
Net combined ratio	89.6%	96.5%	

Consolidated shareholders' equity and adjusted capital

Consolidated shareholders' equity

At 31 December 2007, consolidated shareholders' equity amounted to € **2 058.7** million compared with € **1 892.4** million at the end of 2006. The table below describes the main changes in capital during the year.

(in thousands of euros)	Capital stock	Additional paid-in capital	Retained earnings	Revaluation reserve	Other			Share holders' equity, group share	Minority interests	Total share-holders' equity
					Trans-lation reserve	Treasury shares	Total other			
Shareholders ' equity as at December 31, 2006 - IFRS	**14,384**	**448,058**	**1,368,855**	**124,910**	**10,892**	**(74,713)**	**(63,821)**	**1,892,386**	**19,153**	**1,911,539**
Available-for-sale assets (AFS)							-	-		-
Measurement gain/(loss) taken to shareholders' equity				(34,472)			-	(34,472)	(159)	(34,631)
Impact of transferring realised gains and losses to income statement							-	-		-
Cash flow hedges							-	-		-
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					(40,713)		(40,713)	(40,713)	(97)	(40,810)
Current and deferred tax taken directly to or transferred to shareholders' equity										
Net income recognised in shareholders' equity	**-**	**-**	**-**	**(34,472)**	**(40,713)**	**-**	**(40,713)**	**(75,185)**	**(256)**	**(75,441)**
Net income for the year			406,958				-	406,958	4,006	410,964
Total revenues and losses recognised for the period	**-**	**-**	**406,958**	**(34,472)**	**(40,713)**	**-**	**(40,713)**	**331,773**	**3,750**	**335,523**
Capital movements	33	3,274				(859)	(859)	2,448	76	2,524
Dividend distributions			(174,181)				-	(174,181)	(3,044)	(177,225)
Shareholders' equity component of share-based payment plans			2,925				-	2,925		2,925
Cancellation of gains/losses on treasury shares			3,709				-	3,709		3,709
Other movements			(319)				-	(319)	(756)	(1,075)
Shareholders ' equity as at December 31, 2007 - IFRS	**14,417**	**451,332**	**1,607,947**	**90,438**	**(29,821)**	**(75,572)**	**(105,393)**	**2,058,741**	**19,179**	**2,077,920**

Consolidated shareholders' equity and adjusted capital

Available for sale securities have been revalued at fair value through the revaluation reserve without any impact on income. The movement in the revaluation reserve amounted to a negative €34,472 thousand.
The change in translation differences for the year relates mainly to the US dollar for nearly -€18 million and to sterling for -€22.5 million.
101,395 new shares were created as the result of the exercise of stock options in 2007. As a result, the capital and share premium of Euler Hermes S.A. increased by respectively €33 thousand and €3,274 thousand.
The movement of €2,925 thousand corresponds to personnel expense relating to stock option plans following the application of IFRS 2.
The variance in minority interests is due mainly to the purchase of additional shares of Euler Hermes Guarantee Plc and Euler Hermes Interborg NV.

Adjusted capital

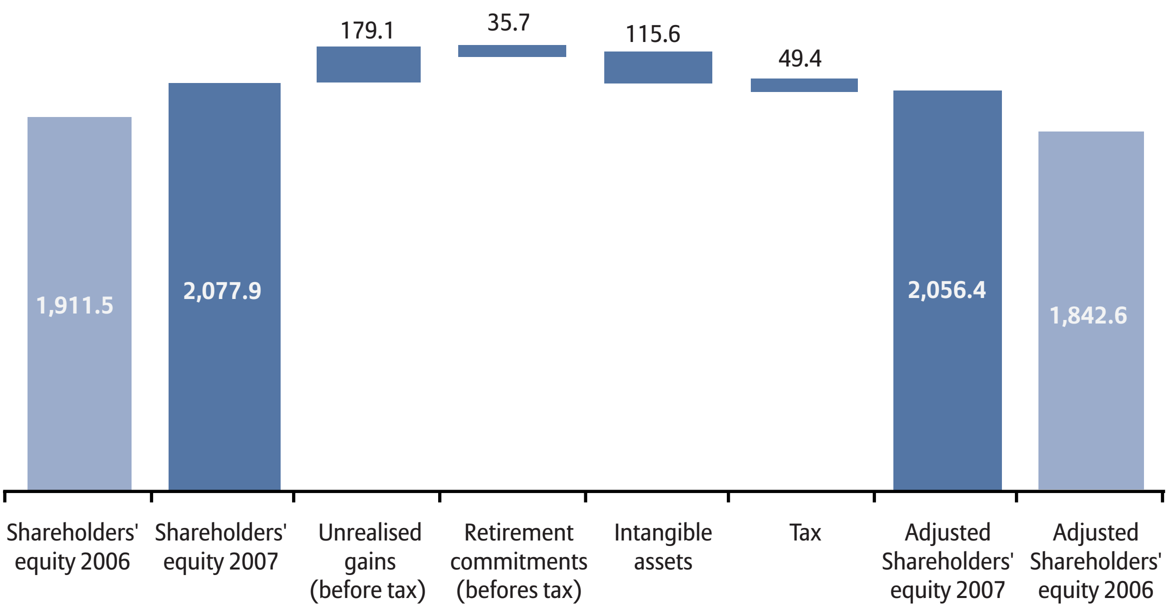
Adjusted capital after tax corresponds to consolidated shareholders' equity restated for the following elements:

- Unrealised gains on assets not recognised at fair value (mainly property assets for own use);
- Retirement commitments (IAS 19 corridor);
- Goodwill;
- Tax effect on unrealised capital gains and retirement commitments.

Adjusted capital after tax amounted to €2,056.4 million versus 1,842.6 million at end-2006, corresponding to an increase of 11.6%. This was the result of:

- An increase in shareholders' equity resulting from net income, group share exceeding dividends distributed;
- Unrealised capital gains, up by 34% following the appreciation of property assets in France;
- A 48% decrease in non-amortised actuarial differences on retirement commitments;
- A slight increase in goodwill relative to 2006 (+7.6%).

Adjusted capital after tax
(in million of euros)



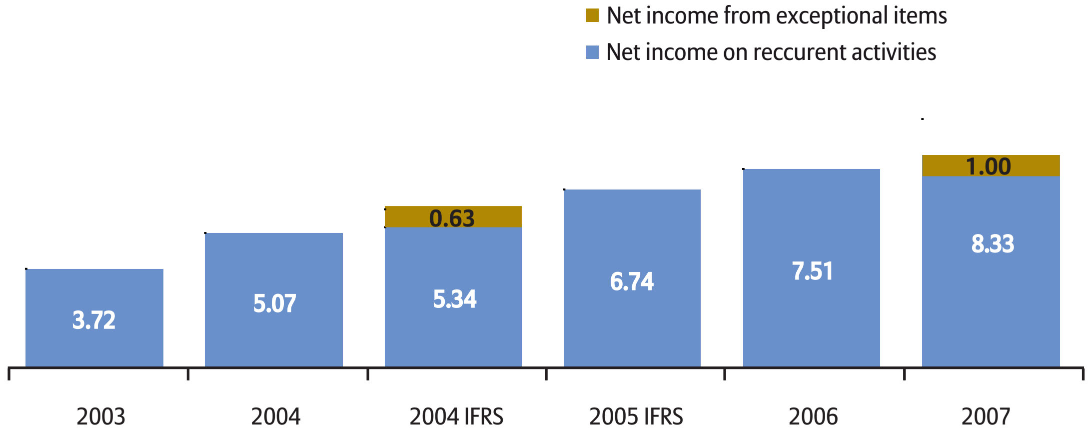
Creation of shareholder value

Earnings per share

Earnings per share before dilution came to **€9.33** in 2007 compared with €7.51 in 2006, corresponding to an increase of **24.2%.**

Net result per Euler Hermes share

Annual growth rate 2003-2007: 25,8% (in euros).

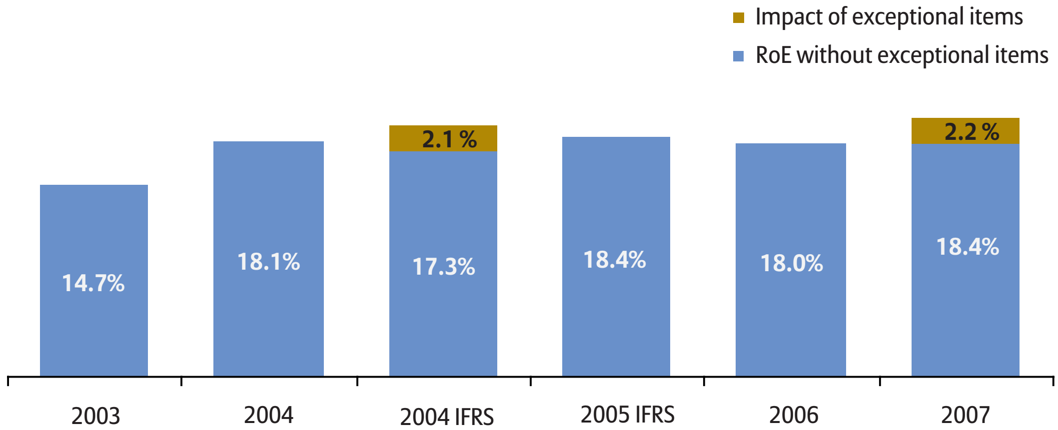


Return on equity

The return on equity in accounting terms [(1)] came to 20.6%, up by 2.6 points relative to 2006 at comparable scope.

(1) Calculated on the basis of net income, group share relative to the average of shareholders' equity (before minority interests) at 31 December 2006 and 31 December 2007.

Return on equity (in %)



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. This model underwent changes in 2007 resulting in an increase in the allocated capital. These changes are described in part 3 - Risk management in the notes to the consolidated financial statements. Total capital allocated to the business amounted to €1,947.6 million in 2007. The return on allocated capital was 19.3%, corresponding to a small 0.9 point increase in relation to 2006 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 relative stability of standardised financial income;
- a decrease in the average tax rate.

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

In thousand of euros	2007	2006 (1)	Variation %	2006 (2)
Net income, Group share	406,958	326,054	24.8%	326,054
Cancellation of actual financial income	(185,159)	(149,802)	23.6%	(149,802)
Standardised financial income	153,125	158,044	-3.1%	158,044
Opportunity cost of surplus capital	(8,869)	(7,130)	24.4%	(7,130)
Cancellation of actual tax	162,085	156,734	3.4%	156,734
Standardised tax	(151,576)	(158,526)	-4.4%	(158,526)
Operating contribution of activity	**376,564**	**325,374**	**15.7%**	**325,374**
Allocated capital (based on S&Ps quotation A and not AA)	1,947,600	1,768,500	10.1%	1,597,300
Return on allocated capital	**19.3%**	**18.4%**		**20.4%**

(1) Adjusted capital proforma.

(2) Adjusted capital 2006 published.

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

In 2007, Euler Hermes subscribed the totality of Euler Hermes Reinsurance AG's capital increase in an amount of €69.1 million.

Comments on the results

Net income for the year came to €135.6 million compared with €214.1 million in 2006. The table below shows the main components of the company's income:

In thousand of euros	2007	2006	Variation %
Income from participating interests (1)	145,271	217,548	-33.2%
Other net financial expenses (2)	(9,642)	(5,924)	62.8%
Net operating expenses (3)	(9,846)	(6,734)	46.2%
Provision for (-) or writeback of (+) depreciation of treasury shares	(574)	0	N/A
Ordinary Income	**125,210**	**204,890**	**-38.9%**
Exceptional items (4)	4,528	3,072	47.4%
Corporation tax (5)	5,860	6,189	-5.3%
Net Income	**135,597**	**214,151**	**-36.7%**

(1) Revenue from participating interests decreased by €72.3 million.

(2) The main items in this heading comprised a writeback of provisions for impairment of Euler Hermes UK shares (€2.5 million out of a balance sheet total of €8.6 million) and a writeback of provisions for impairment of Euler Hermes Credit Insurance Belgium shares (€3.1 million), and interest on loans and financial debt, for €16.5 million of which €16.1 million to associated companies.

At end-2006, this heading comprised mainly interest expense 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 a writeback of provisions for impairment of Euler Hermes UK shares (€6.0 million).

The decrease in 2007 relative to 2006 is attributable for €3.6 million to the decrease in variable rate income relating to the interest rate swap terminated in 2006.

(3) The €3.1 million increase in net operating expense relative to 2006 reflects an increase of €1.2 million in other income, linked mainly to rebilling of royalties for the IRP system, which was more than offset by a €4.1 million increase in net external expense linked mainly to the convergence project (€1.9 million) and an increase in other operating expenses.

(4) In 2007, this heading comprised mainly the premium on the buyback of own shares in an amount of €4.7 million.

(5) Euler Hermes SA also heads the tax group for French companies that are more than 95%-owned. In 2007, the tax group resulted in a surplus of €5.7 million compared with €4.0 million in 2006.

Activity of Euler Hermes SA

Dividends

As recommended by the Group Management Board, the Supervisory Board proposes to the General Meeting that a dividend of €5.00 per share be paid in cash.

The total dividend to be paid in respect of 2007 thus comes to €225.3 million. Regarding our treasury shares, the total dividend to be paid in respect of 2007 thus comes to €218.4 million.

(in thousand of euros) **Proposed allocation of income**	**2007**
Source	
Retained earning from previous year	128,208
Net income for the year	135,597
	263,806
Allocation	
Allocation to reserves:	
- Legal reserve	3
- Special reserve for long-term capital gains	0
Proposed dividend: 5.00 euros per action (1)	225,263
Retained earnings	38,540
	263,806

(1) The dividend paid corresponds to the dividend per share 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 2007 stood at 1,369,746. 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 **16.3%** per annum over the past five years.

	2007 (1)	**2006 (2)**	**2005 (2)**	**2004 (2)**	**2003 (2)**	**2002 (2)**	**2001 (2)**	**2000 (2)**
Global amount (in thousands of euros)	225,263	174,193	151,824	103,621	72,437	30,831	46,440	46,430
Amount per share before tax credit (3)	5.00 €	4.00 €	3.50 €	2.50 €	1.82 €	0.80 €	1.40 €	1.40 €
Tax credit (4)					0.91 €	0.40 €	0.70 €	0.70 €
Amount per share after tax	5.00 €	4.00 €	3.50 €	2.50 €	2.73 €	1.20 €	2.10 €	2.10 €

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

Outlook (1)

Despite still robust growth in emerging countries, global economic growth has decelerated since the beginning of 2007 reflecting the sharp slowdown in North America and Japan, which we expect to record weak growth in 2008.

Growth in Europe is also likely to slow against this background but it could continue to benefit from strong demand for capital goods in Asia and the Middle East and from domestic consumption. After recording growth of more than 2% in 2006 and 2007, we expect European economic growth to drop back to between 1.5% and 2% in 2008, avoiding an excessively sharp slowdown which could have a negative impact on employment and domestic consumption, the main engine of economic growth in Europe. On the whole, we expect growth in international trade to slow in 2008 after the strong expansion recorded in recent years.

Softer global economic growth is likely to increase our clients' sensitivity to risk and lift some of the downward pressure on premium rates recorded in the past three years. We expect the more difficult economic conditions to make our clients aware of the significant increase in business risk and thus reduce cancellations of existing contracts and increase the renewal rate in 2007. Moreover, more restricted bank lending is likely to prompt businesses to draw on inter-business financing, which can only favour the development of credit insurance. These factors prompt Euler Hermes to forecast growth in earned premiums in 2008 at least equal to that in 2007.

The retention policy implemented by the group over the past few years should enable it to maintain growth in net earned premiums at around 15% in 2008.

Given the positive trend in claims in 2007, we can expect the cost of claims to increase in 2008:

- the severe economic slowdown in North America has already led to an increase in claims in 2007, which is likely to continue in 2008;
- the loss ratio in some countries, including Germany, which is currently at a particularly low level, will undoubtedly undergo a gradual adjustment;
- the adoption of IFRS in 2005 requires Euler Hermes to standardise the calculation of underwriting reserves, which must be determined based on the "Best Estimate" principle. This has resulted in a significant decrease in prior-year liquidation surpluses over the past three years. Euler Hermes does not expect there to be any major liquidation surplus in 2008.

Euler Hermes is nonetheless confident that it can manage these more difficult conditions. Although it is expecting the loss ratio to rise, it is confident that it will remain at an acceptable level particularly as a large part of the group's business is generated in Europe. The financial situation of European companies has improved significantly thanks to the strong economic growth recorded since 2005.

However, the impact of the financial crisis on the real economy remains a cause for concern in 2008. The group will keep a particularly close watch on trends in corporate financing conditions as companies are likely to see the cost of financing rise in the wake of the liquidity problems experienced in the financial markets.

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

Euler Hermes has also adjusted its investment portfolio management policy. The group had already significantly reduced its exposure to equities in 2007 and will continue to adjust its equity exposure according to market conditions. The negative trend in the equity markets since the beginning of the year nonetheless significantly reduces the potential for capital gains on the equities portfolio. However, Euler Hermes expects its bond portfolio to keep financial income high in 2008 and remains confident that financial income will continue to make a substantial contribution to pre-tax 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, Israel, Brazil and Argentina, in order to accompany its clients wherever they wish to expand.

Credit insurance is a business based on economies of scale and Euler Hermes has proved its capacity to accompany 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. This, together with a strong financial structure and efficient management tools should enable it to keep recurrent operating income in 2008 in line with the level achieved in 2007.

(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

Insurance plays a fundamental role in the sustainable development of any society.
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, mainly outside France, with very 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 its 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, shareholders and society in general.
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 a company. The losses generated by the failure of a trading partner increase the cost of risk and can endanger the company's survival.

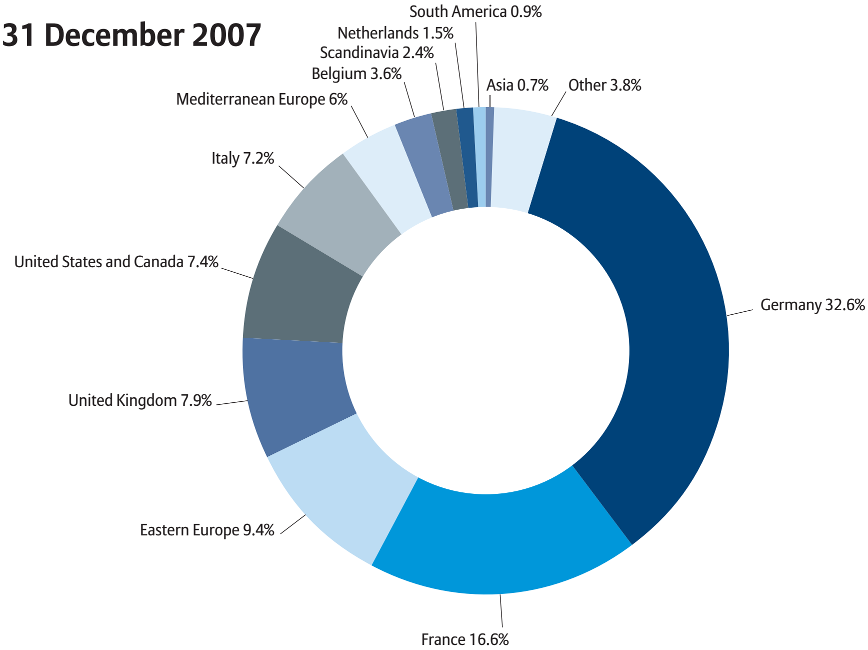
Euler Hermes has adopted a prudent and progressive approach that is made possible by its risk prevention model. Thanks to their regular contact with all the players in each market - businesses, bankers, trade associations, etc. - Euler Hermes' staff become aware of any increased risk of bankruptcy at 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. Clients, whether purchasers or suppliers, can thus consolidate their situation while continuing their business activities.

Sustainable development

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:.
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 6,004 employees at 31 December 2007. The average age is 40 and the average length of service is 12 years.

Workforce at 31 December 2007



In 2007, 587 new employees were recruited, i.e. an increase of 29% compared with 2006, and 513 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 2007.
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. Since then, seminars have been organised each year to enable a limited number of staff to work together so as to get to know each other better, understand each other and work together efficiently.
In addition, several international seminars have been 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 which was reflected in 2007 in 46 short to long term international assignments, i.e. double the number in 2006.

Sustainable development

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.
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 2007 a budget of €4.1 million was allocated to training, up by 23% relative to 2006. This budget represented 1.6% of total payroll expense.

Sustainable development

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 associations involved in projects for disabled children;
- In September 2007, Euler Hermes SFAC (France) organised the second edition of its 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. Reflecting its concern with its environment, the Group's US subsidiary has also launched a Green Team initiative to extend its action beyond the partnership with the Johns Hopkins Children's Center and support all socially responsible initiatives taken by its staff;
- In Hungary, Euler Hermes has continued its partnership with the "Children are our lives" foundation at the Academy of Music in Budapest. The funds raised are 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. In 2007 the funds were dedicated to cultural projects and enabled a totem to be built in Uganda. Several initiatives designed to foster art and make it more accessible to the public were launched in Italy;
- In the Czech Republic, Euler Hermes has entered into a new partnership with the Helping Paws Fund, an organisation that trains dogs to assist disabled 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.

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 2007 it met twice a month.

The members of the Management Board are:

- Clemens von Weichs, Chairman, Gerd-Uwe Baden, Nicolas Hein and Michel Mollard;
- Michael Hörr, who joined the Group in September 2007, became a member of the Group Management Board on 1st January 2008.

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 2007 the Supervisory Board met four 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 three independent members.

Sustainable development

The members are independent within the meaning of the "Bouton report", i.e. they have no relationship of any kind whatsoever with the company, its group, its management or any shareholder with more than 10% of the capital, that 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.
The members of the Supervisory Board are:

- Jean-Philippe Thierry, Chairman,
- François Thomazeau, Vice-Chairman,
- Clement Booth (until 31 December 2007),
- Diethart Breipohl, John Coomber, Charles de Croisset, Robert Hudry, Yves Mansion
- and Laurent Mignon (until 27 July 2007).
- Jean-Hervé Lorenzi (as from 27 July 2007 in replacement of Laurent Mignon).

Mr Lorenzi was the censor (non-voting member) before being co-opted as member of the Supervisory Board at its meeting of 27 July 2007.

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 2007.
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 2007.
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.
In 2007, cross-company functions were managed by:

Denis Blitman	Information Technology
Philippe Bastié	Risks
Benoît des Cressonnières	Reinsurance, Investor Relations and General Secretariat (until 1st September 2007)
Jean-François Decroocq	Risk Management
Raphaële Hamel	Communications
Nicolas Hein*	Finance and Accounting
Louis Hofmeijer	Sales & Marketing
Michael Hörr	Operations (as from 1st September 2007)
Francis Lallemant	Audit & Support
Jorg-Uwe Lerch	Strategy
Arnaud Roger	SeGeneral Secretariat (as from 1st September 2007)
Élisabeth 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 as follows:

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 SIAC	Jean-François Bellissen
Netherlands	Euler Hermes Kredietverzekering	Roland van Malderghem (until 30 April 2007) Gerard van Kaathoven (from 1st May 2007)
Scandinavia	Euler Hermes Nordic	Lars Gustafsson
Poland	Euler Hermes Towarzystwo	Eckhard Horst
United Kingdom	Euler Hermes UK	Richard Webster (replaced by Fabrice Desnos on 1st January 2008)
Switzerland	Euler Hermes Reinsurance	Benoît des Cressonnières
World Agency	Euler Hermes World Agency	Roland van Malderghem (from 1st May 2007)

** Member of the Group Management Board.*

Sustainable development

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 is minimal or non-existent. The group's choice of suppliers takes into account their commitment to collecting and recycling end-of-life equipment.
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 past 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 2007 amounted to €2,914.5 thousand. The fixed portion of remuneration for members of the Group Management Board is determined by the analysis of comparable market data. 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.

Remuneration of members of the Group Management Board (in €'000)

(en milliers d'euros)	Fixed remuneration paid in 2007	Variable remuneration (in respect of 2006)	Variable remuneration (mid-term bonus)	Specific allowances (1)	Benefits in kind (2)	Exercise of SAR in 2007	Total paid in 2007
Clemens von Weichs	416.7	363.6	0	48.3	7.1	101.0	936.6
Gerd-Uwe Baden	391.7	270.9	0	0	22.7	362.9	1,048.2
Nicolas Hein	310.0	196.3	0	0	4.5	0	510.8
Michel Mollard (3)	270.0	147.4	0	0	1.5	0	418.9
Total	**1,388.4**	**978.2**	**0**	**48.3**	**35.8**	**463.9**	**2,914.5**

(1) Specific housing benefits paid to Mr Clemens von Weichs.

(2) Benefits in kind consist of company cars.

(3) In 2007, Mr Michel Mollard received performance-related remuneration in respect of 2006 amounting to €147.4 thousand, comprising €125.3 thousand in the form of bonuses and €22.1 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 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. Nicolas Hein and Michel Mollard benefited in 2007 from a specific bonus based for 50% on the EVA and for 50% on achievement of strategic objectives.

No share purchase options were distributed in 2007.
In addition, under the global incentive plan for Allianz group management, the members of the Group Management Board were allocated SAR (Stock Appreciation Rights) and RSU (Restricted Stock Units). The value of these incentives is linked to changes in the Allianz share price over seven years in the case of SAR and over five years in the case of RSU.
Euler Hermes stock options and Allianz SAR and RSU were allocated as follows:

Directors' remuneration

Share options and other benefits in 2007 (in units):

	Options allocated in 2007	Options exercised in 2007	RSU allocated in 2007	SARs allocated in 2007	SARs exercised in 2007
Clemens von Weichs	0	8,000	2,019	4,012	1,022
Gerd-Uwe Baden	0	0	1,793	3,563	3,670
Nicolas Hein	0	0	1,326	2,635	0
Michel Mollard	0	0	964	1,916	0
Total	**0**	**8,000**	**6,102**	**12,126**	**4,692**

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 50% and 200%, respectively, of the amount of their last annual remuneration.
Messrs Clemens von Weichs and Gerd-Uwe Baden benefit from an Allianz group supplementary defined contribution pension plan.

Supervisory Board

Attendance fees paid to members of the Supervisory Board amounted to €260 thousand gross in 2007 and break down as follows:

(in €'000)	Attendance fees
Jean-Philippe THIERRY	33.58
Clement BOOTH	16.79
Diethart BREIPOHL	16.79
John COOMBER	16.79
Charles de CROISSET	33.58
Robert HUDRY	33.58
Yves MANSION	33.58
Laurent MIGNON	8.13
François THOMAZEAU	33.58
Jean-Hervé LORENZI	33.58
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: €2,558.6 thousand as follows:
- Set annual salary paid in 2007 of €768.6 thousand of which €68.6 thousand paid by AGF (a set salary of €35 thousand plus €33.6 thousand in attendance fees paid by AGF group companies) and €700 thousand paid by Allianz S.E.;
- Gross performance-related remuneration paid by Allianz S.E. in 2007 in respect of 2006 of €1,437 thousand;
- A gross Mid-Term Bonus based on 2004, 2005 and 2006 amounting to €353 thousand paid by Allianz S.E. in respect of 2006.

In addition, he received 10,044 Allianz SAR (Stock Appreciation Rights) and 5,054 Allianz RSU (Restricted Stock Units).

Directors' remuneration

The public offer made by Allianz in the first half of 2007 led Mr Thierry to exercise his option, thereby generating a gain of €23,796.2 thousand. In addition, as a benefit in kind from AGF, he also has a company car for an estimated total benefit of €5.4 thousand a year. He also received benefits in kind for a total of €77 thousand from Allianz

■ Mr Laurent Mignon €2,219.3 thousand (from 1st January to 31 August) as follows:
- Set annual salary paid in 2007 of €333.3 thousand (from 1st January to 31 August);
- Gross performance-related remuneration paid in 2007 in respect of 2006 of €536.3 thousand;
- Incentive bonuses and profit sharing paid in 2007 amounting to €26.6 thousand;
- Attendance fees amounting to €8.1 thousand.

Mr Laurent Mignon exercised 9,189 SAR corresponding to 2003 and 8,348 SAR corresponding to 2004 for a total of €1,315 thousand. He also has, as sole benefit in kind, a company car for an estimated total benefit of €5.4 thousand a year.
Lastly, the public offer made by Allianz in the first half of 2007 led Mr Mignon to exercise his options thereby generating a gain of €9,339.8 thousand.

■ Mr François Thomazeau: €1,180.5 thousand as follows:
- set annual salary paid in 2007 of €400 thousand;
- gross performance-related remuneration paid in 2007 in respect of 2006 of €458.8 thousand;
- incentive bonuses and profit sharing paid in 2007 amounting to €30.8 thousand;
- attendance fees amounting to €39.6 thousand.

Mr François Thomazeau exercised 2,542 SAR corresponding to 2003 for a total of €251.3 thousand. He also received 4,791 Allianz SAR (Stock Appreciation Rights) and 2,411 RSU (Restricted Stock Units). He also has a company car for an estimated total benefit of €5.4 thousand a year. Lastly, the public offer made by Allianz in the first half of 2007 led Mr Thomazeau to exercise his options thereby generating a gain of €8,026.9 thousand

■ Mr Clement Booth: €2,192 thousand as follows:
- Set annual salary in 2007 of €700 thousand.
- gross performance-related remuneration paid in 2007 in respect of 2006 of €1,476 thousand;
- attendance fees amounting to €16.8 thousand.

In addition, he received 10,044 Allianz SAR (Stock Appreciation Rights) and 5,054 RSU (Restricted Stock Units).

■ Mr Diethart Breiphol: €137.6 thousand as follows:
- set annual salary of €41.6 thousand;
- performance related remuneration amounting to €40 thousand;
- attendance fees amounting to €56 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	Country in which the post or office is held	Post/Function	First nomination	End of the mandate
GROUP MANAGEMENT BOARD					
Clemens von Weichs	Euler Hermes SA	France	Chairman of the Group Management Board	25/5/04	31/12/10
	Euler Hermes Kreditversicherungs-AG	Germany	Chairman of the Supervisory Board		14/4/08
	Euler Hermes UK Plc	United Kingdom	Director	27/5/04	-
	Euler Hermes Holding sUK Plc	United Kingdom	Director	28/5/04	-
	Euler Hermes ACI	United States	Chairman of the Board of Directors	18/6/04	31/1/08
	Euler Hermes ACI Holding	United States	Chairman of the Board of Directors	19/6/04	
	Euler Hermes SFAC	France	Chairman of the Supervisory Board	18/5/04	13/5/08
	Euler Hermes SIAC	Italy	Chairman of the Board	23/4/04	Shareholders Meeting 2010
	Beraterkreis IKB, Düsseldorf	Germany	Advisor	2002	-
	Hamburger Gesellschaft zur Förderung des Versicherungswesens	Germany	Director	2003	No mandate limit
	CISA	Netherlands	Vice-Chairman	9/6/08	30/5/08
	Euler Hermes Kreditverzekering NV	Netherlands	Chairman of the Supervisory Board		-
	Euler Hermes Credit Insurance Belgium	Belgium	Chairman of the Supervisory Board	5/2/07	AG 2009
Gerd-Uwe Baden	Euler Hermes SA	France	Member of the Management Board	25/5/04	31/12/10
	Euler Hermes Kreditversicherungs-AG	Germany	Chairman of the Management Board	1/6/04	31/12/12
	Prisma Kreditversicherungs-AG	Austria	Chairman of the Supervisory Board	28/5/04	Shareholders Meeting 2011
	Euler Hermes Kreditförsakring Norden AB	Sweden	Chairman of the Supervisory Board	18/5/05	Shareholders Meeting 2008
	Euler Hermes Towarzystwo Ubezpieczeniowe SA	Poland	Chairman of the Supervisory Board	18/5/05	Shareholders Meeting 2008
Nicolas Hein	Euler Hermes SA	France	Member of the Management Board	25/5/04	31/12/10
	Euler Hermes ACI	United States	Director	31/3/04	31/1/08
	Euler Hermes ACI Holding	United States	Director	18/3/04	
	Euler Hermes Credit Insurance Belgium	Belgium	Director	10/5/06	Shareholders Meeting 2009
	Euler Hermes Kredietverzekering N.V	Netherlands	Director	26/11/04	
	Euler Hermes Kreditversicherungs-AG	Germany	Director		14/4/08
	Euler Hermes SFAC	France	Vice-Chairman of the Supervisory Board	18/5/04	13/5/08
	Euler Hermes SIAC	Italy	Vice-Chairman	23/4/04	AG 2010
	Euler Hermes UK Plc	United Kingdom	Director	8/12/04	
	Euler Hermes Holding sUK Plc	United Kingdom	Director	27/5/04	
	Euler Hermes Reinsurance AG	Switzerland	Euler Hermes representative	22/11/05	
Michel Mollard	Euler Hermes SA	France	Member of the Management Board	25/5/04	31/12/10
	Euler Hermes SFAC	France	Chairman of the Management Board	21/7/06	13/5/08
	Euler Hermes UK Plc	United Kingdom	Director	17/6/02	
	Euler Hermes Holdings UK Plc	United Kingdom	Director	17/6/02	
	Euler Hermes ACI	United States	Vice-Chairman of the Supervisory Board	19/12/02	31/1/08
	Perfectis Private Equity	France	Chairman of the Management Board	1/9/06	Shareholders Meeting 2008
	Euler Hermes Emporiki	Greece	Vice-Chairman	25/10/06	7/2/07
	COSEC	Portugal	Director	22/11/06	27/3/08
	Euler Hermes Acmar	Morocco	Chairman of the Board of Directors	9/11/06	30/6/13
Michael Hörr	Euler Hermes SA	France	Member of the Management Board	1/1/08	31/12/10
	FranceS.3.R. (société de réassurance des risques relatifs aux applications spatiales)	France	Member of the Board of Directors		

