REFERENCE DOCUMENT 2004

EULER HERMES

A company of Allianz

Contents

1,906
MILLION EUROS OF TURNOVER

MORE THAN
600
BILLION EUROS OF BUSINESS TRANSACTIONS PROTECTED

STANDARD & POOR'S
RATING OF A+
(SINCE MARCH 2004)

PRESENT IN
40 COUNTRIES

Euler Hermes, Global leader in credit insurance

Euler Hermes helps businesses, whatever their size, business sector or country of origin, to grow in both their home market and in export markets.

Taking credit insurance, its core business, as the starting point, Euler Hermes has developed a comprehensive range of credit management services that focus on preventing the risk of non-payment by developing a very close partnership with clients.

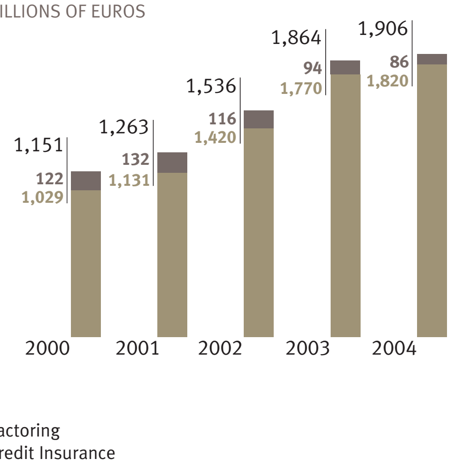
Backed by more than 100 years of experience, Euler Hermes has evolved hand-in-hand with the growth in trade and the needs of companies' business strategies. As an integrated group, Euler Hermes' organisation is both global and local, with a single communication platform, a homogenous service offering and diversified structures that guarantee the same level of service quality everywhere in the world, from risk assessment to the indemnification of bad debts.

The group has leading positions in all its markets with a three-pronged strategy for profitable growth based on strengthening its international presence, continually diversifying its product range and distribution networks, and improving service quality. A subsidiary of AGF and a member of the Allianz Group, Euler Hermes has the financial solidity needed to provide long-term support to its clients throughout the world.

Key Figures

CONSOLIDATED TURNOVER

IN MILLIONS OF EUROS



Turnover rose by 2.2%, even though growth in the European economies was modest. This growth is the result of sustained new business levels and increased customer loyalty. Furthermore, the countries in which the group has recently established itself have shown a 49.5% increase in turnover (25.6% pro forma).

CONSOLIDATED TURNOVER

1,906 M€

NET COMBINED RATIO

70.0%

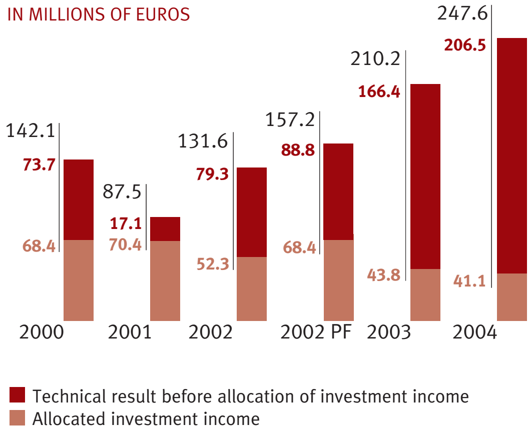
5,372

NUMBER OF EMPLOYEES

CREDIT INSURANCE UNDERWRITING RESULT

(AFTER EQUALISATION RESERVE AND ALLOCATED INVESTMENT INCOME)

IN MILLIONS OF EUROS



The underwriting result improved 18% mainly as a result of the reduction in claims and management expense ratios. Prudent risk underwriting and the strict control of costs successfully contributed to this result, despite a difficult economic environment in 2004.

1893
Creation of ACI in the USA

1917
Creation of Hermes Kreditversicherung in Germany

1918
Creation of Trade Indemnity in the United Kingdom

1927
Creation of Sfac in France and Siac in Italy

1929
Creation of COBAC in Belgium

1989
Formation of the holding Cie Financière Sfac. Creation of the Royal Nederland Kredietverzekering in the Netherlands

1992
First co-operation agreement between SFAC and Hermes

CONSOLIDATED NET INCOME, GROUP SHARE

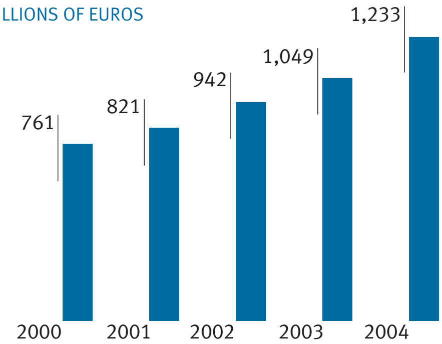
IN MILLIONS OF EUROS

Net gains on sale of Coface shares
Results before exceptional items

Euler Hermes' strategy to integrate its subsidiaries within one business model is largely bearing fruit. A strict underwriting policy linked to improving the product offering and service quality contributed to the growth of 41% of the net result, group share.

CONSOLIDATED SHAREHOLDERS' EQUITY

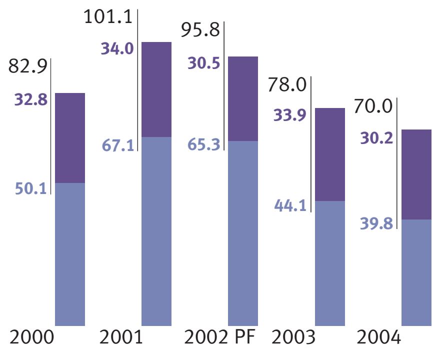
IN MILLIONS OF EUROS



The significant increase in shareholders' equity is a result of the increase in the net consolidated result, group share. The return on equity sits at 18.1%, up 3.4 points.

NET COMBINED RATIO

AS A % OF PREMIUMS EARNED, NET OF REINSURANCE

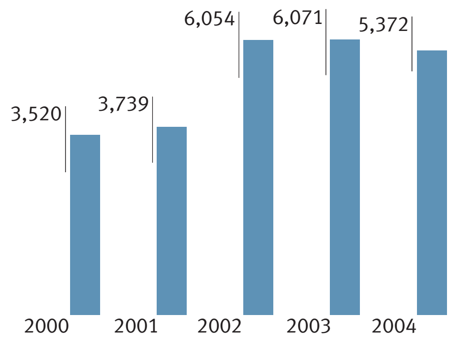


Cost ratio
Loss ratio

The improvement by 8 points in the combined ratio is the consequence of a reduction in the claims ratio that was achieved by the group's prudent underwriting policy; it was also achieved by the reduction in the management expense ratio following restructuring that has been taking place in some subsidiaries since 2001.

NUMBER OF EMPLOYEES *

AT 31 DECEMBER



* Employees of associated companies (at equity) included at 100%.

At 31 December 2004, the number of employees had reduced as a result of the sale of the factoring business (Eurofactor).

1996
AGF acquires majority shareholding of SFAC, then re-named Euler. Allianz acquires majority shareholding of Hermes

1998
Allianz acquires the majority share-holding of AGF

1999
International co-operation agreement between Euler and Hermes

2000
Flotation of Euler on the Paris stock exchange

2002
Euler acquires Hermes

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

2004
Sale of the 49.09% stake in Eurofactor to Crédit Agricole. Further expansion of operations worldwide (Finland, Greece, Portugal, Morocco)

Report of the Group Management Board 2004

CONTENTS

This English-language version of the report of the Group Management Board is a free translation of the original French text. It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version.

REVIEW OF 2004

The world economy in 2004

Building on the recovery observed in 2003, the world economy grew strongly in 2004. Although there was a noticeable slowdown during the year, its consequences varied widely from one country to the next. Several factors contributed to the slowdown, notably the rise in raw material prices, the slowdown in USA consumption, the deceleration of the Japanese economy and, lastly, the sharp fall in the dollar relative to the euro with its negative impact on Europe.

Although until then it had been the motor of world economic growth, the USA economy slowed during the second half of the year under the combined effect of higher oil prices, rising short-term interest rates and more moderate consumer demand.

In the United Kingdom, after a period in which it grew faster than its economic potential, the economy returned to a more moderate and more balanced growth rate. Against a backdrop of a wait-and-see monetary policy and low unemployment, the two main drivers of the economy in 2003 – consumer demand and the service sectors – were somewhat subdued.

Growth in the euro zone in 2004 was more hesitant, not only because of the trend in raw material prices and the decline of the dollar but also because households were prudent in terms of consumption, reflecting the high jobless rate. Savings are usually favoured over consumption in this economic context, and the recovery in productive investments is often limited. Nevertheless, this overview of the euro zone conceals contrasting positions between countries.

In France, domestic demand recovered markedly, driven by the recovery in consumption and stock building. The economy was affected, however, by weak exports linked to reduced competitiveness, resulting mainly from the dollar's decline against the euro.

In Germany, traditionally a major exporting country, growth was sustained by the rise in exports in the first half of the year. This trend reversed, however, in the second half as a result of the slowing world economy. Household consumption also pulled back for the third successive year, driving down the rate of growth.

The Spanish economy was driven by strong domestic demand, but its export performance had a dampening effect. Italy was hit by the combined impact of weak domestic and export demand.

Company failures

The fall in the rate of company failures observed in 2003 continued in 2004.

REVIEW OF 2004

The good health of the USA economy resulted in an approximately 5% decline in company failures during the year. In the early part of 2004 the rate increased, notably due to the sharp rise in companies filing for Chapter 11 protection, but the overall trend for the year was downwards.

	Company	Business sector	Last known turnover (millions euros)
1.	USA Airways	Air transportation	6,290
2.	Cornerstone Propane Partners LP	Energy	3,128
3.	Foster Wheeler	Capital goods	2,927
4.	Interstate Bakeries Corp.	Consumer goods	2,875
6.	Footstar Inc.	Consumer goods	1,852
11.	Oxford Automotive Inc.	Automobile equipment	900
13.	Trump Hotels & Casino Resorts Inc.	Media, gaming and entertainment	858
14.	Congoleum Corp.	Wood and building supplies	749
18.	Intermet Corp.	Automobile equipment	636
20.	Citation Corp.	Steel and metal	626

In Europe, the economic recovery that started in the second half of 2003 resulted in a stable number of company failures in 2004, following a sharp rise in 2003. This overall picture nevertheless concealed contrasting situations. While the number of company failures declined in the United Kingdom and Northern European countries, it was stable in Germany and France and continued to rise in Belgium, the Netherlands and Italy.

	Company	Business sector	Country	Last known turnover (millions euros)
1.	Courts Plc.	Retail	United Kingdom	1,018
2.	Finmek Spa.	Electronics	Italy	600
3.	Volare	Air transportation	Italy	500
4.	Ce.Di Puglia Srl	Wholesale	Italy	434
5.	The Mayflower Corporation Plc.	Automobile	United Kingdom	420
6.	Redstar Marketing	Computer equipment retailer	United Kingdom	405
7.	Larcom Limited	Industrial machines and equipment	United Kingdom	332
8.	Tecnodiffusione Spa.	IT	Italy	318
9.	Raemdonck - Janssens	Trailers	Germany	313
10.	Megapool BV	Consumer electronics	Netherlands	272
11.	Papeterie Matussière et Forest	Paper manufacturing	France	264
12.	Paradise Computer	Computer equipment retailer	United Kingdom	246
13.	Eurobridge Distribution BV	Computer equipment (wholesale)	Netherlands	233
14.	groupe Valiance	Security, cash transport and handling	France	208
15.	PNB Entreprenad AB	Building	Sweden	206
16.	Parsys	Computer leasing	France	205
17.	Ferrania Spa.	Photographic products	Italy	200
18.	Kögel Fahrzeugwerke AG	Textiles	Germany	200
19.	Sobelair	Air transportation	Belgium	195
20.	Hettlage Kgaa.	Footwear and leather	Germany	180

In terms of the outlook for 2005, economic trends point to a very probable increase in company failures in Europe. By contrast, the rate should continue to decline in the USA due to its robust economy.

EULER HERMES STRATEGY

Despite the difficult economic environment, Euler Hermes consolidated its business model in 2004, focusing on the one hand on the prevention of payment defaults and on the other hand on continuing to optimise its fixed costs. This was reflected in a series of measures that improved the Group's competitiveness and which are described below:

Development of synergies and the restructuring of certain subsidiaries

In 2004, Euler Hermes continued both to develop synergies within the Group following the acquisition of Hermes by Euler in 2002 and to optimise the structure of its operating entities to improve efficiencies. The restructuring plans initiated in the United Kingdom and Belgian subsidiaries in 2003 were also finalised during the year.

Extension of the credit insurance Business Model

The development of the Business Model, designed with a view to preventing non-payment and optimising our clients' business development, has been continued. The Business Model is based on the following principles:

- Close proximity of the risk underwriter and the debtor, i.e. of the underwriting decision and the risk,
- Extensive use of detailed information through our own information network.

Each Group company is now responsible for underwriting decisions taken in its geographic area of expertise.

Regional coverage in the United Kingdom has also been strengthened through the creation of a number of new risk management offices, and more detailed proprietary information has been obtained in Italy as a result of restructuring the information gathering process.

Continuing action to improve service quality

Euler Hermes continued to improve its services to clients in 2004. Particular efforts were made to boost service quality (shorter response times, more sharing of information with clients on credit limit decisions, etc.) and to offer new products suited to clients' requirements (the World Policy, a policy specific to small- and medium-sized businesses, etc.).

Reorganisation of international activities

The reorganisation of international activities decided in 2003 has been effective since the beginning of 2004. Under the new organisation, operational responsibility for a recently-formed foreign company is delegated to a Large Business Unit by the Euler Hermes holding company.

- Euler Hermes Kreditversicherung is responsible for development in Central Europe, Northern Europe and Asia.
- Euler Hermes Sfac is responsible for Southern Europe and the Mediterranean region.
- Euler Hermes ACI is responsible for the Americas.

This new operational structure enables recently-formed foreign companies to benefit from the expertise of a larger company that has the resources necessary to assist with its development.

As part of the reorganisation, equity investments are currently being transferred from the Euler Hermes holding company to these large companies.

KEY EVENTS OF THE YEAR

Changes in the share capital and in share ownership

– The Shareholders' General Meeting of 28 April 2004 decided to distribute a dividend of 1.82 euros per share with a choice between payment in cash and payment in shares at a price of 40.70 euros per share. This distribution led to the creation of 1,502,151 new shares, with an increase in the capital of 0.481 million euros and additional paid-in capital of 60.657 million euros. On this occasion, AGF reinvested all the dividends due to it in shares. At 31 December 2004, AGF owned 68.2% of the capital of Euler Hermes.

