

Consolidated Financial Statements

For the 1st half ended June 30, 2010



EULER HERMES
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Consolidated statement of financial position

(in thousands)	Notes	June 30, 2010	December 31, 2009
Goodwill	3	113 586	103 582
Other intangible assets		73 914	90 752
Intangible assets		187 500	194 334
Investment property	4	13 064	24 917
Financial investments	5	3 058 225	2 840 735
Derivatives		4 123	4 313
Investments- insurance businesses		3 075 412	2 869 965
Investments accounted for by the equity method	6	93 301	89 254
Share of assignees and reinsurers in the technical reserves and financial liabilities	8	534 944	517 581
Operating property and other property and equipment		157 624	158 319
Acquisition costs capitalised		56 626	42 649
Deferred tax assets		36 037	42 938
Inwards insurance and reinsurance receivables		571 484	459 723
Outwards reinsurance receivables		86 880	114 795
Corporation tax receivables		57 562	34 724
Other receivables		209 418	183 879
Other assets		1 175 631	1 037 027
Cash	7	546 303	441 792
TOTAL ASSETS		€5 613 091	€5 149 953
Capital stock		14 430	14 426
Additional paid-in capital		452 221	451 959
Reserves		1 355 953	1 326 179
Net income, group share		147 437	18 988
Revaluation reserve		51 740	43 500
Translation reserve		(8 877)	(59 273)
Shareholders' equity, group share		€2 012 904	€1 795 779
Minority interests		19 496	20 698
Total shareholders' equity		€2 032 400	€1 816 477
Provisions for risks and charges		156 240	165 035
Bank borrowings		251 225	1 261
Other borrowings		247 889	405 882
Borrowings		499 114	407 143
Gross non-life technical reserves	8	1 896 609	1 836 551
Liabilities related to contracts		1 896 609	1 836 551
Deferred tax liabilities		345 584	326 055
Inwards insurance and reinsurance liabilities		208 002	208 197
Outwards reinsurance liabilities		216 982	170 400
Corporation tax payables		10 296	38 298
Other payables		247 864	181 797
Other liabilities		1 028 728	924 747
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		€5 613 091	€5 149 953

Consolidated income statement

(in thousands excepted for the earnings per share)

		1st half ended June 30		Three months ended June 30	
	Notes	2010	2009	2010	2009
Premiums written		992 134	986 028	451 407	439 080
Premiums refunded		(52 322)	(32 241)	(23 727)	(17 064)
Change in unearned premiums		(84 435)	(72 358)	10 311	11 115
Earned premiums		855 377	881 429	437 991	433 131
Premium-related revenues		183 250	203 072	95 092	102 830
Turnover	9	€1 038 627	€1 084 501	€533 083	€535 961
Investment income		44 647	51 347	24 184	26 511
Investment management charges		(4 715)	(4 613)	(2 805)	(2 330)
Net gain (loss) on sales of investments less impairment and depreciation writebacks		24 972	55 488	7 363	21 772
Change in fair value of investments recognised at fair value through profit or loss		(245)	(341)	(426)	168
Change in investment impairment provisions		(2 714)	(1 275)	(2 714)	98
Net change in foreign currency		11 926	(5 654)	5 670	(9 249)
Net investment income		73 871	94 952	31 272	36 971
Insurance services expense		(386 002)	(710 798)	(142 586)	(359 863)
Outwards reinsurance income		(302 270)	(278 075)	(152 362)	(142 426)
Outwards reinsurance expense		204 523	267 490	77 896	135 292
Net outwards reinsurance income or expense	9	(97 747)	(10 585)	(74 466)	(7 134)
Contract acquisition expense		(166 445)	(171 834)	(84 785)	(86 639)
Administration expense		(95 334)	(88 886)	(44 757)	(44 199)
Other ordinary operating income and expense		(172 872)	(161 912)	(90 728)	(82 799)
ORDINARY OPERATING INCOME		€194 098	€35 438	€127 033	€(7 702)
Other non ordinary operating income and expense		-	(7 507)	-	(7 479)
OPERATING INCOME	9	€194 098	€27 931	€127 033	€(15 181)
Financing expense		(5 323)	(6 025)	(3 355)	(2 764)
Income from companies accounted for by the equity method	6	8 397	1 497	5 442	(579)
Corporation tax		(48 273)	(20 896)	(28 602)	3 614
CONSOLIDATED NET INCOME		148 899	2 507	100 518	(14 910)
<i>o/w</i>					
NET INCOME, GROUP SHARE		€147 437	€717	€99 829	€(15 817)
Minority interests		1 462	1 790	689	907
Other comprehensive income elements					
Change in fair market value of asset held for sale transferred through profits & losses (Gross amount)		(10 736)	(36 479)	(3 616)	(9 899)
Change in fair market value of asset held for sale transferred through profits & losses (Tax amount)		3 365	8 427	958	(433)
Change in fair market value of asset held for sale booked through equity (Gross amount)		20 568	4 585	1 388	7 556
Change in fair market value of asset held for sale booked through equity (Tax amount)		(5 648)	(1 051)	(30)	(1 996)
Other change in fair market value of asset held for sale booked through equity		(493)	-	(222)	-
Change in translation reserve (included impact on revaluation reserve) booked through equity (Gross amount)		76 000	24 727	47 120	9 351
Change in translation reserve (included impact on revaluation reserve) booked through equity (Tax amount)		(24 651)	(5 206)	(14 997)	2 269
Total other comprehensive income net of taxes		€58 405	€(4 997)	€30 601	€6 847
Total comprehensive income		€207 304	€(2 490)	€131 119	€(8 063)
Total comprehensive income, group share		206 073	(4 271)	130 714	(9 258)
Total comprehensive income, minority interests		1 231	1 781	405	1 195
Earnings per share		€3.40	€0.02		
Diluted earnings per share		€3.40	€0.02		
Earnings per share of continuing activities		€3.40	€0.02		
Diluted earnings per share of continuing activities		€3.40	€0.02		