List of posts and offices held by directors

Name	Company	Country in which the post or office is held	Post/Function	First nomination	End of the mandate
SUPERVISORY BOARD					
Jean-Philippe Thierry	AGF SA	France	Chairman of the Board of Directors	7/06/01	31/12/08
	AGF Holding SA	France	Chairman of the Board of Directors	7/06/01	Shareholders Meeting 2010
	AGF Holding SA	France	Chief Executive Officer	7/06/01	Shareholders Meeting 2010
	AGF Vie SA	France	Chairman of the Board of Directors	5/07/07	Shareholders Meeting 2010
	AGF IART SA	France	Chairman of the Board of Directors	5/07/07	Shareholders Meeting 2009
	AGF Holding SA	France	Chairman of the Board of Directors	7/06/01	Shareholders Meeting 2010
	Tocqueville Finance SA	France	Chairman of the Board of Directors	4/09/07	Shareholders Meeting 2012
	Allianz Holding France SAS	France	Chairman	3/09/07	Shareholders' Meeting 2009
	Euler Hermes SA	France	Chairman of the Group Management Board	27/02/01	16/05/08
	Mondial Assistance AG	Switzerland	Chairman of the Management Board	16/12/05	16/05/08
	Allianz SE	Germany	Member of the Management Board	1/01/06	Shareholders Meeting 2009
	Allianz Nederland Groep	Netherlands	Member of the Supervisory Board	1/01/06	23/05/07
	Allianz Global Corporate & Speciality AG	Germany	Member of the Supervisory Board	6/03/06	31/05/07
	Allianz Global Risks Rückversicherung AG	Spain	Director	23/05/01	27/07/07
	Allianz Seguros y reaseguros	France	Director	23/05/01	Shareholders Meeting 2010
	AGF International	France	Director	15/09/05	Shareholders Meeting 2011
	Société Financière Foncière et de Participations (FFP)	France	Director	5/09/06	Shareholders Meeting 2008
	PPR	France	Director	5/11/97	Shareholders Meeting 2007
	Compagnie Financière Saint Honoré	France	Member of the Supervisory Board	June 02	Shareholders Meeting 2007
	Baron Philippe de Rotshild SA	France	Censor	31/05/04	16/05/08
	Eurazeo	France	Censor	29/10/04	16/05/08
	Paris Orléans	France	Censor	29/10/04	16/05/08
	Château Larose Trintaudon	France	Chairman of the Board of Directors and Director	27/06/03	30/05/07
Laurent Mignon	Oddo et Cie	France	Gérant	4/10/07	
	Oddo Asset Management	France	Chief Executive Officer		
	Oddo Corporate Finance	France	Chairman of the Supervisory Board	27/09/07	
	Sequana Capital	France	Director	18/04/04	Shareholders Meeting 2008
	Arkemal	France	Director	20/07/06	Shareholders Meeting 2008
	Euler Hermes SA	France	Member of the Supervisory Board	7/04/00	27/07/07
	AGF Vie	France	General Manager	26/11/98	30/06/07
	AGF	France	General Manager	1/01/06	30/06/07
	AGF IART	France	Chairman of the Board of Directors	2/01/06	30/06/07
	AGF Informatique	France	Chairman of the Supervisory Board	1/01/06	30/06/07
	Sequana Capital	France	Vice-Chairman of the Board of Directors	18/04/04	22/06/07
	AGF Holding	France	Director	26/11/98	30/06/07
	AGF Holding	France	General Manager	18/09/03	30/06/07
	AGF International	France	Director	19/11/98	30/06/07
	AGF Asset Management	France	Director	2/02/06	30/06/07
	W Finance	France	Director	2/01/06	30/06/07
	Oddo et Cie	France	Member of the Supervisory Board	19/08/02	26/09/07
	Génération Vie	France	Chairman of the Board of Directors	6/02/04	4/04/06
	Coparc	France	Chairman of the Board of Directors	30/04/04	13/02/06
	Placements d'assurance	France	Director	3/06/04	13/06/06
	AVIP	France	Chairman of the Supervisory Board	7/12/04	13/06/06

List of posts and offices held by directors

Name	Company	Country in which the post or office is held	Post/Function	First nomination	End of the mandate
SUPERVISORY BOARD					
François Thomazeau	AGF Afrique	France	Chairman of the Board of Directors	28/11/01	31/12/08
	AGF Asset Management	France	Director	2/02/06	31/12/08
	AGF SA	France	General Manager	1/01/06	31/12/09
	AGF Holding	France	General Manager	3/06/98	31/12/09
	AGF IART	France	Director	3/06/98	31/12/09
	AGF International	France	Chief Executive Officer	7/06/01	31/12/08
	AGF Private Equity	France	Chairman of the Supervisory Board	18/05/06	31/12/07
	AGF Vie	France	Director	3/06/98	31/12/09
	Banque AGF	France	Permanent representative of AGF, Director	5/03/03	31/12/07
	GIE AGF Informatique	France	Member of the Supervisory Board	22/05/03	31/12/08
	Allianz Holding France	France	General Manager	3/09/07	31/12/08
	GIE Allianz Investment Management Paris	France	Director	19/12/07	31/12/10
	AAAM (Alternative Asset Management)	France	Director	30/05/96	31/12/07
	ACAR	France	Chairman of the Board of Directors	27/06/02	31/12/08
	Bolloré	France	Permanent representative of AGF, Director	1/02/06	31/12/07
	Carene	France	Director	7/04/06	31/12/07
	Château Larose Trintaudon	France	Chairman of the Board of Directors	30/05/07	31/12/08
	Cofitem Cofimur	France	Director	24/05/00	31/12/11
	Euler Hermes SA	France	Vice-Chairman of the Supervisory Board	25/04/01	31/12/09
	Foncière des 6e et 7e arrondissements	France	Director	20/02/06	31/12/11
	Locindus	France	Member of the Supervisory Board	3/06/05	31/12/08
	Noam Europe Expansion	France	Censor	19/12/03	30/09/09
	PHRV Paris Hôtel Roissy Vaugirard	France	Director	10/04/03	31/12/08
	Protexia France	France	Director	21/02/06	31/12/07
	Allianz Belgium (Anciennement AGF Belgium Insurance)	Belgium	Chairman of the Board of Directors	6/06/01	31/12/12
	Allianz Mena Holding (Bermuda) Ltd	Bermudes	Director	6/06/07	31/12/07
	AGF Brasil seguros	Brazil	Chairman of the Board of Directors	23/03/05	31/12/08
	Allianz Seguros y reaseguros	Spain	Director	23/05/01	31/12/08
	Allianz Nederland Groep	United Kingdom	Member of the Supervisory Board	29/08/01	31/12/08
	AGF Ras Holding	Netherlands	Vice-Chairman of the Board of Directors	6/06/01	
	AGF Holding UK	United Kingdom	Chairman of the Board of Directors	11/06/01	
	AGF Insurance	United Kingdom	Chairman of the Board of Directors	11/06/01	
	Thomson Clive (Jersey n°3) Ltd	United Kingdom	Director	15/04/97	30/06/09
	Mondial Assistance AG	Switzerland	Vice-Chairman	24/03/03	31/12/07
	Compania colombiana de inversion colseguros	Colombia	Chairman of the Board of Directors	31/03/04	31/12/08
	Adriatica de seguros	Venezuela	Chairman of the Board of Directors		Resignation 02/07/2007
	Imobiliara Driavena	Venezuela	Chairman of the Board of Directors		Resignation 02/07/2007
Yves Mansion	Société Foncière Lyonnaise	France	Director-General Manager	21/03/02	Shareholders Meeting 2008
	Autorité des Marchés Financiers	France	Collegial member	24/11/03	29/05/11
	Euler Hermes SA	France	Member of the Supervisory Board	1/01/92	
	Mansions SAS	France	Chairman	13/06/07	No mandate limit
Diethart Breipohl	Continental AG	Germany	Member of the Supervisory Board		
	Arcandor AG	Germany	Member of the Supervisory Board		
	KME Europe Metal AG	Germany	Chairman of the Supervisory Board		
	Euler Hermes SA	France	Member of the Supervisory Board	17/04/02	
	Atos Origin	France	Member of the Supervisory Board		

List of posts and offices held by directors

Name	Company	Country in which the post or office is held	Post/Function	First nomination	End of the mandate
SUPERVISORY BOARD					
John Coomber	Swiss Re GB Plc	United Kingdom	Director	May 92	mai-08
	Euler Hermes SA	France	Member of the Supervisory Board	23/04/03	
	Swiss Reinsurance Company	Switzerland	Director	Feb. 06	1st of February2009
	The Climate Group	United Kingdom	Chairman of the Trustees	Feb. 06	No mandate limit
	Pension Insurance Corporation Holdings	United Kingdom	Member of the Board of Directors	Aug. 06	No mandate limit
	MH (GB) Limited	United Kingdom	Director	May 07	No mandate limit
	Parhelion Capital Ltd	United Kingdom	Director	June 07	No mandate limit
	Telent plc	United Kingdom	Director	Nov. 07	No mandate limit
Clement Booth	Allianz Australia Ltd.	Australia	Director	1/1/06	No mandate limit
	Euler Hermes SA	France	Member of the Supervisory Board	16/11/05	31/12/07
	Allianz SE	Germany	Member of the Management Board	1/1/06	No mandate limit
	Allianz Global Corporate & Speciality AG (formerly Allianz Marine & Aviation Versicherungs-AG)	Germany	Chairman of the Supervisory Board	1/1/06	No mandate limit
	AZ Irish Life	Ireland	Director	1/1/06	No mandate limit
	Allianz Insurance plc	United Kingdom	Chairman	1/1/06	No mandate limit
	Allianz Holdings plc	United Kingdom	Chairman	1/1/06	No mandate limit
	Allianz Underwriters Insurance Co.	United States	Director	1/1/06	No mandate limit
	Allianz of America, Inc.	United States	Chairman	1/1/08	No mandate limit
	Allianz of America, Corp.	United States	Chairman	1/1/08	No mandate limit
	Allianz Life Insurance Company of North America	United States	Director	1/1/08	No mandate limit
	Fireman's Fund Insurance Company	United States	Director	1/1/08	No mandate limit
	Allianz Foundation of North Amercia	United States	Chairman	1/1/08	No mandate limit
	Accord, Pearl River, NY	United States	Director	1/1/08	No mandate limit
Jean-Hervé Lorenzi	Compagnie Financière Saint-Honoré SA	France	Member of the Supervisory Board	25/6/04	Shareholders Meeting 2009
	Edmond de Rotschild Private Equity Partners SAS	France	Chairman of the Supervisory Board	12/12/06	Shareholders Meeting 2007
	Edmond de Rotschild Capital Partners SAS	France	Chairman of the Supervisory Board	12/12/06	Shareholders Meeting 2007
	Edmond de Rotschild Investment Partners SAS	France	Chairman of the Supervisory Board	12/12/06	Shareholders Meeting 2007
	Newstone Courtage SA	France	Member of the Supervisory Board	13/4/07	Shareholders Meeting 2009
	SIACI SA	France	Member of the Supervisory Board	13/4/07	Shareholders Meeting 2009
	Assurances & Conseils Saint-Honoré SA	France	Member of the Supervisory Board	13/4/07	Shareholders Meeting 2009
	Novespace SA	France	Permanent representative ot the Compagnie Edmond de Rotschild Banque au Conseil d'Administration		
	Associés en Finance SA	France	Censor		
	BNP Paribas Assurances SA	France	Director	14/5/07	Shareholders Meeting 2009
	Crédit Foncier de France SA	France	Censor		
	Euler Hermes SA	France	Member of the Supervisory Board	19/11/04	Shareholders Meeting 200
	GFI SA	France	Director	14/12/07	Shareholders' Meeting 2013
Robert Hudry	Euler Hermes SA	France	Member of the Group Supervisory Board	7/4/00	31/12/09
Charles de Croisset	Goldman Sachs International	United Kingdom	International Advisor		
	Fondation du Patrimoine	France	Chairman	2006	
	Bouygues	France	Director	Sept. 03	Shareholders Meeting 2010
	Renault	France	Director	Apr. 04	Shareholders Meeting 2008
	Thalès	France	Director	May 04	Shareholders Meeting 2010
	Galeries Lafayette	France	Collegial member	May 04	Shareholders Meeting 2008
	Thalès Holdings plc UK	United Kingdom	Director	2006	31/12/09
	Euler Hermes	France	Member of the Supervisory Board		31/12/09

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 2007.

Global economic growth proved stronger than expected in 2007, prolonging the phase of strong growth commenced in 2003. The US economy, the main support of global GDP, managed to stand firm despite the property market crisis. Growth in the Japanese economy remained close to its potential despite weak domestic demand. The other developed economies, including the euro zone, experienced merely a moderation in growth. Lastly, growth remained generally robust in emerging countries, fuelled by exports and growing domestic demand. However, these performances should not mask the reality. The global economy was heading for a slowdown before the summer of 2007, partly in the wake of the monetary tightening since 2005 in both the US and the euro zone. The sharp slowdown experienced in the United States in the fourth quarter resulting from the sub-prime mortgage crisis confirmed the scenario of a slowdown in Europe and increased the likelihood of a more brutal scenario in the United States.
Against this backdrop of slowing growth, the level of bankruptcies increased slightly in 2007, by around 5%.

The Supervisory Board notes with great satisfaction that Euler Hermes has managed to maintain a satisfactory level of growth despite ever increasing competitive pressure arising from the low claims experience in recent years in its core markets. It has continued to strengthen its presence in the newer areas of operation such as Latin America, Asia, the Middle East and Russia. The Group has continued to expand and reinforce its sales network in North America. Continuing its rigorous risk underwriting policy enabled the group to increase the retention rate further in 2007, thereby enhancing profitability. Net premiums recorded strong growth, outpacing growth in the cost of claims. Gross operating expenses remained virtually stable. However, efficient cost control and improved reinsurance conditions only partly offset the drop in commission income linked to the higher retention rate. All in all, ordinary operating profit recorded strong growth.

The Supervisory Board approves the investment strategy implemented by the group, which consisted of significantly reducing the equities portfolio in the first half of 2007, thereby generating significant gains and enabling the group to redirect the greater part of investments into bonds.
The Supervisory Board also approves the increase in the shareholding in COSEC in Portugal, the shareholding acquired in ICIC in Israel, and the acquisitions of Resolve2Collect in Ireland and UMA in the United States, which further strengthened the group's international presence.

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

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 in the event of an interruption in operations. It also monitored the ongoing implementation of 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 2007. It recommends that the shareholders approve the resolutions submitted to the Annual General Meeting by the Group Management Board.

For 2008, the Group Management Board's objectives are to pursue its dynamic international development policy, notably by investing in new economic powers such as China, India and Russia. It also intends to examine any acquisition opportunities that arise in the trade receivables management and financing market. The group will also continue to harmonise tools and procedures in order to improve service quality and cost control. Despite the more uncertain environment in 2008, 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 2007.

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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 1st 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 applies 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 of the internal controls in a report by the directors 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 them 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.

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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 2007, the Supervisory Board had nine members.

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 allocated to the Supervisory Board for members' fees by the Ordinary General Meeting. These non-voting members may be called to attend and participate in all Supervisory Board meetings but solely in a consultative capacity.

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 their 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 each 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 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, 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 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 carries out 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;

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- 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 four times in 2007.

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 2007. 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 2007.

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 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 company's long-term development and profitability and are submitted by the Remuneration and Appointments Committee to the Supervisory Board for approval.
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) and RSU (Restricted Stock Units), the amounts of which are linked to changes in the Allianz share price over maximum periods of seven and five years, respectively. The SAR and RSU 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 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, SAR and RSU.

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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 the Group Management Board's powers 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 has four members. One has been appointed with effect from 1st January 2008.

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.
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 to 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 2007.

The members of the Group Management Board divide among themselves the supervision of the business of the Euler Hermes group and the 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, internal audit, career management for senior managers, communications, risk manage-

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ment, the activities of other members of the Group Management Board and relations with shareholders.
The three other members of the Group Management Board in 2007 shared supervision of the remaining cross-company functions, i.e. risks and commitments, sales and marketing, finance and accounting, and reinsurance. The member appointed with effect from 1 January 2008 is responsible for operations, which includes the information technology function.
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 within 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, operations, 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 another of whom has been appointed to the Group Management Board with effect from 1 January 2008 (operations), 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 guidelines, 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.

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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 carries out a detailed review of 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".

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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 nine compliance correspondents covering the larger subsidiaries. The CEO has responsibility for this function in the smaller 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.

The group has established a policy concerning fraud.

The base of the anti-fraud of the Euler Hermes group strategy has been documented in January 2006 at the spread of anti-fraud policy. This policy is based on the practices in the group's subsidiaries and establishes the mandatory principles listed below, which must be in place in all main subsidiaries of the group:

- a local anti-fraud officer locally is in charge of setting up the anti-fraud standards;
- the risk of fraud must be evaluated locally;
- a copy of the Code of Conduct must be given to each employee, which must confirm it has taken note of it;
- standard procedures for recruitment must be established, including a "certificate of good conduct" to be applied to each new entrant;
- the establishment of a professional warning;
- standard procedures to ensure official authorizations and the career of new brokers or agents;
- standard rules must be defined for the purchase of goods and services, including the roles, responsibilities and powers of the people involved;
- some basic principles, such as clearly defined powers, separation of duties or obligation of a double verification are required for processes such as contracting, procurement, claims and other payments;
- principles of reporting should be clearly defined (with the Internal Audit and Audit Committee shareholders) in relation to cases of fraud or suspected fraud.

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Since the publication of the group policy its local implementation was monitored (followed) closely and on a continuous basis by the Group. An exchange of best practices between BUs were prosecuted and their various forms of aid have been proposed, such as:

- models of fraud risk assessment;
- an action plan to activate in the event of suspected fraud or fraud proved;
- scenario types and indicators for cases of fraudulent or suspicion of fraud, whether for fraud internal or external (employees and policyholders);
- a software tool designed for the detection of potential fraud.

In addition, and as part of the anti-fraud strategy implemented by Allianz, an audit "anti-fraud" was carried out throughout the group Euler Hermes in 2007. The result is satisfactory overall. The results of this self-assessment are satisfactory. The results gave rise to two action plans that will be implemented in the 1st quarter of the year.

Following this audit, Allianz must provide minimum standards for combating fraud from which Euler Hermes, like all other entities of the group Allianz able to assess and develop its own standards for combating fraud.

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 2007, 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 and 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 various committees and information flows within the group's structures and at group level provide for the management and con-

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trol of the changing risk environment and of any exceptional risk event that may require the implementation of specific measures.
The role of the 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 operations, 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. The group had 26 internal auditors in 2007. 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

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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 included 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 one or two local audit structures each year. In 2007, the audit structures in the Netherlands 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.

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

In addition, and at the request of Allianz's internal audit function, the group's internal audit function carried out a self-assessment appraisal.

Specific procedures for information systems

Security procedures within the group are carried out by two principal functions:
- the group security function;
- the group information system security function.

Security

The head of group security is responsible for:
- the implementation of security policies and procedures within the group;
- ensuring compliance with those policies and procedures by group entities;
- defining new policies and procedures, where required;
- coordinating the business continuity management plans within the group. A review of major entities' plans is currently underway.

More particularly, he has responsibility for user aspects of security, and coordinates a network of correspondents in the business units (two workshops annually).

Security of information systems

The group information system security manager in the group's Information Technology management team is in charge of coordinating action relating to security with the security managers in the subsidiaries, in particular as regards the introduction of information system security technical 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

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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 99.87% of the time in 2007.
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 (four technical tests and two user tests were carried out in 2007).
The group production centre and local production centres apply data backup 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 2007 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.

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, 2006 and 2007, 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.

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.

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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 2007 consolidated financial statements presented under IFRS.

The Consolidation department has five 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 four times a year on the basis of quarterly 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 commitments given and received, 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.

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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).

Full and detailed annual forecasts are updated annually, 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.
A "flash forecast" procedure implemented monthly provides for the rapid identification of any developments in the subsidiaries that may have an impact on the group's results.

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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 by 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.

Paris-La Défense and Paris,
April 14, 2008

Jean-Philippe Thierry
Chairman of Euler Hermes' Supervisory Board

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

YEAR ENDED 31 DECEMBER 2007

To the shareholders,

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 your company's Chairman in accordance with the provisions of Article L. 225-68 of the French Commercial Code for the year ended 31 December 2007.
In his report, the Chairman 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 inform you of 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 standards 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. In particular, these tests involve:
- reviewing the internal control procedures relating to the preparation and processing of accounting and financial information forming the basis for the information presented in the Chairman's report and the existing documentation;
- reviewing the work that forms the basis for the preparation of this information and the existing documentation;
- determining if any major internal control weaknesses relating to the preparation and processing of accounting and financial information that we may have identified during our assignment are appropriately disclosed in the Chairman's 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 and Paris, April 21, 2008

KPMG Audit

A division of KPMG SA

Xavier Dupuy
Partner

ACE – Auditeurs et Conseils d'Entreprise

Alain Auvray
Partner

Consolidated financial statements as at December 31, 2007

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Consolidated financial statements as at December 31, 2007

Consolidated balance sheet

ASSETS (in thousands of euros)	Notes	31/12/2007	31/12/2006
Goodwill	1	115,577	107,374
Other intangible assets	2	58,278	42,919
Intangible assets		**173,855**	**150,293**
Investment property	3	86,247	88,654
Financial investments	4	2,956,590	2,879,178
Derivatives		6,247	5,469
Investments- insurance businesses		**3,049,084**	**2,973,301**
Investments accounted for by the equity method	5	**52,206**	**36,801**
Share of assignees and reinsurers in the technical reserves and financial liabilities		**365,455**	**411,965**
Operating property and other property and equipment	6	158,442	151,356
Acquisition costs capitalised		32,872	33,536
Deferred tax assets	7	14,559	20,912
Inwards insurance and reinsurance receivables	8	429,507	413,604
Outwards reinsurance receivables		65,649	82,623
Corporation tax receivables		24,165	22,813
Other receivables	9	143,649	142,212
Other assets		**868,843**	**867,056**
Cash	10	**378,103**	**334,964**
TOTAL ASSETS		**4,887,546**	**4,774,380**

LIABILITIES (in thousands of euros)	Notes	31/12/2007	31/12/2006
Capital stock		14,417	14,384
Additional paid-in capital		451,332	448,058
Reserves		1,125,417	968,088
Net income, group share		406,958	326,054
Revaluation reserve	11	90,438	124,910
Translation reserve		(29,821)	10,892
Shareholders' equity, group share		**2,058,741**	**1,892,386**
Minority interests	12	19,179	19,153
Total shareholders' equity		**2,077,920**	**1,911,539**
Provisions for risks and charges	13	**127,174**	**99,715**
Other borrowings		295,746	302,369
Borrowings	15	**295,746**	**302,369**
Gross non-life technical reserves	16	1,426,141	1,413,342
Liabilities related to contracts		**1,426,141**	**1,413,342**
Deferred tax liabilities	7	365,948	389,251
Inwards insurance and reinsurance liabilities	17	164,805	190,065
Outwards reinsurance liabilities	17	92,016	117,306
Corporation tax payables		71,942	65,174
Other	18	265,854	285,619
Other liabilities		**960,565**	**1,047,415**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4,887,546**	**4,774,380**

Consolidated income statement

(in thousands of euros)	Notes	31/12/2007	31/12/2006
Premiums written		*1,829,672*	*1,739,540*
Premiums refunded		*(74,780)*	*(81,274)*
Change in unearned premiums		*(28,189)*	*509*
Earned premiums		1,726,703	1,658,775
Premium-related revenues		372,745	353,045
Turnover	**19**	**2,099,448**	**2,011,820**
Investment income		124,961	116,661
Investment management charges		(12,330)	(16,784)
Net gain (loss) on sales of investments less impairment and depreciation writebacks		78,644	52,584
Change in fair value of investments recognised at fair value through profit or loss		(2,190)	1,715
Change in investment impairment provisions		(3,926)	(4,374)
Net investment income	**20**	**185,159**	**149,802**
Insurance services expense		**(754,063)**	**(692,668)**
Outwards reinsurance expense		(458,243)	(548,509)
Outwards reinsurance income		327,132	360,767
Net outwards reinsurance income or expense	**19**	**(131,111)**	**(187,742)**
Contract acquisition expense		**(302,514)**	**(284,027)**
Administration expense		**(214,270)**	**(193,879)**
Other ordinary operating income and expense	**22**	**(304,959)**	**(313,395)**
ORDINARY OPERATING INCOME		**577,690**	**489,911**
Other operating income and expense		-	-
OPERATING INCOME	19	**577,690**	**489,911**
Financing expense		(12,918)	(11,489)
Income from companies accounted for by the equity method	5	8,277	8,547
Corporation tax	23	(162,085)	(156,734)
CONSOLIDATED NET INCOME		**410,964**	**330,235**
Minority interests	12	(4,006)	(4,181)
NET INCOME, GROUP SHARE		**406,958**	**326,054**

Consolidated cash flow statement

(in thousands of euros)	31/12/07	31/12/06
Net income, group share	**406,958**	**326,054**
Corporation tax	162,085	156,734
Financing expense	12,918	11,489
Operating income before tax	**581,961**	**494,277**
Minority interests	4,006	4,181
Allocation to and write-backs of depreciation, amortisation and reserves	67,480	43,037
Change in technical reserves	48,077	50,627
Change in deferred acquisition costs	(1,864)	(2,505)
Change in fair value of financial instruments recognised at fair value through the income statement (excluding cash and cash equivalents)	2,190	(1,715)
Realised capital gains/(losses) net of write-backs	(78,855)	(52,555)
Unrealised foreign exchange gain (loss) in company accounts	1,610	4,196
Revenues and expenses linked to stock options and similar	2,234	3,204
Interest revenues received	(101,870)	(95,160)
Interest revenues cashed	83,886	94,362
Adjustment for elements included in operating income that do not correspond to cash flows and reclassification of financing and investment flows	**26,894**	**47,672**
Income (loss) of companies accounted for by the equity method	(8,277)	(8,547)
Dividends received from companies accounted for by the equity method	5,452	4,447
Change in liabilities and receivables relating to insurance and reinsurance transactions	(41,578)	(71,490)
Change in inventories	42	(612)
Change in operating receivables and liabilities	22,246	16,638
Change in other assets and liabilities	(11,075)	(6,228)
Corporation tax	(165,579)	(103,640)
Cash flow related to operating activities	**(198,769)**	**(169,432)**
CASH FLOW FROM OPERATING ACTIVITIES	**410,086**	**372,517**
Acquisitions of subsidiaries and joint ventures, net of acquired cash	(2,593)	1,580
Disposals of subsidiairies and joint ventures, net of acquired cash	1	143
Acquisition of equity interests in companies accounted for by the equity method	(11,905)	-
Fusion	(1)	(4)
Others	-	-
Cash flow linked to changes in the consolidation scope	**(14,498)**	**1,719**
Disposals of AFS securities	1,443,569	1,337,085
Matured HTM securities	7,561	9,609
Disposals of investment properties	1,453	7,370
Disposals of securities held for trading	1,288	80

Consolidated cash flow statement

(in thousands of euros)	31/12/07	31/12/06
Cash flow linked to disposals and redemptions of investments	**1,453,871**	**1,354,144**
Acquisitions of AFS securities	(1,457,058)	(1,455,010)
Acquisitions of HTM securities	-	(43)
Acquisitions of investment properties	(14,197)	(936)
Acquisitions of trading securities	(6,820)	(991)
Cash flow linked to acquisitions of investments	**(1,478,075)**	**(1,456,980)**
Disposals of other investments and intangible assets	54,585	418,236
Acquisitions of other investments and intangible assets	(192,043)	(429,117)
Cash flow linked to acquisitions and disposals of other investments and intangible assets	**(137,458)**	**(10,881)**
CASH FLOW FROM INVESTING ACTIVITIES	**(176,160)**	**(111,998)**
Increases and decreases in capital	3,329	3,336
Increases in capital	*3,333*	*3,482*
Decreases in capital	*(4)*	*(146)*
Change in treasury stock	3,612	6,928
Dividends paid	(177,225)	(153,695)
Cash flow linked to transactions with the shareholders	**(170,284)**	**(143,431)**
Changes in loans and subordinated securities	(772)	(40,444)
Issue	*458*	*70,106*
Repayment	*(1,230)*	*(110,551)*
Interest paid	(14,722)	(12,500)
Cash flow from group financing	**(15,494)**	**(52,945)**
Cash flow from financing activities	**(185,778)**	**(196,375)**
Impact of foreign exchange differences on cash and cash equivalents	(2,732)	(2,557)
Reclassification [(1)]	(59,413)	57,151
Other cash flows linked to restructuring operations	-	3,966
OTHER NET CHANGES IN CASH	**(62,145)**	**58,560**
Change in cash flows	**(13,997)**	**122,703**
Change in cash and cash equivalents	**(13,997)**	**122,703**
Cash and cash equivalents at start of period	**402,418**	**279,715**
Cash and cash equivalents at end of period	**388,421**	**402,418**

(1) As at December 31, 2007, the reclassification of €59.4 million corresponds mainly to cash equivalents in available for sale securities not taken into account in the cash position as at December 31, 2006 for €66 million. The balance of +€6 million corresponds to the recognition under cash equivalents of short-term deposits not taken into account in the cash position at the start of the year.
As at December 31, 2007, the reclassification of €57 million corresponds to the amount of the cash pool receivable with Allianz not taken into account in the cash position as at December 31, 2006 in an amount of nearly €51 million and cash equivalents that had not been identified as such for €6 million.

Changes in consolidated shareholders' equity

(in thousands of euros)	Capital stock	Additional paid-in capital	Retained earnings	Revaluation reserve	Other: Trans-lation reserve	Other: Treasury shares	Other: Total other	Shareholders equity, group share	Minority interests	Total share-holders' equity
Shareholders' equity as at December 31, 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 statements							-	-		-
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 as at December 31, 2006 - IFRS	**14,384**	**448,058**	**1,368,855**	**124,910**	**10,892**	**(74,713)**	**(63,821)**	**1,892 ,386**	**19,153**	**1,911,539**
Available-for-sale assets (AFS)							-	-		-
- Measurement gain/(loss) taken to shareholders' equity				(34,472)			-	(34,472)	(159)	(34,631)
- Impact of transferring realised gains and losses to income statement							-	-		-

Changes in consolidated shareholders' equity

(in thousands of euros)	Capital stock	Additional paid-in capital	Retained earnings	Revaluation reserve	Other			Shareholders equity, group share	Minority interests	Total share -holders' equity
					Translation reserve	Treasury shares	Total other			
Cash flow hedges							-	-		-
- 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					(40,713)		(40,713)	(40,713)	(97)	(40,810)
Current and deferred tax taken directly to or transferred to shareholders' equity										
Net income recognised in shareholders' equity	-	-	-	(34,472)	(40,713)	-	(40,713)	(75,185)	(256)	(75,441)
Net income for the year			406,958				-	406,958	4,006	410,964
Total revenues and losses recognised for the period	-	-	406,958	(34,472)	(40,713)	-	(40,713)	331,773	3,750	335,523
Capital movements	33	3,274				(859)	(859)	2,448	76	2,524
Dividend distributions			(174,181)				-	(174,181)	(3,044)	(177,225)
Shareholders' equity component of share-based payment plans			2,925				-	2,925		2,925
Cancellation of gains/losses on treasury shares			3,709				-	3,709		3,709
Other movements			(319)				-	(319)	(756)	(1,075)
Shareholders ' equity as at December 31, 2007 - IFRS	14,417	451,332	1,607,947	90,438	(29,821)	(75,572)	(105,393)	2,058,741	19,179	2,077,920

At 31 December 2007, the capital stock of Euler Hermes consisted of 45,052,513 fully paid-up shares, including 1,369,246 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 €34,472 thousand net of taxes.
Variances in translation differences during the year concerned mainly the US dollar €17,997 thousand and the British pound €22,495 thousand.
101,395 new shares were created as a result of the exercise of stock options during 2007. Following these transactions, the share capital and additional paid-in capital of Euler Hermes SA increased by €33 thousand and €3,274 thousand respectively.
The variance of €2,925 thousand corresponds to an expense in respect of stock option plans in accordance with the application of IFRS 2.
The variance in minority interests is due mainly to the purchase of additional shares of Euler Hermes Guarantee Plc and Euler Hermes Interborg NV.
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 the full year ended December 31, 2007:

Changes in the capital stock and share ownership

The Shareholders' General Meeting of 9 May 2007 approved the payment of a dividend of €4.00 per share. On December 31, 2007, the Allianz Group owned 30,744,048 shares out of a total of 45,052,513, i.e. 68.24% of the capital stock.

During the full year ended December 31, 2007, 101,395 new shares were created following the exercise of options under the 1998, 2003, 2004 and 2005 stock option plans. On December 31, 2007, Euler Hermes' capital stock was composed of 45,052,513 shares, including 1,369,746 treasury shares.

Ongoing international development

On January 23, 2007, Euler Hermes' US subsidiary Euler Hermes ACI acquired United Mercantile Agencies (UMA), one of the leading US debt collection and trade receivables management companies. The company changed its name to "Euler Hermes UMA" following the takeover.

At the end of the first quarter, Euler Hermes acquired one third of the capital of Israel's leading credit insurance company, Israel Credit Insurance Company Limited (ICIC), based in Tel Aviv. At the same time Euler Hermes came to a partnership agreement with ICIC's two other shareholders, which each have a one third stake in ICIC.

On April 20, 2007, Euler Hermes strengthened its position in Portugal by raising its stake in COSEC from 41% to 50%.

In the second quarter, Euler Hermes opened a subsidiary in Dubai with its local partner, Alliance Insurance. Alliance Insurance is one of the leading insurance companies in the United Arab Emirates.

On August 2, 2007, Euler Hermes announced the acquisition of the assets of Resolve2Collect (R2C), a debt collection firm in Ireland, to round off the Irish credit insurance business acquired from Allianz.

Euler Hermes and Allianz Utama, the Indonesian subsidiary of Allianz SE, have signed a credit insurance cooperation agreement as of September 25, 2007. Euler Hermes will provide to Allianz Utama and its corporate clients a direct access to its global risk database, its commercial debt collection network and the reinsurance capacity for the activity.

As at December 10, 2007, Euler Hermes and the Bank of China Insurance Co. Ltd. (BOCI) have signed a trade credit insurance cooperation agreement. The agreement is designed to give corporate clients of the Bank of China (BOC) access to easy financing options by signing an insurance contract with their group insurance company BOCI. Euler Hermes will provide BOCI with reinsurance cover. As a next step, Euler Hermes' multinational clients will benefit from this cooperation programme.

Increase in the retention rate

The average group premium retention rate increased from 67% at end-December 2006 to 73,5% at end-December 2007. Net earned premiums on reinsurance grew by 14.2% between December 31, 2006 and December 31, 2007.

Change in tax rate in Germany

A tax reform was published on July 6, 2007 and is effective on January 1st, 2008. This change will reduce the tax rate by eight points, bringing it to 32.38% on January 1st, 2008 compared with the present rate of 40.38%. EH Kreditversicherungs-AG recorded a positive impact in the deferred tax in the liabilities of €44 million at the end of the 3rd quarter of 2007.

2. IFRS ACCOUNTING AND VALUATION RULES

The financial statements of the Euler Hermes group as at December 31, 2007 were approved by the Board of Directors of February, 15.

2.1 General principles

In accordance with European regulation no. 1606/2002 of July 19, 2002, the interim consolidated financial statements published at December 31, 2007 were prepared in accordance with 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.

Notes to the consolidated financial statements

The standards and interpretations applied stem essentially from:

- IAS/IFRS and their interpretative texts whose application is mandatory at December 31, 2007 as 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.

The following new standards, amendments to existing standards and interpretations have been applied on group's financial statements:

- IFRIC 8: scope of application of IFRS 2 Share-based payments (applicable to financial years starting on or after May 1, 2006);
- IFRS 7 Financial instruments - disclosures (applicable to financial years starting on or after January 1, 2007);
- Amendments to IAS 1 presentation of financial statements - information to be disclosed on the capital (came into force with effect from January 1, 2007).

After assessing the impact of IFRS 7 and the amendment to IAS 1, the group concluded that the main additional disclosure would concern sensitivity to market risk and information on the capital required under the amendment to IAS 1. The information relating to IFRS 7 and the amendment to IAS 1, applicable to financial years starting on or after January 1, 2007, has been realized in the financial statements for the year ended December 31, 2007.

As at December 31, 2007, Euler Hermes didn't anticipate the application of the following standards which will be mandatory applicable as of January 1, 2009:

- IAS 1 revised - Presentation of financial statements;
- IAS 23 - Update related to the costs of borrowings;
- IFRS 8 - Operational segments.

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 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 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.