– During the year, 51,721 new shares were created by the exercise of options under the 1997, 1998 and 1999 stock option plans. At 31 December 2004, Euler Hermes' share capital was composed of 43,105,673 shares.

Changes to the Group Management Board

– The Euler Hermes Supervisory Board meeting of 25 May 2004 decided to appoint a new Group Management Board as from 1 June 2004. Its members are:

– Clemens von Weichs, Chairman of the Group Management Board with responsibility for Information Technology, Internal Audit, Communications – Marketing, and Career management for senior executives.

– Jean-Marc Pillu, Group Managing Director, also has responsibility for Commercial matters in addition to his role as Chairman of the Euler Hermes Sfac Management Board.

– Dr Gerd-Uwe Baden, responsible for the Risks function in addition to his role as Chairman of the Euler Hermes Kreditversicherung Management Board.

– Michel Mollard, responsible for the supervision of operating entities in the United Kingdom, United States, Italy, Belgium and the Netherlands in addition to his role as the Head of Strategy.

– Nicolas Hein, Group Chief Finance Officer and Head of Risk Management, also has responsibility for the Reinsurance function.

Disposal of Eurofactor

Announced on 27 July, the discussions concerning the acquisition by Crédit Lyonnais - Crédit Agricole of Euler Hermes' interest in Eurofactor concluded on 16 September with the signing of a sale agreement. The effective date of the disposal was 14 December 2004. The disposal proceeds totalled 187.3 million euros, to which must be added the repayment of an 11 million euro loan granted to Eurofactor together with accrued interest to the effective date of 1.9 million euros. The cash flow generated by this disposal was used mainly to redeem loans contracted from AGF.

As a part of the disposal, a transaction putting an end to most of the guaranteed commitments was entered into under the liabilities guarantee issued in 1999 when Eurofactor was formed. A new liabilities guarantee, in a maximum amount of 10 million euros and with an excess of 1 million euros, was also put in place to cover tax and tax-related risks prior to 31 December 2003. Concerning any future calls under the new liabilities guarantee, Euler Hermes benefits from a deductibility clause covering certain lines provisioned in Eurofactor's closing 2004 balance sheet in the event that writebacks are made to such provisions in future closings. No provision had been made in this respect in Euler Hermes' financial statements at 31 December 2004.

Change in Euler Hermes' rating by Standard & Poor's

On 26 May 2004, Standard & Poor's Paris revised the outlook for its A+ financial strength and counterparty ratings on the main companies in the Euler Hermes Group from Stable to Positive. This improved rating outlook is a direct consequence of the significant improvement in Euler Hermes Group's profitability in 2003.

Presentation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with general accounting principles applicable in France and in particular with the provisions of regulation no. 2000-05 of the *Comité de Réglementation Comptable* (French accounting regulations committee - CRC) dated 7 December 2000 relating to the consolidation and merger accounting rules for companies governed by the French Insurance Code. There were no material changes during the year.

Post-balance sheet events

There have been no significant events since the balance sheet date.

BUSINESS ACTIVITY

Consolidated turnover for the year came to 1,906.2 million euros, an increase of 2.2% compared with the 1,864.2 million euros reported for 2003.

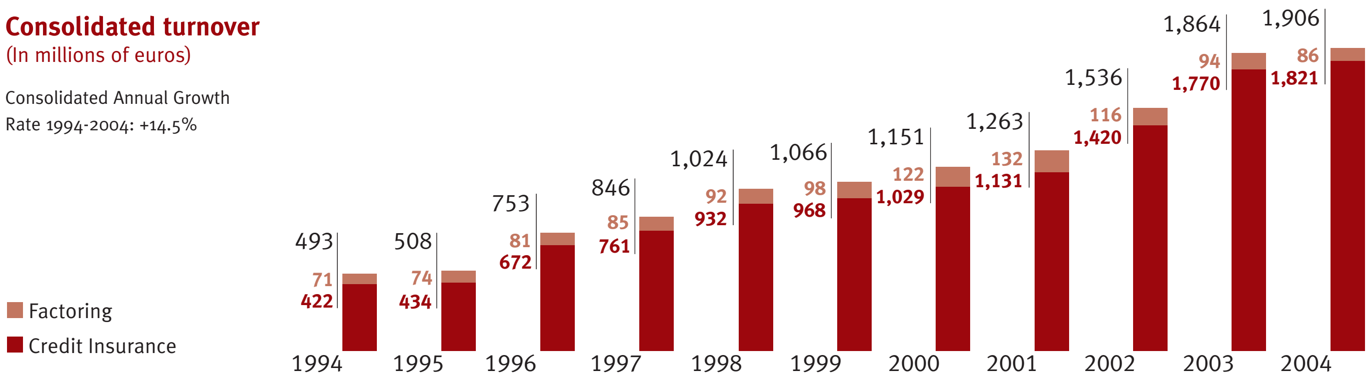
Taking into account changes in consolidation scope and in accounting classification methods, and the impact of exchange rate movements, consolidated turnover increased by 1.7%.

Although adversely affected by the termination of a large but unprofitable policy in the United Kingdom and the reduced scope of a major policy in the United States, this increase derives from the combination of two factors:

- an increase in turnover from credit insurance. This reflected growth in the business portfolio, a rise in clients' sales, and continuing growth in credit insurance related service revenues.
- a decrease in factoring turnover resulting from the continuing decline in short-term interest rates and a reduction in the proportion of receivables factored.

Consolidated turnover
(In millions of euros)

Consolidated Annual Growth Rate 1994-2004: +14.5%



Credit insurance

Euler Hermes' insurance activities comprise mainly credit insurance and, to a lesser extent, bonding and guarantees, and protection against employee fraud, known as "fidelity" insurance. These last two activities are carried out mainly in Germany. In the rest of this report, these activities are included under the general term "credit insurance".

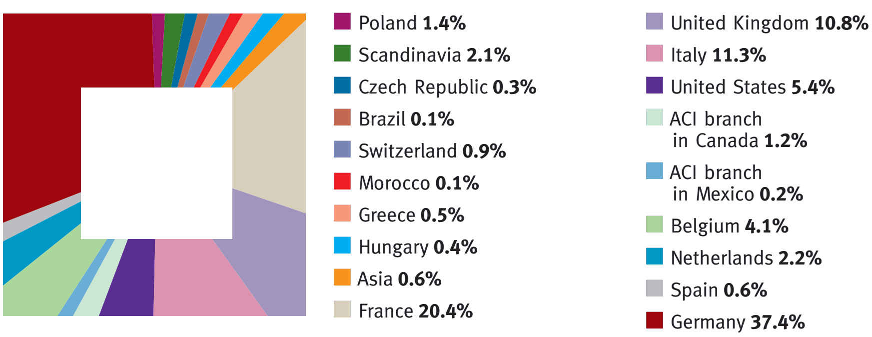
Credit insurance turnover comprises premiums on direct business received for insurance policies underwritten by the Group's insurance companies, assumed premiums and fees for managing and monitoring credit limits, debt collection fees and other fees invoiced to the Group's clients.

On a reported basis, credit insurance turnover increased by 2.9%, or by 2.3% compared with pro forma figures for 2003.

This increase in credit insurance turnover is attributable to:

- an increase in new contracts, particularly in Eastern and Southern Europe.
- growth in clients' sales,
- and, lastly, the continuing growth in credit insurance related service revenues.

Geographic spread of the credit insurance and bonding turnover at 31 December 2004



Factoring

Eurofactor's contribution to consolidated turnover fell by 9.3% as a result of a drop in related products and services.

CREDIT INSURANCE RESULTS

Earned premiums

Gross earned premiums amounted to 1,566.5 million euros, up by 2.1% on a reported basis. Excluding the currency effect, gross earned premiums increased by 2.6%. The proportion of premiums ceded to reinsurers decreased by 1.8 points in 2004, mainly as the result of a lower rate of premiums ceded by Euler Hermes ACI (down 10 points) and Euler Hermes Kreditversicherungs-AG (down 5 points).

(In thousands of euros)

	2004	2003	% change
Gross earned premiums	1,566,450	1,533,855	2.1%
Premiums ceded	–693,204	–706,838	–1.9%
Net earned premiums	**873,246**	**827,017**	**5.6%**
Reinsurance rate	44.3%	46.1%	

Cost of claims

Against the backdrop of a lower number of company failures, the cost of claims (before reinsurance) fell by 28.6% to 545.2 million euros.

This sharp reduction is due to the combination of several factors:

(I) the lower number of company failures, which resulted in both a decline in the cost of claims relating to the year under review compared with 2003, and the receipt of liquidation payments in respect of prior years,

(II) the very low number of major claims.

After taking reinsurance into account, the cost of claims fell by 4.7% to 347.6 million euros.

The loss ratio net of reinsurance therefore fell by 4.3 points compared with 2003, to 39.8%.

(In thousands of euros)

	2004	2003	% change
Cost of claims	–545,167	–763,984	–28.6%
Claims ceded to reinsurance	197,548	399,247	–50.5%
Net cost of claims	**–347,619**	**–364,737**	**–4.7%**
Gross loss ratio	34.8%	49.8%	
Net loss ratio	39.8%	44.1%	

CREDIT INSURANCE RESULTS

Operating expenses

Gross operating expenses fell by 24.7 million euros compared with 2003. After stripping out the exceptional expenses incurred in 2003, gross operating expenses rose by 1.8%.

As a result of the drop in the proportion of premiums ceded to reinsurers and the higher rate of premium discounts made to clients (because of the lower level of claims), the nominal amount of commissions paid by reinsurers was 4.0% lower than in 2003. This was largely offset by the drop in premiums ceded.

The cost ratio was 30.2%, down by 3.7 points compared with 2003.

(In thousands of euros)

	2004	2003	% change
Operating expenses	–733,089	–735,036	–0.3%
Other income	254,167	235,947	7.7%
Other underwriting income	8,219	3,699	122.2%
Gross operating expenses	**–470,702**	**–495,390**	**–5.0%**
Reinsurance commissions	206,601	215.128	–4.0%
Net operating expenses	**–264,102**	**–280,262**	**–5.8%**
Gross cost ratio	30.0%	32.3%	
Net cost ratio	30.2%	33.9%	

Underwriting result net of reinsurance

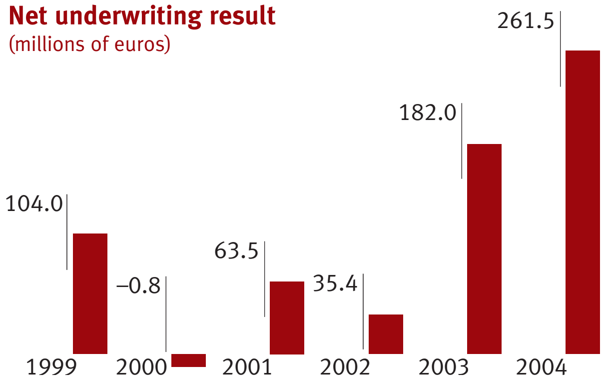
The underwriting result, before allocation to the equalisation reserve and before allocated financial income, increased sharply to 261.5 million euros thanks to the lower rate of premiums ceded to reinsurers and the reduction in the cost of claims.

(In thousands of euros)

	2004	2003	% change
Net earned premiums	873,246	827,017	5.6%
Net cost of claims	–347,619	–364,737	–4.7%
Net operating expenses	–264,102	–280,262	–5.8%
Underwriting result before equalisation reserve movements and allocated investment income	**261,526**	**182,018**	

CREDIT INSURANCE RESULTS

Net underwriting result
(millions of euros)



Net underwriting result

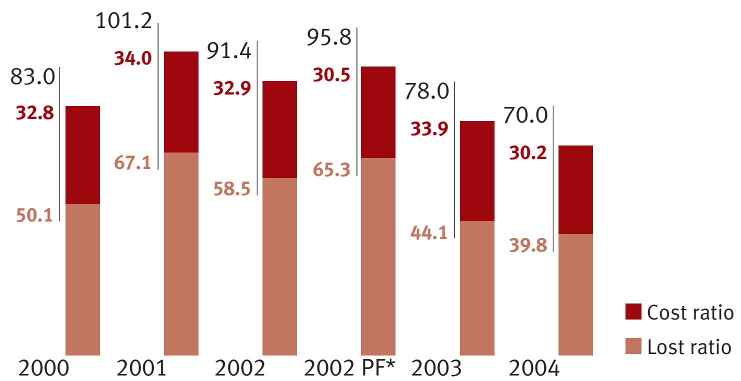
(In thousands of euros)

	2004	2003	% change
Underwriting result before equalisation reserve movements and allocated investment income	261,527	182,018	43.7%
Allocated investment income	41,118	43,840	–6.2%
Change in equalisation reserve	–55,023	–15,645	251.7%
Credit insurance underwriting result	**247,622**	**210,213**	

Net combined ratio

The combined ratio net of reinsurance was 70.0% in 2004, down by 8.0 points compared with 2003.

Combined ratio net of reinsurance
(as a % of earned premiums, net of reinsurance)



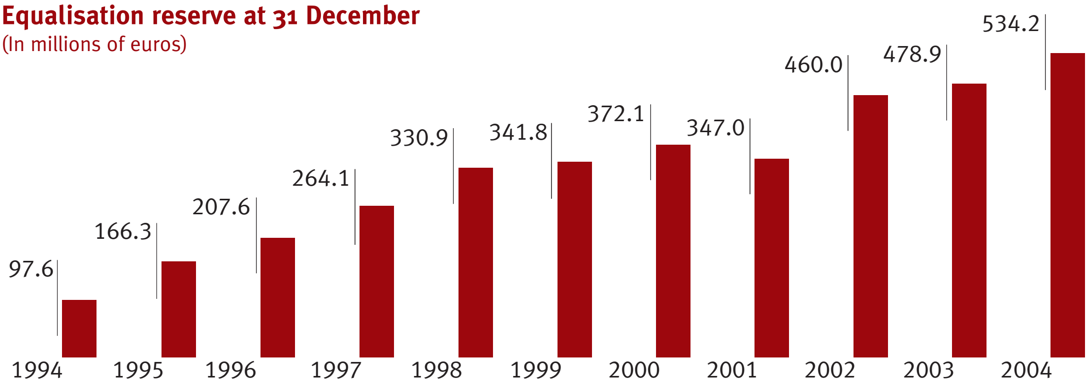
(*) Pro forma including former HERMES group companies over the full year.