Consolidated statement of cash flows

(In thousands)	Six months ended June 30,	
	2010	2009
Net income, group share	€147 437	€717
Corporation tax	48 764	20 897
Financing expense	5 474	5 962
Operating income before tax	201 675	27 576
Minority interests	1 462	1 790
Allocation to and writebacks of depreciation, amortisation and reserves	37 284	30 772
Change in technical reserves	5 062	67 511
Change in deferred acquisition costs	(6 670)	(2 680)
Change in fair value of financial instruments recognised at fair value through the income statement (excluding cash and cash equivalents)	695	341
Realised capital gains/(losses) net of writebacks	(25 306)	(55 117)
Unrealised foreign exchange gain (loss) in company accounts	(10 642)	9 104
Revenues and expenses linked to stock options and similar	223	222
Interest revenues received accrued	(5 301)	(4 691)
Adjustment for elements included in operating income that do not correspond to cash flows and reclassification of financing and investment flows	(3 193)	47 252
Income (loss) of companies accounted for by the equity method	(8 397)	(1 497)
Dividends received from companies accounted for by the equity method	5 168	7 045
Change in liabilities and receivables relating to insurance and reinsurance transactions	(41 804)	(25 761)
Change in inventories	-	-
Change in operating receivables and liabilities	32 747	5 921
Change in other assets and liabilities	(3 935)	(27 322)
Corporation tax	(73 322)	19 236
Cash flow related to operating activities	(89 542)	(22 378)
Cash flow from operating activities	€108 940	€52 451
Acquisitions of subsidiaries and joint ventures, net of acquired cash	-	0
Disposals of subsidiaries and joint ventures, net of acquired cash	-	-
Acquisitions of equity interests in companies accounted for by the equity method	-	-
Cessions de participations dans des entreprises mises en équivalence	-	-
Merger	-	-
Cash flow linked to changes in the consolidation scope	-	0
Disposals of AFS securities	553 636	964 955
Matured HTM securities	500	2 656
Disposals of investment properties	26 254	38 070
Disposals of securities held for trading	1 575	56
Cash flow linked to disposals and redemptions of investments	581 965	1 005 736
Acquisitions of AFS securities	(617 785)	(933 755)
Acquisitions of HTM securities	-	-
Acquisitions of investment properties	(2 209)	(413)
Acquisitions of trading securities	(2 062)	(514)
Cash flow linked to acquisitions of investments	(622 056)	(934 682)
Disposals of other investments and intangible assets	229 804	170 677
Acquisitions of other investments and intangible assets	(306 045)	(142 351)
Cash flow linked to acquisitions and disposals of other investments and intangible assets	(76 241)	28 326
Cash flow from investing activities	€(116 332)	€99 381

Consolidated statement of cash flows

Increases and decreases in capital	265	2
<i>Increases in capital</i>	265	(1 038)
<i>Decreases in capital</i>	-	1 040
Change in treasury stock	11 018	(711)
Dividends paid	(2 406)	(66 938)
Cash flow linked to transactions with the shareholders	8 877	(67 647)
Change in non voting shares	-	-
Changes in loans and subordinated securities	94 011	(2 833)
<i>Issue</i>	250 176	135 582
<i>Repayment</i>	(156 165)	(138 415)
Interest paid	(5 220)	(6 162)
Cash flow from group financing	88 791	(8 995)
Cash flow from financing activities	€97 667	€(76 642)
<hr/>		
Impact of foreign exchange differences on cash and cash equivalents	11 152	113
Reclassification	3 084	(1 088)
Other net changes in cash	€14 236	€(975)
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Change in cash flows	104 511	74 214
Change in cash and cash equivalents	104 511	74 214
Cash and cash equivalents at beginning of period	7	€441 442
Cash and cash equivalents at end of period	7	€545 953
<hr/>		
		€612 323
		€686 537
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At June 30 2010, reclassification of € 3.1 million represents a cash equivalent not booked in the Euler Hermes Towarzystwo Ubezpieczeniowe opening cash.

Consolidated statement of changes in equity

1st Half 2009

(in thousands)	Capital Stock	Additional paid-in-capital	Retained earnings	Revaluation reserve	Translation reserve	Treasury shares	Shareholders' equity, group share	Minority interests	Total shareholders' equity
Opening Shareholders' equity	€14 426	€451 924	€1 476 216	€50 279	€(73 191)	€(84 697)	€1 834 957	€20 328	€1 855 285
Available-for-sale assets (AFS)	-	-	-	-	-	-	-	-	-
Measurement gain / (loss) taken to shareholders' equity	-	-	-	3 498	-	-	3 498	36	3 534
Impact of transferring realised gains and losses to income statement	-	-	-	(28 052)	-	-	(28 052)	-	(28 052)
Other movements	-	-	-	-	-	-	-	-	-
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	-	-	-	701	18 865	-	19 566	(45)	19 521
Current and deferred tax taken directly to or transferred to shareholders' equity	-	-	-	-	-	-	-	-	-
Net income recognised in shareholders' equity	-	-	-	(23 853)	18 865	-	(4 988)	(9)	(4 997)
Net income for the year	-	-	717	-	-	-	717	1 790	2 507
Total revenues and losses recognised for the period	-	-	€717	€(23 853)	€18 865	-	€(4 271)	€1 781	€(2 490)
Capital movements	-	-	-	-	-	(711)	(711)	-	(711)
Dividend distributions	-	-	(65 278)	-	-	-	(65 278)	(1 660)	(66 938)
Shareholders' equity component of share-based payment plans	-	-	222	-	-	-	222	-	222
Cancellation of gains/losses on treasury shares	-	-	-	-	-	-	-	-	-
Other movements	-	-	433	-	-	-	433	32	465
Closing Shareholders' equity	€14 426	€451 924	€1 412 310	€26 426	€(54 326)	€(85 408)	€1 765 352	€20 481	€1 785 833

1st Half 2010

(in thousands)	Capital Stock	Additional paid-in-capital	Retained earnings	Revaluation reserve	Translation reserve	Treasury shares	Shareholders' equity, group share	Minority interests	Total shareholders' equity
Opening Shareholders' equity	€14 426	€451 959	€1 430 684	€43 500	€(59 273)	€(85 517)	€1 795 779	€20 698	€1 816 477
Available-for-sale assets (AFS)	-	-	-	-	-	-	-	-	-
Measurement gain / (loss) taken to shareholders' equity	-	-	-	15 151	-	-	15 151	(232)	14 919
Impact of transferring realised gains and losses to income statement	-	-	-	(7 371)	-	-	(7 371)	-	(7 371)
Other movements	-	-	-	(493)	-	-	(493)	-	(493)
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	-	-	-	953	50 396	-	51 349	-	51 349
Current and deferred tax taken directly to or transferred to shareholders' equity	-	-	-	-	-	-	-	-	-
Net income recognised in shareholders' equity	-	-	-	8 240	50 396	-	58 636	(232)	58 404
Net income for the year	-	-	147 437	-	-	-	147 437	1 462	148 899
Total revenues and losses recognised for the period	-	-	€147 437	€8 240	€50 396	-	€206 073	€1 230	€207 303
Capital movements	4	262	-	-	-	11 018	11 284	-	11 284
Dividend distributions	-	-	17	-	-	-	17	(2 423)	(2 406)
Shareholders' equity component of share-based payment plans	-	-	223	-	-	-	223	-	223
Cancellation of gains/losses on treasury shares	-	-	-	-	-	-	-	-	-
Other movements	-	-	(472)	-	-	-	(472)	(9)	(481)
Closing Shareholders' equity	€14 430	€452 221	€1 577 889	€51 740	€(8 877)	€(74 499)	€2 012 904	€19 496	€2 032 400

Notes to the consolidated financial statements

Note 1 Significant events

The following significant events occurred in the first half 2010:

Changes in the share capital and in share ownership

As at June 30, 2010, the Allianz group owned 30,744,048 shares out of a total of 45,092,010 shares, corresponding to 68.20% of the share capital of Euler Hermes.