2.2 Consolidation scope

2.2.1 Change in consolidation scope

The following changes in consolidation scope took place in the year 2007:

Companies joining the group

The following services companies, Euler Hermes Trade Credit Underwriting Agents in Australia, Euler Hermes Trade Credit Ltd Lumley Centre in New Zealand and Euler Hermes Serwis sro Bratislava in Slovakia were consolidated using the full method as from January 1, 2007.

The credit insurance company, Euler Hermes Argentina, was fully consolidated with effect from January 1, 2007.

The US debt collection agency United Mercantile Agencies (UMA) was fully consolidated as from January 1, 2007. Goodwill on acquisition amounting to more than €6 million has been recognised in the consolidated financial statements.

The Israeli credit insurance company, Israel Credit Insurance Company Limited (ICIC), was consolidated according to the equity method at June 30, 2007 (equity holding of 33.33%). Goodwill on acquisition of €3 million was recognised in the consolidated financial statements.

Companies leaving the group

No company left the group in the period ended December 31, 2007.

Mergers

Euler Hermes Gesellschaft für Informations-Dienstleistungen GmbH, Euler Hermes Gesellschaft für Finanzdiensleistungen GmbH, EH Risk Management Veiwaltungs-Gmbh and EH Risk Management GmbH & Co KG were merged with Euler Hermes Forderungsmanagement GmbH. This merger had no impact on consolidated shareholders' equity.

Notes to the consolidated financial statements

Other changes

The capital stake in COSEC was raised by nine percentage points to 50%. Goodwill amounting to €1 million was recognised in the consolidated financial statements. The company is now 50/50 owned by Euler Hermes and BPI. However, given the probable changes to IFRS, COSEC continues to be consolidated using the equity method.

The capital stake in Euler Hermes Credit and Guarantee moved from 94.86% to 98.72% after the purchase of additional shares to the minorities.

A complementary purchase of shares of Euler Hermes Interborg made reach the capital stake of Euler Hermes Kreditversicherungs-AG to 100%.

2.2.2 List of consolidated companies

French companies	Consolidation method	31/12/2007		31/12/2006	
		% control	% interest	% control	% interest
Euler Hermes S.A. (1) 1, rue Euler - 75008 Paris N° Siren: 552 040 594	held by AGF: 68.24%	Parent company	Parent company	Parent company	Parent company
Bilan Services SNC 25, boulevard des Bouvets - 92000 Nanterre N° Siren: 333 192 631	Full	66.00	50.00	66.00	50.00
Codinf Services SA 29, rue de Délizy - 93500 Pantin N° Siren: 341 693 778	Full	100.00	100.00	100.00	100.00
Euler Hermes Asset Management SA 1, rue Euler - 75008 Paris N° Siren: 422 728 956	Full	100.00	100.00	100.00	100.00
Euler Hermes Services SAS 1, rue Euler - 75008 Paris N° Siren: 414 960 377	Full	100.00	100.00	100.00	100.00
Euler Hermes SFAC SA 1-3-5 rue Euler - 75008 Paris N° Siren: 348 920 596	Full	100.00	100.00	100.00	100.00
Euler Hermes SFAC Crédit SAS 1, rue Euler - 75008 Paris N° Siren: 388 236 853	Full	100.00	100.00	100.00	100.00
Euler Hermes SFAC Recouvrement SAS 1, rue Euler - 75008 Paris N° Siren: 388 238 026	Full	100.00	100.00	100.00	100.00
Euler Hermes Tech SAS 1, rue Euler - 75008 Paris N° 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	100.00
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 45, 052,513 shares (before restatement of treasury shares).

Notes to the consolidated financial statements

Foreign companies	Country	Consolidation method	31/12/2007		31/12/2006	
			% control	% interest	% control	% interest
Bürgel Wirtschaftsinformationen GmbH & Co. K.G. Gasstraße 18 -Hambourg	Germany	Full	50.10	50.10	50.10	50.10
Bürgel Wirtschaftsinformationen Verwaltungs-GmbH Gasstr.18 D-22761 Hambourg	Germany	Full	50.40	50.40	50.40	50.40
Euler Hermes Gesellschaft für Finanzdienstleistungen GmbH (2) Friedensallee 254 -Hambourg	Germany	Full	0.00	0.00	100.00	100.00
Euler Hermes Forderungsmanagement GmbH Friedensallee 254 -Hambourg	Germany	Full	100.00	100.00	100.00	100.0
Euler Hermes Gesellschaft Für Informations Dienstleistungen GmbH (2) Friedensallee 254 -Hambourg	Germany	Full	0.00	0.00	100.00	100.00
Euler Hermes Rating GmbH Friedensallee 254 -Hambourg	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Kreditversicherungs AG Friedensallee 254 -Hambourg	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Risk Management GmbH (2) Friedensallee 254 -Hambourg	Germany	Full	0.00	0.00	100.00	100.00
Hermes Risk Management Hamb. (2) Friedensallee 254 -Hambourg	Germany	Full	0.00	0.00	100.00	100.00
Prisma Kreditversicherungs AG Heiligenstadter Strasse 201 -Vienne	Austria	Equity	49.00	49.00	49.00	49.00
Euler Hermes Credit Insurance Belgium SA (NV) 15, rue Montoyer -1000 Bruxelles RC Bruxelles: 31 955	Belgium	Full	100.00	100.00	100.00	100.00
Euler Hermes Services Belgium SA (NV) 15, rue Montoyer -1000 Bruxelles RC Bruxelles: 45 8033	Belgium	Full	100.00	100.00	100.00	100.00
Graydon Belgium (NV) Uibreidingstraat 84 Bus 1 -2500 Berchem	Belgium	Equity	27.50	27.50	27.50	27.50
Euler Hermes Seguros de Crédito SA 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
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 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 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 800, Red Brook Boulevard -Owings Mills, MD 21117	United-States	Full	100.00	100.00	100.00	100.00

(2) These entities had been merged during 2007 with EH Kreditversicherungs AG.

Notes to the consolidated financial statements

Foreign companies	Country	Consolidation method	31/12/2007		31/12/2006	
			% control	% interest	% control	% interest
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 Services Estonia OÜ Tallinn Tina str 9, 10126 Tallin	Estonia	Full	100.00	100.00	100.00	100.00
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
Euler Hermes Guarantee plc Surety House, Lyons Crescent -Tonbridge Kent TN9 1EN	United-Kingdom	Full	98.72	98.72	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
Euler Hermes Management Services UK Ltd 01, Canada Square -London E14 5DX	United-Kingdom	Full	100.00	100.00	0.00	0.00
Graydon U.K. Limited Hyde House, Edgware road -Colindale -London NW9 6LW	United-Kingdom	Equity	27.50	27.50	27.50	27.50
Euler Hermes Emporiki SA 109-111, Messogion Ave -Politia Business Center -115 26 Athens	Greece	Full	60.00	60.00	60.00	60.00
Euler Hermes Emporiki Services Limited 109-111, Messogion Ave -Politia Business Center -115 26 Athens	Greece	Full	60.00	60.00	60.00	60.00
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	Hungaria	Full	74.90	74.90	74.90	74.90
Euler Hermes Magyar Hitelbiztosító Rt Kiscelli u.104 -1037 Budapest	Hungaria	Full	74.89	74.89	74.89	74.89
Euler Hermes Credit Management Service Ireland Ltd 15, Blanchardstown Corporate Park Ballygowan -Dublin -Republic of Ireland	Ireland	Full	100.00	100.00	0.0	0.0
Israël Credit Insurance Company Ltd (ICIC) 2, Shenkar Street -68010 Israël -Tel-Aviv-Jaffa	Israël	Equity	33.33	33.33	0.0	0.0
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
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 Skolas 9-5, LV -1010 Rfulla	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 Jasinskio 16, Vilnius	Lithuania	Full	100.00	100.00	100.00	100.00
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

Notes to the consolidated financial statements

Foreign companies	Country	Consolidation method	31/12/2007 % control	31/12/2007 % interest	31/12/2006 % control	31/12/2006 % interest
Euler Hermes Seguro de Crédito 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 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	Nederlands	Full	100.00	100.00	95.00	95.00
Euler Hermes Kredietverzekering NV Pettelaarpark 20 -Postbus 70571 NL-5201 CZs-Hertogenbosch	Nederlands	Full	100.00	100.00	100.00	100.00
Euler Hermes Services BV Pettelaarpark 20 -Postbus 70571 NL-5201 CZs-Hertogenbosch	Nederlands	Full	100.00	100.00	100.00	100.00
Graydon Creditfink BV Hullenbergweg 260 -1101 BV Amsterdam	Nederlands	Equity	27.50	27.50	27.50	27.50
Graydon Holding NV Hullenbergweg 260 -1101 BV Amsterdam	Nederlands	Equity	27.50	27.50	27.50	27.50
Graydon Nederland BV Hullenbergweg 260 -1101 BV Amsterdam	Nederlands	Equity	27.50	27.50	27.50	27.50
Kisys Krediet Informatie Systemen BV Hullenbergweg 270 -1101 BV Amsterdam	Nederlands	Equity	27.50	27.50	27.50	27.50
MarkSelect BV Diemerhof 26 -Postbus 22969 -1100 DL Amsterdam	Nederlands	Equity	27.50	27.50	27.50	27.50
N.V. Interpolis Kredietverzekeringen Pettelaarpark 20 -5216 PDs Hertogenbosch	Nederlands	Proportional	45.00	45.00	45.00	45.00
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 SA ul. Chocimska, 17 -00 791 Warsaw	Poland	Full	100.00	100.00	100.00	100.00
Euler Hermes, Anna Kozinska-Kancelaria Prawna Sp.k 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 Lisboa	Portugal	Equity	50.00	50.00	41.43	41.43
Euler Hermes Cescob, uverova pojist'ovna, a.s. Molakova 576/11, 186 00 Pragues 8	Czech Republic	Full	100.00	100.00	100.00	100.00
Euler Hermes Cescob Service, s.r.o. Zahrebska 23-25 - 120 00 Pragues 2	Czech Republic	Full	100.00	100.00	100.00	100.00
Euler Hermes Servicii Financiare SRL Str. Maltopol, nr. 9, 011047, Sector 1, Bucuresti	Romania	Full	79.92	79.92	79.97	79.97
Euler Hermes Credit Insurance Agency (S) Pte. Ltd 3 Temasek Avenue -# 08-01 Centennial Tower Singapore 039130	Singapore	Full	100.00	100.00	100.00	100.00
Euler Hermes Credit Insurance Nordic AB 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
Euler Hermes Argentina (3) San Martin 550 -C1004AAL Buenos Aires	Argentina	Full	100.00	100.00	0.00	0.00
EH Trade Credit Underwriting Agents (3) Suite 1403, Level 14, 14 Martin Place -NSW 2000 -Sydney	Australia	Full	100.00	100.00	0.00	0.00
EH Trade Credit Ltd. Lumley Centre (3) 88 Shortland Street - PO Box 3197 -Auckland	New Zealand	Full	100.00	100.00	0.00	0.00
Euler Hermes Serwis SRO Bratislava (3) Plynarenska 4659/1 821 09 Bratislava, Slovakia	Slovaquia	Full	100.00	100.00	0.00	0.00
Euler Hermes Risk Yönetimi (4) Dereboyu Sokak, Sun Plaza, Plaza Cubes, Maslak 34398 Istanbul	Turkey	Full	100.00	100.00	0.00	0.00

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

(3) Entities fully consolidated for the first time in 2007 (see § 2.3.1).

(4) Entities fully consolidated for the first time as at June 30, 2007.

According to the German Commercial Code (section 264-b), some companies are exempted from preparing single financial statements as they are included in the consolidated financial statements of Euler Hermes.

Notes to the consolidated financial statements

2.3 Consolidation principles and methods

2.3.1 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 AG;
- Graydon Holding NV;
- Companhia de Seguro de Creditos SA (COSEC);
- Israel Credit Insurance Company Ltd (ICIC).

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 December 31, 2006, Euler Hermes Credit Underwriters Hong Kong and Burgel Wirtschaftsinformationen GmbH & Co KG are now consolidated using the full consolidation method.

Notes to the consolidated financial statements

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.

COSEC is jointly controlled but accounted by equity method (see § 2.3.1). There are no other jointly controlled companies.

2.3.2 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.

2.3.3 Financial year and year-end dates

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

2.3.4 Translation

2.3.4.1 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.

2.3.4.2 Translation 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”.

Notes to the consolidated financial statements

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

in euros vs currency	31/12/2007 closing	31/12/2007 average	31/12/2006 closing	31/12/2006 average
Pound sterling	0,7334	0,6873	0,6715	0,68190
US dollar	1,4721	1,3797	1,3170	1,26299
Swedish krona	9,4415	9,2647	9,0404	9,25333
Brazilian real	2,6018	2,6549	2,81240	2,73856
Hong Kong dollar	11,48	10,761	10,24090	9,81224
Swiss franc	1,6547	1,6459	1,60690	1,57676

2.3.5 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.

2.3.6 Goodwill and other intangible assets

2.3.6.1 Goodwill

All business combinations made with effect from March 31, 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 March 31, 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 1st 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 § 2.3.6.3).

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 § 2.3.6.3 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.

2.3.6.2 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.

Notes to the consolidated financial statements

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.

2.3.6.3 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 1% and 3% depending on the CGU concerned, and a discount rate between 7.8% and 8.31% depending on the company. 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.

2.3.7 Property assets

2.3.7.1 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.

2.3.7.2 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.

Component	Housing	Warehouses and commercial premises	Offices	High-rise buildings
	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).

2.3.7.3 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.

Notes to the consolidated financial statements

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.

2.3.8 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

2.3.9 Financial instruments

2.3.9.1 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 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 closing date;
- 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.

Notes to the consolidated financial statements

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, an impairment is accounted through net income only in case of a risk of default of the issuer.
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.

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.

Notes to the consolidated financial statements

2.3.9.2 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.

2.3.10 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.

2.3.11 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.

2.3.12 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.

Notes to the consolidated financial statements

2.3.13 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.

2.3.14 Other assets and other liabilities

These essentially comprise prepaid expense accounts.

2.3.15 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.

2.3.16 Provisions for risks and charges

2.3.16.1 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.

2.3.16.2 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.

2.3.17 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.

2.3.18 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.

2.3.19 Definition of insurance 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.

2.3.19.1 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". In April 2005, the IAS 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.

Notes to the consolidated financial statements

On August 18, 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.

2.3.19.2 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 December 31 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;

Notes to the consolidated financial statements

- 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 policy holders.
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.

2.3.19.3 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.

2.3.20 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”.

2.3.21 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.

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Turnover comprises earned premiums and commissions and other operating revenues.

2.3.21.1 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.

2.3.21.2 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.

2.3.22 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 2.3.19.2 (Measurement of insurance contracts).

2.3.23 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 2.3.19.3.

2.3.24 Administration expense

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

Notes to the consolidated financial statements

2.3.25 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.

2.3.26 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.

2.3.27 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.

2.3.28 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 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 companies in the insurance market. Risk control and measurement have become a major component of the Euler Hermes group's strategy. The priorities of the risk control function are to protect the company's creditworthiness and to optimise the balance between risk and return. Therefore, 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.

Notes to the consolidated financial statements

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.

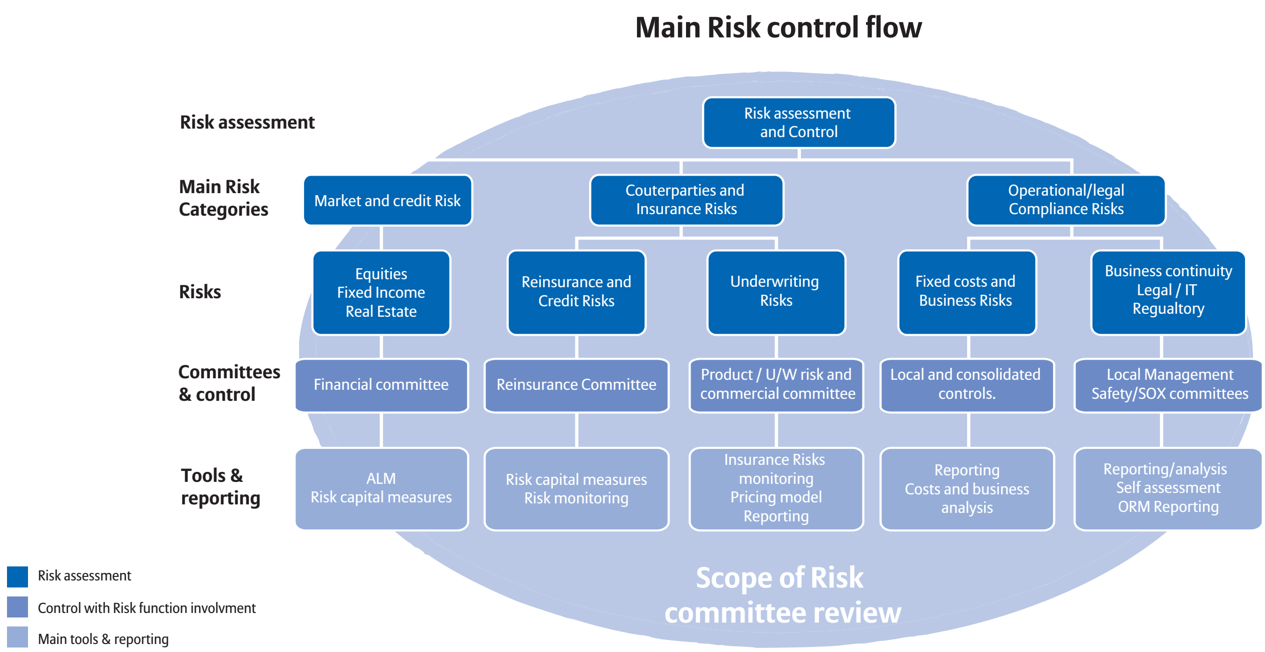
3.1.2 Risk control activity

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 policy holders 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:



Notes to the consolidated financial statements

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 drives the risk function to strengthen certain measurement tools covering the underwriting of insurance risks and management of financial investments.
Such a structure aims to identify and monitor proactively all types of risks by maintaining responsibility for the management of these risks at operational level. The risks are thus controlled at various levels and limits are managed in line with the capital allocated by risk while at the same time benefiting from operational experience. Risk management is thus spread across all activities of the entire group for the day-to-day management of operations but also to be able to respond to specific events as efficiently as possible. Risk control prepares risk reports in collaboration with the operational functions in order to keep management informed. The committees play a key role as centres of responsibility and decision-making for risk management but also in spreading a culture of risk awareness and ascertaining the strengths and weaknesses of the risk management process.
All these elements combine to form a clearly defined risk management mechanism that includes a forward-looking view on major risks, especially with regard to any changes in the environment or trends. Euler Hermes is thus particularly well prepared to tackle any major changes in risk and take appropriate measures.
When launching new products, all these skills come together to assess the internal and external impacts and define the actions to be taken to reduce the risks, minimise the costs and establish new limits for management of the product.

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 policy holders to reduce the risks associated with their trade receivables.
As such, during the policy period, each request from policy holders 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 policy holders' customers, Euler Hermes actively modulates the transfer of policy holders' customer risk. To achieve this, each group entity has a dedicated management team that, through contact with the policy holder, monitors and analyses policy holders' 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 policy holders' 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 policy holder. It also requires that the policy holder declares payment defaults within a given timeframe. During the policy period, there is ongoing collaboration with the policy holder, notably through the provision of the necessary cover for his customers. The principle of providing global coverage for policy holders' 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 policy holders but more especially that of their customers.

Notes to the consolidated financial statements

The theoretical gross exposures in credit insurance correspond to the maximum amount of commitments that the group agrees to cover on its policy holders' applications. The actual amounts of policy holders' transactions that are covered are much less, in line with the actual turnover recorded by the policy holder 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 policy holders' customers).

Gross theoretical exposures by the debtor's country at 31 December 2007

€'000, 000	2007	%	2006	%
Total Europe	**579,392**	**87.6%**	**497,795**	**88.2%**
of which				
France	207,882	31.4%	187,312	33.2%
United Kingdom	68,096	10.3%	60,247	10.7%
Germany	110,200	16.7%	94,753	16.8%
Italy	68,478	10.4%	56,516	10.0%
Belgium and Luxembourg	29,454	4.5%	19,556	3.5%
Netherlands	20,777	3.1%	15,598	2.8%
Spain	18,719	2.8%	15,106	2.7%
Eastern Europe	16,735	2.5%	14,777	2.6%
Scandinavia	13,722	2.1%	13,925	2.5%
Rest of Europe	25,330	3.8%	20,005	3.5%
Total Americas	**52,880**	**8.0%**	**49,703**	**8.8%**
of which				
United States	35,914	5.4%	36,708	6.5%
Canada	5,933	0.9%	5,762	1.0%
Latin America	11,032	1.7%	7,233	1.3%
Asia/Pacific	**20,158**	**3.0%**	**11,624**	**2.1%**
Near and Middle East	**5,312**	**0.8%**	**2,669**	**0.5%**
Africa	**3,499**	**0.5%**	**2,349**	**0.4%**
Total	**661,241**	**100.0%**	**564,140**	**100.0%**

As illustrated in this table of the geographical split of gross exposures, the debtors of a given policy holder 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 and individual sectoral analyses are prepared using group management information applications. Changes in exposure are reviewed at the most granular level by debtor and at portfolio level while ensuring that proper balance is maintained between premiums received and the actual risk represented by these exposures.

Notes to the consolidated financial statements

Gross exposures by the debtor's sector of activity at 31 December 2007

€'000	Dec. 2007	%	Dec. 2006	%
Metallurgy	125,345	19.0%	97,935	17.4%
Agrifood	86,685	13.1%	77,005	13.7%
Construction	82,159	12.4%	71,138	12.6%
Textiles - leather	34,532	5.2%	32,607	5.8%
Electronics	56,014	8.5%	48,290	8.6%
Services	105,923	16.0%	89,980	16.0%
Wood - Paper	41,015	6.2%	35,315	6.3%
Chemicals	51,509	7.8%	44,003	7.8%
Other	78,059	11.8%	67,867	12.0%
Total	**661,241**	**100.0%**	**564,140**	**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 policy holders' 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 policy holders 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 policy holders 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.

Notes to the consolidated financial statements

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 implementation in the main group subsidiaries of the new group application for the management of underwriting cover on debtors having been finalised in 2006.

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 policy holders 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 amount of exposures net of reinsurance can be calculated only after applying policy holders' 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.

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Financial portfolio at market value

	31/12/2007		31/12/2006	
	€'m	%	€'m	%
Bonds	2,215	63%	2,022	60%
Equities	426	12%	623	19%
Investment property	163	5%	135	4%
Loans, deposits and other financial investments	315	9%	235	7%
Total financial investments	**3,120**	**89%**	**3,014**	**90%**
Cash	378	11%	335	10%
Total financial investments + Cash	**3,498**	**100%**	**3,349**	**100%**

3.3.2 Equity market risk

The Euler Hermes group had invested around 12% of its financial portfolio in equities at the end of 2007. This policy stems from a cautious investment approach as well as the reduction in the portfolio's equity exposure in 2007. 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.

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

	31/12/2007		31/12/2006	
	€'m	%	€'m	%
Less than 1 year	488	22%	270	13%
1 to 3 years	450	20%	548	27%
3 to 5 years	564	25%	430	21%
5 to 7 years	353	16%	480	24%
7 to 10 years	296	13%	244	12%
More than 10 years	64	3%	50	2%
Total	**2,215**	**100%**	**2,022**	**100%**

Notes to the consolidated financial statements

The yield on the bond portfolio is highly dependent on changes in interest rates and the portfolio duration. The average bond yield for 2007 was 3.2%, close to the rate offered for the current duration of the bond portfolio, i.e. around 3.9 years. Amounts represented by securities reaching maturity were replaced by equivalent securities with maturities that are longer than the average portfolio duration or with very short-term maturity. This investment policy takes into account the yield offered by the market on these maturities with a controlled level of risk and optimisation of bond income.
Borrowings are entered into mainly by the holding company, Euler Hermes SA. 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 2007, almost 80% of the group's assets consisted of listed marketable securities. Equity investments are made in large caps listed on the major markets, mainly in Europe. 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.
The assets of these companies are invested mainly in local investment assets. 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.

Group financial portfolio by currency

	31/12/2007		31/12/2006	
	€'m	%	€'m	%
EUR	2,617	83.9%	2,395	79.5%
GBP	240	7.7%	304	10.1%
USD	196	6.3%	244	8.1%
Other currencies	67	2.1%	72	2.4%
Total	**3,120**	**100.0%**	**3,014**	**100.0%**

Notes to the consolidated financial statements

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.

	2007			2006		
Foreign exchange risk (€'m)	United States	United Kingdom	GROUP	United States	United Kingdom	GROUP
Net income, group share in €'000 - 2007	29,0	36,6	407,0	28,1	39,7	326,1
Closing exchange rate	0,6793	1,3636		0,7593	1,4892	
Net income, group share in local currency ('000)	42,7	26,8		37	26,7	
Impact of a 100 basis-point exchange rate movement	0,6693	1,3536		0,7493	1,4792	
Net income, group share in €'000 after the exchange rate movement	28,6	36,3	406,3	27,7	39,5	325,4
Change relative to initial net income (%)	-1,47 %	-0,73 %	-0,17 %	-1.32%	-0,67%	-0,19%

United States refers to the USD-denominated component of consolidated income, United Kingdom refers to the GBP component. Income denominated in cureencies other than 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 78% 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 0.7% of the total bond portfolio.

Breakdown of bonds by rating

	31/12/2007		31/12/2006	
	€'m	%	€'m	%
AAA	1,728	78%	1,650	82%
AA+	121	5%	86	4%
AA	234	11%	198	10%
AA-	49	2%	40	2%
A+	56	3%	22	1%
A	11	1%	8	0%
Other ratings	16	1%	18	1%
Total	**2,215**	**100%**	**2,022**	**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. Dedicated tools, including internal capital allocation models, allow for the precise management of these parameters and optimisation of the reinsurance coverage. The parameters for reinsurance contracts entered into by the subsidiaries are estimated 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.

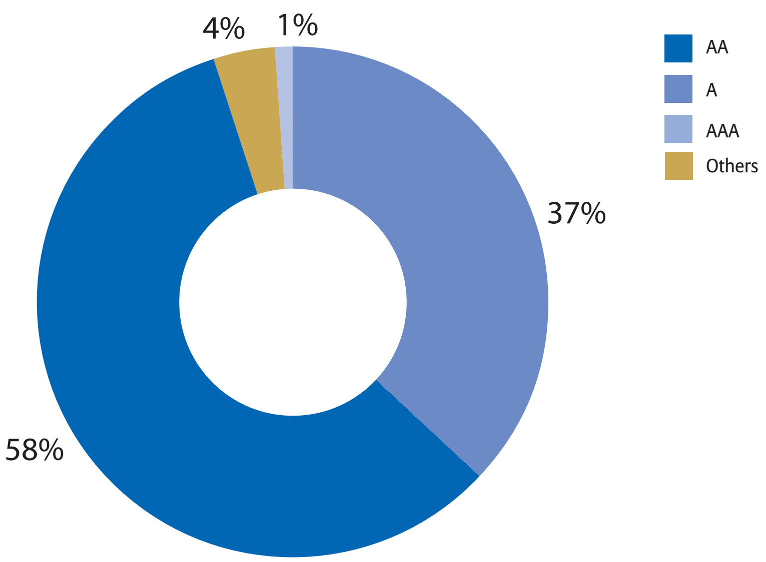
Non-proportional (excess of loss) treaties cover the occurrence of exceptionally large risks. Such claims arise following the bankruptcy of a debtor or group of debtors with exposures high enough to generate amounts exceeding the reinsurance excesses of these treaties.

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. The "Others" category consists of reinsurers without a rating and mainly reinsurers with a BBB rating with run-off exposure.

Analysis of technical reserves assigned* by rating of the reinsurer (the scope covered represents more than 96% of the reserves considered out of the group total at 31 December 2007)

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 2007)



AAA	2,974
AA	203,622
A	131,004
Others	14,192
Total	**351,792**

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

Notes to the consolidated financial statements

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 model measures all aspects of the credit insurance risk and comparison of the results over time ensures that the model is valid and robust. The current approach is somewhat conservative, both in the way that the parameters are defined and applied and the calculation method. It is a genuine management system as it delivers information at aggregate level in order to determine the capital needs by entity as well as detailed information at the most granular level for risk control purposes. It also serves as the basis for the development of models for the calculation of premium rates and of quantitative limits applied to all risk categories. All entities of the Euler Hermes group inform the risk control function of their regulatory solvency position. The regulatory constraints are generally below the current capital of the entities. When this is not the case, appropriate action on the activity or the capital would be undertaken.
This new internal 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. Standard & Poor's has recently revised these factors, with a heavier weighting now being applied to the credit insurance activity. While some assumptions may be debatable, it remains a reference for a standard risk capital computation. To facilitate comparison of results, the simulation has thus been prepared for 2006 and 2007 using this new model.

The amounts simulated by this method to achieve an A rating are shown in the following table:

Risk Capital (€'m)	**2007**	**Pro forma 2006***	**2006****
C1: Financial Risk	336	340	169
C2: Counterparty risk	73	59	9
C4: Premium risk	1,315	1,156	833
C5: Reserve risk	236	226	179
S&P RAC simulation*	**1,960**	**1,781**	**1,594**

* *Simulation using the new S&P modeling for an* A rating.
** *RAC 2006: Risk adjusted capital: C1+C2+140%(C4+C5).*

The model shows that the creditworthiness level of the Euler Hermes group is stable and the increase observed is mainly due to an increase in premiums. Furthermore, the group's credit worthiness is in line with the target capital calculated in the model for an AA rating. This simulation is based on an internal approach and certain adjustments by the rating agency analysts could slightly modify the results.
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.

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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 2007 (€'m)	Market value at 31 December 2007	Impact of a 100bp* rise in interest rates*	Impact of a 10% fall in the equity market	Market value at 31 December 2006	Impact of a 100bp* rise in interest rates**	Impact of a 10% fall in the equity market
Bonds	2,215	(86.4)	0.0	2,022	(83.4)	0.0
Equities	426	0.0	(42.6)	623	0.0	(62.3)
Total	**2,641**			**2,645**		

** Average sensitivity of 3,9% calculated based on the main subsidiaries, which represented more than 93% of the bond portfolio at 31 December 2007.*

*** Average sensitivity of 4,1% calculated based on the main subsidiaries, which represented more than 93% of the bond portfolio at 31 December 2006.*

At just under four years, the duration of the bond portfolio limits the impact of a 100 basis point rise in interest rates to €86.4 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 shareholders' equity

Equity portfolio risk at 31 December 2007 (€'m)	Market value at 31/12/2007 / Impact scénario	Revaluation reserve / Shareholders' equity impact	Amortised cost / Economic cost impact
Total	**426**	**128**	**298**
Impact of a 10% fall in the equity market	(43)	(43)	0
Impact of a 30% fall in the equity market	(128)	(110)	(18)

The impact on shareholders' equity doesn't take deferred tax into account. The impact on income is stated before tax.

A 30% decline in the value of the equities on the entire equity portfolio of each entity would have an impact of €18 million on pre-tax income at group level.

Sensitivity of net income to changes in the main components of operating income

€'m	Net income group share 2007	10% reduction in premiums	10% increase in 2007 cost of claims	10% increase in claims handling expense	Net income group share 2006	10% reduction in premiums	10% increase in 2006 cost of claims	10% increase in claims handling expense
Change	407	(41)	(48)	(44)	326	(38)	(47)	(43)

Assumption: effective tax rate is constant in 2006 and 2007.

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 structure 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 and further strengthen the assessment and analysis of this type of risk and to prepare for the transition to new European regulations.
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 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 with a group-level manager and contact persons in each entity.

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.

Net claims-to-premiums ratios

	2004	Pro forma 2005	2006	2007
Claims/Premiums Ratio*	45.9%	44.8%	49.2%	48.1%

* *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 policy holder 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 policy holder'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 policy holder. 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

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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, the so-called bootstrap method and, to a certain extent, simulation models for calculating expected losses. 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 simulation methods estimate the expected loss according to the exposure and probability of losses. This probability-based approach also allows for the calculation of a confidence interval.

As shown by the claims triangles, the initial estimates from historical data of the final cost include a certain margin that gradually decreases over the final financial years. To consider a reasonable estimate time frame, 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 policy holder'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

	2007			2006		
€'000	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Cost of claims for the current period	**1,001,864**	**(212,185)**	**789,679**	**997,283**	**(241,600)**	**755,683**
of which, claims paid	278,505	(64,017)	214,488	297,563	(96,054)	201,509
of which, claims reserves	660,716	(146,115)	514,601	637,155	(143,667)	493,488
of which, claims handling expenses	62,643	(2,053)	60,590	62,565	(1,879)	60,686
Recoveries for the current period	**(77,944)**	**15,805**	**(62,139)**	**(72,618)**	**20,735**	**(51,883)**
Recoveries received	(14,349)	4,644	(9,705)	(15,718)	5,911	(9,807)
Change in reserves for recoveries	(63,595)	11,161	(52,434)	(56,900)	14,824	(42,076)
Cost of claims from prior periods	**(71,013)**	**41,396**	**(29,617)**	**(120,335)**	**41,657**	**(78,678)**
of which, claims paid	580,932	(146,083)	434,849	560,173	(190,076)	370,097
of which, claims reserves	(647,912)	177,292	(470,620)	(680,532)	232,122	(448,410)
of which, claims handling expenses	(4,033)	10,187	6,154	24	(389)	(365)
Recoveries from prior periods	**(98,844)**	**10,777**	**(88,067)**	**(111,662)**	**32,534**	**(79,128)**
Recoveries received	(155,996)	29,132	(126,864)	(139,577)	40,026	(99,551)
Change in reserves for recoveries	57,152	(18,355)	38,797	27,915	(7,492)	20,423
Cost of claims	**754,063**	**(144,207)**	**609,856**	**692,668**	**(146,674)**	**545,994**

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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 €170 million (€232 million in 2006) 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

	31/12/2007			31/12/2006		
€'000	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims reserves gross of recoveries	**1,216,617**	**(336,310)**	**880,307**	**1,215,824**	**(382,831)**	**832,993**
Current period	690,928	(151,787)	539,141	680,161	(147,926)	532,235
Prior periods	525,689	(184,523)	341,166	535,663	(234,905)	300,758
Recoveries to be received	**(171,053)**	**38,959**	**(132,094)**	**(167,151)**	**48,557**	**(118,594)**
Current period	(62,851)	11,050	(51,801)	(56,858)	15,222	(41,636)
Prior periods	(108,202)	27,909	(80,293)	(110,293)	33,335	(76,958)
Claims reserves	**1,045,564**	**(297,351)**	**748,213**	**1,048,673**	**(334,274)**	**714,399**

Breakdown by type of reserve

	31/12/2007			31/12/2006		
€'000	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reserves for unearned premiums	**260,291**	**(48,242)**	**212,049**	**241,827**	**(55,082)**	**186,745**
Claims reserves	**1,045,564**	**(297,351)**	**748,213**	**1,048,673**	**(334,274)**	**714,399**
of which, reserves for known claims	816,736	(332,457)	484,279	834,008	(368,996)	465,012
of which, reserves for late claims	290,895	46	290,941	275,477	46	275,523
of which, reserves for claims handling expenses	107,251	(991)	106,260	105,378	(12,065)	93,313
of which, other technical reserves	1,734	(2,908)	(1,174)	961	(1,816)	(855)
of which, recoveries to be received	(171,052)	38,959	(132,093)	(167,151)	48,557	(118,594)
No-claims bonuses and rebates	**120,286**	**(19,862)**	**100,424**	**122,842**	**(22,609)**	**100,233**
Technical reserves	**1,426,141**	**(365,455)**	**1,060,686**	**1,413,342**	**(411,965)**	**1,001,377**

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 paid.
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 that was gradually decreased over the final years. Large claims at the end of the year impacted the develop-

ment 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.