CREDIT INSURANCE RESULTS

Equalisation reserve

During 2004, 55.2 million euros was allocated to the equalisation reserve, the largest amount since 2001. At 31 December 2004, the equalisation reserve totalled 534.2 million euros.

Equalisation reserve at 31 December
(In millions of euros)



Underwriting result

After allocation to the equalisation reserve and allocation of financial income, the underwriting result for the credit insurance business came to 247.6 million euros in 2004 compared with 210.2 million euros the preceding year.

CREDIT INSURANCE RESULTS

Ordinary income

(In thousands of euros)

	2004	2003	% change
Turnover	1,820,617	1,769,802	2.9%
Cost of claims excluding management expenses	–545,167	–763,984	–28.6%
Gross operating expenses	–724,868	–731,337	–0.9%
Reinsurance income (loss)	–289,055	–92,463	ns
Allocated investment income	41,118	43,840	–6.2%
Change in equalisation reserve	–55,023	–15,645	251.7%
Credit insurance underwriting result	**247,622**	**210,213**	**17.8 %**
Net income from unallocated investments	27,404	33,739	ns
Employee profit sharing	–7,700	–7,566	1.8%
Elimination of inter-sectoral transactions	4,058	2,027	ns
Ordinary income from credit insurrance	**271,384**	**238,413**	**13.8 %**

Financial income

Having made satisfactory progress in the first three months of the year thanks to optimistic earnings growth forecasts, the markets turned down in the spring and stagnated in the summer, for three main reasons: the Madrid terrorist attacks in March, the hike in oil prices (WTI oil prices reached 55.87 dollars per barrel on 22 October 2004) and the poor visibility on the outcome of the USA presidential elections.

Once the election results were known and oil prices had returned to the 40-dollar trading range, the markets picked up again and closed the year showing gains of between 7% (Paris 7.4%, Frankfurt 7.3%, London 7.5%, Tokyo 7.6%) and 9% (New York, 9.1% for the S&P 500) for the major markets. Note the excellent performances recorded by the Madrid and Milan markets, up respectively 17.4% and 15.7%.

On the currency markets, the euro appreciated for the third consecutive year. During the year, it strengthened by 7.9% against the USA dollar.

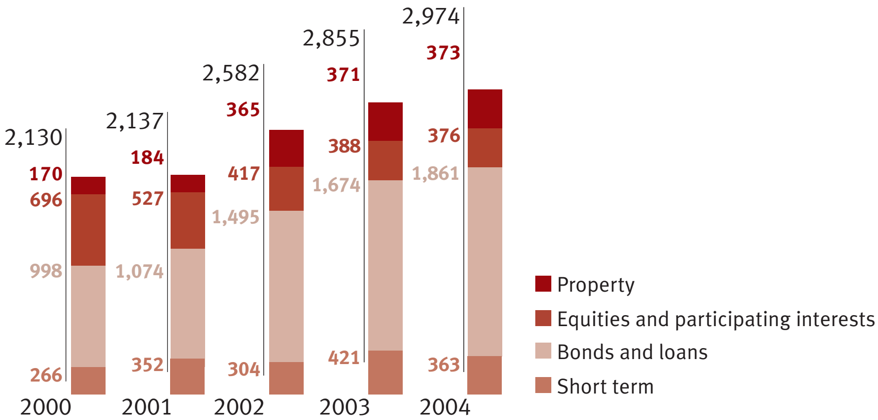
On the interest-rate front, the USA Federal Reserve left its intervention rate at an historically low 1% in the early months of the year before gradually increasing the rate from June onwards to close the year at 2.25%.

By contrast, bond investments were influenced by the year-on-year stability of USA 10-year rates whereas in the euro zone the rates for 10-year maturities eased from 4.30% to 3.56%.

Overall, financial income fell by 11.7% compared with 2003 to 68.5 million euros. Excluding interest expenses of 21.7 million euros of Euler Hermes S.A., related mainly to the debt contracted at the time of the acquisition of the former Hermes group, and excluding a write back of 9.2 million euros to provisions for permanent diminution in value, net financial income amounted to 81.0 million euros, up by 1.0% compared with the 2003 pro forma figure of 80.2 million euros.

CREDIT INSURANCE RESULTS

Breakdown of asset portfolio
(In millions of euros – market value at 31 December 2004)



The cash flow generated by reducing equity exposures at the end of 2003 was reinvested in bonds, taking the proportion of bonds in the portfolio from 51.9% to 56.2%.
Unrealised gains increased by 34.1% to 215.2 million euros, as a result of trends in the equity markets and the continuing decline in interest rates.

(In millions of euros)

Portfolio assets at 31 December	2000	%	2001	%	2002	%	2003	%	2004	%
Bonds	987	46%	1,063	50%	1,315	51%	1,480	52%	1,618	54%
Equities	681	32%	511	24%	397	15%	371	13%	375	13%
Total transferable securities	**1,668**	**78%**	**1,574**	**74%**	**1,711**	**66%**	**1,852**	**65%**	**1,993**	**67%**
Non-consolidated shareholdings	15	1%	16	1%	21	1%	17	1%	1	0%
Cash and cash equivalents	266	12%	352	16%	304	12%	421	15%	363	12%
Property	170	8%	184	9%	365	14%	371	13%	373	13%
Loans and other financial investments	11	1%	11	1%	180	7%	194	7%	243	8%
Total	**2,130**	**100%**	**2,137**	**100%**	**2,582**	**100%**	**2,855**	**100%**	**2,974**	**100%**
Unrealised gains										
Gains (losses) on equities	248		112		–15		40		53	
Gains on other securities	28		28		51		35		61	
Gains on other assets	69		76		77		85		100	

CREDIT INSURANCE RESULTS

Contribution to consolidated net income

Credit insurance contributed 195.8 million euros to consolidated net income, compared with 138.7 million euros in 2003.

(In thousands of euros)

	2004	2003	% change
Ordinary income from credit insurance	**271,384**	**238,413**	**14%**
Other non-underwriting income and expenses	11,672	–11,520	ns
Duties and taxes	–85,548	–86,056	–1%
Share of earnings from equity affiliates	5,334	3,069	74%
Minority interests	–2,310	–2,276	1%
Other consolidation adjustments	–4,763	–2,914	63%
Contribution to consolidated income	**195,770**	**138,717**	**41%**

Other non-underwriting income and expenses derive mainly from the disposal of Eurofactor, which generated an overall capital gain of 14.8 million euros, corresponding to a holding company gain of 9.8 million euros and a gain on consolidation of 4.9 million euros. It should also be noted that additional provisions totalling 3.1 million euros were raised in 2003 on the Eurofactor liabilities guarantee.

FACTORING RESULTS

Despite the drop in Eurofactor's turnover, net banking income increased as a result of the combination of lower financing costs (due mainly to lower financing rates) and a rise in other banking income including, in particular, income from the swap entered into in 2003.

The factoring business contributed 18.3 million euros to consolidated operating income, up sharply as the result mainly of a steep decline in claims expenses.

(In thousands of euros)

	2004	2003	% change
Net banking income	**72,812**	**70,121**	**3.8%**
Net management expenses	–46,061	–45,917	0.3%
Other net income and expenses	–8,466	–18,243	–53.6 %
Operating income from factoring	**18,285**	**5,961**	**206.7%**
Writeback from fund for general banking risks (FGBR)	0	0	ns
Operating income from factoring after FRGB	**18,285**	**5,961**	**206.7%**

CONSOLIDATED NET INCOME

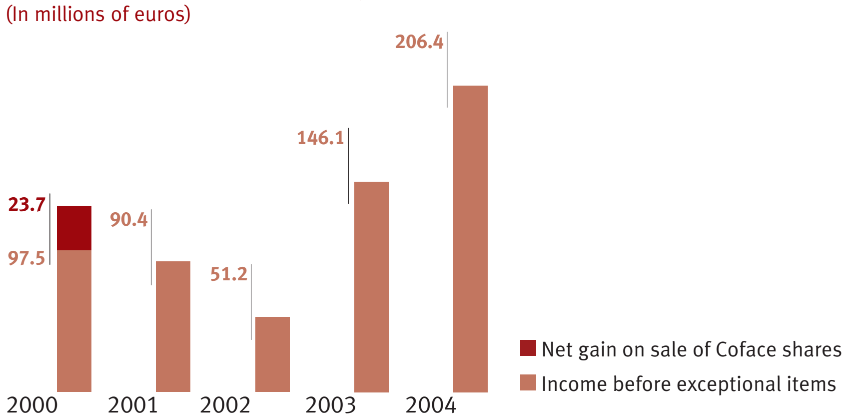
Euler Hermes recorded an increase in pre-tax operating income from 244.4 million euros reported in 2003 to 289.7 million euros in 2004.

(In thousands of euros)

	2004	2003	% change
Ordinary income from credit insurance	271,384	238,413	13.8%
Operating income from factoring after FRGB	18,285	5,961	ns
Operating income before tax	**289,669**	**244,374**	**18.5%**
Other exceptional income and expenses	13,121	–6,202	–311.6%
Corporation tax	–94,470	–89,852	5.1%
Net income from consolidated compagnies	**208,320**	**148,320**	**40.5%**
Share of earnings from equity affiliates	5,466	3,163	72.8%
Goodwill amortisation	–4,836	–2,923	65.4%
Minority interests	–2,513	–2,415	ns
Net income, Group share	**206,437**	**146,145**	**41.3%**
Net earnings per share	**5.07**	**3.72**	**36.3%**

The other exceptional income derives mainly from the disposal of Eurofactor, which generated an overall capital gain of 14.8 million euros, corresponding to a holding company gain of 9.8 million euros and a gain on consolidation of 4.9 million euros. It should also be noted that additional provisions totalling 3.1 million euros were raised in 2003 on the Eurofactor liabilities guarantee.

Consolidated net income, Group share
(In millions of euros)



CONSOLIDATED SHAREHOLDERS' EQUITY AND ADJUSTED CAPITAL

Consolidated shareholders' equity

At 31 December 2004, the Group share of consolidated shareholders' equity amounted to 1,233.0 million euros compared with 1,049.2 million euros at the end of the preceding year. The main movements during the year were as follows.

(In thousands of euros)

	Capital	Premiums and reserves	Income for the year	Other	Total
Consolidated shareholder's equity at 31 December 2003	**13,297**	**959,111**	**146,145**	**–69,346**	**1,049,207**
Capital increase	497	61,624	0	0	62,121
Translation differences	0	0	0	–5,534	–5,534
Dividends paid	0	–72,437	0	0	–72,437
Change in the capitalisation reserve	0	0	0	0	0
Treasury shares	0	0	0	0	0
Other changes	0	139,361	–146,145	0	–6,784
Net income, Group share	0	0	206,437	0	206,437
Consolidated shareholder's equity at 31 December 2004	**13,794**	**1,087,659**	**206,437**	**–74,880**	**1,233,010**

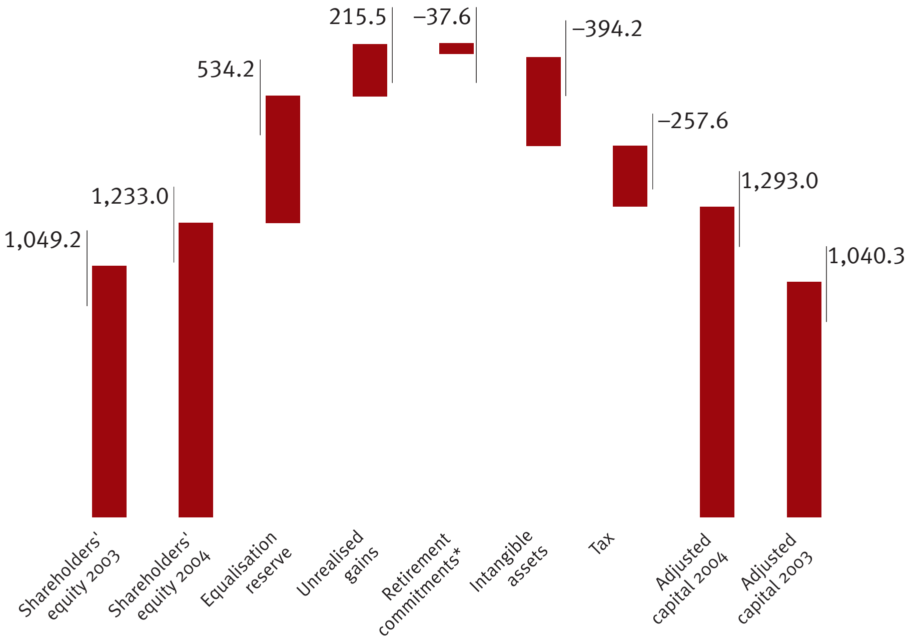
The "other changes" derive mainly from the advance application by Euler Hermes of CRC regulation no. 2004-06. Following a detailed analysis of the costs incurred to the end of 2004 in respect of the Information, Risk and Policies (IRP) information system, it was apparent that the costs prior to 31 December 2001 did not meet the capitalisation criteria set out in regulation no. 2004.06 relating to the valuation and recording of assets. Consequently, all such costs capitalised prior to December 2001 have been charged against shareholders' equity.

CONSOLIDATED SHAREHOLDERS' EQUITY AND ADJUSTED CAPITAL

Adjusted capital

Movements in the Group's adjusted capital, before tax, were as follows:

Adjusted capital after tax at 31 December 2004 (In millions of euros)



(*) Gains and losses on retirement commitments not recognised in the income statement

Group adjusted capital after tax amounted to 1,293.0 million euros compared with 1,043.3 (1) million euros at end-2003, an increase of 24.3%. This is attributable to:

I – the increase in shareholders' equity following the higher level of net income, group share in 2004 compared with 2003 (17.7% of the 2003 adjusted capital),

II – allocations to the equalisation reserve (increase of 5.3%),

III – the increase in unrealised capital gains (increase of 5.3%),

IV – retirement commitments (decrease of 1.0%),

V – to a lesser extent, the reduction in intangible assets (increase of 14.1%),

VI – and the higher tax charge on the adjustments (decrease of 17.1%).

(1) The adjsuted capital before tax published in 2003 (1,284.6 millions euros) is corrected by an amount of 27,5 millions euro for retirement commitments non reported through the income statements. The related tax charge is 216.8 million euro.

CREATION OF SHAREHOLDER VALUE

Earnings per share

Earnings per share before dilution were 5.07 euros in 2004 compared with 3.72 euros in 2003, an increase of 36.3%. Over five years, earnings per share have averaged 3.29 euros (3.15 euros excluding the exceptional gain on disposal of Coface shares). Fully-diluted earnings per share amounted to 5.05 euros, compared with 3.71 euros in 2003.