During the first half 2010, 8 800 new shares were created by the exercise of options. As at June 30 2010, Euler Hermes' share capital was composed of 45,092,010 shares, including 1,399,982 shares held in treasury stock.

Evolution of the retention rate

The premium retention rate is the ratio of premiums after reinsurance to premiums before reinsurance. This rate decreases from 68.5% at end-June 2009 to 64.7% at end-June 2010. Earned premiums net of reinsurance decreased by 8.33% end-June 2009 compared to end-June 2010; 5.37% is explained by the decrease in premium retention rate.

Euler Hermes Credit Insurance Belgium's situation

On April, 15th 2010 the management of Euler Hermes Credit Insurance Belgium communicated its decision to liquidate its retail business. It will imply the implementation of a restructuring plan whose details remain to define during the future negotiations with the social partners. On June 30th, 2010 the negotiations between the direction of Euler Hermes Credit Insurance Belgium and the social partners are always in progress. The entity didn't book any provision in 2010 because the conditions required by IAS37 were not reached.

One Euler Hermes go live

The Euler Hermes group announced the go live of One Euler Hermes from January 1st, 2010. It focuses on implementing the organisational changes needed to create a customer-oriented and even more efficient group.

This new organisation focused on six completely given responsibilities regions: Germany/Swiss/Austria, Americas, Asia/Pacific, France, Northern Europe and Mediterranean Countries and Africa.

The main changes are the new Mediterranean Countries and Africa area which contents the French IDC (Greece, Spain & Morocco) and Italy and the Northern Europe area with United-Kingdom, Belgium, Netherland, Sweden, Norway, Finland, Denmark & Poland.

The segment data had been modified in 2010 & 2009 in order to ensure the comparison between the two periods.

Convergence project

EH decided to launch in 2006 a new IT project in order to implement a group IT tool for Claims Handling and collection handling under the project name Convergence. Target was to generate a common claims handling and collection handling tool for all EH entities with full roll-out beginning of 2011.

At this stage, only EH Germany is using the system. A detailed technical audit of the project in April 2010 has identified that EH would have to increase the investment envelop quite significantly in order to allow a roll out to the other EH entities.

Therefore EH Management has decided to freeze the project and has requested an impairment test on this project in order to determine its actual net present value.

This impairment test has integrated all potential efficiency gains, the maintenance savings on old IT systems, the new maintenance costs of the new tool and the eventual restructuring costs to be taken into account. The outcome of this impairment test was showing a net present value of 5 M€

Based on these calculations, EH management Board has taken the decision to do partial write down of the project of 13,4 M€ in order to adjust the book value of the IT tool end of June 2010 to its net present value.

Notes to the consolidated financial statements

Note 2 IFRS accounting and valuation rules

The financial statements of the Euler Hermes group as at June 30, 2010 were approved by the Board of Director's of 27 July 2010.

2.1. General Principles

In accordance with European regulation no. 1606/2002 of July 19, 2002, the interim consolidated financial statements published at June 30, 2010 were prepared in accordance with IAS 34 as adopted by the European Union. International accounting standards comprise IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), together with their interpretative texts.

The standards and interpretations applied stem essentially from:

- IAS/IFRS and their interpretative texts whose application is mandatory at June 30, 2010 adopted by the European Union,
- Guidance provided in CNC recommendation no. 2009-R05 relating to the format of financial statements prepared by insurance firms under international accounting guidelines.

The Group didn't choose the options related to the reclassification of financial assets (published by IASB on October 13th, 2008 and applicable on July 1st, 2008) linked to the update of IAS 39 - Financial instruments: recognition and measurement and IFRS 7 - Financial instruments: disclosures.

Euler Hermes group has applied the update of IFRS 7 – Financial Instruments – Fair Value Hierarchy for the 2009 year closing. The three levels and their details are the following:

- Level 1: The fair value corresponds to a quoted price on an active market;
- Level 2: The quotation is given by a third party (broker, dealer...) or by a mathematical model using observable data on an active market;
- Level 3: The evaluation is built on non observable estimates.

IAS 8 § 5 Accounting policies, changes in accounting estimates and errors related to change in presentation of segment data

The standard mentions "Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements". The new organisation of the Group related to One Euler Hermes go live modified the 2009 segment data and it has been updated to be compared to the new geographical segments.

The financial statements are presented in euros, the functional currency, 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.

2.2. Consolidation scope

The consolidation scope didn't change during the first half 2010.

2.3. Appeal to estimates

The production of the consolidated financial statements of Euler Hermes is based on estimates for a part of assets & liabilities items. The management is susceptible to review these estimations in case of changes that can put into questions the circumstances on which they have been established or by the consideration of a new information or accrued experience.

The estimates concerning technical provisions are also detailed in the part Risk Management of reference document 2009.

The table below summarizes the methods of assessment of estimates for the main aggregates of the balance sheet:

Notes to the consolidated financial statements

Estimate		Communicated Information
Note 3	Impairment of goodwill	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 fair value of the Cash Generating Unit's is based on assumptions of capital costs, growth rate to infinity and loss ratio & standard retention rates used in the calculation of the final values.
Note 5	Fair value of real estate held for investments & for use	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.
Note 8	Earned but not recorded premiums reserves	This reserve is established based on the estimate of the amount of premiums expected on the period less the amount of premiums recorded on the period.
Note 8	Provisions for salvages & recoveries	This reserve represents the estimate of potential recoveries on settled claims by a statistical calculation based on the evolution of salvages & recoveries by year of attachment on previous exercises. They take into consideration a provision for administration charges determined in accordance with actual observed expenses.
Note 8	Bonus & profit commission reserve	This reserve is intended to cover the future cost corresponding to premium rebates to be granted to policyholders under the terms of policies giving policyholders a share in their technical positive results.
Note 8	Reserves for claims payable	This reserve corresponds to a statistical estimate of the cost of all outstanding claims, that is to say claims reported but not yet settled.
Note 8	IBNR reserve	In credit-insurance, the IBNR are calculated to cover: The claims which occurred before the closing and will be known only on the next period. The claims related to commercial receivables accounted before the closing and covered by a warranty which will occur and be known only on the next period They are determined based on statistical models integrating historical data as well as future developments based on estimates. Considering the current economic crisis and the methods of assessment of credit-insurance, the IBNR might be different from the ones calculated on statistical basis. Indeed, non anticipated assessments might occur and modify the assumptions previously retained for the determination of IBNR.
Note not published	Employee benefits	The related commitments are measured in accordance with IAS 19 and are reviewed yearly by independent actuaries. The commitment is recognised in the balance sheet using the projected unit credit method, based on the group actuarial assumptions.
Note not published	Stock options plans	The fair value of the liabilities resulting from the SAR (Stock Appreciation Rights) and RSU (Restricted Stocks Units) 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.