Estimate of the final cost of claims for the direct business excluding acceptances of most group entities (before reinsurance)

Accident \ development year	1	2	3	4	5	6	7	Variance*	% change
2001	1,213,436	1,075,350	1,037,620	1,007,406	980,234	962,870	960,188	253,248	20.9%
2002	1,132,453	936,081	908,988	879,727	869,995	864,058		268,395	23.7%
2003	1,022,342	801,350	726,542	722,544	714,238			308,104	30.1%
2004	846,412	691,965	639,511	631,064				215,348	25.4%
2005	878,002	784,292	745,753					132,249	15.1%
2006	870,810	813,507						57,303	6.6%
2007	887,016								

* *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 99% of the technical reserves of all group entities without incluing the run-off for years prior to 2001.
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 30.1% 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	7
2001	304,447	838,682	933,962	953,196	951,995	948,778	944,643
2002	328,185	723,126	813,694	833,243	836,390	836,423	
2003	251,708	581,788	631,138	654,517	663,304		
2004	239,170	543,103	590,476	601,143			
2005	273,695	647,380	692,190				
2006	296,906	686,085					
2007	283,944						

The short-term nature of credit insurance is illustrated by the development of claims payments, which are concentrated mainly in the first two years, as shown by a simple estimate of the development of claims without taking into account the years prior to 2001 and without making any specific adjustments. As such, the claims reserves for the direct business in the balance sheet at the year end will be more than 60% used in the following year, 80% within two years and more than 95% after six years.

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Note 1 – Goodwill

In accordance with IFRS 3, goodwill is not amortized but instead is subject to annual impairment testing.

(in thousands of euros)	France	Italy	United Kingdom	United States	Benelux countries	Other	31/12/2007 Total	31/12/2006 Total
Balance as of December 31, 2006								
Gross value	393	6,229	72,905	25,669	7,978	5,279	118,453	119,328
Impairment losses	-	(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**
Change during the year								
Net carrying amount as of December 31, 2006	393	5,820	62,235	25,669	7,978	5,279	107,374	109,166
Changes in gross value (2)	-	-	907	6,229	264	2,057	9,457	-
Other changes	-	-	-	-	-	-	-	192
Reclassifications (1)	-	-	7,549	-	-	-	7,549	-
Changes in foreign currency translation adjustements	-	-	(5,800)	(3,096)	-	93	(8,803)	(1,575)
Impairment losses	-	-	-	-	-	-	-	(409)
Net carrying amount as of December 31, 2007	**393**	**5,820**	**64,891**	**28,802**	**8,242**	**7,429**	**115,577**	**107,374**
Balance as of December 31, 2007								
Gross value	393	6,229	74,661	28,802	8,242	7,429	125,756	118,453
Impairment losses	-	(409)	(9,770)	-	-	-	(10,179)	(11,079)
Net carrying amount	**393**	**5,820**	**64,891**	**28,802**	**8,242**	**7,429**	**115,577**	**107,374**

(1) A part of the acquisition cost of the Irish portfolio has been allocated in intangible assets for the customer portfolio value estimated GBP1.7 million and amortized over 10 years. The reclassification of GBP5.2 million during 2007 corresponds to the goodwill previously accounted in portfolio assets. In accordance with IFRS, this goodwill is tested for impairment.
(2) The allocation of the difference between the purchase price of UMA and its shareholder's equity had been done as of December 31, 2007. This difference had been fully allocated in goodwill.

The parameters used to calculate the company valuations are presented below:

	EH ACI		EH SIAC		EH UK		EH BELGIUM	
Parameters								
Cost of capital	7.82%		8.10%		8.31%		8.10%	
of which, risk-free rate	4.02%		4.30%		4.51%		4.30%	
of which, risk premium (bêta = 0.95)	3.80%		3.80%		3.80%		3.80%	
Effective tax rate	35.0%		48.0%		28.0%		33.0%	
Normalised return on financial portfolio	5.1%		3.2%		4.9%		5.5%	
Net combined ratio	85.0%		83.0%		88.0%		75.0%	
Target retention rate	55.0%		75.0%		70.0%		65.0%	
Long-term growth (upper and lower assumptions)	1.5%	2.5%	1.0%	3.0%	1.0%	2.0%	1.0%	3.0%
Average value in use (in thousands of euros)	**462,257**		**385,441**		**296,588**		**220,873**	
Book value (in thousands of euros)	**195,049**		**147,293**		**273,688**		**100,212**	

The most sensible criteria provide the values in use of each Cash Generating Unit (CGU).

Notes to the consolidated financial statements

The values in use of Euler Hermes ACI Inc range from €400,237 thousand to €524,278 thousand, corresponding to an assumed cost of capital of 8.8% and 6.8% respectively. These valuations support the fact that no complementary goodwill impairment is recognised.
The values in use of Euler Hermes SIAC range from €331,662 thousand to €439,220 thousand, corresponding to assumed long-term growth rates ranging from 1% to 3%. These valuations support the fact that no complementary goodwill impairment is recognised.
The values in use of Euler Hermes UK Plc range from €279,810 thousand to €313,366 thousand, corresponding to assumed long-term growth rates ranging from 1% to 2%. These valuations support the fact that no complementary goodwill impairment is recognised.
The values in use of Euler Hermes Belgium range from €192,199 thousand to €249,547 thousand, corresponding to assumed long-term growth rates ranging from 1% to 3%. These valuations support the fact that no complementary goodwill impairment is recognised.

Note 2 – Other intangible assets and contracts portfolio

(in thousands of euros)	31/12/2007				31/12/2006			
	Contracts portfolio	IT development and software	Other intangible assets	TOTAL	Contracts portfolio	IT development and software	Other intangible assets	TOTAL
Balance as of December 31, 2006								
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**
Change during the year								
Net carrying amount as of December 31, 2006	11,570	23,711	7,638	42,919	-	28,878	3,725	32,603
Acquisitions (1)	1,605	24,537	1,108	27,250	11,684	3,719	6,026	21,429
Expenses capitalised	-	-	-	-	-	-	-	-
Changes in consolidation scope	-	-	2	2	-	56	3,221	3,277
Disposals	(2,295)	(1,943)	(7)	(4,245)	-	(5,458)	(56)	(5,514)
Reclassifications (2)	(7,543)	(11)	(1,160)	(8,714)	-	112	(112)	-
Foreign exchange differences	(391)	(401)	-	(792)	(85)	(33)	(5)	(123)
Net amortisation	738	(5,472)	(1,254)	(5,988)	(29)	(2,550)	(1,300)	(3,879)
Net provisions for impairment	-	-	-	-	-	-	(3,527)	(3,527)
Other changes (3)	(224)	8,072	-	7,848	-	(1,013)	(334)	(1,347)
Net carrying amount at December 31, 2007	**3,460**	**48,493**	**6,327**	**58,280**	**11,570**	**23,711**	**7,638**	**42,919**
Balance as of December 31, 2007								
Gross value	5,191	104,623	18,398	128,212	14,112	75,294	18,440	107,846
Amortisation	(1,731)	(56,132)	(12,071)	(69,934)	(2,542)	(51,583)	(10,802)	(64,927)
Impairment	-	-	-	-	-	-	-	-
Net carrying amount	**3,460**	**48,491**	**6,327**	**58,278**	**11,570**	**23,711**	**7,638**	**42,919**

(1) New acquisitions consist of portfolios in Australia and New Zealand.
(2) The reclassification of GBP 5.2 million during 2007 corresponds to the goodwill previously accounted in portfolio assets. In accordance with IFRS, this goodwill is tested for impairment.
(3) Other movements correspond mainly to the IRP application developed by the group.

The amortisation charge for the year is recognised in "Other ordinary operating income and expense".

Notes to the consolidated financial statements

Note 3 – Investment and operating property

(in thousands of euros)	31/12/2007 Investment property	31/12/2007 Operating property	31/12/2006 Investment property	31/12/2006 Operating property
Balance as of December 31, 2006				
Gross value	105,196	180,908	107,302	192,123
Depreciation	(16,542)	(49,487)	(13,253)	(56,028)
Impairment losses	-	(10,014)	-	(10,014)
Net carrying amount	**88,654**	**121,407**	**94,049**	**126,081**
Change during the year				
Net carrying amount as of December 31, 2006	88,654	121,407	94,049	126,081
Acquisitions (1)	-	12,988	27	909
Change in consolidation scope (2)	-	1,450	-	-
Disposals	(139)	(965)	(5,585)	-
Reclassifications	617	-	1,824	(1,902)
Changes in foreign currency translation adjustements	241	(105)	(57)	(19)
Net depreciation (3)	(3,127)	(7,287)	(1,811)	(3,662)
Net provisions for impairment	-	-	-	-
Other changes	-	-	207	-
Net carrying amount at the end of the period	**86,246**	**127,488**	**88,654**	**121,407**
Balance at the end of the period				
Gross value	105,915	194,273	105,196	180,908
Depreciation	(19,668)	(56,771)	(16,542)	(49,487)
Impairment losses	-	(10,014)	-	(10,014)
Net carrying amount	**86,247**	**127,488**	**88,654**	**121,407**
Fair value	**162,931**	**229,952**	**134,724**	**208,833**

(1) The acquisition of a building by Euler Hermes SFAC and the consolidation of UMA, owner of a building, mainly explain the acquisitions of operating property in 2007.
(2) The change in consolidation scope of €1,450 thousand is related to the property owned by UMA, subsidiary bought in 2007.
(3) The net depreciation of operating property includes the depreciation of EH Kreditversicherungs AG operating property for €4,400 thousand.

Amounts recorded in the income statement	Investment property	Operating property	Investment property	Operating property
Rental revenues from investment property	7,460	-	9,626	-
Direct operating expenses relating to property	(2,408)	-	(2,630)	-

Note 4 – Financial investments

Classification by accounting method

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.

Classification by investment category

(in thousands of euros)	31/12/2007 Amortized cost	31/12/2007 Revaluation reserve	31/12/2007 Net carrying amount	31/12/2007 Fair value	31/12/2007 Unrealized gain or loss	31/12/2006 Amortized cost	31/12/2006 Revaluation reserve	31/12/2006 Net carrying amount	31/12/2006 Fair value	31/12/2006 Unrealized gain or loss
Held-to-maturity assets										
Bonds:	15,977	-	15,977	15,962	(15)	23,846	-	23,846	24,001	155
listed				*7,590*					*9,722*	
not listed				*8,372*					*14,279*	
Total held-to-maturity assets	**15,977**	**-**	**15,977**	**15,962**	**(15)**	**23,846**	**-**	**23,846**	**24,001**	**155**
Available-for-sale assets										
Equities:	295,013	128,498	423,511	423,511	-	443,553	179,341	622,894	622,894	-
Bonds:	2,193,173	5,749	2,198,922	2,198,922	-	1,989,965	7,568	1,997,533	1,997,533	-
listed				*2,477,305*					*1,863,868*	
not listed				*145,128*					*756,559*	
Total available-for-sale assets	**2,488,186**	**134,247**	**2,622,433**	**2,622,433**	**-**	**2,433,518**	**186,909**	**2,620,427**	**2,620,427**	**-**
Trading assets										
Equities:	2,831	-	2,831	2,831	-	253	-	253	253	-
Bonds:	-	-	-	-	-	-	-	-	-	-
Total trading assets	**2,831**	**-**	**2,831**	**2,831**	**-**	**253**	**-**	**253**	**253**	**-**
Loans, deposits and other financial investments	315,349		315,349	315,349	-	234,652	-	234,652	234,652	-
Total loans, deposits and other financial investments	**315,349**		**315,349**	**315,349**	**-**	**234,652**	**-**	**234,652**	**234,652**	**-**
Total financial investments	**2,822,343**	**134,247**	**2,956,590**	**2,956,575**	**(15)**	**2,692,269**	**186,909**	**2,879,178**	**2,879,333**	**155**

(in thousands of euros)	31/12/2007 Amortized cost	31/12/2007 Revaluation reserve	31/12/2007 Net carrying amount	31/12/2007 Fair value	31/12/2007 Unrealized gain or loss	31/12/2006 Amortized cost	31/12/2006 Revaluation reserve	31/12/2006 Net carrying amount	31/12/2006 Fair value	31/12/2006 Unrealized gain or loss
- Equities:	297,844	128,498	426,342	426,342	-	443,806	179,341	623,147	623,147	-
- Bonds:	2,209,150	5,749	2,214,899	2,214,884	(15)	2,013,811	7,568	2,021,379	2,021,534	155
- Loans and other investments	315,349	-	315,349	315,349	-	234,652	-	234,652	234,652	-
Total Financial Investments	**2,822,343**	**134,247**	**2,956,590**	**2,956,575**	**(15)**	**2,692,269**	**186,909**	**2,879,178**	**2,879,333**	**155**

Concerning the non listed investments, 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. The non listed investments are mainly German States bonds.

EH Group didn't account any impairment as of December 31, 2007. EH Group hadn't any financial assets such as “dynamic treasury mutual funds” or “subprime investments”.

The loans and other investments are mainly composed of cash at hand waiting for investments.

Notes to the consolidated financial statements

Financial investments

(in thousands of euros)	31/12/2007 Held-to-maturity investments	31/12/2007 Available-for-sale investments	31/12/2007 Trading investments	31/12/2007 Loans, deposits and other financial investments	31/12/2007 Total	31/12/2006 Total
Net carrying amount as of December 31, 2006	**23,846**	**2,620,427**	**253**	**234,652**	**2,879,178**	**2,804,160**
Increase in gross value	-	1,468,250	2,877	159,280	1,630,407	1,945,975
Decrease in gross value	(7,561)	(1,381,529)	-	(54 573)	(1,443,663)	(1,739,660)
Revaluatation	-	(52,662)	-	-	(52,662)	(29,307)
Impairment	-	(424)	(299)	(621)	(1,344)	(1,036)
Changes in foreign currency translation adjustements	(31)	(35,421)	-	(2,748)	(38,200)	(17,626)
Reclassifications	-	(5,386)	-	(20,698)	(26,084)	(91,325)
Other changes	(277)	9,178	-	57	8,958	7,997
Net carrying amount as of December 31, 2007	**15,977**	**2,622,433**	**2,831**	**315,349**	**2,956,590**	**2,879,178**

The other movements in loans, deposits and other financial investments correspond to the reclassification of demand deposits under cash and cash equivalents on the balance sheet.

Note 5 - Investments accounted for by the equity method

Information on equity-accounted investments

(in thousands of euros) Company	31/12/2007 Country	Assets (1)	Shareholders' equity (2)	Turnover	Net income	% of capital held
Prisma Kreditversicherungs A.G.	Austria	51,843	25,429	43,910	3,284	49.00%
Lietuvos Draudimo Kreditu Draudimas	Lithuania	4,376	4,608	4	553	51.00%
Graydon Holding N.V.	The Netherlands	54,800	23,582	71,081	15,073	27.50%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	103,074	45,064	17,130	3,050	50.00%
Israel Credit Insurance Company Ltd (3)	Israel	43,449	25,140	13,719	2,148	33.33%
		257,542	**123,823**	**145,844**	**24,108**	

(1) Assets based on company financial statements as at September 30, 2007.
(2) Shareholders' equity based on company financial statements as at September 30, 2007 including goodwill.
(3) The Israeli company was consolidated for the first time with effect from June 30, 2007.

Notes to the consolidated financial statements

(in thousands of euros) Company	31/12/2006 Country	Assets	Shareholders' equity	Turnover	Net income	% of capital held
Prisma Kreditversicherungs AG	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 NV	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	

Movements during the period

(in thousands of euros)	31/12/2007	31/12/2006
Balance as of December 31, 2006	**36,801**	**43,521**
Increases	11,905	-
Decreases	-	(10,750)
Reclassification	-	-
Share of income for the period	8,277	8,547
Dividends paid	(5,452)	(4,447)
Impairment	-	-
Foreign exchange differences	-	-
Other changes	675	(70)
Net book value as of December 31, 2007	**52,206**	**36,801**

The increase of €11.9 million concerns ICIC for €7.7 million and the complementary participation in COSEC for €4.2 million.

Contribution to shareholders' equity

(in thousands of euros)		31/12/2007	31/12/2006
Prisma Kreditversicherungs AG	Austria	10,851	9,277
Lietuvos Draudimo Kreditu Draudimas	Lithuania	2,068	1,790
Graydon Holding NV	The Netherlands	2,340	1,933
Companhia de Seguro de Creditos SA (COSEC)	Portugal	21,007	15,254
Israel Credit Insurance Company Ltd (3)	Israel	7,663	-
Share of shareholders' equity		**43,929**	**28,254**

(3) The Israeli company was consolidated for the first time with effect from June 30, 2007.

Contribution to income

(in thousands of euros)		31/12/2007	31/12/2006
Prisma Kreditversicherungs AG	Austria	1,609	2,309
Lietuvos Draudimo Kreditu Draudimas	Lithuania	282	380
Graydon Holding NV	The Netherlands	4,145	4,257
Companhia de Seguro de Creditos SA (COSEC)	Portugal	1,525	1,601
Israel Credit Insurance Company Ltd (3)	Israel	716	-
Share of total income		**8,277**	**8,547**

(3) The Israeli company was consolidated for the first time with effect from June 30, 2007.

Notes to the consolidated financial statements

Note 6 – Operating property and other property and equipment

(in thousands of euros)	31/12/2007 Operating property	31/12/2007 Other property and equipment	31/12/2007 Total	31/12/2006 Operating property	31/12/2006 Other property and equipment	31/12/2006 Total
Balance as of December 31, 2006						
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**
Change during the year						
Net carrying amount as of December 31, 2006	121,407	29,949	151,356	126,081	29,430	155,511
Acquisitions	14,438	13,079	27,517	909	9,895	10,804
Changes in consolidation scope	-	162	162	-	6,964	6,964
Disposals	(965)	(21,718)	(22,683)	-	(38,631)	(38,631)
Reclassifications	-	811	811	(1,902)	-	(1,902)
Foreign exchange differences	(105)	(305)	(410)	(19)	(103)	(122)
Net depreciation	(7,287)	8,324	1,037	(3,662)	22,537	18,875
Net provisions for impairment	-	-	-	-	-	-
Other changes	-	652	652	-	(143)	(143)
Net carrying amount at December 31, 2007	**127,488**	**30,954**	**158,442**	**121,407**	**29,949**	**151,356**
Balance as of December 31, 2007						
Gross value	194,273	137,129	331,402	180,908	146,448	327,356
Depreciation	(56,771)	(106,175)	(162,946)	(49,487)	(116,499)	(165,986)
Impairment	(10,014)	-	(10,014)	(10,014)	-	(10,014)
Net carrying amount	**127,488**	**30,954**	**158,442**	**121,407**	**29,949**	**151,356**

Disposals of other property and equipment and the related depreciation correspond mainly to the updating of IT equipment in Germany and France.

The net depreciation of operating property includes the depreciation of EH Kreditversicherungs AG operating property for €4,400 thousand.

Notes to the consolidated financial statements

Note 7 – Deferred tax

Breakdown by type of tax

(in thousands of euros)	31/12/2007	31/12/2006
Deferred tax assets	118,487	136,400
Deferred tax liabilities	(469,876)	(504,739)
Net deferred tax	**(351,389)**	**(368,339)**
Deferred tax assets		
Tax losses	6	3,603
Deferred tax assets linked to revaluation of AFS investments	6,154	5,760
Deferred tax assets - provisions for retirement commitments	1,843	2,602
Deferred tax assets - technical reserves	50,843	63,766
Other deferred tax assets	59,641	60,669
Total	**118,487**	**136,400**
Deferred tax liabilities		
Deferred tax liabilities linked to revaluation of AFS investments	(51,052)	(65,721)
Deferred tax liabilities - provisions for retirement commitments	(13,253)	(12,248)
Deferred tax liabilities - technical reserves	(212,233)	(222,192)
Other deferred tax liabilities	(193,338)	(204,578)
Total	**(469,876)**	**(504,739)**
Net deferred tax	**(351,389)**	**(368,339)**
After offsetting deferred tax assets and liabilities by tax entity		
Deferred tax assets	14,559	20,912
Deferred tax liabilities	(365,948)	(389,251)

Movement in deferred tax by geographical region

(in thousands of euros)	31/12/2006	Foreign exchange difference	Change relating to revaluation of AFS inv.	Change through income statement	Other movements	31/12/2007
Germany	(188,421)	-	516	19,036	(508)	(169,377)
France	(161,396)	-	13,380	(5,270)	3	(153,283)
Italy	(1,515)	-	(248)	(4,769)	2,698	(3,834)
UK	(13,884)	1,413	(93)	(3,754)	(2)	(16,320)
US	1,990	(46)	1,033	444	(4,091)	(670)
Benelux countries	(8,060)	-	48	(703)	2	(8,713)
Other countries	1,736	12	427	(1,140)	(1,484)	(449)
Group services/ Holding companies	1,211	(20)	-	202	(136)	1,257
	(368,339)	**1,359**	**15,063**	**4,046**	**(3,518)**	**(351,389)**

With regard to Germany and France, the deferred tax liability was due mainly to the cancellation under IFRS of the equalisation reserve.
The €19 million accounted through income by Germany resulted from the change in tax rate taken into account during the 4th quarter 2007.

Notes to the consolidated financial statements

Change in standard tax rate

	31/12/2007	31/12/2006
Group rate	28.70%	32.76%
France	34.43%	34.43%
Germany	40.38%	40.38%
Italy	38.25%	37.25%
United Kingdom	30.00%	30.00%
United States	35.00%	35.00%
The Netherlands	25.50%	29.60%
Belgium	33.99%	33.99%
Switzerland	17.50%	24.53%

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.
The changes in tax rates in Germany and in the United Kingdom for 2008 - which effects in the deferred taxes were accounted as of December 31, 2007 - mainly explain the decrease in the effective tax rate.
A reconciliation between the tax rate of the parent company Euler Hermes SA and the effective tax rate in 2006 is provided in note 23.

Note 8 – Insurance and reinsurance receivables

Breakdown by type

	31/12/2007			31/12/2006
(in thousands of euros)	Gross	Provisions	Net	Net
Receivables from policyholders and agents	210,573	(16,601)	193,972	184,647
Earned premiums not yet written	117,446	-	117,446	132,429
Receivables from guaranteed debtors	84,883	-	84,883	78,731
Receivables from reinsurance transactions	104,118	(5,263)	98,855	100,420
Total credit insurance receivables	**517,020**	**(21,864)**	**495,156**	**496,227**

Breakdown of net receivables from guaranteed debtors

These concern receivables recognised by Euler Hermes Credit Insurance (Belgium) in respect of the retail credit activity.

	31/12/2007			31/12/2006
(in thousands of euros)	Gross	Provisions	Net	Net
Gross receivables	84,883	-	84,883	78,731
Reinsurers' share	(4,616)	-	(4,616)	(21,055)
Net receivables from guaranteed debtors	**80,267**	**-**	**80,267**	**57,676**

Notes to the consolidated financial statements

Breakdown by maturity

	31/12/2007				
(in thousands of euros)	< 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Gross receivables	309,712	1,705	-	-	311,417
Reinsurers' share	103,472	-	-	-	103,472
Net receivables from guaranteed debtors	80,267	-	-	-	80,267
Total credit insurance receivables	**493,451**	**1,705**	**-**	**-**	**495,156**

Provisions for bad debts from policyholders and agents

(in thousands of euros)	31/12/2007	31/12/2006
Balance as of December 31, 2006	(17,881)	(14,477)
Change in consolidation scope	-	-
Provision	(5,228)	(3,790)
Write back	6,444	3,853
Foreign exchange differences	-	11
Other changes	64	(3,478)
Balance as of December 31, 2007	**(16,601)**	**(17,881)**

Note 9 – Other receivables

Breakdown by type

	31/12/2007			31/12/2006
(in thousands of euros)	Gross	Provisions	Net	Net
Current account receivables	5,541	-	5,541	14,925
Other taxes receivable	15,788	-	15,788	14,314
Other receivables	112,269	(235)	112,034	102,799
of which, accrued interest not due	*34,850*		*34,850*	*32,650*
Deferred charges	8,438	-	8,438	9,138
Other adjustment accounts	1,767	-	1,767	953
Other assets	81	-	81	83
Total other receivables	**143,884**	**(235)**	**143,649**	**142,212**

Breakdown by maturity

	31/12/2007				
(in thousands of euros)	< 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total other receivables net of provisions	106,707	22,335	3,509	11,098	**143,649**

Notes to the consolidated financial statements

Note 10 – Cash and cash equivalents

Balance Sheet

(in thousands of euros)	31/12/2007	31/12/2006
Cash in bank and at hand	303,732	275,765
Cash pooling	74,371	59,199
Total cash	**378,103**	**334,964**

Reconciliation with the cash flow statement

(in thousands of euros)	31/12/2007	31/12/2006
Total cash per balance sheet	378,103	334,964
Cash equivalents reflected in the cash flow statement	11,330	74,502
Cash pooling creditor with Allianz	(1,012)	(7,048)
Total cash and cash equivalents	**388,421**	**402,418**

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 11 – 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.

(in thousands of euros)	Investments	Hedges	Associated companies	Tax	Other	Foreign exchange difference	Minority interests	Revaluation reserve
Balance as of December 31, 2006	**186,908**	**-**	**1,647**	**(62,749)**	**(583)**	**-**	**(313)**	**124,910**
Movement during the year	(52,662)	-	1,014	17,076	-	(66)	165	(34,473)
Balance as of December 31, 2007	**134,246**	**-**	**2,661**	**(45,673)**	**(583)**	**(66)**	**(148)**	**90,437**

The impact of the revaluation of AFS investments of companies accounted for by the equity method is €2,661 thousand and concerned Companhia de Seguro de Creditos SA (COSEC).

Note 12 – Minority interests

Movements during the year

(in thousands of euros)	31/12/2007	31/12/2006
Minority interests at start of period	**19,153**	**7,869**
Buy out of minority interests		
Buy out of minority interests in Euler Hermes Guarantee PLC	(775)	-
Buy out of minority interests in Euler Hermes Interborg N.V.	(472)	-
Buy out of minority interests in Codinf Services	-	(147)
Buy out of minority interests in Euler Hermes Emporiki SA	-	(359)
Change of consolidation method		
Full consolidation of Bürgel Wirtschaftsinformationen GmbH & Co. KG	-	8,931
Movements on latent reserves (excluding currency translation impact)	(159)	98
Other movements		
Foreign currency translation differences	(97)	12
Minority interests in companies that joined the consolidation scope (Euler Hermes in Romania)	-	29
Dividends paid to minority shareholders	(3,044)	(1,874)
Capital increases and other movements	567	413
Minority shareholders' share of net income	4,006	4,181
Minority interests at end of period	**19,179**	**19,153**

Breakdown by country

(in thousands of euros)	31/12/2007	31/12/2006
Netherlands	-	396
France	722	616
Hungary	1,798	1,795
Romania	51	29
Germany	10,869	10,554
United Kingdom	309	1,366
Morocco	2,410	2,207
Greece	3,020	2,190
Minority interests	**19,179**	**19,153**

Note 13 – Provisions for risks and charges

The main provision items concern retirement plans, details of which are set out in note 14. Provisions for other staff benefits concern an early retirement programme in Belgium and Germany that matures at the end of 2007.

(in thousands of euros)	31/12/2006	Provision	Writeback		Reclassi-fication	Other	31/12/2007
			Provision used	Provision not used			
Retirement scheme	**54,270**	**1,584**	**(3,874)**	**2,538**	**-**	**(528)**	**53,990**
Defined benefit retirement plans	52,868	1,354	(3,874)	2,538	-	(366)	52,520
Defined contribution retirement plans	1,402	230	-	-	-	(162)	1,470
Total	**54,270**	**1,584**	**(3,874)**	**2,538**	**-**	**(528)**	**53,990**
Other provisions for risks and charges	**45,445**	**21,735**	**(10,130)**	**(4,803)**	**20,967**	**(30)**	**73,184**
Provision for tax liabilities	1,884	216	(111)	-	-	71	2,060
Provision for tax reassessment in Germany	13,812	3,313	(6,840)	(359)	-	-	9,926
Provision for various tax risks	0	3,211	-	(2,087)	20,967	-	22,091
Provisions for employee benefits	19,943	8,188	(1,741)	(1,268)	-	168	25,290
Provisions for reinsurer default	1,943	-	(1,343)	-	-	-	600
Provisions for policyholder disputes	2,095	293	-	-	-	-	2,388
Provisions for debtor disputes	2,361	1,954	-	(863)	-	(227)	3,225
Guarantee of liabilities	879	32	-	(32)	-	-	879
Provision for restructuring	454	3,756	-	-	-	-	4,210
Provisions for sundry disputes	2,074	772	(95)	(194)	-	(42)	2,515
	45,445	**21,735**	**(10,130)**	**(4,803)**	**20,969**	**(30)**	**73,174**
Total	**99,715**	**23,319**	**(14,004)**	**(2,265)**	**20,967**	**(558)**	**127,174**

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 and in 2007, mainly to reflect payments made and the estimate of risks relating to subsequent financial years.
The reclassification of €21 million concerns various tax risks accounted in previous year in tax liabilities.
Charges to provisions for employee benefits correspond mainly to part time work (€6 million), to the personnel expense relating to Allianz option plans granted to executives (€0.7 million) and long service awards (€0.5 million).
The write-backs of €3 million correspond to early retirement provisions for part-time staff and to provisions relating to long-service awards.

Notes to the consolidated financial statements

Note 14 – 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.

(in thousands of euros)	France	United States	United Kingdom	Scandinavia	Total
Provision at December 31, 2007	**-**	**(1,470)**	**-**	**-**	**(1,470)**
Expense booked in 2007	(391)	(230)	(1,020)	(146)	(1,787)
Provision at December 31, 2006	**-**	**(1,402)**	**-**	**-**	**(1,402)**
Expense booked in 2006	(413)	(2,093)	(912)	(118)	(3,536)
Provision at December 31, 2005	**-**	**(1,807)**	**-**	**-**	**(1,807)**
Expense booked in 2005	(392)	(2,019)	(495)	(866)	(3,772)

The expense booked in 2007 for the defined contribution plan of the United States strongly decreases due to the end of the plan.

Defined benefit plans

General description of the plans:

■ Retirement indemnities (France): 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 (France): 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 end of the year, there were 19 beneficiaries.

■ CARDIF (France): This is a supplementary retirement benefit plan that was closed in 2006 and covers members of the Group Management Board and/or corporate officers of Euler Hermes and Euler Hermes Sfac. The contributions are paid by CARDIF to the beneficiaries or their surviving spouse (reversion) until their death. There are 2 beneficiaries.

■ TFR (Italy): 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.

Notes to the consolidated financial statements

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 2007, the present value of pension commitments in respect of this plan came to £96.4 million, funded partly by the fund as the market value of the assets stood at £94 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 65 years of age at the latest. 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.

	France								
31 December 2007	**Retirement indemnities**	**PSAD**	**CARDIF**	**Italy**	**United Kingdom**	**Germany**	**Belgium**	**The Netherlands**	**Total**
Actuarial liability at start of period	(5,278)	(5,078)	(3,040)	(10,364)	(147,090)	(329,006)	(15,138)	(4,219)	(519,213)
Cost of services provided during the period	(306)	-	-	(582)	(3,962)	(8,904)	(785)	(324)	(14,863)
Interest expense	(200)	(222)	(135)	(481)	(7,282)	(14,896)	(656)	(158)	(24,030)
Employee contributions	-	-	-	-	-	(2,552)	(74)	(55)	(2,681)
Change of pension plan	-	-	-	-	-	-	-	1,519	1,519
Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-
Reductions of pension plans	-	-	-	(147)	-	-	-	-	(147)
Disposals of pension plans	-	-	-	-	-	-	-	-	-
Exceptional events	-	-	-	-	-	-	-	-	-
Actuarial gains (losses) due to a change in assumptions	467	230	295	-	12,225	30,777	(275)	29	43,748
Actuarial gains (losses) due to a change in experience	88	88	(63)	-	(1,638)	1,494	1,124	(29)	1,064
Benefits paid	296	485	151	1 783	3,409	10,817	980	-	17,921
Translation differences	-	-	-	-	12,183	-	-	-	12,183
Other	-	-	-	-	582	327	-	91	1,000
Removal of the discretionary clause	-	-	-	-	-	-	-	-	-
Actuarial liability at end of period	**(4,933)**	**(4,497)**	**(2,792)**	**(9,791)**	**(131,573)**	**(311,943)**	**(14,824)**	**(3,146)**	**(483,499)**

Notes to the consolidated financial statements

31 December 2007	France			Italy	United Kingdom	Germany	Belgium	The Netherlands	Total
	Retirement indemnities	PSAD	CARDIF						
Fair value of assets at start of period	**838**	**-**	**3,301**	**-**	**135,294**	**258,878**	**9,418**	**2,941**	**410,670**
Actual return on plan assets	35		221		5,960	13,048	419	(310)	19,373
Experience effect on returns from assets	-		-		-	(8,420)	69	-	(8,351)
Employee contributions	-				1	2,552	74	55	2,682
Employer contributions	664				2,691	5,885	2,038	149	11,427
Acquisitions/disposals of subsidiaries	-				-	-	-	-	-
Reductions of pension plans	-		(51)		-	-	-	-	(51)
Disposals of pension plans	-				-	-	-	(480)	(480)
Benefits paid	(296)		(151)		(3,409)	(7,678)	(980)	29	(12,485)
Translation differences	-				(11,720)	-	-	-	(11,720)
Other	(77)	-	-	-	(582)	-	-	(160)	(819)
Fair value of assets at end of period	**1,164**	**-**	**3,320**	**-**	**128,235**	**264,265**	**11,038**	**2,528**	**410,551**
Actuarial differences still to be amortised	**427**	**-**	**528**	**-**	**(18,657)**	**(18,703)**	**496**	**161**	**(35,748)**
Provision for defined benefit plan	**(4,196)**	**(4,497)**	**-**	**(9,791)**	**15,319**	**(28,975)**	**(4,282)**	**(779)**	**(37,201)**
Expenses for the period	**(475)**	**96**	**(135)**	**(1,210)**	**(4,259)**	**(11,523)**	**(1,021)**	**(668)**	**(19,195)**
Cost of services provided during the period	(306)	-	-	(582)	(3,962)	(8,904)	(785)	(324)	(14,863)
Financial cost (discounting effect)	(200)	(222)	(135)	(481)	(7,282)	(14,896)	(656)	(158)	(24,030)
Expected return on plan assets	34	-			8,360	13,048	420	(6)	21,856
Expected return on all other assets	-	-			-	-		(72)	(72)
Amortisation of actuarial gains and losses	(3)	318			(1,375)	(771)		-	(1,831)
Amortisation of past service costs	-				-	-		-	-
Amortisation of initial unrecognised liability	-			-	-	-		-	-
Profit or loss resulting from reduction or liquidation	-			(147)	-	-		-	(147)
Asset ceiling	-				-	-		-	-
Exceptional events	-				-	-		-	-
Others	-	-	-	-	-	-		(108)	(108)

Notes to the consolidated financial statements

	France							
31 December 2007	**Retirement indemnities**	**PSAD**	**CARDIF**	**Italy**	**United Kingdom**	**Germany**	**Belgium**	**The Netherlands**
Actuarial assumptions								
Discount rate	5.10%	5.30%	4.00%	5.10%	5.10%	5.50%	4.50%	5.60%
Rate of inflation	2.00%	2.00%	-	2.00%	3.15%	1.85%	2.25%	2.00%
Expected rate of return on plan assets	4.50%	-	4.00%	-	6.40%	5.20%	4.85%	5.60%
Expected rate of return on all reimbursement rights	-	-	-	-	-	-	-	-
Expected rate of salary increases	3.00%	-	-	3.00%	4.15%	2.40%	3.75%	2.00%
Rate of increase in medical costs	-	-	-	-	-	-	-	2.00%
Rate of increase in annuities	-	1.90%	-	-	-	1.85%	-	-
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%	-	40.00%	20.34%	-	-
Bonds	100.00%	-	27.00%	-	60.00%	77.21%	-	-
Property	-	-	-	-	-	2.43%	-	-
Other	-	-	50.00%	-	-	0.02%	100.00%	100.00%

The €52,520 thousand in note 13 corresponds to the provision for defined benefit plan at 31 December 2007 (€37,201 thousand) adjusted for the positive net commitment of €15,319 thousand in the United Kingdom.