Earnings per share Euler Hermes

(In euros)

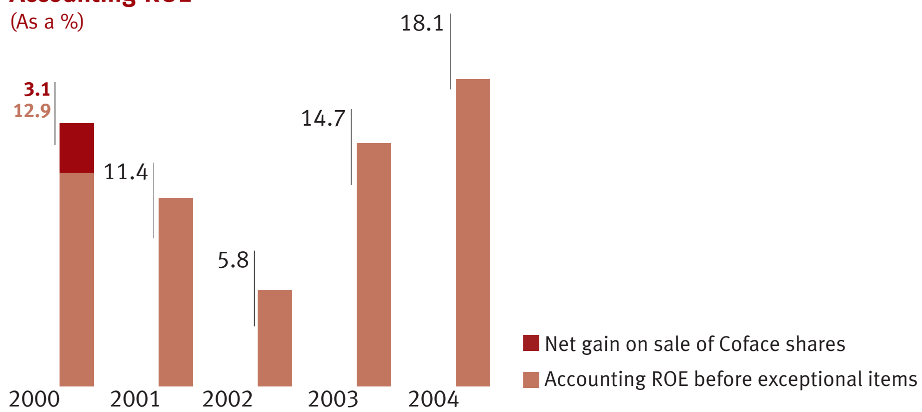
Annual growth rate 2000-2004: 15.5 %.

Return on equity

Thanks to the 41.3% increase in net income, Group share and despite a 14.6% increase in average shareholders' equity, accounting ROE increased by 3.4 points to 18.1%.

Accounting ROE

(As a %)



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 does not take into account, in particular, the allocation to the equalisation reserve, exceptional items or goodwill. It 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 a capitalisation model developed by Allianz. There were no changes to the model in 2004: the deduction of differed tax is cancelled and the amount of allocated capital is equal to the amount of capital needs increased by the amount of surplus which may not be distributed. Total capital allocated to the business amounted to 1,318.9 million euros in 2004. The return on allocated capital was 17.9%, corresponding to a 17.0% increase in relation to 2003 (return on allocated capital of 15.3%). This increase resulted from:

(I) the increase in ordinary operating income after elimination of changes in the equalisation reserve and exceptional items,

(II) the increase in standardised financial income due to Eurofactor's financial income and the reduced debt load at the holding company.

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

(In thousands of euros)

	2004	2003
Net income, Group share	206,438	146,145
Cancellation of actual financial income	–72,917	–77,494
Standardised financial income	94,586	86,759
Cancellation of movement in equilisation reserve	55,023	15,645
Opportunity cost of surplus capital	–1,605	–3,307
Cancellation of goodwill and exceptional items	–12,517	5,497
Cancellation of actual tax	94,769	82,805
Standardised tax (local rate for each country)	–127,322	–89,207
Operating contribution of activity	**236,454**	**166,844**
Allocated capital	1,318,863	1,090,106
Return on allocated capital	**17.9%**	**15.3%**

ACTIVITY OF EULER HERMES SA

Euler Hermes SA is the parent company of the Euler Hermes Group. It does not carry out any commercial or industrial activities.

Subsidiaries and participating interests

The main changes during the financial year concern the disposal of the shares in Eurofactor with effect from 14 December 2004. The shareholding in Eurofactor and its subsidiaries was sold for 189.2 million euros. The capital gain after tax came to 9.8 million euros.

Results

Net income for the year amounted to 50.1 million euros versus 36.2 million euros in 2003. The table below presents the main components of the company's results:

(In thousands of euros)

	2004	2003	% change
Income from participating interests (1)	75,558	38,542	96.0%
Other net financial expenses (2)	–41,406	–22,871	81.0%
Net operating expenses (3)	–19,282	–6,073	217.5%
Provision for (–) or writeback of (+) depreciation of treasury shares (4)	22,955	31,188	–26,4%
Ordinary income	**37,825**	**40,785**	**–7.3%**
Exceptional items (5)	10,297	–3,992	–358.0%
Corporation tax (6)	1,952	–625	–412.4%
Net income	**50,074**	**36,169**	**38.4%**

(1) Revenues from participating interests rose by 37.0 million euros.

(2) Other net financial charges comprise mainly interest expenses on Euler Hermes' debt (21.7 million euros to end-December 2004) and a provision of 20.8 million euros for loss in value of Euler Hermes Credit Insurance United Kingdom shares.

(3) In 2004, the increase in operating charges was due mainly to an additional provision of 4.6 million euros linked to the acquisition of Euler Hermes Kreditversicherungs-AG, expenses linked to the disposal of'Eurofactor (2.2 million euros), and exceptional amortisation of computer software (2.8 million euros).

(4) At 31 December 2004, own shares held by the company represented 4.07% of the capital, i.e. 1,751,339 shares, charged against shareholders' equity. No sales or purchases of these shares were recorded in 2004.

(5) In 2004, net exceptional income comprised mainly the capital gain on the sale of Eurofactor (12.3 million euros), provisions booked for the cost of interest rate swaps linked to AGF loans (5.2 million euros) on the repayment of AGF loans at the end of 2004, and the profit on the transaction arising from the guarantee granted to Eurofactor in 1999 (2.4 million euros).

(6) Euler Hermes SA is the head of the tax group composed of the French companies in which it has more than 95% control. In 2004, tax integration resulted in a gain of 5.9 million euros for the company.

Dividends

The Group Management Board will propose at the Annual General Meeting that shareholders be offered the option of receiving the dividend payment of 2.5 euros per share in the form of either cash or shares.

In accordance with article 232-19 of the French Business Code, the price of the shares distributed in lieu of dividends shall be equal to 90% of the average quoted share price over the last 20 stock market trading days prior to the date of the meeting, after deduction of the net dividend amount.

If the amount of the dividend to which a shareholder is entitled does not correspond to a whole number of shares, the shareholder may receive the next lower whole number of shares, and receive the balance in cash, or, alternatively, receive the next higher whole number of shares by paying the difference in cash on the date the option is exercised.

The share price will be quoted ex dividend from 02 May 2005. Shareholders that request payment of the dividend in the form of shares may exercise their option from 02 May 2005 to 23 May 2005 inclusive at the branches of their financial intermediary. After this period has expired, the dividend will be paid in cash with payment made on 1 June 2005. The option shall apply to the total amount of the dividend to which it relates. Shares issued in payment of the dividend will be issued and bear dividends with effect from 1 January 2005.

It will be proposed that the shareholders' meeting fix a dividend of 2.5 euros per share. The total dividend to be paid in espect of 2004 amounts to 107.8 million euros.

ACTIVITY OF EULER HERMES SA

(In thousands of euros)

Proposed allocation of income	2004
Source	
Retained earning from previous year [1]	194,414
Exit tax	4,444
Net income for the year	50,074
	248,932
Allocation	
Allocation to reserves:	
Legal reserve	50
Special reserve for long-term capital gains	0
Proposed dividend: 2,50 euros per share	107,764
Retained earnings	141,118
	248,932

(1) If the compagny holds own shares at the date of payment of the dividend, the distributable income corresponding to the unpaid dividend is allocated to retained earnings.

The table below provides information on annual dividend payments over the past five years. Over five years, the average annual increase in the dividend per share has been 15.6%.

(In euros)

	2004 [1]	2003 [2]	2002 [2]	2001 [2]	2000 [2]
Global amount (in thousands of euros)	107,764	75,624	32,232	48,860	46,430
Amount per share before tax credit [3]	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 credit	**2.50**	**2.73**	**1.20**	**2.10**	**2.10**

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

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

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

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

SUSTAINABLE DEVELOPMENT

Insurance plays a key role in the sustainable development of a business. The sharing of risk is a stabilising factor for the business in the face of the risks that weigh on its development; moreover, insurance plays a vital role in developing best practices through its role of prevention.

As a credit insurance company, Euler Hermes is concerned to varying degrees by sustainable development in its accepted sense, i.e. development that allows present generations to satisfy their needs without jeopardising the capacity of future generation to satisfy theirs. 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 social and natural environment. Therefore, 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 wellbeing.

As the Group's businesses are service business, they do not have a direct impact on the environment. Also, Euler Hermes is an international group, with most of its business outside France. Its activities span several continents and are carried out in numerous countries with different social and environmental laws, thus making comparison difficult. However, Euler Hermes develops responsible partnerships with its clients and plays a very significant role in their sustainable development by offering them resources that enable them to reduce customer risk and by ensuring stable cash flows through the regular payment of invoices issued. In very different economic environments, Euler Hermes helps its client companies to manage customer risk in all circumstances, to consolidate growth and ensure lasting development, thus directly benefiting shareholders, employees and business partners. The Group's activities contribute to the stability and growth of international trade. Euler Hermes also applies strict rules throughout the Group in terms of compliance, corporate governance and transparency with regard to all its economic partners.

A culture of responsibility

Euler Hermes is a group that has developed over the last 12 years through the merger of a number of leading companies within the sector, each with its own history and identity. They have been gathered together around a business model that implies a shared vision of the business and a sense of responsibility toward clients, staff and shareholders.

The world leader in credit insurance, and the leader in most of its national markets, Euler Hermes has cultivated a sense of responsibility that has been essential during the economic difficulties of the last few years. This responsible attitude has borne fruit and enables all concerned parties to limit risk and reap the benefits. The increases in premium rates and more selective risk underwriting have enabled the Group to insure ever more significant risks and prevent the rise in company failures from affecting the financial stability of its clients.

The efforts asked of our clients were shared by the staff, who continued to implement cost cutting measures, and by the shareholders, who have shown unwavering confidence in the Group.

The Group's strategy, together with the efforts made by all, 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. Euler Hermes therefore places its staff in a position of great responsibility toward business partners. In the economic conditions of the past few years, companies and their customers and suppliers have been in a high-risk situation where the bankruptcy of one can trigger a chain reaction. Withdrawing credit can bring a business relationship to an end and create difficulties for the company. The losses generated by the failure of a counterparty increase the cost of risk and can endanger the company's survival.

Euler Hermes has accordingly adopted a prudent and progressive approach that is made possible by its risk prevention model. Whenever there is an increased likelihood of bankruptcy, Euler Hermes' staff become aware of it very rapidly thanks to their regular contact with all the players in each market: businesses, bankers, trade associations, etc. They begin discussions very early on with the business and the buyer, thus avoiding a sudden termination.

Thanks to its capacity to identify risk very early on, Euler Hermes can help the business 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. The businesses, buyer and supplier can thus consolidate their situation while continuing their business activities.

SUSTAINABLE DEVELOPMENT

The heart of a company: the men and women on the staff

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

As a multi-cultural international group, Euler Hermes has adopted a dynamic and harmonised human resources policy that respects local cultural differences for its roughly 6,000 employees.

Made up of companies located in all parts of the world, Euler Hermes had 5,372 employees at 31 December 2004 following the disposal of its factoring business. There is an even balance between men and women. The average age is 39.5 and the average length of service is 11.5 years.

In 2004, 494 new employees were recruited and 515 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 with local regulations and labour conventions.

Breakdown of Group employees, excluding factoring

- Germany **38%**
- France **17%**
- US & Canada **6%**
- United Kingdom **9%**
- Italy **9%**
- Belgium **4%**
- Netherlands **2%**
- Scandinavia **2%**
- Other **13%**

Promoting a Group culture

One of the Group's main priorities is to favour the integration of each employee and to encourage teamwork. Euler Hermes took measures in this direction in 2004 by organising numerous meetings at all levels of management.

The multicultural background of its staff is not only a major asset for the Group, it is also a prerequisite for its performance.

Intercultural seminars were organised for members of the Group Management Board and for managers of cross-company operating and functional units in order to create new work-sharing habits. In addition, several international seminars were organised with the aim of developing international management skills based on values shared by all Group entities and of developing a multicultural approach to any given issue.

Lastly, inter-subsidiary committee meetings of all the main functions (risk, commercial, finance, reinsurance, information technology, communication, human resources, etc.) were held throughout the year to encourage the sharing of information and best practices.

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

Ethics and compliance

A Group compliance officer was appointed in January 2003. His task is to act as a relay for the ethics department at AGF and the compliance department of the Allianz group. The local entities report to Euler Hermes, AGF, and Allianz on a quarterly basis. These reports concern mainly the prevention of insider trading, legal disputes and court cases, regulatory and tax controls. The Group function relies mainly on the local audit structures for this purpose.

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 CB regulations in France and with FSA regulations in the United Kingdom.

Harmonising career management and remuneration

To strengthen its international profile, Euler Hermes encourages staff mobility. To this end, career management and pay policies have been harmonised throughout the Group.

Career management committees, at both the Group level and within each subsidiary, 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

SUSTAINABLE DEVELOPMENT

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.

The average gross annual salary paid to employees exceeds 49,000 euros; however, it is difficult to establish valid comparisons given the differences in the average cost of living between the various countries in which the Group operates.

Valuing performance and potential

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

Over the past three years, the Group has put together an international database of market pay scales. 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.

Also, a policy of identifying high potential has been introduced to offer employees rewarding and diversified careers in their home country and abroad.

Developing key skills

Euler Hermes takes targeted action to train its employees in preparation for future business methods. The emphasis is on developing key skills, such as project management, client services, new technology, managerial development and language skills.

In addition to these local moves, the Allianz group offers training programmes. Senior executives were able to attend international training programmes set up by the *Allianz Management Institute* in collaboration with internationally reputed colleges and universities.

In 2004, a budget of 3.4 million euros was allocated to training, stable compared with 2003. This budget represented 1.4% of total payroll expenses.

The basic level of staff qualification is high as 46% of the staff have a university or business school degree. This percentage is rising as the result of the recruitment of highly-qualified new staff, notably at newly created subsidiaries.

Patronage and solidarity

The Group's culture and values favour its involvement in the local social and cultural fabric. Various Group companies are involved in environmental and aid programmes and patronage of the arts, with a particular focus on young people.

In the USA, Euler Hermes ACI continues to develop a programme of aid for the Johns Hopkins Children's Center, which provides children with both medical care and teaching.

In Italy, Euler Hermes Siac has made two donations to Ospedale Bambino Gesù, the leading Italian hospital for children. One donation concerned the renovation of a building for lodging the families of hospitalised children, the other concerned new equipment for the kidney disease unit.

In Poland, Euler Hermes financed the purchase of toys and clothing for children at two orphanages in Lublin and Warsaw and the construction of access for disabled children at the Scinawa centre.