Note 3 Goodwill

In accordance with IFRS 3, goodwill is not amortized but instead is subject to annual impairment testing or to an impairment testing when an indicator of a decrease in value appears.

(in thousands)	June 30, 2010							December 31, 2009
	France	Italy	United Kingdom	United States	Benelux countries	Other	Total	Total
Opening balance								
Gross value	393	6 229	61 922	29 431	8 242	8 045	114 262	110 609
Impairment losses	-	(409)	(10 271)	-	-	-	(10 680)	(7 931)
Net carrying amount	€393	€5 820	€51 651	€29 431	€8 242	€8 045	€103 582	€102 678
Change during the year								
Opening net carrying amount	393	5 820	51 651	29 431	8 242	8 045	103 582	102 678
Changes in gross value	-	-	-	-	-	-	-	-
Outgoing entities & Held for sale transfer	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Changes in foreign currency translation adjustments	-	-	4 464	5 122	-	419	10 005	3 103
Impairment losses	-	-	-	-	-	-	-	(2 199)
Closing net carrying amount	393	5 820	56 115	34 553	8 242	8 464	113 587	103 582
Closing Balance								
Gross value	393	6 229	67 274	34 552	8 242	8 464	125 154	114 262
Impairment losses	-	(409)	(11 159)	-	-	-	(11 568)	(10 680)
Net carrying amount	€393	€5 820	€56 115	€34 552	€8 242	€8 464	€113 586	€103 582

The changes in geographical organisation which modified the segment data didn't impact the level of impairment tests.

Notes to the consolidated financial statements

Note 4 Investment and operating property

(in thousands)	June 30, 2010		December 31, 2009	
	Investment property	Operating property	Investment property	Operating property
Balance as opening period				
Gross value	35 663	185 370	91 071	195 192
Depreciation	(10 746)	(48 801)	(19 237)	(61 878)
Impairment losses	-	(6 797)	-	(554)
Net carrying amount	€24 917	€129 772	€71 834	€132 760
Change during the year				
Net carrying amount as opening period	24 917	129 772	71 834	132 760
Acquisitions	-	2 209	-	1 318
Change in consolidation scope	-	-	-	-
Disposals	(11 700)	(66)	(45 423)	(73)
Reclassifications	-	3	-	(169)
Changes in foreign currency translation adjustments	-	313	-	(54)
Net depreciation	(153)	(2 135)	(1 494)	(4 010)
Net provisions for impairment	-	-	-	-
Other changes	-	-	-	-
Net carrying amount at the end of the period	13 064	130 096	24 917	129 772
Balance at the end of the period				
Gross value	19 890	187 787	35 663	185 370
Depreciation	(6 826)	(50 898)	(10 746)	(48 801)
Impairment losses	-	(6 797)	-	(6 797)
Net carrying amount	€13 064	€130 096	€24 917	€129 772
Fair value	€29 082	€217 983	€57 391	€221 122

Amounts recorded in the income statement	Six months ended June 30,	
Investment property	2010	2009
Rental revenues from investment property	940	5 741
Direct operating expenses relating to property	(171)	(1 812)

As at June 30, 2010, disposals in investment property concern sales realized by:

- Euler Hermes SFAC for €23,8 million, carrying the realized profit to €13,2 million (before tax impact) ;
- Euler Hermes SFAC Crédit for €2,5 million, carrying the realized profit to €1,3 million (before tax impact).

Note 5 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.

If there is no active market for a given financial instrument, the group estimates the fair value using a valuation technique. Valuation techniques include the use of recent transactions under normal competitive conditions between informed and consenting parties, where available, reference to the current fair value of another instrument that is identical in substance, the analysis of discounted cash flows and option valuation models.

Notes to the consolidated financial statements

Classification by investment category

(in thousands)	June 30, 2010						December 31, 2009					
	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Listed	Non listed	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Listed	Non listed
Held-to-maturity assets												
Bonds	1 170	-	1 170	1 170	704	466	1 674	-	1 674	1 674	1 208	466
Total held-to-maturity assets	€1 170	-	€1 170	€1 170	€704	€466	€1 674	-	€1 674	€1 674	€1 208	€466
Available-for-sale assets												
Equities	118 183	13 018	131 201	131 201	2 386 058	73 324	110 646	19 428	130 074	130 074	2 251 408	60 203
Bonds	2 261 228	66 953	2 328 181	2 328 181	-	-	2 131 687	49 850	2 181 537	2 181 537	-	-
Total Available-for-sale assets	€2 379 411	€79 971	€2 459 382	€2 459 382	€2 386 058	€73 324	€2 242 333	€69 278	€2 311 611	€2 311 611	€2 251 408	€60 203
Loans, deposits and other financial investments												
	597 673	-	597 673	597 673	-	-	527 450	-	527 450	527 450	-	-
Total loans, deposits and other financial investments	€597 673	-	€597 673	€597 673	-	-	€527 450	-	€527 450	€527 450	-	-
Total Financial investments (excluded investments in consolidated enterprise)	€2 978 254	€79 971	€3 058 225	€3 058 225	€2 386 762	€73 790	€2 771 457	€69 278	€2 840 735	€2 840 735	€2 252 616	€60 669

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.

(in thousands)	June 30, 2010				December 31, 2009			
	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Amortized cost	Revaluation reserve	Net carrying amount	Fair value
- Equities:	118 183	13 018	131 201	131 201	110 646	19 428	130 074	130 074
- Bonds:	2 262 398	66 953	2 329 351	2 329 351	2 133 361	49 850	2 183 211	2 183 211
- Loans and other investments	597 673	-	597 673	597 673	527 450	-	527 450	527 450
Total Financial investments	€2 978 254	€79 971	€3 058 225	€3 058 225	€2 771 457	€69 278	€2 840 735	€2 840 735

EH Group didn't account any significant impairment as of June 30, 2010. 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.