31 December 2006	France			Italy	United Kingdom	Germany	Belgium	The Nether-lands	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)**
Provision for defined benefit plan	**(4,157)**	**(5,078)**	**-**	**(10,364)**	**18,328**	**(26,803)**	**(5,298)**	**(1,168)**	**(34,540)**

Notes to the consolidated financial statements

31 December 2006	France			Italy	United Kingdom	Germany	Belgium	The Netherlands	Total
	Retirement indemnities	PSAD	CARDIF						
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	-	(338)	-	-	8,444	-	-	(581)	7,525

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.

Notes to the consolidated financial statements

31 December 2006	France			Italy	United Kingdom	Germany	Belgium	The Netherlands
	Retirement indemnities	PSAD	CARDIF					
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 13 corresponds to the provision for defined benefit plan 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	United Kingdom	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)**

Notes to the consolidated financial statements

31 December 2005	France			Italy	United Kingdom	Germany	Belgium	The Nether-lands	Total
	Retirement indem-nities	PSAD	CARDIF						
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)**
Provision for defined benefit plan	**(3,941)**	**(5,036)**	**-**	**(10,608)**	**10,930**	**(24,141)**	**(5,137)**	**(632)**	**(38,565)**
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)

31 December 2005	France: Retirement indemnities	France: PSAD	France: CARDIF	Italy	United Kingdom	Germany	Belgium	The Netherlands
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	France: Retirement indemnities	France: PSAD	France: CARDIF	Italy	United Kingdom	Germany	Belgium	The Netherlands
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%

Notes to the consolidated financial statements

Note 15 – Borrowings

Breakdown by type

(in thousands of euros)	31/12/2007	31/12/2006
Subordinated debt	-	-
Term loans and other term borrowings	-	-
Demand accounts	-	-
Borrowings from banking sector businesses	-	-
Other borrowings	295,746	302,369
Total borrowings	**295,746**	**302,369**

"Other borrowings" include three loans to Euler Hermes SA from AGF amounting to €292,379 thousand of which €379 thousand of accrued interests with a maturity of 3 months or less (see note 26 'Related parties'). The balance represents mainly a borrowing by the Greek subsidiary from its shareholder Banque Emporiki (€2.2 million).
The loans to Euler Hermes SA from AGF have variable interest rates. The consequence is that their fair values are equal to their nominal values.

Breakdown by maturity

(in thousands of euros)	31/12/2007				
	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total borrowings	**3,746**	**-**	**292,000**	**-**	**295,746**

Breakdown by maturity for interests to be paid (in millions of euros)

	Value	Rate	2008	2009	2010
Borrowing 2004	90	Euribor 3 m + 30 bp	4.3		
Borrowing 2005	135	Euribor 6 m + 20 bp	6.6	6.6	3.2
Borrowing 2006	67	Euribor 6 m + 6 bp	3.2		
		Total	**14.2**	**6.6**	**3.2**

Euribor	31/12/2007
3 m	4.684
6 m	4.707

Note 16 – Technical reserves

(in thousands of euros)	31/12/2006	Net provisions	Foreign exchange differences	Other changes	31/12/2007
Reserve for unearned premiums	241,827	28,595	(9,114)	(1,017)	260,291
Reserve for claims	1,048,673	7,593	(11,315)	614	1,045,565
Reserve for no-claims bonuses and refunds	122,842	(1,762)	(494)	(301)	120,285
Gross technical reserves	**1,413,342**	**34,426**	**(20,923)**	**(704)**	**1,426,141**
Reserve for unearned premiums	55,082	(1,714)	(433)	(4,693)	48,242
Reserve for claims	334,274	(34,832)	(3,506)	1,415	297,351
Reserve for no-claims bonuses and refunds	22,609	(2,654)	(95)	2	19,862
Reinsurers' share of technical reserves	**411,965**	**(39,200)**	**(4,034)**	**(3,276)**	**365,455**
Net technical reserves	**1,001,377**	**73,626**	**(16,889)**	**2,572**	**1,060,686**

Cost of claims

(in thousands of euros)	31/12/2007			31/12/2006		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Cost of claims for the current period	**1,001,864**	**(212,185)**	**789,679**	**997,283**	**(241,600)**	**755,683**
of which, claims paid	278,505	(64,017)	214,488	297,563	(96,054)	201,509
of which, claims reserves	660,716	(146,115)	514,601	637,155	(143,667)	493,488
of which, claims handling expenses	62,643	(2,053)	60,590	62,565	(1,879)	60,686
Recoveries for the current period	**(77,944)**	**15,805**	**(62,139)**	**(72,618)**	**20,735**	**(51,883)**
Recoveries received	(14,349)	4,644	(9,705)	(15,718)	5,911	(9,807)
Change in reserves for recoveries	(63,595)	11,161	(52,434)	(56,900)	14,824	(42,076)
Cost of claims from prior periods	**(71,013)**	**41,396**	**(29,617)**	**(120,335)**	**41,657**	**(78,678)**
of which, claims paid	580,932	(146,083)	434,849	560,173	(190,076)	370,097
of which, claims reserves	(647,912)	177,292	(470,620)	(680,532)	232,122	(448,410)
of which, claims handling expenses	(4,033)	10,187	6,154	24	(389)	(365)
Recoveries from prior periods	**(98,844)**	**10,777**	**(88,067)**	**(111,662)**	**32,534**	**(79,128)**
Recoveries received	(155,996)	29,132	(126,864)	(139,577)	40,026	(99,551)
Change in reserves for recoveries	57,152	(18,355)	38,797	27,915	(7,492)	20,423
Cost of claims	**754,063**	**(144,207)**	**609,856**	**692,668**	**(146,674)**	**545,994**

Notes to the consolidated financial statements

Claims reserves

(in thousands of euros)	31/12/2007			31/12/2006		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims reserves gross of recoveries	**1,216,617**	**(336,310)**	**880,307**	**1,215,824**	**(382,831)**	**832,993**
Current period	690,928	(151,787)	539,141	680,161	(147,926)	532,235
Prior periods	525,689	(184,523)	341,166	535,663	(234,905)	300,758
Recoveries to be received	**(171,053)**	**38,959**	**(132,094)**	**(167,151)**	**48,557**	**(118,594)**
Current period	(62,851)	11,050	(51,801)	(56,858)	15,222	(41,636)
Prior periods	(108,202)	27,909	(80,293)	(110,293)	33,335	(76,958)
Claims reserves	**1,045,564**	**(297,351)**	**748,213**	**1,048,673**	**(334,274)**	**714,399**

Breakdown by type of reserve

(in thousands of euros)	31/12/2007			31/12/2006		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reserves for unearned premiums	**260,291**	**(48,242)**	**212,049**	**241,827**	**(55,082)**	**186,745**
Claims reserves	**1,045,564**	**(297,351)**	**748,213**	**1,048,673**	**(334,274)**	**714,399**
of which, reserves for known claims	816,736	(332,457)	484,279	834,008	(368,996)	465,012
of which, reserves for late claims	290,895	46	290,941	275,477	46	275,523
of which, reserves for claims handling expenses	107,251	(991)	106,260	105,378	(12,065)	93,313
of which, other technical reserves	1,734	(2,908)	(1,174)	961	(1,816)	(855)
of which, recoveries to be received	(171,052)	38,959	(132,093)	(167,151)	48,557	(118,594)
No-claims bonuses and rebates	**120,286**	**(19,862)**	**100,424**	**122,842**	**(22,609)**	**100,233**
Technical reserves	**1,426,141**	**(365,455)**	**1,060,686**	**1,413,342**	**(411,965)**	**1,001,377**

Note 17 – Insurance and reinsurance receivables

Breakdown by type

(in thousands of euros)	31/12/2007	31/12/2006
Policyholders' guarantee deposits and miscellaneous	106,316	127,414
Due to policyholders and agents	58,489	62,651
Liabilities arising from inwards insurance and reinsurance transactions	**164,805**	**190,065**
Due to reinsurers and assignors	48,642	66,175
Deposits received from reinsurers	43,374	51,131
Outwards reinsurance liabilities	**92,016**	**117,306**
Total insurance and reinsurance liabilities	**256,821**	**307,371**

Breakdown by maturity

(in thousands of euros)	31/12/2007				
	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total insurance and reinsurance liabilities	**201,821**	**52,895**	**-**	**2,105**	**256,821**

Notes to the consolidated financial statements

Note 18 – Other liabilities

Breakdown by type

(in thousands of euros)	31/12/2007	31/12/2006
Tax and social liabilities	96,179	109,623
Other operating liabilities	140,348	156,848
Deferred income	11,378	10,281
Other accrued expenses	3,850	3,332
Other liabilities	14,099	5,535
Total other liabilities	**265,854**	**285,619**

The other liabilities are mainly liabilities under service agreement for €13.9 million.

Breakdown by maturity

(in thousands of euros)	31/12/2007				
	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total other liabilities	**221,974**	**40,034**	**3,846**	**-**	**265,854**

Note 19 – Breakdown of income net of reinsurance

(in thousands of euros)	31/12/2007			31/12/2006		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Premiums and commissions on direct business	*1,767,018*	*(417,143)*	*1,349,875*	*1,690,313*	*(523,616)*	*1,166,697*
Premiums on inwards reinsurance	*62,654*	*(55,906)*	*6,748*	*49,227*	*(31,779)*	*17,448*
Premiums refunded	*(74 780)*	*18,372*	*(56,408)*	*(81,274)*	*21,375*	*(59,899)*
Gross premiums written - credit insurance	1,754,892	(454,677)	1,300,215	1,658,266	(534,020)	1,124,246
Change in unearned premiums	(28,189)	(3,566)	(31,755)	509	(14,489)	(13,980)
Earned premiums	1,726,703	(458,243)	1 268,460	1,658,775	(548,509)	1,110,266
Premium-related revenues	372 745	-	372,745	353,045	-	353,045
Turnover	**2,099,448**	**(458,243)**	**1,641,205**	**2,011,820**	**(548,509)**	**1,463,311**
Net investment income	**185,159**	**-**	**185,159**	**149,802**	**-**	**149,802**
Claims paid	*(689,092)*	*176,324*	*(512,768)*	*(702,441)*	*240,193*	*(462,248)*
Claims reserves expense	*(6,361)*	*(23,984)*	*(30,345)*	*72,362*	*(95,787)*	*(23,425)*
Claims handling expense	*(58,610)*	*(8,133)*	*(66,743)*	*(62,589)*	*2,268*	*(60,321)*
Insurance services expense	**(754,063)**	**144,207**	**(609,856)**	**(692,668)**	**146,674**	**(545,994)**
Brokerage commissions	*(203,003)*	*-*	*(203,003)*	*(188,554)*	*-*	*(188,554)*
Other acquisition costs	*(101,114)*	*-*	*(101,114)*	*(95,371)*	*-*	*(95,371)*
Change in acquisition costs capitalised	*1,603*	*-*	*1,603*	*(102)*	*-*	*(102)*
Contract acquisition expense	**(302,514)**	**-**	**(302,514)**	**(284,027)**	**-**	**(284,027)**
Impairment of portfolio securities and similar	**-**	**-**	**-**	**-**	**-**	**-**
Administration expense	**(214,270)**	**-**	**(214,270)**	**(193,879)**	**-**	**(193,879)**
Commissions received from reinsurers	**-**	**182,925**	**182,925**	**-**	**214,093**	**214,093**
Other ordinary operating income and expense	**(304,959)**	**-**	**(304,959)**	**(313,395)**	**-**	**(313,395)**
Ordinary operating income	**708,801**	**(131,111)**	**577,690**	**677,653**	**(187,742)**	**489,911**

Notes to the consolidated financial statements

Note 20 – Net financial income

(in thousands of euros)	31/12/2007	31/12/2006
Revenues from investment property	7,460	9,626
Revenues from securities	82,298	76,905
Available for sale assets through equity	*81,699*	*76,169*
Trading assets	*396*	*203*
Held to maturity	*203*	*533*
Revenues from loans, deposits and other financial investments	29,181	27,398
Other financial income	6,022	2,732
Investment income	**124,961**	**116,661**
Depreciation of investment property	(2,361)	(2,958)
Investment management expenses	(5,369)	(8,278)
Interest paid to reinsurers	(920)	(1,242)
Other financial expenses	(3,680)	(4,306)
Investment expense	**(12,330)**	**(16,784)**
Profits (losses) on sales of property	1,070	3,100
Profits (losses) on sales of securities	77,640	51,024
Available for sale assets through equity	*77,861*	*51,139*
Trading assets	*14*	*(122)*
Held to maturity	*(235)*	*7*
Profits (losses) on sales of participating interests	(66)	(1,540)
Net gain (loss) on sales of investments less impairment and depreciation write-backs	**78,644**	**52,584**
Change in fair value of derivatives	(1,891)	1,664
Change in fair value of trading assets	(299)	51
Change in fair value of investments recognised at fair value through the income statement	**(2,190)**	**1,715**
Reserve for impairment of investments	(3,926)	(4,374)
Change in impairment of investments	**(3,926)**	**(4,374)**
Net financial income (excluding financing expense)	**185,159**	**149,802**

Notes to the consolidated financial statements

Note 21 – Operating leases

(in thousands of euros)	31/12/2007				
	United Kingdom	United States	Netherlands	France	Scandinavia
Less than 1 year	3,715	1,457	0	710	3
1 to 5 years	10,434	4,462	419	475	712
More than 5 years	1,174	5,936	0	0	0
Total	**15,323**	**11,856**	**419**	**1,185**	**715**

(in thousands of euros)	31/12/2006				
	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**

Note 22 – Other ordinary operating revenues and expenses

(in thousands of euros)	31/12/2007	31/12/2006
Other technical income	21,749	14,952
Other technical expense	(334,834)	(305,418)
Other non-technical income	26,055	7,226
Other non-technical expense	(4,983)	(21,146)
Employee profit sharing and bonuses	(12,946)	(9,002)
Provisions for risks and charges	-	-
Costs relating to operating properties	-	(6)
Other income	-	-
Other expense	-	(1)
Other ordinary operating income and expense	**(304,959)**	**(313,395)**

The increase in other non-technical income is mainly due a higher income on assets from defined benefit plans in Germany (€11.5 million at the end of 2007) in the United Kingdom (€8.2 million at the end of 2007).
Allianz has issued a seller's guarantee in favour of Euler Hermes SA in connection with the acquisition of Euler Hermes Kreditversicherungs-AG. In 2005, Euler Hermes Kreditversicherungs-AG was subject to a tax audit covering the 1997-2000 financial years. This audit has identified various adjustments to the tax base for these years, with an overall impact to date, including penalties and late-payment interest, of €13.2 million. As at December 31, 2006, this impact was accounted in the non-technical expense.

Note 23 – Corporation tax

Breakdown of tax charge

	2007
Tax payable:	
Corporation tax	162,143
Adjustments relating to prior years	3,989
Total	**166,132**
Deferred tax:	
Timing differences	42,863
Change in tax rate or new tax	(43,982)
Reclassification of tax payable as deferred tax	2,038
Tax benefits relating to prior years	1,519
Tax on dividends paid	-
Other	(6,485)
Total	**(4,047)**
Total tax charge in the income statement	**162,085**

Tax proof

	2007	% 2007
Income before tax	564,772	
Tax at theoretical tax rate	194,451	34.43%
Impact of differences between group and local tax rates	(3,276)	-0.58%
Impact of permanent differences between taxable and accounting income	16,033	2.84%
Impact of specific tax situations	5,407	0.96%
Impact of income taxed at reduced rates	(6,548)	-1.16%
Impact of using the liability method	(43,982)	-7.79%
Tax at effective tax rate	**162,085**	**28.70%**

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 28.70%.

The main variances are due to the difference between local tax rate of each entity and the Group tax rate, permanent differences reported by each entity, reduced rates and specific tax positions.
The impact of using the liability method mainly concerns the change in tax rate of Germany in 2008 from 39% to 31%.

Notes to the consolidated financial statements

Note 24 – Earnings per share and dividend per share

Earnings per share

	31/12/2007	31/12/2006
Distributable net income (in thousands of euros)	406,958	326,054
Weighted average number of ordinary shares before dilution	43,601,953	43,434,049
Earnings per share (€)	**9.33**	**7.51**
	31/12/2007	**31/12/2006**
Distributable net income (in thousands of euros)	406,958	326,054
Weighted average number of ordinary shares after dilution	43,765,878	43,780,821
Diluted earnings per share (€)	**9.30**	**7.45**

The dilution impact takes into account the exercise of options. The average number of shares resulting from dilution is 200,425 in 2007 (346,772 in 2006). 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 €174,193 thousand, representing 4 euros per share, was approved by the Ordinary General Meeting of May 9, 2007 and paid in cash on May 11, 2007.

Note 25 – Segment data

Segment assets are operating assets that can be directly attributed or reasonably allocated to a given segment. Segment liabilities are liabilities arising from operations that can be directly attributed or reasonably allocated to a given segment.

Segment profit and loss comprises income and expense resulting from operating activities that are directly attributable to a given segment and the relevant portion of income and expense that can reasonably be assigned to the segment, notably income and expense relating to sales to external customers and income and expense relating to transactions with other segments of the same company.

For the Euler Hermes group the primary segment is the geographic segment as it corresponds to the information presented to the group's management bodies.
The six main geographic segments correspond to the geographic regions covering the majority of the activity and which are therefore monitored in detail. These segments are Germany, France, Italy, the United Kingdom, the United States, the Netherlands and Belgium.

Since January 1st, 2007, Euler Hermes has modified its presentation in order to clarify the segment data. Benelux countries were split between Belgium and the Netherlands. The following 2006 segment data are revised of this modification.

Notes to the consolidated financial statements

Primary segment data: geographic segments

Profit & loss by segment

(in thousands of euros)	31/12/2007										
	Germany	France	Italy	United Kingdom	United States	Belgium	Nether-lands	Other countries	Group services	Inter-segment eliminations	Group
Premiums written	696,948	348,581	210,207	214,516	164,172	70,706	39,430	492,622	-	(407,510)	1,829,672
Premiums refunded	(45,942)	(11,924)	(2,361)	(2,699)	-	(2,461)	(1,116)	(23,956)	-	15,679	(74,780)
Net premiums written	651,006	336,657	207,846	211,817	164,172	68,245	38,314	468,666	-	(391,831)	1,754,892
Change in unearned premiums	(15,767)	755	(477)	(8,830)	(3,404)	(3,314)	433	(14,488)	-	16,903	(28,189)
Earned premiums - non-group	635,239	337,412	207,369	202,986	160,767	64,931	38,747	454,178	-	(374,926)	1,726,703
Premium-related revenues - non-group	170,263	79,586	46,110	23,293	31,680	14,633	11,684	47,174	-	(51,678)	372,745
Turnover - intra-sectoral	**3,805,502**	**416,998**	**253,479**	**226,279**	**192,447**	**79,564**	**50,431**	**501,352**	**-**	**(426,604)**	**2,099,448**
Investment income	87,257	66,569	15,561	23,923	14,471	10,631	3,228	12,879	182,534	(231,894)	185,159
Of which, dividends	*15,006*	-	-	-	-	-	-	-	*145,247*	*(160,253)*	-
Total ordinary income	**892,759**	**483,567**	**269,040**	**250,202**	**206,918**	**90,195**	**53,659**	**514,231**	**182,534**	**(658,498)**	**2,284,607**
Insurance services expense	(229,159)	(132,653)	(108,006)	(80,753)	(82,063)	(41,296)	(17,546)	(218,745)	-	156,158	(754,063)
Outwards reinsurance expense	272,856	53,827	69,959	60,972	72,414	17,572	16,032	67,334	-	(303,834)	327,132
Outwards reinsurance income	(366,725)	(67,203)	(86,744)	(81,515)	(81,144)	(25,717)	(19,876)	(106,915)	-	377,596	(458,243)
Other income and expense	(332,752)	(153,751)	(106,495)	(97,848)	(71,289)	(18,430)	(22,989)	(206,151)	(10,485)	198,447	(821,743)
Total other income and expense	**(655,780)**	**(299,780)**	**(231,286)**	**(199,144)**	**(162,082)**	**(67,871)**	**(44,379)**	**(464,477)**	**(10,485)**	**428,367**	**(1,706917)**
Ordinary operating income	**236,979**	**183,787**	**37,754**	**51,058**	**44,836**	**22,324**	**9,280**	**49,754**	**172,049**	**(230,131)**	**577,690**
Financing expense	(16)	-	-	-	(48)	-	(109)	(400)	(16,104)	3,759	(12,918)
Income from companies accounted for by the equity method	6,036	2,241	-	-	-	-	-	-	-	-	8,277
Corporation tax	(29,426)	(64,947)	(20,522)	(14,425)	(15,807)	(6,641)	(1,988)	(12,279)	3,950	-	(162,085)
Consolidated net income	**213,573**	**121,081**	**17,232**	**36,633**	**28,981**	**15,683**	**7,183**	**37,075**	**159,895**	**(226,372)**	**410,964**
Minority interests	(2,633)	(309)	-	(75)	-	(1)	-	(988)	-	-	(4,006)
Net income, group share	**210,940**	**120,772**	**17,232**	**36,558**	**28,981**	**15,682**	**7,183**	**36,087**	**159,895**	**(226,372)**	**406,958**

Notes to the consolidated financial statements

(in thousands of euros)	31/12/2006										
	Germany	France	Italy	United Kingdom	United States	Belgium	Nether-lands	Other countries	Group services	Inter-segment eliminations	Group
Premiums written	658,891	349,721	190,802	198,261	168,639	67,438	38,871	319,746	-	(252,829)	1,739,540
- Premiums refunded	(37,361)	(26,537)	(4,402)	(6,831)	(77)	(1,867)	(713)	(12,899)	-	9,413	(81,274)
- Net premiums written	621,530	323,184	186,400	191,430	168,562	65,571	38,158	306,847	-	(243,416)	1,658,266
- Change in unearned premiums	5,763	2,244	135	(4,523)	(8,455)	(2,515)	1,108	967	-	5,785	509
Earned premiums - non-group	627,293	325,428	186,535	186,907	160,107	63,056	39,266	307,814	-	(237,631)	1,658,775
Premium-related revenues - non-group	168,713	76,535	45,918	23,118	20,647	14,118	11,160	38,606	-	(45,770)	353,045
Turnover - intra-sectoral	**796,006**	**401,963**	**232,453**	**210,025**	**180,754**	**77,174**	**50,426**	**346,420**	**-**	**(283,401)**	**2 011,820**
Investment income	49,158	69,657	11,774	10,126	7,651	24,060	1,285	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**	**188,405**	**101,234**	**51,711**	**356,274**	**230,485**	**(547,649)**	**2,161,622**
Insurance services expense	(207,513)	(179,851)	(97,125)	(48,956)	(62,053)	(36,193)	(17,978)	(175,379)	-	132,380	(692,668)
Outwards reinsurance expense	254,190	62,443	64,051	55,534	55,914	14,585	15,423	69,327	-	(230,700)	360,767
Outwards reinsurance income	(347,031)	(67,209)	(79,430)	(81,643)	(75,585)	(25,650)	(19,783)	(88,792)	-	236,614	(548,509)
Other income and expense	(315,284)	(154,988)	(103,543)	(87,151)	(64 ,447)	(18,856)	(23,104)	(143,878)	(23,987)	143,937	(791,301)
Total other income and expense	**(615,638)**	**(339,605)**	**(216,047)**	**(162,216)**	**(146,171)**	**(66,114)**	**(45,442)**	**(338,722)**	**(23,987)**	**282,231**	**(1,671,711)**
Ordinary operating income	**229,526**	**132,015**	**28,180**	**57,935**	**42,234**	**35,120**	**6,269**	**17,552**	**206,498**	**(265,418)**	**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)	(4 ,756)	(1,853)	(2,830)	8,515	-	(156,734)
Consolidated net income	**173,123**	**87,308**	**14,661**	**39,891**	**27,499**	**30,364**	**4,351**	**14,475**	**202,253**	**(263,690)**	**330,235**
Minority interests	(2,858)	(254)	-	(154)	-	-	(18)	(897)	-	-	(4 ,181)
Net income, group share	**170,265**	**87,054**	**14 661**	**39,737**	**27,499**	**30,364**	**4,333**	**13,578**	**202,253**	**(263,690)**	**326,054**

Notes to the consolidated financial statements

Depreciation, amortisation and provisions by segment

(in thousands of euros)		31/12/2007										
		Germany	France	Italy	United Kingdom	United States	Belgium	Netherlands	Other countries	Group services	Inter-segment eliminations	Group
Provisions for loans and receivables		(1,232)	(2,608)	(32)	(662)	-	-	(219)	-	(2,477)	-	(7,230)
Amortisation and depreciation of non-current assets		-	-	-	-	-	-	-	-	-	-	
Impairment		-	-	-	-	-	-	-	-	-	-	
	Goodwill (Note 1)	-	-	-	-	-	-	-	-	-	-	

(in thousands of euros)		31/12/2006										
		Germany	France	Italy	United Kingdom	United States	Belgium	Netherlands	Other countries	Group services	Inter-segment eliminations	Group
Provisions for loans and receivables		(59)	(4,330)	(32)	(365)	-	(94)	(43)	-	(736)	-	(5,659)
Amortisation and depreciation of non-current assets		-	-	-	-	-	-	-	-	-	-	
Impairment		-	-	-	-	-	-	-	-	-	-	
	Goodwill (Note 1)	-	-	-	-	-	-	-	-	-	-	

Amortisation and impairment charges on non-current assets are now analysed by function. Consequently, the breakdown is no longer directly visible in the income statement in the 2006 and 2007 financial statements.

Notes to the consolidated financial statements

Balance sheet by segment

(in thousands of euros)	31/12/2007										
	Germany	France	Italy	United Kingdom	United States	Belgium	Nether-lands	Other countries	Group services	Inter-segment eliminations	GROUP
Goodwill	16	393	5,820	64,890	28,803	3,893	4,349	7,413	-	-	115,577
Other intangible assets	23,673	7,688	6,147	7,046	960	2,221	1,642	1,826	7,075	-	58,278
Investments - insurance businesses	503,012	866,404	196,463	38,898	54,645	29,634	26,418	148,738	1,424,252	(239,380)	3,049,084
Investments accounted for by the equity method	21,295	30,973	-	-	-	-	-	-	-	(62)	52 206
Share of assignees and reinsurers in the technical reserves and financial liabilities	192,779	33,968	145,478	51,002	29,666	22,939	10,025	59,695	-	(180,097)	365,455
Insurance and reinsurance receivables	90,032	117,333	93,622	19,615	48,211	95,796	3,567	90,939	-	(63,959)	495,156
Other assets	261,491	174,590	66,709	53,715	39,203	36,267	25,241	115,928	69,127	(90,481)	751,790
Total assets	**1,092,298**	**1,231,349**	**514,239**	**235,166**	**201,488**	**190,750**	**71,242**	**424,539**	**1,500,454**	**(573,979)**	**4,887,546**
Technical reserves	414,431	255,045	316,438	130,850	116,029	91,514	23,697	262,482	-	(184,345)	1,426,141
Liabilities related to inwards insurance and reinsurance transactions	25,678	67,331	43,173	14,356	4,440	7,440	311	4,251	-	(2,175)	164,805
Liabilities related to outwards reinsurance transactions	24,628	34,946	53,207	8,974	22,918	18,024	3,654	35,703	-	(110,038)	92,016
Other liabilities	333,867	294,418	69,242	44,250	21,244	27,624	23,506	65,934	475,923	(229,344)	1,126,664
Total liabilities	**798,604**	**651,740**	**482, 060**	**198,430**	**164,631**	**144,602**	**51,168**	**368,370**	**475,923**	**(525,902)**	**2,809,626**

Assets and liabilities by sector

(in thousands of euros)	31/12/06										
	Germany	France	Italy	United Kingdom	United States	Belgium	Netherlands	Other countries	Group services	Inter-segment eliminations	Group
Goodwill	34	393	5,820	62,235	25,668	3,893	4,085	5,246	-	-	107,374
Other intangible assets	16,301	6,679	1,120	11,584	421	496	27	1,210	5,081	-	42,919
Investments - insurance businesses	394,584	891,029	181,723	54,692	43,505	35,307	27,379	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	26,562	9,611	53,711	-	(138,536)	411,965
Insurance and reinsurance receivables	99,954	119,037	96,677	22,785	51,538	75,458	2,495	74,320	-	(46,037)	496,227
Other assets	242,365	162,940	81,161	37,156	38,754	38,623	12,002	88,523	69,574	(65,305)	705,793
Total assets	**968,003**	**1,239,374**	**512,536**	**244,127**	**181,595**	**180,339**	**55,599**	**298,523**	**1,431,978**	**(337,694)**	**4,774,380**
Technical reserves	404,152	298,053	312,266	130,853	109,904	89,068	22,534	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	7,713	760	13,621	-	(11,288)	190,065
Liabilities related to outwards reinsurance transactions	35,552	35,409	49,764	10,530	16,371	17,256	6 ,708	27,051	-	(81,335)	117,306
Other liabilities	354,868	278,909	80,097	47,462	21,887	36,111	11,415	48,557	365,366	(102,544)	1,142,128
Total liabilities	**822,850**	**694,822**	**485,110**	**209,636**	**152,918**	**150,148**	**41,417**	**272,611**	**365,366**	**(332,037)**	**2,862,841**

Secondary segment data: business segments

The secondary segmentation is by business line, which comprises credit insurance and the other segments covering 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.

Turnover

(in thousands of euros)	31/12/2007	31/12/2006
Credit insurance	1,840,461	1,755,154
Other	258,987	256,666
Total	**2,099,448**	**2,011,820**

Total of assets

(in thousands of euros)	31/12/2007	31/12/2006
Credit insurance	3,337,460	4,408,227
Other	1,550,086	366,153
Total	**4,887,546**	**4,774,380**

Notes to the consolidated financial statements

Note 26 – Related parties

Euler Hermes is owned mainly by the AGF group, which in turn is 100%-owned by the Allianz group.
The breakdown of the Euler Hermes group is as follows:

	Number of shares	%
AGF Holding	21,421,782	47.55%
Assurances Générales de France	5,442,444	12.08%
AGF Vie	3,879,818	8.61%
AGF-IART	4	0.00%
Treasury shares	1,369,746	3.04%
Divers	104,003	0.23%
Subtotal	**32,217,797**	**71.51%**
Public (bearer securities)	12,834,716	28.49%
Total	**45,052,513**	**100.00%**

Transactions

(in thousands of euros)	31/12/2007			31/12/2006		
	Allianz SE	AGF SA	Related companies and joint ventures	Allianz SE	AGF SA	Related companies and joint ventures
Operating income	(85)	-	23,960	(831)		23,577
Insurance services expense	-	-	(7,501)			(818)
Net income or expense on reinsurance	39,652	-	(108)	(42,906)		(43)
Financing expense	-	(12,709)	-		(7,290)	
Other financial net incomes	(2,690)	76	(8,385)	(8,155)	208	(7,123)

Receivables and liabilities

(in thousands of euros)	31/12/2007			31/12/2006		
	Allianz SE	AGF SA	Related companies and joint ventures	Allianz SE	AGF SA	Related companies and joint ventures
Current accounts (accrued interests included)	75,137		472	52,054	-	297
Net operating receivables	4,742		2,544	5,891	-	1,905
Borrowings (accrued interests included)	-	292,379	-	-	292,330	-
Operating liabilities	(22,663)		141	17,928	-	4,247

Notes to the consolidated financial statements

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 loans contracted with AGF SA:

- 2004 loan of €90 million maturing on 19 December 2008, at 3-month Euribor +30 basis points;
- 2005 loan of €135 million maturing on 24 June 2010, at 6-month Euribor +20 basis points;
- 2006 loan of €67 million maturing in December 2008, at 6-month Euribor +6 basis points.

Remuneration of senior executives

Members of the group Management Board

	31/12/2007	31/12/2006
■ Salaries and other short-term benefits for the year	3,872	2,842
■ Severance indemnities		1,568
■ Benefits in kind	36	43
■ Other indemnities	48	45
	3,956	**4,498**
Share-based attribution (number):		
■ Euler Hermes options	-	52,500
■ SAR/RSU	18,228	13,574

Like the whole employees who perceive their salaries in France, the members of the Group Management Board profit from a mandatory defined contribution plan of which the employer part is 1% of the gross amount of salaries.
Two 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. A gross compensation of 50% for Dr Gerd-Uwe Baden and 200% for Mr Clemens von Weichs of the amount of their last fixed annual remuneration is planned.
The payment of this indemnity is provided to the realisation of the condition of performance: RORAC consolidated average of the last 2 years preceding the leaving of the company >=8%

Members of the Supervisory Board

	31/12/2007	31/12/2006
■ Salaries and other short-term benefits for the year	7,151	5,626
■ Capital gain following the takeover of Allianz during the 1st half of 2007	41,163	-
■ Benefits in kind	171	-
	48,485	**5,626**
Share-based payments (number):		
■ AGF options	-	115,000
■ SAR/RSU	37,398	37,428

The Supervisory Board meeting of 30 August 2006 approved the termination of this plan.
Furthermore, Misters 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.