In Belgium, the end-of-year gifts have been replaced in the last two years by financial aid for the social integration of the handicapped.

Euler Hermes UK raises funds and sponsors national charity events for child aid programmes.

Lastly, spontaneous aid programmes were set up following the tidal wave that devastated South-East Asia at the end of 2004. Euler Hermes' German subsidiary has set up a partnership with the Sri Lankan government credit insurer to rebuild more than 100 fishermen's houses.

Several other Group companies have taken similar initiatives: Euler Hermes Sfac collected donations from its employees for Médecins du monde, and Euler Hermes ACI collected for the International Red Cross.

Employees at the Italian subsidiary voluntarily donated one hour of their wages. The amount thus collected was increased by an equal amount donated by the management and the total was donated to the Italian Red Cross.

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 function of the Group Management Board 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

SUSTAINABLE DEVELOPMENT

the Group and its subsidiaries. The Group Management Board meets as often as required in the company's interest. In 2004 it met twice a month.

Up to 31 May 2004, the members of the Management Board were: ***Jean Lanier, Chairman, Clemens von Weichs and Jean Marc Pillu.*** Following Mr Lanier's departure, the Supervisory Board meeting on 25 May 2004 appointed a new Management Board with effect from 1 June 2004, whose members are: ***Clemens von Weichs, Chairman, Jean-Marc Pillu, Managing Director, Gerd-Uwe Baden, Nicolas Hein and Michel Mollard.***

Supervisory Board

The Supervisory Board exercises a 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 2004 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 four independent members.

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

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

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

Following the decease of Roger Papaz, the censor, the Supervisory Board at its meeting on 19 November 2004, appointed Jean Hervé Lorenzi as censor with effect from 1 January 2005.

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 of 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 2004.

The members of the Audit Committee are: ***Laurent Mignon, Chairman, Robert Hudry and Yves Mansion.***

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 stock options to employees of the Group. It met twice in 2004.

The members of the committee are: ***François Thomazeau, Chairman, Charles de Croisset and Reiner Hagemann.***

Management of Cross-company functions

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

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

Cross-company functions are managed by:

Elias Abou-Mansour: Information Technology

Nicolas Delzant: Risks, Information, Debt collection

Benoît des Cressonnières: Reinsurance, Investor Relations and General Secretary

Raphaële Hamel: Communication

Nicolas Hein (*): Finance & Accounting

Louis Hofmeijer: Sales

Francis Lallemant: Audit and Support

Michel Mollard (*): Strategy

Elisabeth Sfez: Career Management and International Mobility

(*) Member of the Management Board

SUSTAINABLE DEVELOPMENT

Management of main subsidiaries

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

The Chief Executive Officers of the main subsidiaries are:

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

(*) Member of the Management Board

Environmental responsibility

The impact of a company's activities on the environment is a key element that must be considered in every aspect of its strategic thinking.

These concerns have been taken into account in general insurance operations, but the issues are less obvious for a credit insurance activity, which, by nature, has only a limited impact on the environment. However, the Group has taken steps to increase awareness and responsibility and the many cost savings implemented involve more efficient use of human resources, equipment and natural resources.

In our business, direct consumption of water and non-renewable energy resources is limited. Accordingly, a specific organisation has not been set up within the Group to handle accidental pollution that could have consequences outside the company.

However, electrical and heating equipment is regularly reviewed and replaced so that it complies with the required standards in terms of safety, consumption and comfort.

In view of the activity carried out by the Group, utilisation of the ground or the production of waste that could contaminate the water, air or ground are minimal or non-existent. The Group's choice of suppliers takes into account their commitment to collecting and treating the equipment at the end of its life cycle. In some subsidiaries, notably in Belgium, waste is systematically sorted for recycling. Certain consumables are recycled, notably ink cartridges for photocopiers.

Consumption of paper is a major concern for the company. Group companies send several million items of mail and millions of computer printouts are made each year.

Over the last few years, the Group has developed direct or Internet-based computer links (EOLIS among others) with its clients thus enabling rapid, precise and inexpensive daily communication.

For internal consumption, the policy is to use recycled paper; furthermore, the configuration and development of micro-computing has increased electronic storage capacity, enabling filing space to be saved and limiting the use of "paper" files.

At each of the Group companies, a central function, usually the 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.

SUSTAINABLE DEVELOPMENT

More generally, Euler Hermes is committed to preventing any risks that could harm the environment or the health of its staff or third parties. For example, during building renovation work within the Group, particular attention is paid to the choice of materials used in order to prevent potential direct or indirect risks of dangerous emissions, illness, accidents, fire or exposure to dangerous materials. Thus, Euler Hermes Sfac has replaced its cooling towers with "dry cooler" systems that do not carry any risk of legionellosis.

Systematic checks are performed during and on completion of construction work, to ensure that the standards relating to fire, electrical equipment etc. are complied with.

Regular work safety training, designed to prevent accidents, avoid consequential loss, human danger and to ensure continued operations in the event of an incident, is provided to staff. In accordance with Allianz group policy, Euler Hermes set in place and tested continuity plans at all the Group's subsidiaries in 2004.

While there are no reports as yet quantifying these factors for all Group entities, this type of report will become systematic in the future in order to respond appropriately and effectively to environmental concerns.

OUTLOOK

Macroeconomic conditions were still uncertain at the beginning of 2005.

Euler Hermes considers it very unlikely that it will manage to maintain the combined ratio achieved in 2004 during 2005 as claims cannot remain at their present level for long.

However, the Group believes that it has the growth and streamlining opportunities necessary to offset the rise in claims expected in 2005:

- in its traditional markets, by implementing a marketing policy focused on attracting new clients while continuing its efforts to increase the renewal rate of existing policyholders,
- dynamic international expansion in new markets (Eastern Europe, Asia, etc.) that will boost the Group's overall turnover,
- marketing new international offers that will enable it to accompany large multinational businesses in their expansion,
- providing an ever broader range of services that will contribute to growth in turnover,
- strict cost control,
- stable financial results if the present trend in the financial markets continues,
- improved reinsurance terms following the good claims performance of the past two years.

All these factors are expected to make a positive contribution to 2005 earnings and to enable Euler Hermes to build on its 2004 results.

ACTIVITY OF MAIN SUBSIDIARIES

Euler Hermes ACI (United States & Canada)

The financial statements of Euler Hermes ACI are published in euros and therefore integrate the nearly 20% depreciation of the dollar against the euro. The fluctuation in exchange rates partly explains the performance in 2004 compared with 2003. To facilitate comparison, we therefore also state the year-on-year changes after stripping out the currency effect.

At constant exchange rates, the company's contribution to Group turnover was up by 3.1% whereas, if the currency effect is taken into account, Euler Hermes ACI's contribution to turnover was down by 3.3%. Despite a sharp decrease in premiums received on a major policy, turnover increased in dollar terms thanks to the strong growth in the business portfolio achieved by the company's marketing efforts, the increase in customers' sales generated by the strong USA economy and the development of new service offers.

2004 was marked by continuing low claims frequency and by several significant claims. Although these major losses were partly offset by the reversal of provisions booked in 2003, they pushed up the net claims ratio. The net cost ratio declined thanks to stable expenses and an increase in service revenues. All in all, the combined ratio net of reinsurance increased slightly. The contribution to net consolidated income was stable in dollars but down in euros due to the weakness of the dollar.

(In millions of euros)

Euler Hermes ACI (USA & Canada)	2000	2001	2002	2003	2004
Contribution to turnover	135.4	148.2	141.7	129.0	124.7
Combined ratio net of reinsurance	99.4%	103.8%	89.6%	71.1%	72.9%
Contribution to consolidated net income	4.9	2.1	7.0	17.9	17.1

Euler Hermes Credit Insurance (Belgium)

Turnover was up by 7.2% compared with 2003, to 75.0 million euros. This increase was the result of growth in new business and a good renewal rate.

The combined ratio net of reinsurance improved strongly thanks to a decrease in claims and lower costs resulting from the restructuring carried out in 2003. The allocation to the equalisation reserve smoothed the change in net income between 2004 and 2003.

(In millions of euros)

Euler Hermes Credit Insurance (Belgium)	2000	2001	2002	2003	2004
Contribution to turnover	63.7	66.9	65.3	70.0	75.0
Combined ratio net of reinsurance	92.2%	89.6%	84.2%	125.4%	73.3%
Contribution to consolidated net income	2.8	0.5	1.1	2.1	2.5

ACTIVITY OF MAIN SUBSIDIARIES

Euler Hermes Kreditversicherung (Germany)

Euler Hermes Kreditversicherungs-AG posted a 3.7% increase in turnover, to 713.6 million euros. This growth was achieved thanks to an increase in new production net of cancellations, a rise in bonding and fidelity business, and higher turnover in Eastern Europe.
The combined ratio net of reinsurance dropped sharply. This improvement and the increase in net income are explained by a decrease in claims, the absence of any major losses and tight control of management expenses, together with a rise in premiums and a decrease in business ceded to reinsurers.

(In millions of euros)

Euler Hermes Kreditversicherung (Germany)	2002 PF	2003	2004
Contribution to turnover	630.7	694.7	713.6
Combined ratio net of reinsurance	119.3%	83.7%	70.8%
Contribution to consolidated net income	25.0	44.3	60.5

Euler Hermes Kredietverzekering (Netherlands)

Turnover was up by 13.5% to 37.1 million euros thanks to marketing efforts and growth in service revenues.

The combined ratio net of reinsurance improved thanks to lower claims levels and the non-recurrence of exceptional charges booked in 2003.

(In millions of euros)

Euler Hermes Kredietverzekering (Netherlands)	2000	2001	2002	2003	2004
Contribution to turnover	23.9	27.5	32.8	32.7	37.1
Combined ratio net of reinsurance	58.1%	87.5%	83.9%	98.6%	79.7%
Contribution to consolidated net income	1.5	0.6	0.1	1.8	1.4

Euler Hermes Sfac (France)

Turnover came to 371.9 million euros, up by 3.2%, thanks to a marketing policy that boosted the renewal rate, and to growth in clients' sales,

The combined ratio net of reinsurance remained stable as its two components remained constant. The increase in net income was linked to the growth in net underwriting results after reinsurance, the writeback(1) from the equalisation reserve of 20.0 million euros and the increase in financial income.

(In millions of euros)

Euler Hermes Sfac (France)	2000	2001	2002	2003	2004
Contribution to turnover	352.1	353.2	356.5	360.5	371.9
Combined ratio net of reinsurance	73.4%	86.6%	79.8%	60.4%	59.8%
Contribution to consolidated net income	73.8	82.2	68.9	82.0	101.0

(1) The writeback from the equalisation reserve arose from French rules for allocations to and writebacks from the reserve, which stipulate that if it is not used within a period of ten years the unused portion of amounts allocated should be written back.

ACTIVITY OF MAIN SUBSIDIARIES

Euler Hermes Siac (Italy)

Turnover grew by 5.0%, boosted in part by the Parmalat loss which prompted businesses to seek insurance cover for their trade receivables, and in part by growth in clients' sales. Turnover came to 205.6 million euros in 2004 compared with 195.7 million euros the previous year.

Following a year marked by the Parmalat collapse and by the reorganisation of its information-gathering structure, which led to exceptional underwriting charges, the combined ratio net of reinsurance improved thanks to a decrease in the claims level.

Despite a drop in financial revenues, resulting mainly from the writing back of provisions for a decrease in the value of shares recorded in 2003 and a significant allocation to the equalisation reserve, the company's contribution to the Group's consolidated net income increased by 3.0%.

(In millions of euros)

Euler Hermes Siac (Italy)	2000	2001	2002	2003	2004
Contribution to turnover	183.5	202.7	206.0	195.7	205.6
Combined ratio net of reinsurance	83.6%	122.0%	95.1%	87.3%	76.8%
Contribution to consolidated net income	7.5	3.8	6.0	8.0	8.2

Euler Hermes UK (United Kingdom)

Despite the growth in the business portfolio recorded in the second half of 2004, turnover fell by 13.7%. This was due in part to the effect of the decline in the business portfolio recorded in 2003 and in part to the cancellation of a major policy.

The combined ratio net of reinsurance improved significantly thanks to low claims levels, the favourable outcome of prior year claims and the positive effects of the restructuring carried out over the past few years.

The company's contribution to Group net income rose sharply despite a significant allocation to the equalisation reserve, thanks to stronger underwriting results and, to a lesser extent, the increase in financial income.

(In millions of euros)

Euler Hermes UK (United Kingdom)	2000	2001	2002	2003	2004
Contribution to turnover (1)	256.8	275.7	265.1	210.5	181.7
Combined ratio net of reinsurance	98.3%	116.3%	101.8%	95.7%	70.9%
Contribution to consolidated net income	12.1	–11.8	–1.6	6.2	13.1

(1) Of which captive premiums amouting to 16,2 millions of euros in 2003, 31,0 millions of euros in 2002 and 38, 1 millions of euros in 2001.

EULER HERMES AND IFRS

The analysis provided below is based on the IFRS in force on 15 February 2005. Future IFRS publications and IFRIC interpretations could lead to changes. This report presents the main impact of preparing Euler Hermes' consolidated financial statements according to IFRS. The options chosen by Euler Hermes and listed below have been approved by the Group's auditors. The audit of the figures related to the 2004 opening balance sheet is being finalised except the factoring activity and the validation by the IFRS technical experts requested by our Auditors of the possibility of applying to the network value the similar depreciation scheme as the one applied to the acquisition differences up to and of 2003. The impact of this accounting treatment has not been taken into account in the figures shown. If the figures are validated, the impact on the net equity amounts 30 million euros approximately.

At the date of this report, we are still waiting for the CNC to publish the IFRS insurance work groups' findings on application of IFRS in the financial statements of French insurance companies. These findings could have an impact on the elements presented. Euler Hermes will be able to present its 2004 income statement and closing balance sheet according to the timetable recommended by the AMF.

As part of the Allianz group, Euler Hermes' subsidiaries have prepared sets of financial statements according to IFRS since 1998 for consolidation purposes.

IFRS principles require that financial statements reflect economic reality by introducing the notion of fair value and applying this concept to all the main asset categories. They also require more detailed financial disclosure so as to facilitate comparisons between companies.

IFRS 4, which establishes the accounting rules applicable to insurance contracts, leaves the accounting for the greater part of liabilities to local standards whereas financial investments, which constitute a large portion of the assets, will be subject to IAS 39 under which the majority of these are accounted for at their market value.