Fair value hierarchy

The application of IFRS 7 – Fair Value Hierarchy is detailed in Note 2 IFRS accounting and valuation rules 2.1. General principles. The split into three levels of the fair value is detailed in the following statement:

(in thousands)	June 30, 2010		
	Level 1	Level 2	Level 3
Available-for-sale assets	€2 243 107	€180 492	€35 783

The level 1 is mainly composed of listed bonds and stocks on an active market.

The level 2 is mainly composed of parts of Allianz 3 years €514 million bond (for an amount of €160 million).

The level 3 is mainly composed of participation in a Private Equity Funds, non consolidated shares and of Moroccan & Hungarian non listed government bond.

Notes to the consolidated financial statements

Investment variation

(in thousands)	June 30, 2010			December 31, 2009	
	Held-to-maturity investments	Available-for-sale investments	Loans, deposits and other financial investments	Total	Total
Net carrying amount as opening period	€1 674	€2 311 611	€527 450	€2 840 735	€2 590 986
Increase in gross value	-	617 785	298 293	916 078	1 911 831
Decrease in gross value	(500)	(537 889)	(229 690)	(768 079)	(1 657 243)
Revaluation	-	9 325	-	9 325	(9 660)
Impairment	-	(2 714)	-	(2 714)	(942)
Changes in foreign currency translation adjustments	-	67 325	6 871	74 196	8 058
Reclassifications	-	1	(3 186)	(3 185)	4 017
Other changes	(4)	(6 063)	(2 066)	(8 133)	(6 312)
Net carrying amount as closing period	€1 170	€2 459 381	€597 672	€3 058 223	€2 840 735

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 6 Investments accounted for by the equity method

Information on equity-accounted investments

(in thousands)	June 30, 2010					
Company	Country	Assets ⁽¹⁾	Shareholders' equity ⁽²⁾	Turnover	Net income	% of capital held
OeKB Beteiligungs- und Management A.G.	Austria	192 026	105 363	33 740	6 433	49.00%
Graydon Holding N.V.	Netherlands	52 256	14 135	37 354	8 255	27.50%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	107 690	38 470	21 516	4 056	50.00%
Israel Credit Insurance Company Ltd	Israel	59 092	30 468	11 316	2 841	33.33%
		€411 064	€188 436	€103 926	€21 584	

⁽¹⁾ Assets based on company financial statements as at March 31, 2010.

⁽²⁾ Shareholders' equity based on company financial statements as at March 31, 2010 including goodwill.

(in thousands)	December 31, 2009			June 30, 2009		
Company	Country	Assets	Shareholders' equity	Turnover	Net income	% of capital held
OeKB Beteiligungs- und Management A.G.	Austria	197 790	109 118	30 835	(3 194)	49.00%
Graydon Holding N.V.	Netherlands	54 886	2 455	37 716	8 676	27.50%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	104 897	40 418	17 788	(186)	50.00%
Israel Credit Insurance Company Ltd	Israel	53 107	24 776	8 395	2 307	33.33%
		€410 680	€176 767	€94 733	€7 603	-

Movements during the period

(in thousands)	June 30, 2010	December 31, 2009
Balance as opening period	€89 254	€93 550
Increases	-	-
Decreases	-	-
Reclassification	-	-
Share of income for the period	8 397	6 644
Dividends paid	(5 168)	(10 554)
Impairment	-	-
Foreign exchange differences	289	(319)
Other changes	529	(67)
Net book value as closing period	€93 301	€89 254

Notes to the consolidated financial statements

Contribution to shareholders' equity (without equity method income of 2010)

(in thousands)		June 30, 2010	December 31, 2009
OeKB Beteiligungs- und Management A.G.	Austria	51 628	53 468
Graydon Holding N.V.	Netherlands	3 887	675
Companhia de Seguro de Creditos SA (COSEC)	Portugal	19 235	20 209
Israel Credit Insurance Company Ltd	Israel	10 155	8 258
Share of shareholders' equity		€84 905	€82 610

Contribution to income

(in thousands)		Six months ended June 30,	
		2010	2009
OeKB Beteiligungs- und Management A.G.	Austria	3 152	(1 565)
Graydon Holding N.V.	The Netherlands	2 270	2 386
Companhia de Seguro de Creditos SA (COSEC)	Portugal	2 028	(93)
Israel Credit Insurance Company Ltd	Israel	947	769
Share of total income		€8 397	€1 497

Note 7 Cash and cash equivalents

(in thousands)	June 30, 2010	December 31, 2009
Cash in bank and at hand	503 453	403 762
Cash pooling	42 850	38 030
Total cash	€546 303	€441 792
Total cash per balance sheet	546 303	441 792
Cash equivalents reflected in the cash flow statement	-	-
Cash pooling creditor with Allianz	(349)	(350)
Total cash and cash equivalents	€545 954	€441 442

Note 8 Technical reserves

(in thousands)	December 31, 2009	Allowance net of writebacks	Foreign exchange differences	Other changes	June 30, 2010
Reserve for unearned premiums	298 736	84 452	19 154	1 338	403 680
Reserve for claims	1 424 760	(89 352)	32 108	(675)	1 366 841
Reserve for no-claims bonuses and refunds	113 055	14 718	271	(1 956)	126 088
Gross technical reserves	1 836 551	9 818	51 533	(1 293)	1 896 609
Reserve for unearned premiums	68 952	24 515	147	(7 962)	85 652
Reserve for claims	427 226	(11 036)	9 609	(1 290)	424 509
Reserve for no-claims bonuses and refunds	21 403	4 628	152	(1 400)	24 783
Reinsurers' share of technical reserves	517 581	18 107	9 908	(10 652)	534 944
Net technical reserves	€1 318 970	€(8 289)	€41 625	€9 359	€1 361 665

Notes to the consolidated financial statements

Cost of claims

(in thousands)	1st half ended June 30					
	2010			2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Cost of claims for the current period	595 634	(186 365)	409 269	804 953	(225 560)	579 393
of which, claims paid	78 668	(39 277)	39 391	120 354	(33 399)	86 955
of which, claims reserves	473 752	(144 483)	329 269	645 612	(189 945)	455 667
of which, claims handling expenses	43 214	(2 605)	40 609	38 987	(2 216)	36 771
Recoveries for the current period	(88 547)	37 151	(51 396)	(79 498)	19 219	(60 279)
Recoveries received	(31 166)	24 508	(6 658)	(1 213)	388	(825)
Change in reserves for recoveries	(57 381)	12 643	(44 738)	(78 285)	18 831	(59 454)
Cost of claims from prior periods	(125 378)	28 386	(96 992)	37 847	24 594	62 441
of which, claims paid	453 254	(130 834)	322 420	547 839	(100 043)	447 796
of which, claims reserves	(570 340)	158 491	(411 849)	(501 827)	125 989	(375 838)
of which, claims handling expenses	(8 292)	729	(7 563)	(8 165)	(1 352)	(9 517)
Recoveries from prior periods	4 293	(1 313)	2 980	(52 504)	4 329	(48 175)
Recoveries received	(75 308)	14 200	(61 108)	(83 407)	11 188	(72 219)
Change in reserves for recoveries	79 601	(15 513)	64 088	30 903	(6 859)	24 044
Cost of claims	€386 002	€(122 141)	€263 861	€710 798	€(177 418)	€533 380