Notes to the consolidated financial statements

Note 27 – Group employees

	31/12/2007	31/12/2006
Euler Hermes Kreditversicherungs-AG (Germany)	1,852	1,934
Euler Hermes SFAC (France)	1,023	942
Euler Hermes United Kingdom	472	477
Euler Hermes A.C.I. (United States)	438	325
Euler Hermes SIAC (Italy)	394	447
Euler Hermes Zarzadzanie Ryzykiem Sp.Z.o.o. (Poland)	354	351
Euler Hermes Credit Insurance (Belgium)	214	212
Euler Hermes Credit Insurance Nordic AB (Sweden)	125	120
Euler Hermes Kredietverzekering (Netherlands)	103	103
Euler Hermes Servicios (Spain)	100	99
Euler Hermes Emporiki SA (Greece)	61	57
Euler Hermes Credit Insurance Nordic (Switzerland)	59	45
Euler Hermes Magyer Hitelbiztosito (Hungary)	55	57
Euler Hermes Cescob AS (Czech Republic)	41	33
Euler Hermes Guarantee PLC	31	29
Euler Hermes Acmar (Morocco)	30	32
Euler Hermes Seguro de Credito S.A. (Mexico)	29	23
EH Credit Insurance Agency (Singapore)	26	21
UAB Euler Hermes Services Baltic (Lithuania)	22	22
Euler Hermes Services Serwis SRO Bratislava (Slovakia)	22	-
Euler Hermes Serviços (Brazil)	19	19
Euler Hermes Services SIA Riga, Latvia (Latvia)	15	5
Euler Hermes Servicii Financiare S.R.L (Romania)	14	9
Euler Hermes Services (HK) Ltd	12	27
Euler Hermes Trade Credit Underwriting Agents (Australia)	8	-
Euler Hermes Credit Services (Japan)	7	7
Euler Hermes Services OÜ Tallinn (Estonia)	5	3
Euler Hermes Argentina	5	-
Euler Hermes Trade Credit Ltd. Lumley Centre (New Zealand)	4	-
TOTAL	**5,540**	**5,399**

Staff costs totalled €379,660 thousand for the year ended 31 December 2007. Remuneration paid to members of the Group Management Board during the year came to €3,956 thousand and €48,387 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 N.V. Interpolis Kreditverzekeringen). The headcount of companies accounted for by the equity method is not taken into account.

Notes to the consolidated financial statements

Note 28 – Commitments received and given

(in thousands of euros)		31/12/2007	31/12/2006
Commitments received		**16,060**	**10,116**
	* Deposits, sureties and other guarantees	16,060	10,116
Commitments given		**38,474**	**36,383**
	* Deposits, sureties and other guarantees	38,474	36,383
o/w:	*- Commitments associated with membership of an EIG*	*7,841*	*8,160*
	- Securities buyback agreement	*1,202*	*1,343*

A new guarantee has been received by EH SFAC Recouvrement from the Société Générale for 5 million euros in 2007.

Note 29 – Stock option plans

Share option plans

Amount charged in the consolidated income statement

(in thousands of euros)	2007	2006
Charge in respect of the 6 July 2004 allocation of share subscription options	-	324
Charge in respect of the 27 June 2005 allocation of share subscription options	471	1,019
Charge in respect of the 22 September 2006 allocation of share purchase options	1,692	440
Total	**2,163**	**1,783**

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		
	April 97	Aug. 98	April 99	July 03	July 04	June 05	April 00	Feb. 01	Sept. 06
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	29/04/1997	29/04/1997	29/04/1997	23/04/2003	23/04/2003	23/04/2003	07/04/2000	07/04/2000	22/05/2006
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 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 registered 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 2007, the following options were potentially exercisable:

	Subscription plans*						Purchase plans**		
Allocation date	**April 97**	**Aug. 98**	**April 99**	**July 03**	**July 04**	**June 05**	**April 00**	**Feb. 01**	**Sept. 06**
Number of options outstanding	0	33,718	0	57,775	90,305	143,950	30,561	19,410	154,000
End of subscription period	Apr. 2007	Aug. 2008	Apr. 2009	Jul. 2011	Jul. 2012	Jun. 2013	Apr. 2008	Feb. 2009	Sept. 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.*

Notes to the consolidated financial statements

Transactions under the share option plans since 1 January 2006 may be summarised as follows:

	Dec. 2007				
	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	55.80	686,542			
Allocation	0	0			
Exercise	37.97	145,508	102.98		
Cancellation	66.64	11,315			
End of period	**60.34**	**529,719**		**4.69**	**18.27-91.82**

	Dec. 2006				
	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**

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 2007

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 2007, the liability relating to the SAR and RSU still to be exercised amounted to €6,301 thousand.

	SAR plans										RSU plans		
(in thousands of euros)	April 99	April 00	April 01	April 02	May 03	May 04	May 05	May 06	Mar. 07	Total	May 03	Mar. 07	Total
Fair value at 31 December 2007 (in euros)	0.00	0.00	0.01	0.03	76.09	58.53	49.13	33.64	23.97		142.00	119.44	
Total commitment	0	0	0	0	0	1,945	2,074	1,271	914	6,205	518	2,313	2,831
Opening commitment	0	0	0	4	788	2,435	2,135	596		5,959	402	0	402
Charge recognised during the period	0	0	0	(4)	(788)	(490)	(61)	444	381	(518)	73	386	458
Closing commitment	0	0	0	0	0	1,945	2,074	1,040	381	5,440	474	386	860

Information on plans currently in effect

	Dec. 2007								
	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
April 00	2	332.10	9,734	-	-	-	-	-	-
April 01	2	322.14	9,961	-	-	-	-	-	-
April 02	2	239.80	10,682	-	-	-	-	-	-
May 03	2	65.91	8,680	-	8,680	5	3,645	-	-
May 04	2	83.47	33,229	-	-	-	-	-	-
May 05	2	92.87	42,220	-	-	-	-	-	-
May 06	2	132.41	37,779	-	-	-	-	-	-
March 07	2	160.13	38,151	-	-	5	19,366	-	-

The attribution for 2007 for the group Management Board is:

- SAR: 12,126;
- RSU: 6,102.

Note 30 – Subsequent events

No subsequent events occurred since December 31, 2007 closing.

Report of the independent auditors on the consolidated financial statements

YEAR ENDED 31 DECEMBER 2007

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 2007, 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.

Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. These 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 are true and fair and accurately present the assets and liabilities, financial position and results of the group formed by the entities and companies included in the consolidation scope.

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 draw your attention to the following items:

- Your company books technical reserves to cover its commitments as shown in Note 2.3.19.2. to the consolidated financial statements. Our assessment of the technical reserves is based on an analysis of the calculation methodology and on a review of the assumptions used in applying the calculations performed by the various group companies. In the context of our assessments, we satisfied ourselves that these estimates were reasonable;
- The financial assets have been recognised and measured using the methods described in Note 2.3.9.1. 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 2.3.6.3. to the consolidated financial statements. We assessed the consistency of the assumptions made and reviewed the calculations performed by the group. In the context of our assessments, we satisfied ourselves that the assumptions and valuations made on the basis of those assumptions 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.

Report of the independent auditors on the consolidated financial statements

Specific checks

Furthermore, and in accordance with the 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.

The independent auditors
Paris-La Défense and Paris, on 21 april 2008

KPMG Audit
A division of KPMG S.A.

Xavier Dupuy
Partner

ACE – Auditeurs et Conseils d'Entreprise

Alain Auvray
Partner

Financial statements

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Balance sheet as at 31 December 2007

(in euros) ASSETS	Notes	Gross	Amort & depr.	Net 31/12-/2007	Net 31/12/2006	Net 31/12/2005
Intangible assets	**3.1**	**11,485,227**	**5,139,436**	**6,345,791**	**4,461,626**	**4,569,476**
Property and equipment	**3.1**	**417,371**	**348,998**	**68,373**	**91,982**	**127,454**
Long-term investments						
Participating interests	3.2	1,393,866,779	6,171,768	1,387,695,011	1,312,995,044	1,277,917,468
Other long-term investments	3.3	88,499,650	573,962	87,925,688	87,837,446	92,287,364
Non-current assets		**1,494,269,027**	**12,234,164**	**1,482,034,863**	**1,405,386,098**	**1,374,901,763**
Receivables	3.4	35,821,508		35,821,508	24,362,038	24,476,969
Cash and cash equivalents	3.5	7,065,154		7,065,154	22,669,319	7,329,753
Current assets		**42,886,662**		**42,886,662**	**47,031,357**	**31,806,722**
Translation differences		**0**		**0**	**395,411**	**0**
TOTAL ASSETS		**1,537,155,689**	**12,234,164**	**1,524,921,525**	**1,452,812,866**	**1,406,708,485**
Off-balance sheet commitments received	*5.3*			*0*	*0*	*110,000,000*

(in euros) SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/2007	31/12/2006	31/12/2005
Share capital	3.6.1	14,416,804	14,384,358	14,345,678
Additional paid-in capital		451,331,544	448,058,354	444,985,453
Reserves				
* legal reserve		1,438,436	1,434,568	1,379,382
* general reserves		77,473,535	77,473,535	77,473,535
* reserve for treasury shares		74,712,880	81,307,936	92,589,093
* other reserves		191,675,860	185,080,804	173,799,647
Retained earnings brought forward		128,208,146	88,254,173	140,818,268
Net income for the year		135,597,447	214,151,289	99,317,488
Shareholders' equity	**3.6.2**	**1,074,854,652**	**1,110,145,016**	**1,044,708,542**
Provisions	**3.7**	**970,003**	**1,445,116**	**1,244,737**
Borrowings and other financial liabilities	3.8	426,825,148	322,758,064	335,443,003
Trade payables		1,213,234	918,887	1,083,439
Social security, tax and other liabilities	3.9	21,019,075	17,545,783	24,225,359
Liabilities		**449,057,457**	**341,222,734**	**360,751,801**
Translation differences	**3.10**	**39,413**	**0**	**3,405**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,524,921,525**	**1,452,812,866**	**1,406,708,485**
Off-balance sheet commitments given:	*5.3*	*8,872,305*	*9,496,019*	*121,506,337*

Income statement

(in euros)	Notes	2007	2006	2005
Operating and financial revenues				
Revenues from equity investments	4.1	145,271,036	217,548,315	112,711,686
Net income from sale of securities		646,307	1,042,505	294,317
Write-backs of provisions for foreign exchange losses	3.7	395,411	0	0
Write-backs of provisions for impairment of treasury shares		0	0	3,017,068
Write-backs of provisions for impairment of participating interests	3.2.2	5,594,577	6,041,000	6,111,232
Other financial income	4.2	192,652	3,780,678	8,249,695
Sundry services	4.3	7,366,641	6,126,827	2,612,115
Expenses capitalised	3.1.1	2,721,003	715,326	1,969,596
Total I		**162,187,627**	**235,254,651**	**134,965,709**
Operating and financial expenses				
External charges	4.4	15,981,357	9,924,466	11,031,644
Taxes, duties and similar payments		347,229	361,426	464,093
Payroll and social security contributions	4.5	2,484,349	2,170,574	1,398,261
Other ordinary management expenses	5.2	260,000	260,000	260,000
Depreciation and amortisation of non-current assets	3.1.2	860,446	859,319	624,082
Provisions for foreign exchange losses	3.7	0	395,411	0
Provisions for impairment of treasury shares	3.3.2	573,962	0	0
Provisions for impairment of participating interests		0	0	3,123,577
Other financial expenses	4.6	16,470,776	16,393,116	25,896,793
Total II		**36,978,119**	**30,364,310**	**42,798,451**
Ordinary income (I – II)		**125,209,508**	**204 890,341**	**92,167,259**
Exceptional revenues				
Proceeds from sale of participating interests		22,805	0	20,849,782
Proceeds from sale of intangible assets		0	0	1,807,860
Other exceptional income	4.8	4,725,795	3,073,085	3,509,518
Reversal of provisions	3.7	116,385	202,034	5,194,983
Total III		**4,864,985**	**3,275,118**	**31,362,142**
Exceptional charges				
Carrying amount of participating interests sold		90,000	0	26,902,240
Carrying amount of intangible assets sold		0	0	1,807,860
Other exceptional charges		210,239	196,447	433,626
Provisions	3.7	36,683	7,002	365,737
Total IV		**336,922**	**203,449**	**29,509,463**
Net exceptional income (charge) (III – IV)		**4,528,063**	**3,071,670**	**1,852,679**
Corporation tax	4.9	**5,859,876**	**6,189,278**	**5,297,550**
Net income		**135,597,447**	**214,151,289**	**99,317,488**

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 2007, which shows total assets of €1,524,921,525 and the income statement, which shows net income of €135,597,447.

The financial year covers the twelve month period from 1 January to 31 December 2007.

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 15 February 2008.

1. ACCOUNTING PRINCIPLES AND METHODS

The 2007 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 2007:

Acquisition of a subsidiary

In 2007, Euler Hermes fully subscribed to the capital increase staged by Euler Hermes Reinsurance AG at a cost of €69,061 thousand (*see Note 3.2.1 Investments securities*).

Convergence project

In accordance with a cost-sharing agreement, 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 respect of the Convergence project, whose objective is to provide group subsidiaries with a common IT application for management of claims settlements and collections (*see Notes 3.1.1 Intangible assets, property and equipment and 4.4 External charges*).

Global Reporting project

Work on the Global Reporting project, whose objective is to merge the Euler Hermes group's accounting systems into a single application, was initiated by Euler Hermes in 2006 and continued in 2007. In accordance with a cost-sharing agreement, Euler Hermes capitalises the portion of development costs applicable to itself (*see Notes 3.1.1 Intangible assets, property and equipment and 4.4 External charges*).

Notes to the parent company financial statements

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 2007 were as follows (*see Note 2 Significant events during the year*):

(in euros)	Gross amount at 01-01-2007	Increase	Decrease	Gross amount at 31-12-2007
Intangible assets	**8,764,224**	**2,721,003**	**0**	**11,485,227**
Intangible assets in progress - Convergence (1)	0	2,588,787	0	2,588,787
Intangible assets in progress - Global Reporting (1)	0	132,216	0	132,216
Software - IRP	8,489,681	0	0	8,489,681
Software - other	274,543	0	0	274,543
Property and equipment (2)	**487,316**	**0**	**69,945**	**417,371**
TOTAL	**9,251,540**	**2,721,003**	**69,945**	**11,902,598**

(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 systems for the Convergence and Global Reporting projects has been recorded under "Intangible assets in progress", with the corresponding credit entry being posted to "Costs capitalised" in amounts of €2,589 thousand and €132 thousand respectively.

(2) 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 2007 was as follows:

(in euros)	Provision at 01-01-2007	Charge	Write-back	Provision at 31-12-2007
Intangible assets	**4,302,598**	**836,838**	**0**	**5,139,436**
Software - IRP	4,028,055	836,838	0	4,864,893
Software - other	274,543	0	0	274,543
Property and equipment	**395,334**	**23,609**	**69,945**	**348,998**
TOTAL	**4,697,932**	**860,446**	**69,945**	**5,488,433**

- 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.

Notes to the parent company financial statements

3.2 Participating interests and provisions for impairment of Investments securities

3.2.1 Investments securities

Investments securities are long-term investments that are deemed to contribute to Euler Hermes' business, particularly because they enable Euler Hermes to influence the management or assume control of the company concerned.
Investments securities are recognised at historical cost (purchase cost or contribution value) including any related purchase costs.
Movements in the gross carrying amount of participating interests were as follows:

(in euros)	Gross amount at 01-01-2007	Increase	Decrease	Gross amount at 31-12-2007
Holding				
Euler Hermes SFAC	169,627,302	94,080		169,721,382
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	28,492,950			28,492,950
Euler Hermes Reinsurance AG (1)	54,888,286	69,060,774		123,949,060
Kepler Ratings (2)	89,904	96	90,000	0
Euler Hermes World Agency	0	40,440		40,440
TOTAL	**1,324,761,389**	**69,195,390**	**90,000**	**1,393,866,779**

(1) The main movement during the year was the subscription to the capital increase involving 1,150,000 shares of Euler Hermes Reinsurance AG at a cost of €69,060,774 (see Note 2 Significant events during the year).
(2) Kepler Ratings has been liquidated (see Note 4.7 Disposal proceeds and net carrying amount of participating interests).

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 01-01-2007	Charge	Write-back	Provision at 31-12-2007
Euler Hermes UK plc.	8,642,768	0	2,471,000	6,171,768
Euler Hermes Credit Insurance Belgium S.A.	3,123,577	0	3,123,577	0
TOTAL	**11,766,345**	**0**	**5,594,577**	**6,171,768**

Notes to the parent company financial statements

3.3 Other long-term investments

3.3.1 Other long-term investments

This item comprises mainly:

- a Swiss franc-denominated advance equivalent to €10,274 thousand intended to cover the organisational funding of Euler Hermes Reinsurance AG, including €704 thousand of unrealised foreign exchange loss (*see Note 3.10 Translation difference*);
- a loan granted to Euler Hermes Kredietverzekering NV in an amount of €2,653 thousand, including accrued interest of €153 thousand;
- treasury shares with a net carrying amount of €75,572 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 3.04% of the share capital, as shown below:

(in euros)	Gross amount at 01-01-2007	Increase	Decrease	Gross amount at 31-12-2007
Purpose for which held				
Unrestricted use				
– number of shares	1,411,359		124,113(1)	1,287,246
– average price (€)	52,937			52,937
– total (€)	74,712,880			68,142,730
% of capital	3.14%			2.86%
Adjustment of share price				
– number of shares	0	420,676	338,176	82,500
– average price (€)	0,000			90,047
– total (€)	0			7,428,888
% of capital	0.00%			0.18%
TOTAL	**74,712,880**	**0**	**0**	**75,571,618**

(1) During the year, 44,113 options granted under the share purchase option plans were exercised (see Note 5.5 Share purchase option plans), and 80,000 treasury shares were reallocated to the line "Adjustment of share price".

3.3.2 Impairment of other long-term investments

For balance sheet purposes, treasury shares are measured using the average market price during the last month of the financial period.
A provision for impairment was thus recognised in the income statement in an amount of €574 thousand.
Movements during the year were as follows:

(in euros)	Provision at 01-01-2007	Charge	Write-back	Provision at 31-12-2007
Impairment of treasury shares	0	573,962	0	573,962
TOTAL	**0**	**573,962**	**0**	**573,962**

3.4 Receivables

As in 2006, this item mainly includes the balances of transactions between subsidiaries included in the Euler Hermes tax group (*see Note 4.8.1 Current tax*).
All receivables are due within one year.

Notes to the parent company financial statements

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.

B - SHAREHOLDERS' EQUITY AND LIABILITIES

3.6 Shareholders' equity

3.6.1 Composition of the share capital

At 31 December 2006, the share capital comprised 44,951,118 shares with a total nominal value of €14,384,358.
During 2007, 101,395 options relating to the share subscription option plans were exercised for an amount of €3,306 thousand, corresponding to a capital increase of €32 thousand and additional paid-in capital of €3,273 thousand (*see Note 5.4 Share subscription option plans*).
At the year-end, the share capital thus comprised 45,052,513 issued and fully paid-up shares with a total nominal value of €14,416,804.

3.6.2 Changes in shareholders' equity

The movements during the year can be analysed as follows:

(in euros)	31/12/2006	Allocation of 2006 net income	Dividends paid	Other movements during the year	31/12/2007
Share capital	14,384,358			32,446	14,416,804
Additional paid-in capital	448,058,354			3,273,190	451,331,544
Reserves					
– Legal reserve	1,434,568	3,868			1,438,436
– General reserve	77,473,535				77,473,535
– Reserve for treasury shares	81,307,936			(6,595,055)	74,712,880
– Other reserves	185,080,804			6,595,055	191,675,860
Retained earnings brought forward	88,254,173	214,147,421	(174,193,448)		128,208,146
Net income for the year	214,151,289	(214,151,289)		135,597,447	135,597,447
TOTAL	1,110,145,016	0	(174,193,448)	138,903,084	1,074,854,652

Reserve for treasury shares

The reserve for treasury shares was written back in an amount of €6,595 thousand to take account of sales related to the exercise of share purchase options during the previous year. The write-back was credited in full to “other reserves”, in accordance with a resolution passed by the General Meeting of 9 May 2007.
The balance on the reserve for treasury shares at 31 December 2007 was €74,713 thousand.

Notes to the parent company financial statements

3.7 Provisions

Provisions can be analysed as follows:

(in euros)	"Provision at 01-01-2007"	Charge	Write-back	"Provision at 31-12-2007"
Provisions for foreign exchange losses	395,411	0	395,411	0
Provision for the Eurofactor liabilities guarantee	879,000	0	0	879,000
Provision for risks on treasury shares	161,576	32,265	116,385	77,456
Other provisions	9,129	4,418	0	13,547
TOTAL	**1,445,116**	**36,683**	**511,796**	**970,003**

The movements during the year were as follows:

- **provision for foreign exchange loss:** the €395 thousand provision for foreign exchange loss recognised in 2006 was written back in full in 2007 as there was an unrealised foreign exchange gain at 31 December 2007 (*see Note 3.10 Translation difference*);
- **provision for liabilities guarantee:** this 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;
- **provision for risks on treasury shares:** in view of the level of the Euler Hermes share price, the provision calculated at the previous year-end 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 adjusted to take into account the options exercised during the year.

3.8 Borrowings and other financial liabilities

3.8.1 Breakdown by maturity

The breakdown by maturity of "Borrowings and other financial liabilities" was as follows:

(in euros)	31/12/2007	31/12/2006	Change
Less than 1 year	291,822,961	30,755,368	261,067,594
From 1 to 5 years	135,000,000	292,000,000	(157,000,000)
TOTAL	**426,822,961**	**322,755,368**	**104,067,594**
of which, due to related companies	426,822,961	322,755,368	104,067,594

All borrowings are at variable interest rates.

3.8.2 Breakdown by currency

The breakdown by currency of "Borrowings and other financial liabilities" was as follows:

(in euros)	31/12/2007	31/12/2006	VAR
Denominated in euros	417,182,567	322,755,368	94,427,200
Denominated in GBP	9,640,394	0	9,640,394
TOTAL	**426,822,961**	**322,755,368**	**104,067,594**

At 31 December 2007, the borrowing denominated in pounds sterling generated a translation difference, being a liability of €677 thousand (*see Note 3.10 Translation difference*).

Notes to the parent company financial statements

3.9 Social security, tax and other liabilities

As in 2006, this item comprises mainly balances on transactions between the subsidiaries belonging to the Euler Hermes tax group (*see Note 4.9.1 Current tax*).
All such liabilities are payable within one year.

3.10 Translation difference

At 31 December 2007, the translation difference corresponded to a net unrealised foreign exchange gain as follows:

(in euros)	Currency	31/12/2007
Other long-term investments (*see Note 3.3 Other long-term investments*)	CHF	(703,892)
Borrowings and other financial liabilities (*see Note 3.8 Borrowings and other financial liabilities*)	GBP	676,958
Other receivables	CHF	65,002
Cash and cash equivalents	USD	1,344
TOTAL		**39,413**

4. NOTES TO THE INCOME STATEMENT

4.1 Revenues from participating interests

This item comprises dividends received from related companies, as follows:

(in euros)	2007	2006
Euler Hermes SFAC	72,215,744	82,327,210
Euler Hermes SIAC	12,880,000	13,720,000
Euler Hermes ACI	0	23,612,751
Euler Hermes Kreditversicherungs-AG	60,026,915	61,305,559
Euler Hermes UK plc	0	30,823,426
Euler Hermes Credit Insurance Belgium SA	0	5,599,771
Euler Hermes Magyar Követeléskezelö Kft.	62,434	90,133
Euler Hermes Magyar Hitelbiztosito Zrt	85,943	69,465
TOTAL	**145,271,036**	**217,548,315**

4.2 Other financial income

The main component of this item is interest of €153 thousand in respect of related companies.

4.3 Sundry services

This item includes €4,225 thousand recharged to subsidiaries that are not included in the cost-sharing agreement for IRP system licence fees.
It also includes recharges of €3,142 thousand to the same subsidiaries for IRP system maintenance.

Notes to the parent company financial statements

4.4 External charges

This item comprises the external structural charges of Euler Hermes as well as expenditure incurred on the operating costs for the IRP system and development of the Global Reporting and Convergence projects (*see Note 2 Significant events during the year*).

4.5 Payroll and social security contributions

This item comprises remuneration paid to the company's employees.

4.6 Other financial expense

This items consists mainly of interest on borrowings from related companies in an amount of €16,099 thousand, including €2,022 thousand of accrued interest (*see Note.3.8 Borrowings and other financial liabilities*).

4.7 Disposal proceeds and net carrying amount of participating interests

The liquidation of Kepler Ratings resulted in an overall loss of €67 thousand (*see Note 3.2.1 Participating interests*).

4.8 Other exceptional income

This item comprises mainly the surplus on the company's purchase of treasury shares in an amount of €4,680 thousand.

4.9 Corporation tax

The breakdown of the tax charge for the year is as follows:

(in euros)	2007	2006
Tax grouping surplus	5,736,886	4,024,325
Deferred tax	122,990	2,164,953
TOTAL	**5,859,876**	**6,189,278**

4.9.1 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, Financière Bételgeuse, Euler Hermes World Agency and Financière Sirius. 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 Notes 3.4 Receivables and 3.9 Social security, tax and other liabilities)*.
The current tax liability is calculated at the rate of 34.43%, 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 €5,737 thousand was generated in favour of Euler Hermes.

4.9.2 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;

Notes to the parent company financial statements

- 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 2007 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 Allianz (Munich Trade and Companies Registry no. 164 232).

5.2 Directors' attendance fees

Attendance fees paid to members of the Supervisory Board in accordance with the resolution passed by the Combined Ordinary and Extraordinary General Meeting of 25 April 2001 amounted to €260 thousand.

5.3 Off-balance sheet commitments

Off-balance sheet commitments given comprise:

- a commitment given of €7,670 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 decree 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 €1,202 thousand given to group employees in respect of the liquidity of the current share subscription option plans at subsidiaries;
- a commitment given to Euler Hermes Reinsurance AG as guarantee for payment of financial commitments given by the subsidiary to beneficiaries having subscribed to a proportional reinsurance treaty.

5.4 Share subscription option plans

The Extraordinary General Meeting of 29 April 1997 approved a share subscription plan covering 1% of the share capital, i.e. 348,750 shares. In accordance with the resolutions passed by 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 resolution passed by the Combined Ordinary and Extraordinary General Meeting of 7 April 2000).
The Extraordinary General Meeting of 23 April 2003 approved a share subscription option plan. In accordance with the resolutions passed by various Group Management Board meetings, 380,000 options were granted during 2003 and 2004.
In accordance with the resolution adopted by the Group Management Board meeting of 27 June 2005, 160,000 share subscription options were allocated in 2005.
The movements during the year were as follows *(see Note 3.6.1 Composition of the share capital)*:

Year of allocation	1997	1998	2003	2004	2005
Options still to be exercised at start of year	930	38,918	127,760	111,200	155,550
Options exercised [(1)]	0	5,200	69,985	19,110	7,100
Options allocated	0	0	0	0	0
Options cancelled [(2)]	930	0	0	1,785	4,500
Options still to be exercised as end of year	**0**	**33,718**	**57,775**	**90,305**	**143,950**
Exercise price	15.55	18.27	27.35	44.41	63.08

(1) See Note 3.6 Shareholders' equity. *(2)* Options renounced by beneficiaries.

5.5 Share purchase option plans

The Extraordinary General Meeting of 7 April 2000 approved a share purchase option plan. In accordance with the resolutions passed by 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 share subscription and purchase option plan for employees and corporate officers of Euler Hermes and of its more than 50%-owned subsidiaries.

In accordance with the resolution passed by the Group Management Board meeting of 18 September 2006, 160,000 share purchase options were awarded in September 2006.

The movements during the year were as follows *(see Note 3.3 Other long-term investments):*

Date of the General Meeting	07/04/2000		22/05/2006
	(1st allocation)	(2nd allocation)	
Date of the Group Management Board meeting	**27/04/2000**	**28/03/2001**	**18/09/2006**
Options still to be exercised at start of year	58,866	35,218	158,100
Options exercised	28,305	15,808	0
Options allocated	0	0	0
Options cancelled	0	0	4,100
Options still to be exercised at end of year	**30,561**	**19,410**	**154,000**
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 last financial year	Net income for last financial 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 share capital												
1. Subsidiaries												
Euler Hermes SFAC 1, rue Euler 75008 Paris FRANCE	EUR	90,277,888	EUR	143,210,944	99.99%	169,721,381	169,721,381	8,317,226	439,427	352,184,323	105,379,953	72,215,744
Euler Hermes UK plc. 1, Canada Square London E14 5DX UNITED KINGDOM	GBP	50,614,000	GBP	80,404,000	99.99%	238,683,768	232,512,000	-	762,953	188,298,902 [3]	28,866,162 [3]	-
Euler Hermes Credit Insurance Belgium SA 15, rue Montoyer 1000 Brussels BELGIUM	EUR	27,916,000	EUR	51,428,000	99.99%	53,408,321	53,408,321	-	-	82,025,000	15,684,000	-
Euler Hermes ACI Holding Inc. 800 Red Brook Boulevard Owings Mills MD 21117 USA	USD	129,526,334	USD	10,483,000	100.00%	143,541,100	143,541,100	424,866	-	-	(270,362)	-
Euler Hermes SIAC S.p.A. Via Raffaello Matarazzo, 19 00139 Rome ITALY	EUR	28,000,000	EUR	75,994,000	100.00%	94,535,667	94,535,667	100,260	-	255,840,000 [4]	18,960,000 [4]	12,880,000
Euler Hermes Kreditversicherungs AG Friedensalle 254, 22763 Hamburg GERMANY	EUR	54,080,000	EUR	540,015,000	100.00%	540,816,011	540,816,011	5,102	[5] -	732,439,000	224,128,000	60,008,000
Euler Hermes Reinsurance AG Tödistrasse, 65 CH-8002 Zurich SWITZERLAND	CHF	200,000,000	CHF	(14,269,000)	100.00%	123,949,060	123,949,060	10,308,655	-	363,747,507	23,057,352	-
Euler Hermes Kredietverzekering NV Pettelaarpark 20, 5216 PD S-Hertogenbosch NETHERLANDS	EUR	3,999,000	EUR	11,614,000	100.00%	28,492,950	28,492,950	72,049	-	42,928,000	5,760,000	-
2. Participating interests												
Euler Hermes Hitelbiztosito Magyarorszag Rt. Nagybatonyi u.8. H-1037 Budapest HUNGARY	HUF	450,000,000	HUF	875,108,000	17.86%	434,540	434,540	-	-	10,030,292	505,742	85,943
Euler Hermes Magyar Követeléskezelö Kft Nagybatonyi u.8. H-1037 Budapest HUNGARY	HUF	30,000,000	HUF	238,545,000	20.10%	204,519	204,519	177,759	-	3,695,148	363,843	62,434
B. Summary information concerning other securities whose gross value does not exceed 1% of the share capital												
French subsidiaries	EUR	80,000	EUR	435,653		78,552	78,552	-	-	21,991,155	400,068	-
Foreign subsidiaries	USD	5,000	USD	(56,259)		909	909	-	-	-	(25,919)	-

(1) An impairment provision has been recognised at the year end for securities whose carrying amount exceeds the company's value in use (see Note 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 2007.
(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.
(5) Commitment given to Euler Hermes Reinsurance AG as a payment guarantee (see Note 5.3 Off-balance sheet commitments).

Five-year financial summary

Capital	2003	2004	2005	2006	2007
Share capital	13,296,576	13,793,815	14,345,678	14,384,358	14,416,804
Number of shares in issue	41,551,801	43,105,673	44,830,244	44,951,118	45,052,513
Maximum number of shares that could be created	418,338	471,680	564,932	434,358	325,748
Results for the year					
Income from ordinary activities (1)	38,541,826	75,557,853	112,711,686	217,548,315	145,271,036
Income before tax, depreciation, amortisation and provisions	9,043,647	45,645,213	84,010,139	202,980,447	125,460,795
Corporation tax	625,032	(1,952,460)	(5,297,550)	(6,189,278)	(5,859,876)
Income after tax, depreciation, amortisation and provisions	36,168,675	50,074,199	99,317,488	214,151,289	135,597,447
Dividends paid (2)	75,624,278	107,764,183	156,905,854	179,804,472	225,262,565
Earnings per share					
Income after tax, but before depreciation, amortisation and provisions	0.20	1.10	1.99	4.65	2.91
Income after tax, depreciation, amortisation and provisions	0.87	1.16	2.22	4.76	3.01
Dividend per share	1.82	2.50	3.50	4.00	5.00
Employees					
Average number of employees	1	2	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 revenues from equity investments instead of turnover.

(2) includes dividends on treasury shares, which will be credited to "Retained earnings" upon payment.

General report of the independent auditors on the annual financial statements

YEAR ENDED 31 DECEMBER 2007

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 2007 on the:
- audit of the financial statements of Euler Hermes SA, 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.

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 2007 and the company's financial position and its assets and liabilities at that date.

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 draw your attention to the following items:
- As your company's assets consist mainly of equity interests, we verified that the valuations made were at least equal to the net carrying amounts shown in the balance sheet. We assessed whether the information used by the company to value these interests, in accordance with the methods described in Note 3.2.2 to the financial statements, was reasonable.
- 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.

Specific checks and information

In accordance with the 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.

Paris-La Défense and Paris, 21 April 2008

KPMG AUDIT
A division of KPMG S.A.

Xavier Dupuy
Partner

ACE – Auditeurs et Conseils d'Entreprise

Alain Auvray
Partner

Euler Hermes shares on the stock exchange market

CONTENTS

Euler Hermes shares on the stock exchange market

1. 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.

2. Share price performance

The share's performance in 2007 was strongly affected by investors' distrust of financial stocks in general. This distrust originated in the US subprime mortgage crisis when banks and financial institutions that had issued complex instruments backed by subprime mortgages were no longer able to raise short term refinancing on the market. At the same time as this liquidity crisis, some banks and financial institutions were confronted with solvency problems as they were obliged to recognise significant losses resulting from subprime loans.
Although Euler Hermes is involved only in insuring the successful outcome of trade transactions and has no connection whatsoever with insuring subprime mortgages, the Euler Hermes share price was very negatively affected by the difficult macroeconomic conditions and the growing uncertainty hanging over future economic growth.
Euler Hermes' share price therefore dropped from €109.60 on 31 December 2006 to €84.77 on 31 December 2007.
The share price nonetheless shows a rise of 67.2% over the past three years.
With the support of its majority shareholder AGF, a member of the Allianz group, and of its minority shareholders, Euler Hermes will continue to work to develop its insurance business and services throughout the world. At the same time, the group intends to preserve its margins and profitability thanks to a strategy of carefully reasoned development and risk taking in the common interest of all its partners.

Euler Hermes share relative to the SBF 120 index

2005 to 2007

3. Shareholder structure

The number of Euler Hermes shares held by AGF remained stable in 2007 at 30,744,048 corresponding to 68.24% of the capital and 70.38% of the voting rights at 31 December 2007.

The public own 28.72% of the shares and 29.62% of the voting rights. Euler Hermes holds 3.04% of the capital in treasury shares.