Euler Hermes is more particularly concerned by the following IFRS:

IFRS 1:	first-time adoption of IFRS
IFRS 3:	business combinations
IFRS 4:	insurance contracts
IAS 12:	deferred tax assets and liabilities
IAS 16/40:	property
IAS 19:	employee benefits
IAS 32/39:	financial assets
IAS 37:	provisions, contingent liabilities and contingent assets
IAS 36:	impairment of assets
IAS 38:	intangible assets

Note that the adoption of IFRS does not have any operating impact, as they do not imply any changes in the structure of our business offer or changes in the remuneration of our distribution networks, or changes in terms of our Asset/Liability management strategy, or in our equity allocation policy.

The adoption of IFRS will significantly reduce the difference between the book value of net assets and adjusted capital, and will increase the volatility of future earnings.

Before evaluating the impact of individual standards in detail, Euler Hermes assessed the options for first-time adoption described in IFRS 1.

Euler Hermes which, like its majority shareholder AGF, is already consolidated according to IFRS by Allianz, had the choice of two options for valuing assets and liabilities (IFRS 1 sect. 24):

a) "at the carrying amounts that would be included in Allianz's consolidated financial statements, based on Allianz's date of transition to IFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which Allianz acquired the subsidiary"

b) "at the carrying amounts required by the rest of this IFRS, based on Euler Hermes' date of transition to IFRS"

Euler Hermes has opted for 24a. This choice was prompted by Euler Hermes' wish to present consolidated financial statements that are as close as possible to those prepared according to IFRS principles by AGF and Allianz. This guarantees a degree of traceability between the consolidated net income reported by Euler Hermes and Euler Hermes' contribution to net income in the financial statements of AGF and Allianz.

To ensure consistency, Euler Hermes has made the same choices as its two main shareholders in terms of the application of IFRS standards.

The principal impact of IFRS on balance sheet items is as follows:

1 – Financial investments:

Classification of financial assets in three categories:

a) Held for trading (market value / changes recognised in income statement)

EULER HERMES AND IFRS

b) Available for sale "AFS" (market value / changes recognised in equity)

c) Held to maturity "HTM" (amortised cost)

Euler Hermes intends to classify nearly all its portfolio of bonds and equities as available-for-sale assets. These financial assets are subject to impairment rules based on their market value versus the realisable value under French GAAP. Impairment is recognised in the income statement and, according to IAS 39 as amended, is definitive.

Impairment is recorded notably when the one of the following criteria is met:

- Loss in value → 20% over more than 6 months or
- Loss in value → 80% regardless of duration or
- Loss over more than 12 months

For the 2004 opening balance sheet, Euler Hermes calculated impairment retrospectively from the acquisition date of each security in the portfolio.

2 – Property

Euler Hermes has chosen the historical cost option. Acquisition expenses are included in the historical acquisition costs. Costs are broken down by component, which are given a residual value.

3 – Accounting for acquisitions of subsidiaries from Allianz since 1998 (Hermes)

For Hermes, a subsidiary acquired in 2002, Euler Hermes has adopted the values recorded in Allianz's consolidated financial statements and cancelled the French GAAP purchase accounting entries recorded at the time of the acquisition in 2002.

4 – Other acquisitions since 31 March 1998

Other acquisitions and business combinations have been restated according to IFRS.

5 – Consolidation of mutual funds (UCITS)

Euler Hermes holds dedicated mutual funds (100%-controlled) through its French and German subsidiaries. These are consolidated in the IFRS opening balance sheet using the full consolidation method.

6 – Value of networks and goodwill

Network values have been reclassified under goodwill. As from 1 January 2005, goodwill can no longer be amortised but it continues to be subject to impairment tests.

These tests are carried out at the level of each unit that generates cash flow.

The reclassified network values concern mainly the Italian, USA and United Kingdom subsidiaries.

Moreover, Euler Hermes has recalculated goodwill on the acquisition of foreign subsidiaries in accordance with IAS 21.

7 – Employee benefits

The only restatements concern the cancellation of the French GAAP purchase accounting entry relating to the acquisition of Hermes in 2002.

8 – Derivatives

Derivative instruments that do not meet hedging criteria are valued at their fair value.

9 – Insurance provisions

IFRS 4 provides for the cancellation of equalisation reserves. This is a major change for the credit insurance business, which uses this reserve to smooth underwriting results.

The suppression of the equalisation reserve under IFRS will mean greater volatility in net underwriting results for the credit insurance activity in the future.

Note that Euler Hermes does not have complete and reliable information relating to IFRS adjustments concerning the 2004 opening balance sheet for the factoring activity and has therefore made no adjustments in respect of this activity in its 2004 opening balance sheet. We shall work with Eurofactor's staff to gather the necessary information.

The 2004 opening balance sheet is as follows after application of IFRS and the options described above (adjustments are presented after tax):

EULER HERMES AND IFRS

(In thousands of euros)

Net equity at 1st January 2004 – *French GAAP*	**1,049,207**
Cancellation *Purchase GAAP Hermes*	–249,136
Retreatment of GW in foreign currencies	12,639
Consolidation of Investments funds	–837
Cancellation of equalisation reserve	300,662
Impact on Financial Assets available for sales (IAS 32 + 39)	49,507
of which: fair value impact	49,316
impairment impact	191
Other	–710
Total IFRS impact	**112,125**
Net equity at 1st January 2004 – IFRS	**1,161,332**

Based on restated capital, the following shows a comparison of adjusted capital under French GAAP and IFRS:

(In millions of euros)

	French GAAP	IFRS GAAP
Net equity at 1st January 2004	**1,049.2**	**1,161.3**
Equalisation reserve	478.9	0.0
Unrealised gains/losses on fixed assets	84.9	137.2
Unrealised gains/losses on financial assets	75.6	0.0
Cancellation of intangible assets	–404.0	–179.5
Impact Corridor IAS 19 liabilities	–27.5	–49.7
Tax impact on unrealised gains + Equalisation reserve + IAS liabilities	–216.8	–31.0
Total ajustments	**–8.9**	**–123.0**
Embedded net equity at 1st January 2004	**1,040.3**	**1,038.3**

Definition:

Adjusted capital: Book value of net assets + Unrealised gains on property and financial assets after tax + Equalisation reserves after tax – IAS 19 "Corridor" commitments after tax – elimination of intangible assets.

DIRECTORS' REMUNERATION

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 2004 amounted to 2.814 million euros.

The principles of the variable remuneration paid to members of the Group Management Board are described in "General Information".

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

– Reported consolidated net income,
– The achievement of operating objectives,
– The achievement of personal qualitative objectives.

(In euros)

Group Management Board	Fixed remuneration paid in 2004	Variable remuneration paid (in respect of 2003)	Attendance fees	Benefits in kind	Total
Jean Lanier (1)	150,000	987,209		1,286	1,138,495
Clemens von Weichs	360,000	219,990	7,180	11,110	598,280
Jean-Marc Pillu	360,000	224,580		2,900	587,480
Gerd-Uwe Baden (2)	210,000			7,547	217,547
Nicolas Hein (2)	151,667			2,300	153,967
Michel Mollard (2)	116,667			1,800	118,467
Total	**1,348,334**	**1,431,779**	**7,180**	**26,943**	**2,814,235**

(1) up to 31/05/2004
(2) appointed to Board on 01/06/2004

Attendance fees paid to members of the Supervisory Board amounted to 260 thousand euros in 2004 and break down as follows:

(In thousands of euros)

	Attendance fees
Jean-Philippe Thierry, Chairman	27.4
Jacques Blondeau	13.6
Diethart Breipohl	13.6
John Coomber	13.6
Charles de Croisset	27.4
Reiner Hagemann	27.4
Robert Hudry	27.4
Yves Mansion	27.4
Laurent Mignon	27.4
François Thomazeau	27.4
Roger Papaz, Censor	27.4
Total	**260.0**

The members of the Supervisory Board do not earn other remuneration except the attendance fees paid by Euler Hermes from Euler Hermes itself or from the subsidiaries controlled according to the article L.233-16 of the Code de Commerce.

Euler Hermes decided not to mention the remuneration received by its Supervisory Board members from the companies controlling Euler Hermes because their activities within these companies are not directly related with their fonction as Supervisory Board member of Euler Hermes.

LIST OF POSTS AND OFFICES HELD BY DIRECTORS

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

Name	Company in which post or office is held	Country	Post/Duty
GROUP MANAGEMENT BOARD			
Clemens von Weichs			
	Euler Hermes	France	Chairman of the Group Management Board
	Euler Hermes Kreditversicherungs-AG	Germany	Member of the Supervisory Board
	Euler Hermes UK Plc	United Kingdom	Director
	Euler Hermes Holding UK Plc	United Kingdom	Director
	Euler Hermes ACI Co	USA	Chairman
	Euler Hermes Sfac	France	Chairman of the Supervisory Board
	Euler Hermes Siac	Italy	Chairman
	Beraterkreis IKB, Düsseldorf	Germany	Director
	Hamburger Gesellschaft zur Förderung des Versicherungswesens	Germany	Director
Jean-Marc Pillu			
	Euler Hermes	France	Managing Director, Member of the Group Management Board
	Euler Hermes Sfac	France	Chairman of the Management Board
	Perfectis Private Equity	France	Chairman of the Supervisory Board
	Euler Hermes Services (Sasu)	France	Chairman
	Euler Hermes Sfac Crédit	France	Chairman of the Supervisory Board
	Euler Credito Compania de Seguros y Reaseguros	Spain	Chairman
	Euler Servicios de Credito SL, Sociedad Unipersonal	Spain	Chairman
	Euler Hermes Emporiki	Greece	Vice Chairman
	Euler Hermes UK	United Kingdom	Director
	Euler Hermes Holdings UK	United Kingdom	Director
	Cosec	Portugal	Director
	Euler Hermes Acmar	Morocco	Chairman
Nicolas Hein			
	Euler Hermes	France	Member of the Group Management Board
	Euler Hermes ACI	USA	Director
	Euler Hermes Siac	Italy	Director
	Euler Hermes UK	United Kingdom	Director
	Euler Hermes Sfac	France	Vice Chairman of the Supervisory Board
	Euler Hermes KV NL	Netherlands	Director
Gerd-Uwe Baden			
	Euler Hermes	France	Member of the Group Management Board
	Euler Hermes Kreditversicherungs-AG	Germany	Chairman of the Management Board

LIST OF POSTS AND OFFICES HELD BY DIRECTORS

Name	Company in which post or office is held	Country	Post / Duty
	Euler Hermes Versicherungsbeteiligungen GmbH	Germany	Director
	Euler Hermes Beteiligungen GmbH	Germany	Director
	Prisma Kreditversicherungs-AG	Austria	Representative of the Chairman of the Management Board
Michel Mollard			
	Euler Hermes	France	Member of the Group Management Board
	Euler Hermes UK	United Kingdom	Director
	Euler Hermes ACI	USA	Director
	Euler Hermes Sfac	France	Director
	Euler Hermes Belgium	Belgium	Director and Chairman of the Board
	Euler Hermes Kredietverzekering NL	Netherlands	Director
	Euler Hermes Siac	Italy	Director and Vice-Chairman of the Board
	Kepler	France	Chief Executive Officer
SUPERVISORY BOARD			
Jean-Philippe Thierry			
	AGF	France	Chief Executive Officer
	AGF Holding	France	Chief Executive Officer
	AGF IART	France	Chairman of the Board of Directors
	AGF International	France	Director
	AGF RAS Holding	Netherlands	Director
	AGF Vie	France	Chairman of the Board of Directors
	Allianz Seguros y Reaseguros	Spain	Director
	Baron Philippe de Rothschild	France	Censor
	Château Larose-Trintaudon	France	Chairman of the Board of Directors
	Cie Financière saint Honoré	France	Member of the Supervisory Board
	Euler Hermes	France	Chairman of the Supervisory Board
	groupe Taittinger	France	Member of the Supervisory Board
	Paris Orléans	France	Censor
	Eurazeo	France	Censor
Laurent Mignon			
	AGF	France	General Manager
	AGF Asset Management	France	Chairman of the Supervisory Board
	AGF Holding	France	Director and Deputy Chief Executive Officer
	AGF IART	France	Permanent representative of AGF International
	AGF Informatique	France	Member of the Supervisory Board
	AGF International	France	Director
	AGF Private Equity	France	Permanent representative of AGF Holding

LIST OF POSTS AND OFFICES HELD BY DIRECTORS

Name	Company in which post or office is held	Country	Post / Duty
	AGF Vie	France	Director and CEO
	Banque AGF	France	Chief Executive Officer
	Bolloré	France	Permanent representative of AGF Vie
	Bolloré Investissement	France	Permanent representative of AGF Holding
	Dresdner Gestion Privée	France	Chairman of the Board of Directors
	Euler Hermes	France	Vice-Chairman of the Supervisory Board
	Gécina	France	Director
	Génération Vie	France	Chairman of the Board of Directors
	GIE Placements d'assurance	France	Director
	Oddo et Cie SCA	France	Member of the Supervisory Board
	W Finance	France	Chairman of the Supervisory Board
	Worms et Cie	France	Vice-Chairman of the Supervisory Board
	Coparc	France	Chairman of the Board of Directors
	AVIP	France	Chairman of the Supervisory Board
François Thomazeau			
	AAAM (AGF Alternative Asset Management)	France	Director
	ACAR	France	Chairman
	AGF	France	General Manager
	AGF Afrique	France	Chairman
	AGF Belgium Holding	Belgium	Chairman
	AGF Belgium Insurance	Belgium	Chairman
	AGF Benelux	Luxembourg	Chairman
	AGF Holding	France	Director and Deputy Chief Executive Officer
	AGF Holdings United Kingdom	United Kingdom	Chairman
	AGF IART	France	Director
	AGF Insurance	United Kingdom	Chairman
	AGF International	France	Chief Executive Officer
	AGF Ras Holding	Netherlands	Vice Chairman
	AGF Vie	France	Director
	Allianz Nederland Groep	Netherlands	Member of the Supervisory Board
	Allianz Seguros y Reaseguros	Spain	Director
	ARSA BV	Netherlands	Member of the Supervisory Board
	Banque AGF	France	Permanent representative of AGF
	GIE AGF Informatique	France	Member of the Supervisory Board
	Cofitem-Cofimur	France	Director
	Elmonda	Switzerland	Deputy Vice Chairman of the Board
	Euler Hermes	France	Member of the Supervisory Board
	Immobanque	France	Director
	PHRV	France	Director
	Thomson Clive Ltd	United Kingdom	Director