Claims reserves

(in thousands)	June 30, 2010			December 31, 2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims reserves gross of recoveries	1 652 195	(490 255)	1 161 940	1 727 088	(494 645)	1 232 443
Current period	502 584	(146 709)	355 875	978 315	(322 827)	655 488
Prior periods	1 149 611	(343 546)	806 065	748 773	(171 818)	576 955
Recoveries to be received	(285 354)	65 746	(219 608)	(302 327)	67 419	(234 908)
Current period	(58 955)	13 537	(45 418)	(127 752)	36 507	(91 245)
Prior periods	(226 399)	52 209	(174 190)	(174 575)	30 912	(143 663)
Claims reserves	€1 366 841	€(424 509)	€942 332	€1 424 761	€(427 226)	€997 535

Breakdown by type of reserve

(in thousands)	June 30, 2010			December 31, 2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reserves for unearned premiums	403 680	(85 652)	318 028	298 736	(68 952)	229 784
Claims reserves	1 366 841	(424 509)	942 332	1 424 760	(427 226)	997 534
of which, reserves for known claims	1 022 688	(328 791)	693 897	1 157 922	(348 067)	809 855
of which, reserves for late claims	532 766	(152 800)	379 966	461 422	(137 999)	323 423
of which, reserves for claims handling expenses	94 834	(8 663)	86 171	109 030	(8 580)	100 450
of which, other technical reserves	1 907	(1)	1 906	(1 286)	1	(1 285)
of which, recoveries to be received	(285 354)	65 746	(219 608)	(302 328)	67 419	(234 909)
No-claims bonuses and rebates	126 088	(24 783)	101 305	113 055	(21 403)	91 652
Technical reserves	€1 896 609	€(534 944)	€1 361 665	€1 836 551	€(517 581)	€1 318 970

Notes to the consolidated financial statements

Note 9 Breakdown of income net of reinsurance

(in thousands)		1st half ended June 30				
	2010			2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Premiums and commissions	992 134	(342 047)	650 087	986 028	(333 092)	652 936
Premiums refunded	(52 322)	15 278	(37 044)	(72 358)	45 155	(22 379)
Gross premiums written - credit insurance	939 812	(326 769)	613 043	953 787	(323 230)	630 557
Change in unearned premiums	(84 435)	24 499	(59 936)	(72 358)	45 155	(27 203)
Earned premiums	855 377	(302 270)	553 107	881 429	(278 075)	603 354
Premium-related revenues	183 250	-	183 250	203 072	-	203 072
Turnover	€1 038 627	€(302 270)	€736 357	€1 084 501	€(278 075)	€806 426
Net investment income	73 871	-	73 871	94 952	-	94 952
Claims paid	(425 373)	131 403	(293 970)	(583 573)	121 866	(461 707)
Claims reserves expense	74 752	(11 137)	63 615	(96 403)	51 985	(44 418)
Claims handling expense	(35 381)	1 875	(33 506)	(30 822)	3 567	(27 255)
Insurance services expense	(386 002)	122 141	(263 861)	(710 798)	177 418	(533 380)
Brokerage commissions	(90 914)	-	(90 914)	(93 253)	-	(93 253)
Other acquisition costs	(81 868)	-	(81 868)	(80 555)	-	(80 555)
Change in acquisition costs capitalised	6 337	-	6 337	1 974	-	1 974
Contract acquisition expense	(166 445)	-	(166 445)	(171 834)	-	(171 834)
Impairment of portfolio securities and similar	-	-	-	-	-	-
Administration expense	(95 334)	-	(95 334)	(88 886)	-	(88 886)
Commissions received from reinsurers	-	82 382	82 382	-	90 072	90 072
Other ordinary operating income and expense	(172 872)	-	(172 872)	(161 912)	-	(161 912)
Ordinary operating income	€291 845	€(97 747)	€194 098	€46 023	€(10 585)	€35 438

Note 10 Earnings per share and dividend per share

Earnings per share

	1st half ended June 30	
	2010	2009
Distributable net income (in thousands of euros)	147 437	717
Weighted average number of ordinary shares before dilution	43 340 598	44 704 220
Earnings per share (€)	€3.40	€0.02
Distributable net income (in thousands of euros)	147 437	717
Weighted average number of ordinary shares after dilution	43 381 927	44 709 652
Diluted earnings per share (€)	€3.40	€0.02

The dilution impact takes into account the exercise of options.

The average number of shares resulting from dilution is 41,329 in the 1st half 2010 (5,432 in the 1st half 2009). The group share of net income is used as the basis for this calculation.

Note 11 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.

Notes to the consolidated financial statements

Since January 1st, 2010, the implementation of the project One Euler Hermes has generated a new well-balanced geographical organization. These changes aroused the creation of six completely given responsibilities regions: Germany/Swiss/Austria, Americas, Asia/Pacific, France, Northern Europe and Mediterranean Countries and Africa.

In order to provide a comparison between the 1st half 2010 & 2009, the segment data of June 30 and December 31, 2009 had been modified to fit with the 2010 geographical area applied since January 1, 2010.