Shareholder structure of Euler Hermes

at 31 December 2007

Shareholder	Number of shares	% of capital	Number of voting rights	% of voting rights
AGF IART	4	0.00%	4	0.00%
AGF Vie	3,879,818	8.61%	3,879,818	8.88%
AGF SA	5,442,444	12.08%	5,442,444	12.46%
AGF Holding	21,421,782	47.55%	21,421,782	49.04%
TOTAL AGF	**30,744,048**	**68.24%**	**30,744,048**	**70.38%**
Euler Hermes (treasury shares)	**1,369,746**	**3.04%**	**0**	**0.00%**
Public	**12,938,719**	**28.72%**	**12,938,719**	**29.62%**
TOTAL	**45,052,513**	**100.00%**	**43,682,767**	**100.00%**

Fundamentals of the Euler Hermes Share

Euler Hermes share price performance

during 2006 and 2007 (Euronext™ Paris - Compartment A) ISIN code: FR0004254035

Month	Total trading volume		Share price	
	Number of shares	Capital (In €)	High (€)	Low (€)
2007				
January	1,062,344	120,716,911	121.90	110.00
February	1,121,139	113,379,088	119.40	104.41
March	1,408,517	112,637,041	108.51	100.30
April	800,798	120,241,512	114.35	106.01
May	1,210,648	114,221,102	117.00	107.08
June	1,133,502	111,710,040	111.99	103.89
July	1,442,736	115,289,502	113.80	103.89
August	1,929,509	109,570,054	110,00	98.00
September	1,453,775	99,064,534	103.61	90.12
October	1,458,092	98,029,705	99.47	89.30
November	1,562,703	91,563,961	93.29	78.95
December	998,919	89,530,740	86.00	80.05
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

Fundamentals of the Euler Hermes Share

Euler Hermes share data

Unit: €	2003	2004 (1)	2005 (1)	2006 (1)	2007 (1)
Net income, group share (€'000s)	146,145	242,984	286,076	326,054	406,958
Net earnings per share (€) (2)	3.72	5.97	6.74	7.51	9.33
Dividend distributed (€'000s) (3)	75,624	1,047,764	156,906	179,805	225,263
Net dividend per share (€) (4)	1.82	2.5	3.5	4	5
Payout ratio	51.75%	44.35%	54.85%	51.15%	55.35%
Highest share price	40	53.9	77.95	110	121.9
Lowest share price	19.01	37.26	51.15	79.2	78.95
Last share price (31 December)	38.1	50.7	76.2	109.6	84.77
Number of shares	41,551,801	43,105,673	44,830,244	44,951,118	45,052,513
Market capitalisation (€ million)	1,583	2,185	3,415	4,927	3,819

(1) In accordance with IFRS.

(2) In 2003, 1,172,431 new shares were created in the context of payment of part of the dividend in the form of shares.
In addition, 89,518 shares were created as the result of the exercise of share options allocated in previous years.
In 2004, 1,502,151 new shares were created in the context of payment of part of the dividend in the form of shares.
In addition, 51,721 shares were created as the result of the exercise of share options allocated in previous years.
In 2005, 1,661,023 new shares were created in the context of payment of part of the dividend in the form of shares.
In addition, 63,548 shares were created as the result of the exercise of share options allocated in previous years.
In 2006, 120,874 new shares were created as the result of the exercise of share options allocated in previous years.
In 2007, 101,395 new shares were created as the result of the exercise of share options allocated in previous years

(3) The dividend in respect of 2007 will be submitted for approval by the General Meeting of 15 May 2008

(4) The payout ratio corresponds to the dividend distributed relative to net income, group share.

General information about the company

General information about the company

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 Authority [Autorité de Contrôle des Assurances et des Mutuelles].

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 objections 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, and 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.

General information about the 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.

Trade and Companies Registry

RCS registration number: 552 040 594 RCS Paris. APE number: 741 J.

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 1 January and ending 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 mandatory when the reserve reaches one tenth of the share capital. It becomes mandatory again when, for any reason, the reserve falls below this proportion.
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. Except in the event of a 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 set by the Meeting or, failing that, by the Group Management Board. However, 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 independent auditors shows that the company has, since the end of the previous year, after the booking 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 part or all of the dividend or interim dividend(s) to be distributed, an option

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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 payment date set 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 provisions, 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 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 and 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 concert that 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 the shareholder has just acquired in exceeding 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.

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In determining 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 shareholders owning at least 2% of the capital or voting rights may request that the 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 shareholders' 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 over which that person has control;
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) or (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, registered in class 35 (management of commercial affairs), 36 (insurance and financial affairs) and 42 (computer software).
The trademark, logo and the trademark associated with the logo are registered as a European brand [marque communautaire] in the countries of the European Union.
Furthermore, the three "trademarks" have been registered on the basis of the Madrid system for the registration of international brands in the following countries: Algeria, Australia, Bulgaria, Croatia, Egypt, Estonia, Romania, Switzerland, China, Czech Republic, Hungary, Japan, South Korea, Latvia, Lithuania, Morocco, Norway, Poland, Russia, Singapore, Slovakia, Slovenia, Turkey, Vietnam, Liechtenstein and Serbia.
Lastly, for countries that are not covered by the Madrid agreements, the trademark, logo and the trademark associated with the logo are in the process of being registered individually in the national registers of the following countries: United States, Brazil, Canada, Hong Kong, Taiwan, Colombia, Venezuela, Chile, Argentina, India, Indonesia, Malaysia and Mexico.

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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 2007, the company's share capital amounted to €14,416,804.16, divided into 45,052,513 shares of the same class, fully subscribed and paid up, including 1,369,746 treasury shares with a net carrying amount of €75,572 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 securities giving immediate or eventual voting rights at its shareholders' 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
– 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, 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.

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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 option to delegate this authority in accordance with the law, to make these issues within the above-specified limits, and to define their terms and conditions, and more specifically to:

- conduct the aforementioned issues thus increasing the capital, on one or more 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;
- 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 by 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 General 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 30 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

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of which 29,884 at €16.07 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. In 2007, 101,395 options were exercised, of which 5,200 at €18.27 each, 69,985 at €27.35 each, 19,110 at €44.41 each and 7,100 at €63.08 each (see page 166, note 5.4 to the parent company financial statements). The Supervisory Board meeting of 28 September 1999 decided not to allocate any additional options under this plan.

Following the Euler Hermes capital increase in 2002 and in accordance with the legal and regulatory provisions, 9,040 new options were granted taking the balance of options remaining to be exercised to 268,056 as at 31 December 2002. In addition, 14,467 options were lost when holders either left the company or when potential beneficiaries refused the options. Following the exercise of options during 2003, 2004, 2005 and 2006, 178,538 options had not been exercised on 31 December 2003, 122,580 had not been exercised on 31 December 2004, 74,682 had not been exercised on 31 December 2005, and 39,848 had not been exercised on 31 December 2006. The number of options that had not been exercised under this plan stood at 33,718 on 31 December 2007.

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:

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 countries 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;

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 its 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 company's capital, taking into account the 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 as approved by 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;

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- and, more generally, with the option 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.

Details of these two option plans are summarised in the following table:

	Plan 1	Plan 2	Plan 2
		1st grant	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	270	4	8
- 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)	51.74	50.43	49.46
Terms of exercise	Purchase	Purchase	Purchase
Number of shares subscribed or purchased at 31 December 2007	7,031	21,274	15,808
Shares still available for subscription/purchase at 31 December 2007	22,976	7,585	19,410
- of which, available to members of the Euler Hermes Group Management Board	0	0	0

(1) The average exercise price in euros is derived from the individual weighted average exercise prices, 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 2007 was 49,971.

With regard to option plans previously established at two of the company's subsidiaries, Euler Hermes SFAC (France) and Euler Hermes Holdings UK (United Kingdom), the position was as follows:

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;

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▪ In 2005, no options were exercised by the 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 each and three people who had left the company exercised 2,400 options at an average subscription price of €75.53 each;
▪ In 2006, 4,400 share subscription options were exercised by five individuals at a weighted average price of €81.01 each;
▪ En 2007, 712 share subscription options were exercised by four individuals at an average weighted price of €80.97 each.
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.
The EH UK Holding share option plan was terminated in 2005.
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.
The number of options allocated under this plan to the ten 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 2007.
No further allocations were 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 of the company and of 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, 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 on Euronext Paris SA for the twenty trading sessions preceding the day on which the share options are granted, and
(II) – 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 on Euronext Paris SA for the twenty trading sessions preceding the day on which the share options are granted, and
▪ 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 eight 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 the 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;

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– determine the date, which may be retroactive, from which the new shares derived from the exercise of share options shall become eligible for dividends;
– 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 thirty eight 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 connection with this plan, the breakdown of the number of options still to be exercised by year of allocation 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 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 have not yet exercised options	29	62	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 of Management Board members*	21,500	25,000	33,000	52,500
Start date for exercise of options	08/07/2003	06/07/2004	27/06/2005	18/09/2006
Expiry date	07/07/2011	05/07/2012	26/06/2013	17/09/2014
Exercise price (in euros)	27.35	44.41	63.08	91.82
Exercise method	Subscription	Subscription	Subscription	Purchase
Options to be exercised at 01/01/2007	127,760	111,200	155,550	158,100
Options exercised in 2007	69,985	19,110	7,100	-
Options cancelled in 2007	0	1,785	4,500	4,100
Options to be exercised as of 31/12/2007	57,775	90,305	143,950	154,000

* *As it existed on 31/12/2007.*

The group's ten highest-paid employees were granted the following options in recent years:
- 2003: 48,300 options at a weighted average price of €27.35;
- 2004: 23,800 options at a weighted average price of €44.41;
- 2005: 60,400 options at a weighted average price of €63.08;
- 2006: 68,550 options at a weighted average price of €91.82.

General information about the company's capital

The number of share options granted to members of the Group Management Board, as it existed on 31 December 2007, 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

No options were granted in 2007.

Share buy-back programme

A resolution will be proposed at the Ordinary General Meeting on 15 May 2008 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 14 November 2009, 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 Thirteenth Resolution of the Ordinary General Meeting held on 9 May 2007 as far as the fraction not made use of is concerned;
- the total amount that the company can allocate to the buy-back of its shares during the life of this authorisation is €149.8 million;
- the maximum purchase price is set at €147 per share, which corresponds to the price as at 31 December 2007 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 prevailing 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;

General information about the company's 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 15 May 2008 authorising the Group Management Board to make such a cancellation (Thirteenth resolution);
(VI) – implement any market practice that is recognised by law or by the Autorité des Marchés Financiers (AMF), 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.

In addition, in accordance with Article 12 of the Statutes, the Directoire would have to approve in advance by the supervisory board the policy he intends to follow in the purchase of shares in accordance with this resolution.

All necessary powers to carry out these operations are vested in the board, with faculty of delegation to the Chairman or with his agreement one or more of its members, including powers to the Board to place all kinds on market or off-market, allocate or reallocate shares acquired for different objectives in the legal or regulatory requirements applicable to conclude any agreements, in particular with a view to holding records of purchases and sales of securities, to produce all materials, make any statements with the AMF of all organisms and, in general, do whatever is necessary.

The Board will inform the General Meeting of operations carried out pursuant to this authorization.

During the fiscal year 2007, the society did not carry out any operation on stock options.

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 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 2007.

General information about the company's capital

Changes in the share 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
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
Juin 2004 (1)	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
June 2004 (1)	Exercise of share options	2,842	€909.44	€15.23	€353,413,756.33	€13,785,647.68	43,080,149	€0.32
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

General information about the company's capital

Date	Transaction	Number of shares issued	Nominal amount of capital increase	Additional paid-in capital per share	Cumulative additional paid-in capita	Cumulative authorised capital	Total number of shares	Par value
November 2005	Exercise 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	Exercise 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
January-March 2007	Exercise of share options	7,170	€2,294.40	€27.03	€448,252,159.14	€14,386,652.16	44,958,288	€0.32
January-March 2007	Exercise of share options	1,000	€320.00	€44.09	€448,296,249.14	€14,386,972.16	44,959,288	€0.32
April-June 2007	Exercise of share options	5,200	€1,664.00	€17.95	€448,389,589.14	€14,388,636.16	44,964,488	€0.32
April-June 2007	Exercise of share options	2,170	€694.40	€27.03	€448,448,244.24	€14,389,330.56	44,966,658	€0.32
April-June 2007	Exercise of share options	450	€144.00	€44.09	€448,468,084.74	€14,389,474.56	44,967,108	€0.32
April-June 2007	Exercise of share options	5,500	€1,760.00	€62.76	€448,813,264.74	€14,391,234.56	44,972,608	€0.32
July-September 2007	Exercise of share options	37 190	€11,900.80	€27.03	€449,818,510.44	€14,403,135.36	45,009,798	€0.32
July-September 2007	Exercise of share options	13,760	€4,403.20	€44.09	€450,425,188.84	€14,407,538.56	45,023,558	€0.32
October-December 2007	Exercise of share options	23,455	€7,505.60	€27.03	€451,059,177.49	€14,415,044.16	45,047,013	€0.32
October-December 2007	Exercise of share options	3,900	€1,248.00	€44.09	€451,231,128.49	€14,416,292.16	45,050,913	€0,32
October-December 2007	Exercise of share options	1,600	€512.00	€62.76	€451,331,544.49	€14,416,804.16	45,052,513	€0,32

(1) Capital increase with pre-emptive subscription rights maintained.

Capital and voting rights

As at 31 December 2007, the company's share capital was made up of 45,052,513 shares, majority-owned by the AGF group (68.24% of the capital representing 70.38% of the voting rights). The total number of voting rights amounted to 43,682,767. 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 their 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 unaware of the number of shares still held by these companies as at 31 December 2007.

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 company's capital and voting rights in the last three years:

Capital and voting rights at 31 December 2007

	As at 31 December 2005				As at 31 December 2006				As at 31 December 2007			
	Shares		Voting rights		Shares		Voting rights		Shares		Voting rights	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
AGF IART	4	0.00%	4	0.00%	4	0.00%	4	0.00%	4	0.00%	4	0.00%
AGF Vie	3,879,818	8.65%	3,879,818	9.00%	3,879,818	8.63%	3,879,818	8.91%	3,879,818	8.61%	3,879,818	8.88%
AGF SA	5,442,444	12.14%	5,442,444	12.60%	5,442,444	12.11%	5,442,444	12.50%	5,442,444	12.08%	5,442,444	12.46%
AGF Holding	21,421,782	47.78%	21,421,782	49.50%	21,421,782	47.66%	21,421,782	49.20%	21,421,782	47.55%	21,421,782	49.04%
AGF Group	30,744,048	68.58%	30,744,048	71.00%	30,744,048	68.39%	30,744,048	70.61%	30,744,048	68.24%	30,744,048	70.38%
Treasury shares	1,538,233	3.43%	0	0.00%	1,411,359	3.14%	0	0.00%	1,369,746	3.04%	0	0.00%
Public (1)	12,547,963	27.99%	12,547,963	28.90%	12,795,711	28.47%	12,795,711	29.39%	12,938,719	28.72%	12,938,719	29.62%
Total	44,830,244	100.00%	43,292,011	100.00%	44,951,118	100.00%	43,539,759	100.00%	44,052,513	100.00%	43,682,767	100.00%

(1) As at 31 December 2007, members of the Supervisory Board and Group Management Board held 7,408 registered shares.

The AGF group, one of France's leading insurance companies, has been a wholly-owned subsidiary of Allianz since July 2007 following the minority buy-out launched in January 2007.

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.

Since that date, SCOR has sold its entire holding by placing its shares on the market and Swiss Re has 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.

Capital and voting rights

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. Having chosen to receive its dividend in shares, the AGF group held 68.6% of the company as at 31 December 2005.
During 2006 and 2007, the AGF group's percentage holding was reduced slightly following the creation of shares as a result of the exercise of subscription options. At 31 December 2007, the AGF group held 68.24% 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 the company's shareholders. There are some regulated agreements, details of which are given on pages 208 to 21.
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 2007, treasury shares represented a total of 3.04% of the company's capital, i.e. 1,369,746 shares.
During the year, no purchases or sales were made within the framework of the share buy-back programmes authorised by the General Meetings on 22 May 2006 and 9 May 2007. The 376,340 shares initially assigned explicitly to 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.

For a period of one year from 11 May 2007 and renewable by tacit agreement, the company entrusted Rothschild & Cie Banque with the implementation of a liquidity contract in accordance with the Compliance Charter established by the French securities association [Association Française des Entreprises d'Investissement] and approved by the AMF by virtue of a decision taken on 22 March 2005 and published in the French Official Journal [Bulletin des Annonces Légales Obligatoires] on 1 April 2005.
To implement this contract, 80,000 treasury shares were allocated to the liquidity account.

Other persons or entities exercising control over the company

Companies in the AGF group own, directly and indirectly, a total of 68.24% of the capital and 70.38% of the voting rights in the company. AGF group is itself a wholly-owned subsidiary of Allianz SE.
In accordance with the law and the Articles of Association, every member of the Supervisory Board owns at least five shares. Currently, as far as the company is aware, the members of the Supervisory Board and the Group Management Board hold 7,408 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 the legal and regulatory provisions (cf. Securities giving access to capital).

Capital and voting rights

The General Meeting of 23 April 2003 decided to implement a new share subscription or purchase option plan, which ended the unused portion of the option plan set up in 2000. Under this new plan, the number of options granted to members of the Group Management Board, as it existed on 31 December 2007, was 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 plan implemented in 2003. Under this new plan, members of the Group Management Board as it existed on 31 December 2006 were granted 52,500 share purchase options in 2006.
No options were granted in 2007.

Employee shareholdings

As at 31 December 2007, the group's employees held 30,773 shares through a company savings plan, representing 0.07% of the capital.
In addition, in years prior to 2007, employees and the members of the Group Management Board were granted share purchase and subscription options. The number of non-exercised share subscription options under the old plans of 1997, 1998 and 1999 totalled 33,718 as at 31 December 2007.
Under the share option plan of 27 April 2000, the number of non-exercised options amounted to 49,971 as at 31 December 2007.

Under the share subscription 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 2007 was 154,000.

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 its 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 2008 were as follows:

Member	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	2008 General Meeting. Renewal of office proposed at General Meeting of 15/05/2008
François Thomazeau, Vice-Chairman	General Manager, AGF	25/04/2001	General Meeting of 09/05/2007	2010 General Meeting
Clement Booth	Member of Management Board, Allianz SE (Germany)	01/01/2006	Co-option to the functions fulfilled by Reiner Hagemann at the General Meeting of 22/05/2006	Resignation on 31/12/2007
Diethart Breipohl	Member of Supervisory Board, Allianz AG (Germany)	17/04/2002	General Meeting of 22/04/2005	2008 General Meeting
John Coomber	Member of Board of Directors, Swiss Re (Switzerland)	23/04/2003	General Meeting of 22/04/2005	2009 General Meeting
Charles de Croisset	Member of Board of Directors of various companies	07/04/2000	General Meeting of 09/05/2007	2010 General Meeting
Robert Hudry	Member of Board of Directors, AGF	07/04/2000	General Meeting of 09/05/2007	2010 General Meeting
Yves Mansion	Chairman and CEO, Société Foncière Lyonnaise	12/05/1992	General Meeting of 22/05/2006	2009 General Meeting
Jean-Hervé Lorenzi	Member of Supervisory Board, Compagnie Financière Saint-Honoré	01/01/2005 as Censor	Co-option submitted to the General Meeting of 15/05/2008 as replacement for Laurent Mignon	

The other offices held by the members of the Supervisory Board are listed in the management report on pages 44 to 46 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 independent according to the so-called Bouton report (Messrs Yves Mansion and Charles de Croisset). They have no relationship of any kind with the company or its group, its management or any one of its shareholders holding more than 10% of the capital that could compromise their freedom of judgement.

At the Ordinary General Meeting of 15 May 2008, shareholders will be asked to renew the term of office of Mr Jean-Philippe Thierry as a member 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 2010.
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.

Corporate governance

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 having reached the age of 70 cannot be more 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 or, in his absence, the Vice-Chairman, is responsible for convening Board meetings and chairing their deliberations.

The Supervisory Board may appoint non-voting members (censors) if it considers this would be useful. They may be individuals 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. The censors may be called to and may attend all the Supervisory Board meetings but with a right of discussion only.

Mr Jean-Hervé Lorenzi, a censor with effect from 1st January 2005, was appointed by the Supervisory Board at its meeting of 19 November 2004. He was co-opted as a member of the Supervisory Board as replacement for Mr Laurent Mignon for his remaining term of office at the Supervisory Board meeting held on 27 July 2007 and his co-option is to be submitted to the General Meeting of 15 May 2008 for ratification.

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 prior 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 one or more members of the Group Management Board or recommend their removal to the Ordinary General Meeting.

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 remit. Their activity is exercised under the Board's responsibility, without the said remit 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 1st March 2008 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;

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■ 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 2007.

■ The remuneration and appointments committee, whose members as at 1st March 2008 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 of 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 2007.
In addition, the following decisions of the Group Management Board are subject to prior authorisation from the Supervisory Board:
■ the sale of property, the total or partial sale of shareholdings and the granting of sureties on company assets;
■ direct transactions or acquisition of 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 granting sureties, guarantees, deposits or other forms of security.
The Supervisory Board authorises the Group Management Board to carry out the above-mentioned 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 four times in 2007. In 2007, an average of 82% 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 2008, the Group Management Board of Euler Hermes had the following members:
■ Mr Clemens 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: Strategy, Communications, Audit, Careers and international mobility and Risk management;
■ 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 Kreditversicherungs-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 its 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;
■ Mr Michael Hörr, appointed member of the Group Management Board on 9 November 2007 with effect from 1 January 2008. He is responsible for Operations and, as such, supervises the Information Technology cross-company function.
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 43 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 208 to 211 of this document.

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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 company's 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 the 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 remit, 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 and was reappointed for a further period of three years on 4 May 2007. The Supervisory Board meeting of 9 November 2007 proposed and approved an increase in the number of Group Management Board members to five with effect from 1st January 2008. The new Group Management Board, as it currently exists, was renewed on 1st January 2008 for a period of three years, i.e. until 31 December 2010.
In 2007, 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 2007, 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 €2,914.5 thousand and is comprised as follows:

In euro thousands	Fixed remuneration 2006	Variable remuneration paid in 2006 (re 2005)	Variable remuneration (mid-term bonus)	Specific allowances (2)	Benefits in kind 2006 (3)	Total paid in 2006	Fixed remuneration 2007	Variable remuneration paid in 2007 (re 2006)	Specific allowances (2)	Benefits in kind 2007 (3)	SAR exercice	Total paid in 2007
Clemens von Weichs	390	350		45	19.8	804.8	416.7	363.6	48.3	7	101.0	936.6
Jean-Marc Pillu (1)	250	280	147.8	1,697.7	3	2,378.5						0.0
Gerd-Uwe Baden	375	280			13.6	668.6	391.7	270.9		22.7	362.9	1,048.2
Nicolas Hein	290	168			4.3	462.3	310	196.3		4.5		510.8
Michel Mollard (4)	232.5	112			2	346.5	270	147.4		1.5		418.9
Total	1,537.5	1,190.0	147.8	1,742.7	42.7	4,660.6	1,388.3	978.1	48.3	35.7	463.9	2,914.5

(1) Mr Jean-Marc Pillu left the company on 21 July 2006. He received a pro rata share of his fixed salary and a mid-term bonus for the period from 1st January 2005 to 31 July 2006.
(2) Specific housing benefits paid to Mr Clemens von Weichs and severance payment to Mr Jean-Marc Pillu (€1,568.9 thousand) and a pro rata share of his performance-related pay for 2006 (€128.3 thousand).
(3) Benefits in kind consist of company cars.
(4) In 2007, Mr Michel Mollard received performance-related remuneration in respect of 2006 amounting to €147.4 thousand, including €125.3 thousand in the form of bonuses and €22.1 thousand in respect of 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 2007 amounted to €3,956.4 thousand and is comprised as follows:

In euro thousands	Fixed remuneration 2006	Variable remuneration (re 2006)	Specific allowances (2)	Benefits in kind 2006 (3)	Total (re 2006)	Fixed remuneration 2007	Variable remuneration re 2007	*Mid-Term Bonus (2005-07)* paid in 2008 (5)	Special bonus re 2007	Specific allowances (2)	Benefits in kind 2007 (3)	SAR exercice	Total (re 2007 and *mid-term bonus*)
Clemens von Weichs	390	363.6	45	19.8	818.4	416.7	340.4	396		48.3	7	101.0	1,309.4
Jean-Marc Pillu (1)	250	128.3	1,569.4	3	1,950.7								0.0
Gerd-Uwe Baden	375	270.9		13.6	659.5	391.7	297.7	336			22.7	362.9	1,411.0
Nicolas Hein	290	196.3		4.3	490.6	310	262.1		60		4.5		636.6
Michel Mollard (4)	232.5	147.4		2	381.9	270	267.9		60		1.5		599.4
Total	1,537.5	1,106.4	1,614.4	42.7	4,301.0	1,388.3	1,168.1	732.0	120.0	48.3	35.7	463.9	3,956.4

(1) Mr Jean-Marc Pillu left the company on 21 July 2006. He received a pro rata share of his fixed salary and a mid-term bonus for the period from 1st January 2005 to 31 July 2006.
(2) Specific housing benefits paid to Mr Clemens von Weichs and severance payment to Mr Jean-Marc Pillu (€1,568.9 thousand) and a pro rata share of his performance-related pay for 2006 (€128.3 thousand).
(3) Benefits in kind consist of company cars.
(4) In 2007, Mr Michel Mollard received performance-related remuneration in respect of 2006 amounting to €147.4 thousand, including €125.3 thousand in the form of bonuses and €22.1 thousand in respect of profit-sharing and in 2008 will receive performance-related pay in respect of 2007 amounting to €267.9 thousand, including €240.3 thousand in the form of a bonus and €27.6 thousand for profit-sharing.
(5) The mid-term bonus paid in 2008 corresponds to the total amount covering performances for 2005, 2006 and 2007.

The benefits in kind consist only of company cars.

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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 component and a variable component. The fixed component is determined by comparison with market practices for similar functions. The variable component is based on three criteria: the first is linked to the consolidated net income, group share, the second is linked to the attainment of objectives relating to the 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 achieved and proposes the amount of the variable remuneration component to the Supervisory Board for its own assessment.
The members of the Group Management Board, as it existed on 31 December 2007, were allocated 25,000 options for new Euler Hermes shares in 2004, 33,000 in 2005 and 52,500 in 2006 *(purchase options)*. No Euler Hermes options were allocated in 2007.
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. A total of 5,531 SARs were allocated in 2004, 21,891 in 2005, 13,574 in 2006 and 12,126 in 2007. Also, in 2007, 6,102 RSUs *(Restricted Stock Units)*, whose value is linked to Allianz's stock market performance over five years, were allocated to members of the Group Management Board.
Euler Hermes share options and Allianz SARs and RSUs were allocated as follows:

Stock options and other benefits (in units)

In 2006, the supplementary pension scheme from which certain corporate officers could benefit under certain conditions was terminated.

	Options allocated in 2006	Options exercised in 2006	Options allocated in 2007	Options exercised in 2007	SARs allocated in 2006	SARs allocated in 2007	RSUs allocated in 2007
Clemens von Weichs	15,000	6,500	0	8,000	4,491	4,012	2,019
Gerd-Uwe Baden	10,000	0	0	0	3,989	3,563	1,793
Nicolas Hein	17,500	0	0	0	2,949	2,635	1,326
Michel Mollard	10,000	0	0	0	2,145	1,916	964
Total	**52,500**	**6,500**	**0**	**8,000**	**13,574**	**12,126**	**6,102**

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 extent to which the objectives are achieved. Currently, Messrs Clemens von Weichs and Gerd-Uwe Baden are members of the scheme. Depending on the extent to which the defined objectives are achieved, a mid-term bonus will be awarded for the first time during 2008 for the period from 2005 to 2007. Messrs Nicolas Hein and Michel Mollard benefited in 2007 from the implementation of a special bonus whose amount is a function of performance criteria also based equally on the EVA and the realisation of the strategic objectives.
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 that 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% (Mr Gerd-Uwe Baden) and 200% (Mr Clemens von Weichs) of the amount of their last fixed and variable annual remuneration. In accordance with the so-called TEPA law of 21 August 2007, payment of this compensation is conditional on achieving a performance criterion that will be submitted for approval by the General Meeting of 15 May 2008.

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B. Share options allocated to corporate officers in office at 31 December 2007 and options exercised

Year	2003	2004	2005	2006	Total
Date of Shareholders' Meeting	23/04/2003	23/04/2003	3/04/2003	22/06/2006	
Date of Supervisory Board meeting	20/05/2003	25/05/2004	24/05/2005	30/08/2006	
Number of beneficiaries who are members of the Management Board *	2	4	4	4	
Members of the Management Board who have not yet exercised options *	1	4	4	4	
Total number of options allocated to members of Management Board *	21,500	25,000	33,000	52,500	132,000
Start date for exercise of options	8/07/2003	6/07/2004	27/06/2005	18/09/2006	
Expiry date	07/07/2011	05/07/2012	26/06/2013	17/09/2014	
Exercise price (in euros)	27.35	44.41	63.08	91.82	
Exercise method	Subscription	Subscription	Subscription	Purchase	
Options to be exercised at 01/01/2007	**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
Options exercised in 2007	**8,000**	**-**	**-**	**-**	**8,000**
▪ Clemens von Weichs	8,000	-	-	-	8,000
▪ Gerd-Uwe Baden	-	-	-	-	-
▪ Nicolas Hein	-	-	-	-	-
▪ Michel Mollard	-	-	-	-	-
Options cancelled in 2007	**-**	**-**	**-**	**-**	**-**
Options to be exercised as of 31/12/2007	**7,000**	**25,000**	**33,000**	**52,500**	**117,500**
▪ Clemens von Weichs	2,500	7,000	9,000	15,000	33,500
▪ 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

* *As it existed on 31/12/2007.*

Other than the options exercised as noted above, the members of the Group Management Board conducted no other transactions involving the company's securities.

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Furthermore, two members of the Group Management Board (as it existed on 31 December 2007) benefited from AGF stock subscription options granted during 2002:

Year	2002	2004	2005	2006	Total
Date of Board meeting	02/09/2002				
Allocation date	30/09/2002				
Expiry date	30/09/2010				
Exercise price	€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. 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 of 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 2007, the following fees were paid:

(in thousands of euros)	2006 attendance fees	2007 attendance fees
Jean-Philippe Thierry, Chairman	30.6	33.6
François Thomazeau, Vice- Chairman, member of the audit committee and the remuneration and appointments committee	30.6	33.6
Clement Booth	15.3	16.8
Diethart Breipohl	15.3	16.8
John Coomber	15.3	16.8
Charles de Croisset, member of the remuneration and appointments committee	30.6	33.6
Robert Hudry, member of the audit committee	30.6	33.6
Yves Mansion, member of the audit committee	30.6	33.6
Laurent Mignon (resigned in July 2007)	30.6	8.1
Jean-Hervé Lorenzi, member of the remuneration and appointments committee (w.e.f. 2006),	30.6	33.6
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 in the sense of 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

The members of the Group Management Board and the management and senior staff of the group and of its subsidiaries must comply with black-out periods during which they are prohibited from conducting any transactions involving the company's securities. These periods range from the fortnight to the three weeks preceding the publication of the quarterly, six-monthly or full-year accounts.
The members of the Supervisory Board must comply with the same rules.

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 three 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 (hereinafter called "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 1 January 1999 and was renewed under the same terms in 2002 and 2005. 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 from 1997 to 2007 were as follows:

(in thousands of euros)	Profit-sharing UES EH SFAC	Incentives UES EH SFAC
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
2007	6,871	3,158

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 three months' service. It was set up for an initial period of one year, renewable by tacit agreement. 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

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.

Employees

Since the company has only one employee, no report on employment matters is prepared.

Name and title of the person responsible for this document

Mr Clemens von Weichs, Chairman of the Group Management Board.

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, the 21st of April 2008

Clemens 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;
- 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 [Compagnie Régionale des Commissaires aux Comptes de Versailles].
- PricewaterhouseCoopers Audit, 32, 63, rue de Villiers, 92208 Neuilly-sur-Seine, represented by Mrs Christine Bouvry, for 2005 and 2006. PricewaterhouseCoopers Audit is registered with the Versailles Regional Association of Statutory Auditors [Compagnie Régionale des Commissaires aux Comptes de Versailles].

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, Auditeurs et Conseils d'Entreprise, 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.
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 appointment 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.

Other items of general information

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. Its term of office was renewed by a resolution of the General Meeting of 25 April 2001 convened 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 ended 31 December 2006. The General Meeting of 22 April 2005 noted the absorption of Coopers & Lybrand Audit by PricewaterhouseCoopers Audit and the corresponding continuation of the term of office of the independent auditors. The term of office of PricewaterhouseCoopers Audit was not renewed at the General Meeting of 9 May 2007.

Alternate auditors

- Mr Emmanuel Charrier, 5, avenue Franklin-Roosevelt, 75008 Paris, alternate auditor for ACE, Auditeurs et Conseils d'Entreprises.
- 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 Charrier as alternate auditor for the company ACE, Auditeurs et Conseils d'Entreprise, 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 Jean-Claude André et Autres [SCP] 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 €4,506 thousand. This remuneration takes into account the fees paid for acting as independent auditors, the review and certification of individual and consolidated financial statements, i.e. €3,300 thousand, and ancillary audit-related assignments, i.e. €468 thousand. In addition, fees totalling €738 thousand were paid for other services performed by the independent auditors.

Other items of general information

The breakdown of the auditors' remuneration was as follows:

31 december 2007 €'000	PriceWaterhouseCoopers				KPMG Audit				ACE			
	Amount (1)		%		Amount (1)		%		Amount (1)		%	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Audit												
■ Statutory audit and report on company and consolidated financial statements												
– Issuer	0	278	0%	13%	493	272	13%	18%	127	84	32%	31%
– Fully-consolidated subsidiaries	155	1,513	40%	72%	2,254	1,167	61%	75%	271	157	68%	58%
■ Other services directly related to appointment as statutory auditor												
– Issuer	0	0	0%	0%	155	100	4%	6%	0		0%	0%
– Fully-consolidated subsidiaries	0	288	0%	14%	313	0	8%	0%	0	29	0%	11%
Sub total	155	2,079	40%	98%	3,215	1,539	86%	99%	398	270	100%	100%
Other services provided to fully-consolidated subsidiaries												
■ Legal, tax and social	98	-16	26%	-1%	156	10	4%	1%			0%	0%
■ IT	0				353	0	9%	0%	0			
■ Strategy	0				0				0			
■ Human resources	0				0				0			
■ Other	131	48	34%	2%	0	0	0%	0%			0%	0%
Sub total	229	32	60%	2%	509	10	14%	1%	0	0	0%	0%
TOTAL	384	2,111	100%	100%	3,724	1 549	100%	100%	398	270	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
Arnaud Roger
Corporate Secretary

1, rue Euler
75715 Paris Cedex 08
Tel.: +33 (0)1 40 70 50 50
www.eulerhermes.com

Other items of general information

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 within 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 2008 is as follows:

2007 annual results
15 February 2008

Dividend declaration
15 February 2008

General Meeting
15 May 2008

2008 quarterly results
Q1: 15 May 2008
Q2: 28 July 2008
Q3: 5 November 2008

2008 annual results
February 2009 (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 2007

To the shareholders,

In our capacity as auditors of your company, we hereby submit our report on regulated agreements and commitments.

1. Agreements and commitments authorised during 2007 and certain commitments authorised and in place at the start of 2008

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 R. 225-58 of the French Commercial Code, 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.