LIST OF POSTS AND OFFICES HELD BY DIRECTORS

Name	Company in which post or office is held	Country	Post / Duty
	W Finance	France	Member of the Supervisory Board
	Compania Colombiana de Inversion Colseguros	Colombia	Chairman
	Adriatica de Seguros	Venezuela	Chairman
	Inmobiliara Driavena	Venezuela	Chairman
	AGF Brasil Seguros	Brazil	Chairman
	Europe Expansion	France	Censor
Robert Hudry			
	Euler Hermes	France	Member of the Supervisory Board
	AGF	France	Censor
	IMS	France	Director
Charles de Croisset			
	Bouygues	France	Director
	Euler Hermes	France	Member of the Supervisory Board
	SA des Galeries Lafayette	France	Member of the Supervisory Board
	Renault	France	Director
	Thalès	France	Director
Jacques Blondeau			
	Coface	France	Director
	Euler Hermes	France	Member of the Supervisory Board
	La Parisienne	France	Director
Reiner Hagemann			
	Allianz Versicherungs-AG	Germany	Chairman
	Allianz AG	Germany	Member of the Management Board
	Schering AG	Germany	Member of the Supervisory Board
	E.ON Energie AG	Germany	Member of the Supervisory Board
	Allianz Global Rückversicherungs-AG	Germany	Member of the Supervisory Board
	Bayerische Versicherungsbank AG	Germany	Chairman of the Supervisory Board
	Frankfurter Versicherungs-AG	Germany	Chairman of the Supervisory Board
	Euler Hermes Kreditversicherungs-AG	Germany	Chairman of the Supervisory Board
	Allianz Private Krankenversicherungs-AG	Germany	Chairman of the Supervisory Board
	Euler Hermes	France	Member of the Supervisory Board
	Allianz Elementar Versicherungs-AG	Austria	Chairman of the Supervisory Board
	Allianz Elementar Lebensversicherungs-AG	Austria	Vice Chairman of the Supervisory Board
	Allianz Investmentbank AG	Austria	Member of the Supervisory Board
	Allianz Cornhill Insurance Plc	United Kingdom	Member of the Board of Directors
	Allianz Irish Life	Ireland	Member of the Board of Directors
	Allianz Suisse Versicherungs-AG	Switzerland	Member of the Board of Directors
	Allianz Suisse Lebensversicherungs-AG	Switzerland	Member of the Board of Directors

LIST OF POSTS AND OFFICES HELD BY DIRECTORS

Name	Company in which post or office is held	Country	Post / Duty
	RAS International NV	Netherlands	Member of the Supervisory Board
	Vereinte Spezialversicherungs-AG	Germany	Chairman of the Supervisory Board
Yves Mansion			
	Alcan	Canada	Director
	Euler Hermes	France	Member of the Supervisory Board
	Erap	France	Deputy Director
	Société Foncière Lyonnaise	France	Chairman and Chief Executive Officer
	AMF (Autorité des Marchés Financiers)	France	Member of the College
Diethart Breipohl			
	Allianz AG	Germany	Member of the Supervisory Board
	Beiersdorf AG	Germany	Member of the Supervisory Board
	Continental AG	Germany	Member of the Supervisory Board
	KarstadtQuelle AG	Germany	Member of the Supervisory Board
	KME AG	Germany	Chairman of the Supervisory Board
	Banco Popular Español (→20/04/2004)	Spain	Member of the Board of Directors
	Banco Portugues de Investimento (→21/04/2004)	Portugal	Director
	Crédit Lyonnais	France	Director
	Euler Hermes	France	Member of the Supervisory Board
	AGF	France	Director
John R. Coomber			
	Swiss Re America Holding Corp.	USA	Director
	Swiss Re GB Plc	United Kingdom	Director
	Swiss Re Life & Health Ltd	United Kingdom	Director
	Swiss Re Properties Ltd	United Kingdom	Director
	Swiss Re Financial Services Corp	USA	Director
	Swiss Re Life & Health America Holding Company	USA	Director
	Swiss Reinsurance America Corp	USA	Director
	Swiss Reinsurance Company United Kingdom Ltd	United Kingdom	Director
	The Mercantile & General Reinsurance Company Ltd	Scotland	Director
	Euler Hermes	France	Member of the Supervisory Board

OBSERVATIONS BY THE SUPERVISORY BOARD ON THE REPORT FROM THE GROUP MANAGEMENT BOARD

The Group Management Board has presented its report on the situation of Euler Hermes and its business activities over 2004.

The first few months of 2004 were marked by an upturn in the world economy, followed by a significant slow-down because of the increase in the price of raw materials, the slow-down in consumption in the USA, the deceleration of the Japanese economy, and a sharp fall in the dollar which penalised Europe.

However, as in 2003, the number of companies filing for bankruptcy again fell. In Europe, the improvement in the economy over the second half of 2003 meant the number of bankruptcies levelled off, while the number of US companies going under fell by almost 5% in 2004.

The Supervisory Board is very pleased to note that in a relatively uncertain context Euler Hermes has continued to implement a cautious underwriting policy. This has resulted in significant growth in its technical results, while increasing business volumes worldwide. This improvement is particularly marked in countries where the Group has only recently established itself, namely Eastern and Southern Europe.

At the end of 2003 the Group Management Board began to reorganise activities around three "international development centres" with the objective of accelerating international development, and results are now beginning to be seen. The simplified structure organised around these three skill centres allows quicker integration of the smaller subsidiaries, ensuring their sustainable development under the supervision of Euler Hermes' larger subsidiaries.

Following the departure of the former Chairman, a new Group Management Board was appointed by the Supervisory Board with effect from 1 June 2004. The new Group Management Board, and its new Chairman Mr Clemens von Weichs, have carried on the work begun by the previous Board.

The Supervisory Board approved the sale of the Group's factoring activity, which generated a capital gain. This will enable the Group to reduce its borrowings by making early loan repayments and also to reduce the amounts of credit insurance business assigned to reinsurers.

The Supervisory Board approved the investment policy, which has consisted of maintaining limited exposure to equities markets and reinvesting some cash in bonds.

Generally, the Supervisory Board approved all the Group Management Board's strategies and initiatives.

The Audit Committee, which advises the Supervisory Board, paid particular attention to the implementation of corporate governance projects within the Group and Group entities, which related to the French Financial Security Act, the Sarbanes-Oxley Act and the Business Continuity Management project, which provides for disaster recovery plans. Mapping of the Group's risk exposure was also updated. In view of the action taken, underway or planned, the Supervisory Board has approved the work carried out by the Group Management Board and its management teams, and the internal control systems introduced.

The Supervisory Board has examined the report prepared by the Group Management Board and the financial statements for 2004. It recommends that you vote in favour of the resolutions put to the General Meeting by the Group Management Board.

The Group Management Board's objectives for 2005 are to continue to expand into Central, Eastern and Southern Europe, Asia and South America. It will also focus on expanding the Group's product and service offer in all countries in which it operates, in particular in the field of guarantees and debt collection. This strategy should help gain customer loyalty and win new contracts in all market segments. The Board will also work on improving the system for obtaining information on clients and other companies.

Lastly, the Group Management Board will seek to optimise the Group's reinsurance structures and programmes.

The Supervisory Board reconfirms its confidence in the Group Management Board and would like to take this opportunity to congratulate all Euler Hermes employees on the results achieved through their motivation and commitment.

Chairman's Report

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

To the shareholders,

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

New regulatory obligations

The French Financial Security Act (loi de sécurité financière, or LSF) was promulgated on 1 August 2003. 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 (Directeur Général),
- 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 Financial Security Act.

The Sarbanes-Oxley Act adopted in the United States on 25 July 2002, and which will apply from the end of 2005 to companies listed on the New York Stock Exchange, introduced measures to increase financial and accounting transparency and to emphasize directors' responsibility. These measures relate in particular to:

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

The Allianz Group to which Euler Hermes belongs is subject to the obligations set out in the Sarbanes-Oxley Act and took steps to be able to comply with it as from the financial statements drawn up as 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:

- The 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 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.

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 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 (censeurs), 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

CHAIRMAN'S REPORT

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. There is currently one such additional member, an individual.

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

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

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

In accordance with corporate governance principles, the Supervisory Board includes four independent members. 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 their Chairman, and General Managers where appropriate. It also sets their remuneration. It may remove members from office or recommend that the Ordinary General Meeting remove one or more members of the Group Management Board from office.

Throughout the year, the Supervisory Board makes the checks and controls it considers appropriate and can publish any documents that it considers useful for the completion of its mission. At least once a quarter, the Group Management Board presents a report to the Supervisory Board. The 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 thirty million euros,
- 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 five million euros,
- the issue of securities, of any kind, that may result in a modification of the registered capital regardless of the amount involved,
- transactions aimed at granting or contracting any borrowings or loans, credits or advances where these exceed seventy-five million euros,
- transactions aimed at constituting sureties, guarantees, deposits or bonding where these exceed thirty million euros.

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

The Supervisory Board met four times in 2004.

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 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.

CHAIRMAN'S REPORT

It meets prior to each meeting of the Supervisory Board. The Audit Committee met five times in 2004. 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 stock 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 twice in 2004.

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

In accordance with the law and under the terms of Article 15 of the Articles of Association, the Group Management Board is the Group's collective decision-making body. The function of the Group Management Board is to manage, organise and control the Group. All of the powers of the Group Management Board are exercised collectively although Board members are assigned specific responsibility for supervising cross-company functions for the Group and its subsidiaries. The Group Management Board consists of at least two and no more than six members appointed by the Supervisory Board; a member of the Supervisory Board cannot be a member of the Group Management Board. The Group Management Board has had five members since 25 May 2004; prior to this, it had three members.

The number of offices held by the members of the Group Management Board complies with Article 11 of the NRE law 2001-420 of 15 May 2001.

Members of the Group Management Board must be individuals under the age of 65, effective from the completion of the nearest General Meeting of shareholders. However, when a member of the Group Management Board reaches this age, the Supervisory Board can, on one or more occasions, extend his functions for a total term that may not exceed three years.

The Group Management Board is appointed for a period of three years and its members may be re-elected. They can be removed from office by the Supervisory Board or by the General Meeting of shareholders on the recommendation of the Supervisory Board. The Supervisory Board sets the method and amount of remuneration for each of the members of the Group Management Board when they are appointed.

In accordance with the law and under the terms of Article 16 of the Company's Articles of Association, the Supervisory Board appoints one of the members of the Group Management Board as Chairman. The Chairman exercises his functions for the period of his office as a member of the Group Management Board. He represents the Company in its relations with third parties. The Supervisory Board can allocate the same power of representation to one or more other members of the Group Management Board who then bear the title of General Manager. A General Manager was appointed within Euler Hermes in 2004.

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 in the event the Chairman of the Group Management Board is absent or unable to sign, or by any member especially empowered for this purpose.

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

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

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

The Group Management Board can set up committees. It decides on their composition and attributes, and they carry out their activity under its responsibility, but it cannot delegate its powers.

The Group Management Board meets as often as required in the interests of the company. The Group Management Board met almost twice a month in 2004.

CHAIRMAN'S REPORT

The members of the Group Management Board divide among themselves the supervision of the business of the Euler Hermes Group and Group functions.

The Chairman alone represents the Company in its relations with third parties. In the event the Chairman is absent or unable to act, the General Manager will also represent the Company in its relations with third parties.

In addition, the Chairman is in charge of organising and coordinating the business of all Group companies. Currently, he supervises at Group level the areas of Information Technology, Internal Audit, the career paths of senior managers, communication and the activity of other members of the Group Management Board.

The four other members of the Group Management Board share the remaining cross-company functions, that is Risks and Commitments, Sales and Marketing, Finance and Accounting, Reinsurance, Strategy and International Development.

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 growing or adapting the Group's business,
- events whose scope, even if they take place in their area of responsibility, involve several entities and in particular changes in procedure 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 by the Supervisory Board if the Chairman proposes any such change.

These structures are completed by an operational management structure:

Management 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, Audit and Support, Finance and Accounting, Information Technology, Communication, and Career Management for senior managers), two of whom are also members of the Group Management Board (Finance and Accounting, Strategy and International Development), 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 strategic policy.

INTERNAL CONTROL PROCEDURES AND CONTROL ENVIRONMENT

The Euler Hermes Group operates mainly in the fields of credit insurance, factoring (through Eurofactor until it was sold to Calyon in December 2004), bonding and guarantees.

The Chairman of the Group Management Board is responsible for supervising Eurofactor. A specific report on the factoring business has been drawn up and should be consulted for information about its internal control system. Eurofactor's audit plan is based on risk mapping.

Current 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, that is 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 Control Commission (Commission de Contrôle des Assurances), 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 controls

The French Financial Security Act does not refer to any internal control benchmarks. 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

CHAIRMAN'S REPORT

(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 (application of standards and procedures),
- information and communication of data to manage and control activities,
- monitoring of control systems.

The main objectives of internal controls are the following:

- financial performance, by the efficient and appropriate use of the Group's assets and resources and protection against the risk of losses,
- 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 exhaustiveness of accounting records and preparation of reliable accounting and financial information at the appropriate time.

Internal controls, in accordance with the COSO's description, are 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 Belgium, Euler Hermes Nederland, Euler Hermes Kreditversicherung, Euler Hermes Nordic):

Governance structures

- a Board of Directors. 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 scrutinises 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's Remuneration Committee is informed of its decisions.
- a financial committee whose role is defined in the chapter entitled "Accounting and financial internal control procedures".

Management structures

- a Management Committee 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.

Hermes Group companies that have recently joined the Group have similar structures based on the Supervisory Board and "Vorstand" model.

CHAIRMAN'S REPORT

Action as regards rules of conduct

A compliance officer was appointed within Euler Hermes in January 2003, with the task of acting 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 AGF, Allianz and Euler Hermes' central functions, mainly on the prevention of insider trading, current legal and judicial proceedings and regulatory and tax audits. The central functions rely essentially on the local audit structures.

Other concrete actions have been implemented, such as regular checks of terrorist lists, or are currently underway, such as the introduction of codes of conduct based on compliance rules drawn up by the AGF and Allianz Groups, notably within the framework of the Sarbanes-Oxley Act.

Measures have been taken inside the Group to prevent money laundering, and more especially within Euler Hermes Sfac and Euler Hermes United Kingdom in accordance with the rules of the Commission Bancaire for France and of the FSA for the United Kingdom.

Definition of functions and control of individual objectives

The level of skills is guaranteed by recruitment procedures, supported by definitions of positions. All staff take part in individual assessment interviews which make it possible to have an annual review and to set objectives for the coming year with their line manager that are consistent with the entity's objectives.