Profit & loss by segment

(in thousands)										
1st half ended June 30 2010										
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter- segment eliminations	GROUP
Premiums written	350 102	171 390	236 340	102 158	95 902	20 656	482 319	-	(466 733)	992 134
Premiums refunded	(31 505)	(12 702)	(7 202)	467	(496)	(268)	(26 118)	-	25 502	(52 322)
Net premiums written	318 597	158 688	229 138	102 625	95 406	20 388	456 201	-	(441 231)	939 812
Change in unearned premiums	(25 382)	(2 026)	(31 841)	(16 588)	(10 782)	1 050	(31 240)	-	32 374	(84 435)
Earned premiums - non-group	293 215	156 662	197 297	86 037	84 624	21 438	424 961	-	(408 857)	855 377
Premium-related revenues - non-group	84 140	36 927	32 956	23 978	15 920	7 079	-	11 370	(29 120)	183 250
Turnover - intra-sectoral	€377 355	€193 589	€230 253	€110 015	€100 544	€28 517	€424 961	€11 370	€(437 977)	€1 038 627
Investment income	51 067	29 275	5 381	4 847	5 957	6 992	10 547	188 069	(228 264)	73 871
<i>Of which, dividends</i>	<i>(1 381)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(193 935)</i>	<i>195 316</i>	<i>-</i>
Total ordinary income	428 422	222 864	235 634	114 862	106 501	35 509	435 508	199 439	(666 241)	1 112 498
Insurance services expense	(165 089)	(56 346)	(116 221)	(37 863)	(28 431)	3 614	(176 452)	-	190 786	(386 002)
Outwards reinsurance expense	(167 219)	(61 061)	(120 218)	(54 970)	(54 785)	(12 394)	(240 480)	-	408 857	(302 270)
Outwards reinsurance income	129 320	40 340	95 499	35 566	34 390	2 503	159 986	-	(293 081)	204 523
Other income and expense	(161 310)	(75 635)	(83 866)	(54 447)	(40 946)	(13 275)	(108 386)	(28 200)	131 414	(434 651)
Total other income and expense	(364 298)	(152 702)	(224 806)	(111 714)	(89 772)	(19 552)	(365 332)	(28 200)	437 976	(918 400)
Ordinary operating income	€64 124	€70 162	€10 828	€3 148	€16 729	€15 957	€70 176	€171 239	€(228 265)	€194 098
Autres produits et charges opérationnels	-	-	-	-	-	-	-	-	-	-
Operating income	€64 124	€70 162	€10 828	€3 148	€16 729	€15 957	€70 176	€171 239	€(228 265)	€194 098
Financing expense	(71)	(58)	(972)	(150)	(214)	(7)	(12)	(6 169)	2 330	(5 323)
Income from companies accounted for by the equity method	5 422	2 975	-	-	-	-	-	-	-	8 397
Corporation tax	(7 725)	(24 277)	(3 177)	(1 856)	(5 355)	(1 189)	(12 920)	8 226	-	(48 273)
Consolidated net income	61 750	48 802	6 679	1 142	11 160	14 761	57 244	173 296	(225 935)	148 899
o/w										
Net income, group share	€60 430	€48 533	€6 668	€1 279	€11 160	€14 761	€57 244	€173 296	€(225 935)	€147 436
Minority interests	1 320	269	11	(137)	-	-	-	-	-	1 463
(in thousands)										
1st half ended June 30, 2009										
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter- segment eliminations	GROUP
Premiums written	350 414	170 076	214 247	125 383	92 295	21 047	383 750	-	(371 184)	986 028
Premiums refunded	(18 925)	(9 066)	(5 254)	3 161	-	(469)	(15 106)	-	13 418	(32 241)
Change in unearned premiums	(26 218)	(2 071)	(20 683)	(19 211)	(3 781)	(891)	(10 403)	-	10 900	(72 358)
Earned premiums - non-group	305 271	158 939	188 310	109 333	88 514	19 687	358 241	-	(346 866)	881 429
Premium-related revenues - non-group	93 176	41 659	40 596	28 134	14 569	8 203	-	8 629	(31 894)	203 072
Turnover - intra-sectoral	€398 447	€200 598	€228 906	€137 467	€103 083	€27 890	€358 241	€8 629	€(378 760)	€1 084 501
Investment income	29 699	50 530	11 879	9 712	6 943	(252)	(1 214)	175 791	(188 136)	94 952
<i>Of which, dividends</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Total ordinary income	428 146	251 128	240 785	147 179	110 026	27 638	357 027	184 420	(566 896)	1 179 453
Insurance services expense	(214 309)	(101 082)	(201 230)	(62 041)	(83 732)	(30 996)	(308 428)	-	291 020	(710 798)
Outwards reinsurance expense	(166 245)	(32 055)	(96 922)	(50 513)	(45 134)	(10 657)	(223 912)	-	347 363	(278 075)
Outwards reinsurance income	153 669	27 268	131 270	31 508	51 222	20 128	249 750	-	(397 325)	267 490
Other income and expense	(164 016)	(79 517)	(86 410)	(58 937)	(41 475)	(13 787)	(102 740)	(13 181)	137 431	(422 632)
Total other income and expense	(390 901)	(185 386)	(253 292)	(139 983)	(119 119)	(35 312)	(385 330)	(13 181)	378 489	(1 144 015)
Ordinary operating income	€37 245	€65 742	€(12 507)	€7 196	€(9 093)	€(7 674)	€(28 303)	€171 239	€(188 407)	€35 438
Autres produits et charges opérationnels	-	-	-	(7 507)	-	-	-	-	-	(7 507)
Operating income	€37 245	€65 742	€(12 507)	€(311)	€(9 093)	€(7 674)	€(28 303)	€171 239	€(188 407)	€27 931
Financing expense	(12)	(119)	(16)	(151)	(4)	(8)	(244)	(9 993)	4 522	(6 025)
Income from companies accounted for by the equity method	821	676	-	-	-	-	-	-	-	1 497
Corporation tax	(11 457)	(23 797)	4 604	(1 531)	1 816	647	5 514	3 308	-	(20 896)
Consolidated net income	26 597	42 502	(7 919)	(1 993)	(7 281)	(7 035)	(23 033)	164 554	(183 885)	2 507
o/w										
Net income, group share	€25 291	€42 236	€(7 948)	€(2 182)	€(7 281)	€(7 035)	€(23 033)	€164 554	€(183 885)	€717
Minority interests	1 306	266	29	189	-	-	-	-	-	1 790

Notes to the consolidated financial statements

Depreciation, amortisation and provisions by segment

(in thousands)										
1st half ended June 30 2010										
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter- segment eliminations	GROUP
Provisions for loans and receivables	(13 438)	(2 837)	(91)	(28)	-	-	-	(137)	-	€(16 531)

(in thousands)										
1st half ended June 30 2009										
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter- segment eliminations	GROUP
Provisions for loans and receivables	(173)	(2 156)	(21)	(19)	-	-	-	(166)	-	€(2 535)

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 2009 and 2010 financial statements.

The impairment of €13.4 million accounted in the segment Germany, Austria & Switzerland is linked to the IT project Convergence (cf. Note 1. Significant events).