1.1. Guarantee granted by Euler Hermes SA to Euler Hermes Kreditverzekering NV (Netherlands)

Corporate officers concerned: Messrs Clemens von Weichs and Nicolas Hein
Supervisory Board meeting of 9 November 2007

In connection with the rating assigned to Euler Hermes SA by Standard & Poor's, Euler Hermes SA agreed to guarantee the commitments of Euler Hermes Kreditverzekering NV (Netherlands) in accordance with the Deed of Guarantee dated 20 May 2003. This guarantee was established so as to enable the Dutch company to benefit from the same rating as that of other Group companies.
The Supervisory Board meeting of 9 November 2007 authorised the extension of this guarantee.

1.2. Loan agreement between Euler Hermes SA and Euler Hermes Reinsurance AG (Switzerland)

Corporate officers concerned: Messrs Clemens von Weichs and Nicolas Hein
Supervisory Board meeting of 9 November 2007
To optimise the group's cash management via a cash-pooling mechanism, the Supervisory Board, at its meeting of 9 November 2007, approved the signature of a loan agreement covering a loan of €7.5m between Euler Hermes Reinsurance AG (the lender) and Euler Hermes SA (the borrower) under the following terms and conditions:

Term: 1 year
Maturity: 30 June 2008
Base rate: 6-month Euribor variable
Margin: 20 basis points
Interest: quarterly

Interest expense of €46,794 was recognised in 2007.

1.3 Specific agreements relating to the contract with Mr Clemens von Weichs

At its meeting of 22 March 2006, the Supervisory Board approved the provisions proposed by the Remuneration and Appointments Committee concerning the contract between Mr Clemens von Weichs, Chairman of the Group Management Board, corporate officer, and Euler Hermes.

Special report of the independent auditors on regulated agreements and commitments

In the event that Mr Clemens von Weichs, who is purely a corporate officer and is not an employee, is removed from office, he is entitled to receive gross compensation equal to 200% of the amount of the last fixed and variable annual remuneration he received.

At its meeting of 15 February 2008, and on the advice of the Remuneration and Appointments Committee, the Supervisory Board introduced a performance clause making the compensation to be paid in the event of cessation of activity conditional. This performance condition is deemed to be met if the following criterion is fulfilled:
The average rate of return on the risk capital (RORAC) as recognised by the Supervisory Board in the audited consolidated financial statements for the last two financial years prior to the cessation of activity is at least 8%.

1.4. Specific agreements relating to the contract with Mr Gerd-Uwe Baden

In the event of cessation of activity, Mr Gerd-Uwe Baden, Member of the Group Management Board of Euler Hermes SA and Chairman of the Management Board of the group's German subsidiary, Euler Hermes Kreditversicherung AG, is entitled to receive, under his employment contract with the subsidiary Euler Hermes Kreditversicherung AG, gross compensation equal to 50% of the amount of the last fixed and variable annual remuneration he received.

At its meeting of 15 February 2008, and on the advice of the Remuneration and Appointments Committee, the Supervisory Board introduced a performance clause making the compensation to be paid in the event of cessation of activity conditional. This performance condition is deemed to be met if the following criterion is fulfilled:
The average rate of return on the risk capital (RORAC) as recognised by the Supervisory Board in the audited consolidated financial statements for the last two financial years prior to the cessation of activity is at least 8%.

2. Agreements and commitments approved in prior years and still in force during the current year

In addition, pursuant to the French Commercial Code, we have been informed that the following agreements and commitments, approved in prior years, remained in force during the year ended 31 December 2007.

2.1. Seller's guarantee in favour of Eurofactor

At its meeting of 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.

2.2. Allianz Group Long Term Incentive Plan 2000

At its meeting of 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 4 May 2007, the Remuneration Committee specified that it would allocate 12,126 SAR and 6,102 RSU at a price of €160.13 per share to the Group Management Board in 2007. These SAR and RSU required implementation of a *hedging contract*, the cost of which (€473,520 for the SAR and €820,597 for the RSU) was booked by Euler Hermes and its subsidiaries.

Special report of the independent auditors on regulated agreements and commitments

2.3. 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 €5,839,969 was recognised in 2007.

2.4. 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 million 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 €4,028,838 was recognised in 2007.

2.5. Loan agreement between Euler Hermes and AGF Holding

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 €2,790,695 was recognised in 2007.

Special report of the independent auditors on regulated agreements and commitments

2.6. 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 enhance 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.

Paris-La Défense and Paris, 21st april 2008

KPMG Audit
A division of KPMG S.A

Xavier Dupuy
Partner

ACE – Auditeurs et Conseils d'Entreprise

Alain Auvray
Partner

Resolutions submitted to the vote of the General Meeting of 15 May 2008

ORDINARY AND EXTRAORDINARY GENERAL MEETING OF 15 MAY 2008

Draft resolutions

Ordinary resolutions

First resolution

Approval of the company financial statements for the year ended 31 December 2007

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 2007, 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 €135,597,447.

Second resolution

Approval of the consolidated financial statements for the year ended 31 December 2007

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 2007, the General Meeting approves the consolidated financial statements presented to it, which show net income of €406,958,016, 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 2007 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:

■ retained earnings	€128,208,145.71
■ net income for the financial year	€135,597,446.98
being,	**€263,805,592.69**

and resolves to allocate the distributable income as follows:

■ legal reserve	€3,244.64
■ proposed dividend: €5.00 per share	€225,262,565.00
■ retained earnings	€38,539,783.05
being,	**€263,805,592.69**

Resolutions submitted to the vote of the General Meeting of 15 May 2008

Accordingly, the General Meeting resolves to distribute a net dividend of €5.00 per share for the past financial year. The total number of shares is 45,052,513 on the date of this General Meeting. The dividend will be paid in cash on 23 May 2008.
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. €225,262,565, is eligible for the 40% tax rebate as stipulated 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 rebate pursuant to the aforementioned Article 158.3-2 since the deduction came into effect.
In the event that 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.
As required by law, shareholders are reminded that the following dividends were distributed over the past five financial years:

	2007 (1)	2006 (2)	2005 (2)	2004 (2)	2003 (2)
Total amount (in euros)	225,262,565	174,193,448	151,823,861	103,620,667	72,436,841
Amount per share before tax credit (3)	€5.00	€4.00	€3.50	€2.50	€1.82
Tax credit (4)	-	-	-	-	€0.91
Amount per share after tax credit	€5.00	€4.00	€3.50	€2.50	€2.73

(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

Voting 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 9 May 2007, and further notes the terms and conditions governing the purchase of treasury shares by the company pursuant to Article L. 225-209 et seq. of the Commercial Code. The General Meeting resolves, in accordance with the provisions of Article L.225-210 paragraph 3 of the Commercial Code, to adjust the treasury shares reserve by raising a provision of €858,738 to reflect sales linked to the exercise of call options on shares and purchases and sales of shares under the liquidity contract managed by Rothschild et Cie Banque during the past financial year. Accordingly, the General Meeting records that the treasury shares reserve, which totalled €74,712,880 on 31 December 2007, will be adjusted to €75,571,618.

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 Jean-Philippe Thierry 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 Jean-Philippe Thierry, who was born on 16 October 1948 in Paris and who has French nationality, electing to reside at 87, 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 2010.
Mr Jean-Philippe Thierry is also Chairman and Chief Executive Officer of AGF and a member of the Allianz Management Board.

Ninth resolution

Ratification of the co-option of Mr Jean-Hervé Lorenzi, Censor, 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 ratify the co-option as a member of the Supervisory Board of Mr Jean-Hervé Lorenzi, who was born on 24 July 1947 in Toulon (83) and who has French natio-

Resolutions submitted to the vote of the General Meeting of 15 May 2008

nality, electing to reside at 232, boulevard Saint-Germain, 75007 Paris, previously Censor. This co-option was decided by the Supervisory Board meeting of 27 July 2007 as replacement for Mr Laurent Mignon who has resigned, for the remaining period of his term of office, i.e. until the General Meeting called to vote on the financial statements for the year ending 31 December 2009.
Mr Jean-Hervé Lorenzi is also an Advisor to the Management Board of Compagnie Financière Edmond de Rothschild.

Tenth 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. 4,505,251 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 14 November 2009, or until it is renewed by an Ordinary General Meeting held before that date; it brings to an end the unused portion of the authorisation given by the Ordinary General Meeting of 9 May 2007 in its thirteenth resolution;
- the total amount that the company can allocate to the buy-back of its shares during the validity of this authorisation is €149.8 million;
- the maximum purchase price is set at €147 per share, which corresponds to the share price as at 31 December 2007 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 that if the shares thus purchased are used to allocate bonus shares in accordance with Article L. 443-5 of the Employment Code [Code du 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;
(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.

Resolutions submitted to the vote of the General Meeting of 15 May 2008

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.

Eleventh resolution

Approval of the amendment to the specific agreement in the contract of Mr Clemens von Weichs, Chairman of the Group Management Board, aimed at introducing a performance condition for the award of compensation to be paid to him in the event of cessation of activity

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, and after taking cognisance of the independent auditors' special report, the General Meeting approves the decision taken by the Supervisory Board meeting of 15 February 2008 relating to the contract between Mr Clemens von Weichs, Chairman of the Group Management Board and company officer, and Euler Hermes SA.

In the event of cessation of activity, Mr Clemens von Weichs, in accordance with the provisions approved by the Supervisory Board meeting of 22 March 2006, is entitled to receive gross compensation equal to 200% of the amount of the last fixed and variable annual remuneration he would have received. In accordance with Article L. 225-90-1 of the Commercial Code, this agreement is amended by the introduction of a performance condition for the award of the compensation to be paid in the event of cessation of activity. The performance condition is considered as being fulfilled if the following criterion is met:

- the average rate of return on risk-adjusted capital (RORAC) as noted by the Supervisory Board in the audited consolidated financial statements for the last two financial years prior to the cessation of activity is 8% or higher.

Twelfth resolution

Approval of the amendment to the specific agreement in the contract of Mr Gerd-Uwe Baden, member of the Group Management Board, aimed at introducing a performance condition for the award of compensation to be paid to him in the event of cessation of activity

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, the General Meeting approves the decision taken by the Supervisory Board meeting of 15 February 2008 concerning Mr Gerd-Uwe Baden, member of the Group Management Board of Euler Hermes SA and Chairman of the Management Board of the group's German subsidiary, Euler Hermes Kreditversicherungs-AG.

Under his employment contract with the subsidiary Euler Hermes Kreditversicherungs-AG, Mr Gerd-Uwe Baden is entitled to receive in the event of cessation of activity gross compensation equal to 50% of the amount of the last fixed and variable annual remuneration he would have received. In accordance with Article L. 225-90-1 of the Commercial Code, this agreement is amended by the introduction of a performance condition for the award of compensation to be paid in the event of cessation of activity. The performance condition is considered as being fulfilled if the following criterion is met:

- the average rate of return on risk-adjusted capital (RORAC) as noted by the Supervisory Board in the audited consolidated financial statements for the last two financial years prior to the cessation of activity is 8% or higher.

Thirteenth resolution

Payment of attendance fees

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, the General Meeting sets at €360,000 the total amount of attendance fees to be split between the members of the Supervisory Board.

This amount is allocated for 2008 and will be maintained until further decision by the General Meeting.

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

Resolutions submitted to the vote of the General Meeting of 15 May 2008

Article L. 225-209 of the Commercial Code and also in view of the vote on the tenth 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, to define the terms and conditions of such a 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 9 May 2007 in its fourteenth 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

Authorisation to be given to the Group Management Board to make a bonus issue of company shares

Voting in accordance with the majority and quorum requirements applying to extraordinary general meetings, the General Meeting of shareholders, after taking cognisance of the Group Management Board's report and the independent auditors' special report:

- authorises the Group Management Board, after having obtained prior authorisation from the Supervisory Board under the conditions stipulated in the Articles of Association, in connection with the provisions of Article L. 225-197-1 et seq. of the Commercial Code, to make, on one or more occasions, bonus issues of existing shares or to make new issues of company shares, to beneficiaries that it shall determine from among the employees of the company and of related companies under the conditions stipulated in Article L. 225 197 2 of said Code and among the corporate officers of the company and of related companies, under the conditions specified in Article L. 225 197 1 II of said Code, under the conditions set out below;
- resolves that the Group Management Board shall determine the identity of the beneficiaries for allocations and the number of shares to be allocated to each of them, the allocation conditions and, where applicable, the allocation criteria for the shares and shall have, in particular, the option to make the allocation of such shares subject to certain individual or collective performance criteria;
- resolves that the maximum nominal amount of the bonus shares that could be allocated by virtue of this resolution shall not exceed 3% of the company's share capital (assessed on the day of the Group Management Board's decision to make the allocation), these limits being increased by the number of shares required in respect of adjustments likely to be made in accordance with the applicable statutory and regulatory provisions and, where applicable, any contractual stipulations providing for other cases of adjustment, to preserve the rights of holders of securities giving entitlement to shares in the company;
- resolves that the allocation of shares to their beneficiaries shall become definitive at the end of an acquisition period whose duration will be set by the Group Management Board, it being stipulated that this period cannot be less than two years, and that the beneficiaries must retain said shares for a period determined by the Group Management Board, it being stipulated that the holding period cannot be less than two years. Notwithstanding the preceding, for certain beneficiaries that are non-resident in France on the allocation date, the allocation of said shares to their beneficiaries shall become definitive at the end of a minimum acquisition period of four years, the beneficiaries then not being obliged to comply with any retention period. With regard to bonus shares allocated to corporate officers, the Group Management Board must decide either that the bonus shares cannot be sold by the beneficiaries prior to the individuals ceasing their functions or set the quantity of bonus shares that they are obliged to retain in registered form until cessation of their functions.

The General Meeting of shareholders also resolves that, assuming the incapacity of the beneficiary corresponding to second or third category disability as stipulated in Article L. 341 4 of the Social Security Code, the shares may be allocated to the beneficiary definitively prior to the end of the remaining acquisition period. The Group Management Board may, however, cancel this early allocation or make it conditional in certain cases, notably to take into account any international constraints. Said shares can be freely sold as from the date of their delivery;

- authorises the Group Management Board to complete, where applicable, any adjustments likely to be made in accordance with the applicable statutory and regulatory provisions and, where applicable, any contractual stipulations providing for other cases of adjustment, to preserve the rights of holders of securities or other rights giving access to the capital. The shares allocated in application of these adjustments will be deemed to be allocated on the same day as the shares allocated initially;
- authorises the Group Management Board, in the event of a bonus issue of shares to be made, to allocate, where applicable, to reserves, retained earnings or additional paid-in capital, the amounts required to pay up said shares, to recognise the capital increases realised in application of this

authorisation, to perform any formalities useful for the issue, listing and financial servicing of the shares issued, to make any related modifications to the Articles of Association and, in general, to perform any actions and formalities required;

- recognises that in the event of a bonus issue of new shares, this authorisation shall include, as and when said shares are definitively allocated, a capital increase through the incorporation of reserves, earnings or additional paid-in capital in favour of the beneficiaries of said shares and associated waiver by shareholders in favour of the beneficiaries of said shares of their preferential subscription right to said shares.

This resolution brings to an end, with immediate effect, for its unused portion the authorisation granted to the Group Management Board by the General Meeting of 22 May 2006 in its sixteenth resolution to allocate bonus shares in the company.

This authorisation is given for a period of thirty eight months with effect from the date of this General Meeting.

The Meeting delegates full powers to the Group Management Board, with the option to sub-delegate, under the conditions stipulated by law, to implement this authorisation, notably for the purpose of determining the dates and procedures for the allocation and to generally take all useful measures and enter into any agreements to ensure the successful outcome of the allocations envisaged, recognise the capital increase(s) arising from any allocation realised by using this delegation and modify the Articles of Association accordingly.

The Group Management Board will report to the next Ordinary General Meeting on the use made of this authorisation in accordance with the statutory and regulatory provisions.

Sixteenth resolution

Delegation of power to be given to the Group Management Board to issue shares and securities giving access to the company's capital, while maintaining the preferential rights of shareholders

Voting in accordance with the majority and quorum requirements applying to extraordinary general meetings, after taking cognisance of the Group Management Board's report and the independent auditors' special report and in accordance with the provisions of Articles L. 225-129 to L.225-129-6, L.228-91 and L.228-92 of the Commercial Code, the General Meeting:

- delegates to the Group Management Board, for a period of twenty six months starting from the date of this General Meeting, i.e. until 15 July 2010, its power to decide to make an issue, while maintaining shareholders' preferential subscription rights, of company shares or securities giving access to the company's capital, for which subscription may be made in cash or by offsetting receivables.

The issue of preference shares or securities giving access to preference shares is expressly excluded from this delegation;

- also delegates its power to the Group Management Board to decide to make an issue of securities giving a right to the allocation of company debt securities;
- resolves that the nominal amount of immediate or later capital increases arising from all the issues made by virtue of this delegation shall not exceed a nominal value cap of €4.4 million, it being stipulated that this cap is set without taking into account the consequences on the amount of the capital increase of any adjustments likely to be made as a result of the issue of securities giving access to the company's shares, in accordance with the applicable statutory and regulatory provisions and, where applicable, the contractual stipulations providing for other adjustment cases, to preserve the rights of holders of securities giving access to the capital;
- resolves that securities giving access to the company's shares thus issued may consist of debt securities or be associated with the issue of such securities, or facilitate the issue as intermediate securities. These debt securities may be issued in the form of bonds or similar securities, notably subordinated securities, with a fixed or indeterminate term, at fixed and/or variable rates, with or without capitalisation, issued in euros and/or in any other currency or composite monetary units, possibly with attached rights, notably in the form of warrants, to receive and/or subscribe to other bonds or similar securities, redeemable in their currency or composite monetary unit of issue and/or through any other means;
- resolves that the shareholders may exercise, under the conditions stipulated by law, their irreducible preferential subscription rights. Furthermore, the Group Management Board may institute in favour of shareholders a reducible subscription right to shares or securities that will be exercised proportionally to their rights and subject to their demand. If the irreducible subscriptions and, where applicable, the reducible subscriptions, have not absorbed the entire issue, the Group Management Board may, in the order that it considers appropriate, either limit, in accordance with the law, the issue to the amount of the subscriptions received provided that this reaches at least three quarters of the planned issue, or freely allocate all or some of the non-subscribed securities, or offer them to the public;
- recognises that this delegation automatically carries with it in favour of the holders of securities issued under this resolution and giving access to the company's capital, the waiver by the shareholders to their preferential subscription rights to shares to which these securities give entitlement;
- resolves that the amount paid to, or which should be paid to, the company for each of the shares issued under this authorisation, will be at least equal to the nominal value of the share, as calculated prior to the issue in question.

Resolutions submitted to the vote of the General Meeting of 15 May 2008

In accordance with Article 12 of the Articles of Association, the maximum amount of each capital increase decided by the Group Management Board under this authorisation must be approved beforehand by the Supervisory Board.
The General Meeting gives full powers to the Group Management Board, with the option to sub-delegate under the conditions stipulated by law, to make said issues within the limits set above, determine their amounts, features and procedures, and notably to:
- make the aforementioned issues, on one or more occasions, in the proportion and at the times that it shall determine, in France and/or, where applicable, elsewhere and/or in the international market, resulting in a capital increase, as well as, where applicable, to defer such issues;
- determine the category and features of the securities issued;
- set their subscription price, with or without a premium;
- set the date, which may be retroactive, on which the shares issued or to be issued become entitled to dividends;
- determine, in the event of the issue of securities giving access to the company's capital, the procedures for adjusting the conditions for access to shares in order to preserve the rights associated with them;
- determine, under the conditions stipulated by law, the situations in which the Group Management Board will have the option to suspend the exercise, for up to three months, of the rights attached to the securities giving access, immediately and/or over time, to shares;
- determine the procedures for stock exchange purchases or purchase or exchange offers for the securities issued under this resolution, and also for the redemption of these securities;
- allocate the issue costs for the shares and securities to the amount of the related premiums relating to the capital increases and deduct from these premiums the amounts required to bring the legal reserve to one tenth of the amount of the capital arising from these increases;
- make corresponding changes to the Articles of Association;
- in general, enter into all agreements, draw up all agreements with any banks and other bodies, take all the necessary measures and complete all formalities relating to the issue, listing and financial servicing of the shares and/or securities issued under this resolution and do anything else necessary.

This delegation brings to an end, for its unused portion, the delegation given to the Group Management Board by the Extraordinary General Meeting of 22 May 2006 in its thirteenth resolution.

Seventeen resolution

Delegation of power to be given to the Group Management Board to increase the capital by incorporation of reserves, earnings or additional paid-in capital

Voting in accordance with the majority and quorum requirements applying to extraordinary general meetings, after taking cognisance of the Group Management Board's report, and in accordance with Articles L. 225-129 to L. 225-29-6 and L. 225-130 of the Commercial Code, the General Meeting delegates to the Group Management Board, for a period of twenty six months starting from the date of this General Meeting, i.e. until 15 July 2010 or until the date of its renewal by an Extraordinary General Meeting held before this date, its power to increase the share capital, on one or more occasions, at times and according to the procedures that it shall determine, by incorporation into the capital of reserves, earnings or additional paid-in capital, in the form of bonus shares or an increase in the nominal value of existing shares or a combination of these two methods.
The General Meeting delegates to the Group Management Board its power to decide that the rights resulting from odd lots will not be negotiable and that the corresponding securities will be sold, the sale proceeds being allocated to the holders of the rights no later than thirty days after the date on which the whole number of shares allocated to them is registered in their account.
The nominal amount of the capital increase likely to be made under this resolution shall not exceed €4.4 million, the same cap as that set for capital increases arising from issues of shares or securities authorised by the sixteenth resolution.
The General Meeting gives full powers to the Group Management Board, with the option to sub-delegate under the conditions stipulated by law, to implement this resolution, modify, where applicable, the company's Articles of Association as a result and, more generally, to do anything else necessary.
This resolution brings to an end, for its unused portion, the delegation given to the Group Management Board by the Extraordinary General Meeting of 22 May 2006 in its fourteenth resolution.

Eighteenth resolution

Delegation of powers to the Group Management Board to increase the share capital in favour of members of a savings plan

Voting in accordance with the majority and quorum requirements applying to extraordinary general meetings, after taking cognisance of the Group Management Board's report and the independent auditors' special report, and deciding in accordance with the provisions of Articles L. 225-138-1 and L. 225-129-6 of the Commercial Code, and pursuant to Articles L. 443-1 et seq. of the Employment Code, the General Meeting:

Resolutions submitted to the vote of the General Meeting of 15 May 2008

- delegates to the Group Management Board its power to increase the share capital, on one or more occasions, within a twenty-six month period from the date of this General Meeting, by a maximum nominal amount of one hundred and thirty-two thousand euros (€132,000) by issuing new shares or securities giving access to the company's capital and, where applicable, the capital of French companies that are affiliated to it under the conditions of Article L. 225-180 of the Commercial Code and Article L. 444-3 of the Employment Code;
- decides that the maximum nominal amount of the capital increases that may be carried out under this delegation of powers shall be set against the overall limit on the nominal amount of capital increases of €4.4 million set by the sixteenth resolution of this General Meeting;
- decides, pursuant to Article L. 443-5 of the Employment Code, to set the discount at 20% and 30% respectively compared with the average of the opening prices of the company's shares on Euronext Paris for the 20 trading sessions preceding the date of the decision setting the date for the start of subscriptions, depending on whether the securities thus subscribed to, directly or indirectly, correspond to assets for which the period of unavailability is less than ten years or at least ten years. However, the General Meeting expressly authorises the Group Management Board to reduce the abovementioned discount, if it considers it appropriate, in particular to limit or cancel the discount granted on the listed price of the Company's shares recorded on the date of the decision setting the date for the start of subscriptions, within the statutory and regulatory limits, in order to take into account, in particular, statutory, accounting, tax or employment-related provisions that may apply locally;
- decides, pursuant to Article L. 443-5 of the Employment Code, that the Group Management Board may provide for the allocation of bonus shares to be issued or already issued or other bonus securities giving access to the company's capital to be issued or already issued, as an additional amount, or, where applicable, a discount, provided that the recording of the financial equivalent thereof, measured at the subscription price, does not lead to the limits provided for in Articles L. 443-5 and L. 443-7 of the Employment Code being exceeded;
- decides to cancel the preferential subscription rights of shareholders to new shares to be issued or other securities giving access to the capital and to securities to which the securities issued pursuant to this resolution shall give entitlement in favour of the members of a company savings plan;
- delegates full powers to the Group Management Board, with the option to delegate or sub-delegate, in accordance with the statutory and regulatory provisions, to implement this resolution and in particular to:

- set the scope, procedures and conditions of the operations,
- determine the dates and procedures for the issues to be made and the features of the securities to be issued under this authorisation,
- determine the dates on which the subscription periods shall start and end, and the dates on which the shares shall have dividend rights attached,
- set the terms and conditions under which the shares and other securities giving access to the company's capital shall be paid up, and agree to deadlines by which the shares and, where applicable, other securities giving access to the company's capital shall be paid up,
- request the listing of the securities created on any Stock Exchanges of its choosing,
- record the completion of the capital increases in the amount of the shares effectively subscribed, carry out, directly or through a representative, all operations and formalities linked to increases in the share capital as it shall decide, and
- if it considers it appropriate, charge the costs of the capital increase against the amount of any additional paid-in capital relating to these increases and deduct from this amount the sums required to increase the statutory reserve to one tenth of the new capital after each increase.

Nineteenth 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 buy-back programme submitted to the vote of the General Meeting of 15 May 2008

DESCRIPTION OF THE SHARE BUY-BACK PROGRAMME THAT WILL BE SUBMITTED FOR APPROVAL BY THE SHAREHOLDERS AT THE ORDINARY AND EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS ON 15 MAY 2008

Euler Hermes, a company listed on Compartment A of Euronext's Eurolist market (Euronext Paris), wishes to continue to operate a share buy-back programme. To this end, it will be proposed that the Ordinary and Extraordinary General Meeting of shareholders to be convened on 15 May 2008 authorises, by voting in favour of the tenth resolution, the implementation of a new share buy-back programme, in accordance with the provisions of Articles L. 225-209 et seq. of the Commercial Code, of Section VI of Book II of the AMF's General Regulations and of the European Commission's Regulation no. 2273/2003 of 22 December 2003.

This programme will replace the existing programme put in place by the Ordinary and Extraordinary General Meeting of 9 May 2007, which had authorised the Group Management Board of Euler Hermes to acquire its own shares, by any means whatsoever.

I- Date of the General Meeting of shareholders convened to authorise the new share buy-back programme

The new share buy-back programme will be submitted for the approval of the Ordinary and Extraordinary General Meeting of shareholders on 15 May 2008.

II- Number of securities and proportion of the capital held directly or indirectly by the company

The total number of share held directly by Euler Hermes on 31 March 2008 was 1,395,230, i.e. 3,10% of the capital at this date.

Euler Hermes has no indirect holdings of its own shares.

III- Breakdown by objectives of capital securities held

The breakdown by objectives of the number of shares thus held as at 31 March 2008 was as follows:

- 199,455 shares earmarked for allocation to employees or managers of the company or of its subsidiaries in respect of their entitlement to profit-sharing, a share option plan, bonus issue of existing shares or a company savings plan;
- 1,083,275 shares available to be used as a means of exchange in connection with acquisitions or the issue of securities giving access to the company's capital;
- 112,500 shares in connection with a liquidity contract entered into with Rothschild & Cie Banque, shares initially allocated to acquisitions.

IV- Objectives of the new share buy-back programme

These share buy-backs 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 Ordinary and Extraordinary General Meeting of 15 May 2008;

(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.

Description of the share buyback programme submitted to the vote of the General Meeting of 15 May 2008

V- Maximum percentage of the capital to be acquired, maximum number of securities that could be acquired, features of the securities that could be bought back and maximum purchase price

1- Maximum percentage of the capital to 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 capital (which, for information, consisted of 45,056,063 shares at 31 March 2008).

In accordance with Article L. 225-210 of the Commercial Code, the number of shares that Euler Hermes may own at any point in time shall not exceed 10% of the shares comprising the company's capital on the date in question.

Given the securities already held, i.e. 1,395,230 shares at 31 March 2008 (3.10% of the capital), and subject to any adjustments affecting the amount of the company's capital subsequent to the Ordinary and Extraordinary General Meeting of 15 May 2008, the buy-backs may concern a maximum of 3,110,376 shares (6.9% of the capital).

Moreover, the total amount that the company may allocate to the buyback programme is €149.8 million as laid down in the tenth resolution submitted to the Ordinary and Extraordinary General Meeting of 15 May 2008.

2- Features 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 tenth resolution submitted to the Ordinary and Extraordinary General Meeting of 15 May 2008, the maximum purchase price under the new share buy-back programme is set at €147 per share (which corresponds to the share price as at 31 December 2007 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 this price 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, the pecuniary equivalent of the shares allocated shall be determined in accordance with the applicable legal provisions.

VI- Duration of the programme

In accordance with the tenth resolution submitted to the Ordinary and Extraordinary General Meeting of 15 May 2008, the duration of the programme shall be a maximum period of eighteen months from the date of the said General Meeting, i.e. until 14 November 2009, or until it is renewed by an Ordinary General Meeting held before that date.

VII- Transactions carried out under the previous share buy-back programme

The thirteenth resolution of the Ordinary and Extraordinary General Meeting of shareholders held on 9 May 2007 authorised the Group Management Board, with the option to delegate this power to the Chairman, to implement a share buy-back programme, for a period of eighteen months. The said programme was implemented as from 10 May 2007, i.e. the day after the Ordinary and Extraordinary General Meeting.

Description of the share buyback programme submitted to the vote of the General Meeting of 15 May 2008

1. Transactions carried out under the previous share buy-back programme (from 10 May 2007 to 31 March 2008)

Percentage of own capital held directly or indirectly at 31 March 2008	1,395,230, i.e. 3.10% of the capital
Number of shares cancelled over the past 24 months	0
Shares held at 31 March 2008	1,395,230, i.e. 3.10% of the capital
Carrying amount of own shares held at 31 March 2008	€77,128,278
Market value of own shares held at 31 March 2008 (based on the share price on 30 March 2008, i.e. €67.94)	€94,764,022

2. Issuer's statement of trading in own shares (from 10 March 2007 to 31 March 2008)

Open positions	Gross cumulative transactions		Open positions at 31 March 2008			
Period from 10 March 2007 to 31 March 2008	Bought	Sold	Buy positions		Sell positions	
Number of shares (1)	461,676	389,202	Call options bought	Forward purchases	Call options sold	Forward sales
Average maximum maturity	None	None	None	None	None	None
Average transaction price (1)	90.27	105.31				
Average strike price (1)	0	50.27				
Amount (1)	41,675,493	38,783,832				

(1) The gross cumulative transactions concern only the transactions realized in connection with the liquidity contract concluded with Rotschild & Cie Bank. The gross transactions mentioned for sale concern the exercise of stock options of the company (40,026 shares at an average exercise price of € 50.27) and shares sold in connection with the liquidity contract (349,176 shares at € 105.31 each).

Company Articles of Association (as at 31 March 2008)

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 €14,416,804.16 (fourteen million, four hundred and sixteen thousand, eight hundred and four euros and sixteen centimes). It is divided into 45,052,513 (forty-five million, fifty-two thousand, five hundred and thirteen) 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:

Company Articles of Association (as at 31 March 2008)

(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 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.

Company Articles of Association (as at 31 March 2008)

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, who must be individuals, 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.

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 arrange to receive 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 distributable 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 duties. Their activity is exercised under the Board's responsibility, without the said duties 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 grant 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, granting of sureties, guarantees, deposits or other forms of security.

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.

Company Articles of Association (as at 31 March 2008)

Article 13 – Agreements

Agreements entered into directly or through 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 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

The Supervisory Board meets as often as required in the interests of the company. Meetings are convened by the Chairman, or, failing this, by the Vice-Chairman.
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.

Company Articles of Association (as at 31 March 2008)

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 duties, 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 any 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-appointed.
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 supervisory powers and 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.

Company Articles of Association (as at 31 March 2008)

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 any 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.

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 provisions, 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 the shares have been recorded in the accounts in the name of the shareholder or of the intermediary acting on his behalf:

- for registered shareholders: in the registered share accounts held by the company;
- for bearer shareholders: in the registered share accounts held by the custodian.

These formalities must be completed by 0.00 a.m. (Paris time) on the third working day 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 is 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 1 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 share capital. 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. However, 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 booking 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 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 more 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 repayment 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 60 to 157, and the Group Management Board report as shown on pages 8 to 48 of the reference document for the year ended 31 December 2006, which was filed with the AMF on 20 April 2007 under reference no. D.07-0363;
- the company and consolidated financial statements, together with the related reports of the independent auditors, as shown on pages 57 to 171, and the Group Management Board report as shown on pages 4 to 44 of the reference document for the year ended 31 December 2005, which was filed with the AMF on 3 May 2006 under reference no. D.06-0360.

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 2007.

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

Cross references to the reference document

Glossary

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).

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.

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.

Carrying amount: 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 carrying amount) or for the entire group of companies (consolidated carrying amount).

Cash pooling: this is the centralised management at a single point of all the bank accounts of 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.

Collection: extra-judicial and/or judicial procedure conducted by Euler Hermes to secure payment of a receivable from the debtor.

Combined ratio: sum of the expense ratio and the loss ratio.

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.

Credit insurance: a technique by which a company protects itself against the risks of non-payment of its trade receivables.

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 customers.

Dilution: impact of an event that reduces earnings per share (e.g. an increase in the number of shares).

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.

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).

Expense ratio: overheads as a proportion of premiums.

IAS (International Accounting Standard)/IFRS (International Financing 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.

Indemnification: reimbursement by Euler Hermes of losses suffered by a policyholder as the result of the insolvency of one or more of its customers, provided they are covered by an existing policy.

Index: an instrument used to measure and compare the performance of shares or bonds.

Glossary

Insolvency: legally recognised incapacity of the debtor to meet his commitments and thus to pay his debts.

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.

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.

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.

Loss ratio: amount of indemnifications as a proportion of premiums.

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.

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.

Merger premium: this premium is equal to the difference between the capital increase of the absorbing company and the contribution of the acquired company.

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.

Permanent difference: difference between the accounting rules and the tax rules that has no impact on the subsequent year's taxable profit.

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.

Prevention: process by which the policyholder can, by using the information provided by Euler Hermes on the creditworthiness of its customers, select its customers and thus reduce its own losses.

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.

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.

Risk: object of the insurance, probability of a claim occurring.

RSU (Restricted Stock Units): these are the financial equivalent of free share option plans.

SAR (Stock Appreciation Rights): these are the financial equivalent of share subscription option plans (see Share option definition).

Glossary

Share option: share 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.

Share: a share is an instrument of title. It confers certain rights: pecuniary rights, rights to information, voting rights and rights over the assets.

Shareholders' equity: total assets owned by a company less all its liabilities.

Solvency margin: regulatory amount to be constituted, in addition to technical reserves, to ensure that commitments towards the group's clients are met.

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.

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.

Technical reserves: amount of an insurer's commitments towards its clients. They appear as liabilities in the balance sheet.

Temporary difference: difference between the accounting rules and the tax rules that has an impact on the subsequent year's taxable profit.

Trade receivables management: the suite of services offered to a company covering the collection of receivables, after invoicing to the debtor and up to the litigation phase, where applicable.

AUTORITÉ DES MARCHÉS FINANCIERS
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SUBSEQUENT CHECKS
This reference document was filed with the Autorités des Marchés Financiers (AMF) on April 21, 2008 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).
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