Balance sheet by segment

(in thousands)										
June 30, 2010										
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter- segment eliminations	GROUP
Goodwill	-	393	67 852	7 803	34 550	2 988	-	-	-	113 586
Other intangible assets	28 804	12 370	15 074	5 655	3 519	803	1 535	7 795	(1 641)	73 914
Investments - insurance businesses	516 413	669 975	126 601	159 562	148 129	10 163	106 085	1 729 785	(391 301)	3 075 412
Investments accounted for by the equity method	60 937	32 364	-	-	-	-	-	-	-	93 301
Share of assignees and reinsurers in the technical reserves and financial liabilities	263 064	51 383	220 895	180 951	72 066	20 778	329 169	110	(603 472)	534 944
Insurance and reinsurance receivables	74 697	83 797	265 188	75 163	80 447	19 278	240 342	(3 047)	(177 501)	658 364
Other assets	290 218	227 328	154 266	93 760	91 413	(14 359)	97 045	247 743	(147 545)	1 039 869
Total assets	€1 234 133	€1 077 610	€849 876	€522 894	€430 124	€39 651	€774 176	€1 982 386	€(1 321 460)	€5 589 390
Technical reserves	524 226	232 046	510 876	383 922	213 883	35 581	594 889	48	(598 862)	1 896 609
Liabilities related to inwards insurance and reinsurance transactions	15 685	72 313	34 883	28 942	6 374	2 656	113 557	1	(66 409)	208 002
Liabilities related to outwards reinsurance transactions	44 925	16 151	135 616	48 889	106 348	525	126 670	43	(262 185)	216 982
Other liabilities	366 319	259 124	115 067	66 091	33 096	7 376	4 838	700 514	(317 028)	1 235 397
Total liabilities	€951 155	€579 634	€796 442	€527 844	€359 701	€46 138	€839 954	€700 606	€(1 244 484)	€3 556 990

(in thousands)										
December 31, 2009										
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter- segment eliminations	GROUP
Goodwill	-	393	63 285	7 803	29 429	2 672	-	-	-	103 582
Other intangible assets	42 388	13 485	16 375	6 244	2 555	979	1 517	8 849	(1 640)	90 752
Investments - insurance businesses	481 472	637 519	85 014	163 037	114 326	4 538	125 218	1 570 516	(311 675)	2 869 965
Investments accounted for by the equity method	59 007	30 247	-	-	-	-	-	-	-	89 254
Share of assignees and reinsurers in the technical reserves and financial liabilities	238 286	32 884	210 535	169 369	58 348	31 209	315 185	110	(538 345)	517 581
Insurance and reinsurance receivables	102 501	79 633	248 372	83 021	56 540	15 805	130 478	(47)	(141 785)	574 518
Other assets	270 377	255 762	120 386	92 377	65 993	(9 295)	92 855	127 434	(111 588)	904 301
Total assets	€1 194 031	€1 049 923	€743 967	€521 851	€327 191	€45 908	€665 253	€1 706 862	€(1 105 033)	€5 149 953
Technical reserves	492 332	218 417	480 485	393 646	175 404	55 671	558 730	48	(538 182)	1 836 551
Liabilities related to inwards insurance and reinsurance transactions	20 907	70 814	24 596	34 835	4 186	3 334	98 323	(5)	(46 385)	210 605
Liabilities related to outwards reinsurance transactions	13 769	(2 217)	99 467	40 219	82 534	482	121 682	43	(185 579)	170 400
Other liabilities	347 795	239 705	104 584	58 878	23 861	9 746	9 953	610 667	(289 269)	1 115 920
Total liabilities	€874 803	€526 719	€709 132	€527 578	€285 985	€69 233	€788 688	€610 753	€(1 059 415)	€3 333 476

Notes to the consolidated financial statements

Note 12 Related parties

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

	Number of shares	%
Allianz France SA	26 864 230	59.58%
Allianz Vie	3 879 818	8.60%
Treasury shares	1 399 982	3.10%
Sub-total	32 144 030	71.29%
Public (bearer securities)	12 947 980	28.71%
Total	45 092 010	100.00%

Transactions

(in thousands)	1st half ended June 30							
	2010				2009			
	Allianz SE	Allianz Belgium	Allianz France SA	Related companies and joint ventures	Allianz SE	Allianz Belgium	Allianz France SA	Related companies and joint ventures
Operating income	19 843	-	-	9 059	19 297	-	-	25 616
Insurance services expense	(28 804)	-	-	(2 849)	(17 931)	-	-	(22 209)
Net income or expense on reinsurance	(16 056)	-	-	39	(3 501)	-	-	(2 626)
Financing expense	-	(874)	(2 731)	-	(9)	(599)	(5 300)	-
Other financial net incomes	(5 379)	-	-	(1 408)	(994)	-	-	(5 622)

Receivables and liabilities

(in thousands)	June 30, 2010				December 31, 2009			
	Allianz SE	Allianz Belgium	Allianz France SA	Related companies and joint ventures	Allianz SE	Allianz Belgium	Allianz France SA	Related companies and joint ventures
Financial Investments (Allianz SE bond)	160 000	-	-	-	160 000	-	-	-
Current accounts (accrued interests included)	11 726	-	(12)	(2 559)	37 940	-	-	44
Net operating receivables	3 885	-	-	811	1 458	-	-	594
Borrowings (accrued interests included)	-	135 091	112 448	-	-	135 031	268 016	-
Operating liabilities	1 028	-	201	360	2 046	-	220	113

The following entities invested in Allianz SE 3 years corporate bond for a total amount of €160 million:

- Euler Hermes Reinsurance A.G.;
- Euler Hermes Kreditversicherungs A.G.;
- Euler Hermes holdings UK Plc.;
- Euler Hermes SIAC spa;
- Euler Hermes SFAC S.A..

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 two loans contracted with Allianz France International and Allianz Belgium:

- 2009 loan of €110 million maturing in September 2012, at fixed interest rate Mid-Swaps 3 years + 60 basis points;
- 2010 loan of €135 million maturing in June 2020, at the annual fixed rate of 4,04 %.

In June, Euler Hermes re-financed two loans with Allianz France SA company (90m€ in term in June 19th, 2010 and 67m€ in term in June 21st, 2010) by two loans with the Crédit Agricole (125m€ in term in June 18th, 2015) and of HSBC (125m€ in term in June 18th, 2015).

Notes to the consolidated financial statements

Note 13 Commitments received and given

(in thousands)	June 30, 2010	December 31, 2009
Commitments received	€12 463	€12 770
* Deposits, sureties and other guarantees	12 463	12 770
Commitments given	€34 260	€27 611
* Deposits, sureties and other guarantees	34 260	27 611
o/w - Commitments associated with membership of an EIG	11 445	11 897
- Securities buyback agreement	684	630

Note 14 Subsequent events

No subsequent events occurred since June 30, 2010 closing which would impact the hypothesis of the annual closing.