Risk assessment

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 comes in the category of excessive costs / indemnification and litigation function.

These risks are assessed for each subfunction 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 twice in 2004, on the basis of audit reports validated in collaboration with the managers of the subsidiaries. Euler Hermes Kreditversicherung has a specific risk map based on similar principles and which is currently being harmonised with the Euler Hermes model.

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 crossfunctional managers, in agreement with the Group Management Board, in the areas of Risk, Litigation, Debt Collection, Sales and Marketing, Finance and Accounting, Reinsurance, Information Technology, Audit, Communication and Human Resources. In the area of Risks, these rules were updated in 2003. 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 commercial committees for example.

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

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

First level of control

At Group level, there are cross-company functions for the Risk/Litigation, Sales and Marketing, and Strategy/International Development operational areas and for the Information Technology, Finance and Accounting, Reinsurance, Internal Audit, Human Resources and Communication support areas. A member of the Group Management Board is responsible for each function and these members check the implementation of Group directives in 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

CHAIRMAN'S REPORT

Risk Committee whose members include subsidiaries' risk managers. This committee, chaired by the manager of the risk cross-company 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.

Within company departments, procedures govern the measures to be taken and the main related controls. The extension of the documentation of the control system to departments that were not covered was completed in 2004.

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 who are independent of the above-mentioned operational units or distinct from those who have carried out controls at the first level (second level).

Second level of internal control

The Group has a central audit function and audit structures within the largest units. In 2004, there were 25 auditors within the Group. The audit structure is decentralised and the main subsidiaries have their own structure. The group audit manager reports to the Euler Hermes Audit Committee and to the Chairman of the Group and is a permanent member of subsidiaries' audit committees along with the local audit manager.

An annual programme of audit assignments is drawn up. This programme, based on a map of risks and a pragmatic approach to requirements, has a local part (2/3 of the activity) and a Group part that includes the global audits of subsidiaries, and audits of cross-functional processes carried out simultaneously in the main subsidiaries. It is drawn up in accordance with a structured procedure in the second half of the year. It is the subject of a procedure of discussion, communication and validation with operational staff, General Management and audit committees. The last stage of the validation process is the presentation of the programme to the Euler Hermes Audit Committee for approval in November. The audit programme is adapted appropriately, in order 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 Group 2005 programme includes four independent audits (audit of subsidiaries), three cross-functional audits, including one on the principles of corporate governance, and seven audits of the information systems.

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 level.

Specific procedures for information systems

Security of information systems

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

- Data classification
- E-mail security
- Data encrypting
- Management of failures or problems
- 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 implemented within the Euler Hermes group in 2004, the various Group companies have identified and documented existing controls designed 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 only authorised users have access to systems, data and programmes).

All the controls identified were described and documented in detail.

Quality assurance and new developments

The IT managers of the largest entities in the Group use methods for the design and creation of IT applications. In 2004, the Group IT function defined and implemented development standards applicable to all companies in the Group: breakdown of all IT projects into eight phases, deliveries at the end of each phase (standard documents). 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.

CHAIRMAN'S REPORT

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 99.96% of the time between January and the end of November 2004 (the availability rate for the full year is not yet available).

During 2004-2005, the resources (data, machines) required to manage the Group's credit insurance commitments will be centralised on one site. In the event of any problem, there is a back-up site and data recovery tests are carried out regularly (twice in 2004).

The Group production centre and local production centres apply data backup procedures and use off-site data storage.

The Group is continuing to implement a policy of system harmonisation and integration: Risks (IRP), Sales and Marketing, Litigation and Debt Collection, Reporting (Rebus). The progressive introduction of this policy within the Group will help to reinforce access control procedures and the standardisation of subsidiaries' internal control systems.

In accordance with Allianz' policy, the Euler Hermes Group introduced and tested disaster recovery plans throughout the Group in 2004.

The Group's internal audit structure and Group subsidiaries' audit teams work together on reviews of IT projects or reviews of recently implemented applications. An audit of IT security and an audit of disaster recovery plans were conducted in 2004.

Gradual development of internal controls by the Group

At the request of its ultimate shareholder, 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 controls which contribute significantly to financial and accounting reports.

In 2004, the Sarbanes-Oxley project concerned six subsidiaries, Euler Hermes Sfac, Euler Hermes Kreditversicherung, Euler Hermes United Kingdom, Euler Hermes ACI, Euler Hermes Siac and Euler Hermes SA (the holding company). The project was started at the end of March 2004 and 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 to describe the procedures and internal controls providing a reasonable assurance of the accuracy of the financial statements and documents, test the design and effectiveness of existing controls, and introduce actions to reinforce existing controls when necessary.

We expect to receive the SOX 2004 certification on 12 March 2005.

Other COSO internal control areas

Other COSO internal control areas are:

- The control environment (increasing staff awareness of the need for controls),
- The assessment of risks (factors likely to affect achievement of objectives),
- Information and communication of data to manage and control activities,
- Monitoring of control systems.

These were identified.

Similar action was taken in other subsidiaries.

ACCOUNTING AND FINANCIAL INTERNAL CONTROL PROCEDURES

Procedures

More especially at financial and accounting level, the consolidated financial statements have been prepared in accordance with general accounting principles applicable in France and in particular with the provisions of regulation No. 2000-05 of the Comité de Réglementation Comptable (French Accounting Regulations Committee) dated 7 December 2000 relating to the consolidation and merger accounting rules for companies governed by the French Insurance Code.

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

The valuation methods used comply with European Directive No. 91-674 of 19 December 1991 relating to the parent company and consolidated financial statements of insurance companies, and with regulations No. 99-02 and 2000-05 of the Comité de Réglementation Comptable.

For French insurance companies, the accounting provisions of the French Insurance Code are specified by decrees No. 94-481 and No. 94-482 of 8 June 1994, decree No. 95-153 of 7 February 1995 and the ordinances of 20 June 1994 and 19 April 1995 transposing the European Directive of 19 December 1991. For other European insurance companies, domestic regulations transposing the European Directive of 19 December 1991 apply. The annual financial statements for French credit institutions conform to the regulations of the Comité de la Réglementation Bancaire et Financière (the French banking and financial regulatory body) and the instructions of the Commission Bancaire (Banking Commission). For other companies, and in

CHAIRMAN'S REPORT

general, when a specific rule does not apply, the principles of the French chart of accounts (Plan Comptable Général) are used. All the principles and rules that apply to companies in the Euler Hermes Group are described in a consolidation manual that is provided for all entities.
A report on the transition to International Financial Reporting Standards (IFRS) is appended to the management report.

Organisation of controls

Accounting and financial controls are carried out by the Group's Financial Management. This is organised in three departments:
– The Consolidation department
– The Management Control department
– The Asset/Liabilities Management department
Under the authority of the Group's Chief Financial Officer, these three departments monitor and regularly check accounting and financial information and management indicators that are characteristic of the business.
The general system of organisation is based on a division into geographical areas, with the Consolidation and Management Control departments being divided in the same way. This makes it possible to assign a functional two-person team consisting of a consolidator and a management controller to each geographical area.

The Consolidation department

The Consolidation department has six consolidators who report to the department manager. His/her role is, firstly, to prepare the consolidated financial statements published by the Euler Hermes Group and, secondly, to provide 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 Company shareholder's consolidation manager.
All Group companies which 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 Euler Hermes' Group Management Board and submitted to the Group Audit Committee then to the Supervisory Board.
They are published twice a year on the basis of six-monthly and annual reports in accordance with AMF regulations. At 30 June they are subject to a limited review by the Independent Auditors while the annual financial statements are subject to an audit either at the level of the individual accounts of the consolidated entities or 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 shareholders.
The consistency and uniformity of the consolidated data are ensured by the use of three tools provided to all Group companies:
– a standard chart of accounts,
– a standard consolidation package,
– an instruction manual.

Standard chart of accounts

The standard chart of accounts was developed in the context of an accounts harmonisation plan that involved all Group companies and defines the relevant level in information gathering. Information input is either automatic or manual, by means of a table of correspondence with the charts of accounts used by each of the subsidiaries.

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 and attached tables,
- statistical statements, which provide details of the information reported in the financial statements and analyse it in a variety of ways,
- statements relating to off-balance sheet commitments, which are periodically inventoried and assessed.

Instruction manual

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

The Management Control department

Three levels of internal organisation

Management control is carried out jointly by the management control departments within each subsidiary and the Group Management Control department
The way it is organised allows the Group Management Control department, which is organised by geographical area, to play a control role at a second level.

CHAIRMAN'S REPORT

Group Management Control is placed under the responsibility of a member of the Group Management Board.

The controls exercised by the shareholders (AGF and Allianz) are superimposed onto this internal organisation.

Direct dependence on corporate governance bodies

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

Management control tasks

The main responsibilities of management control are as follows:

- drawing up budgets and adjusting annual forecasts,
- analysing changes in business every month by means of operational and financial indicators,

and, in addition, at Group level:

- 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 harmonised reports that are defined by Group Management Control. This harmonisation makes possible comparisons in time and space and the performance of benchmark reviews (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 to 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, rates of premiums, etc.), changes in loss ratios and overheads, followed mainly by headcount,
- adherence to accounting rules: reserves booked for premiums; reserves booked for claims, calculation of the equalisation reserve for example.

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 budgetary package (mid-June),
- the subsidiaries transmit their own budgetary instructions and their internal assumptions for the purpose of checking the consistency of these assumptions (endogenous and exogenous) as compared to mid-year results,
- preparation of the budget within each subsidiary, validation by the CEO and transmission of budgetary packages (mid-September),
- budget arbitration meeting attended by the Group Management Board, Group Management Control and the representative of the shareholder for the Group and the CEO, the financial manager and the head of management control for the subsidiaries,
- presentation of the budget to the shareholders for validation.

Annual forecasts are updated twice a year, in May and in September. They are used to adjust the budgets in accordance with the most recent changes in business. This is a formal procedure, giving rise to the sending 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.

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 on a cross-functional basis.

These relate to the allocation 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 financial committee meetings attended by the subsidiary's general manager and financial managers, representatives of the managing institution and the Group's financial managers.

The committee makes recommendations about the purchase and sale of securities and about the reinvestment strategy for operational cashflows.

Euler Hermes' Group Management Board acts as arbitrator.

In addition, the Assets/Liabilities Management department organises two Group financial committee meetings every year attended by the Group Management Board and representatives of the shareholders.

CHAIRMAN'S REPORT

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 further loans and related hedging instruments. It reports to the Group Management Board for prior approval.

Euler Hermes and IFRS

Euler Hermes is in the process of finalising this complex project, based on IFRS as at 15 February 2005. Some changes may be necessary in view of any future IFRS publications or interpretations by IFRIC. The objective is to present the main consequences of converting Euler Hermes consolidated financial statements to IFRS. The action decided on by Euler Hermes and described below was put to and approved by its Independent Auditors. The audit of the figures for the balance sheet at the beginning of 2004 is currently being finalised, with the exception of the factoring activity and confirmation by IFRS technical experts requested by the Independent Auditors regarding the right to use the same amortisation rules for network values as were used for consolidated goodwill until the end of 2003. The impact of this has not been included in the figures presented. If this is approved, the impact on shareholders' equity will be approximately 30 million euros.

Euler Hermes is currently waiting for the CNC to publish the conclusions of the IFRS insurance working group as regards the application of IFRS to French insurance companies' financial statements. This may affect the figures presented to date.

Accordingly, the work on the opening balance sheet has been completed. Work on the IFRS-compliant consolidated financial statements for 2004 is currently being completed and will be audited by the Independent Auditors in the next few weeks. Euler Hermes will be able to present its income statement and balance sheet as at 31 December 2004 by the deadline recommended by the AMF, which has specified that IFRS-compliant consolidated financial statements for 2004 should be published no later than at the same time as the results for the first half of 2005.

A more detailed analysis of the IFRS work can be found in the management report.

CONCLUSION

In accordance with the organisational methods common to Euler Hermes group entities, as described above, and 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.

Date: 17 March 2005

Jean-Philippe THIERRY

Chairman of Euler Hermes' Supervisory Board

REPORT BY THE AUDITORS ON THE REPORT BY THE CHAIRMAN OF THE SUPERVISORY BOARD

Report by the auditors, prepared pursuant to the last paragraph of article L. 225-235 of the Commercial Code, on the report by the Chairman of the Supervisory Board of Euler Hermes on internal control procedures applied to the preparation and processing of accounting and financial information.

To the Shareholders,

In our capacity as auditors of Euler Hermes and pursuant to the provisions of the last paragraph of article L.225-235 of the Commercial Code, we hereby submit our report on the report prepared by the Chairman of your company in accordance with the provisions of article L.225-37 of the Commercial Code for the year ended 31 December 2004.

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 introduced within the company. We are required to give you our observations on the information contained in the Chairman's report on internal control procedures applied to the preparation and processing of accounting and financial information.

We have carried out our work in accordance with 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 applied to the preparation and processing of accounting and financial information. These tests consistent in particular of:

– reviewing the objectives and general organisation of internal control, and the internal control procedures applied to the preparation and processing of the accounting and financial information contained in the Chairman's report;
– reviewing the work that was the basis for the information thus given in the report.

Based on these procedures, we have no observations to make concerning the information given relating to the company's internal control procedures applied to the preparation and processing of accounting and financial information contained in the report by the Chairman of the Supervisory Board, prepared pursuant to the provisions of the last paragraph of article L.225-37 of the Commercial Code.

Paris, 17 March 2005

The Auditors

PRICEWATERHOUSECOOPERS AUDIT	KPMG AUDIT A division of KPMG SA	Alain AUVRAY
Christine Bouvry	Xavier Dupuy	

Consolidated financial statements

at 31 December 2004

CONTENTS

CONSOLIDATED BALANCE SHEET

ASSETS

(IN THOUSANDS OF EUROS)

	Notes	31/12/04	31/12/03	31/12/02
Goodwill	5	53,040	54,899	123,826
Intangible assets	6	341,192	349,609	348,777
Investments - insurance businesses	7.1	2,659,964	2,535,342	2,341,915
Investments - banking sector businesses	7.2	–	2,171	4,839
Investments accounted for by the equity method	7.3	34,797	29,532	19,799
Reinsurers' share of technical reserves	18	608,453	709,601	914,854
Credit insurance receivables	9	433,210	448,434	517,647
Factoring receivables	10	–	1,870,443	1,720,882
Receivables from banking sector businesses	11	101,577	156,737	121,378
Other receivables	12	200,939	183,931	505,182
Other assets	13	34,830	39,326	42,398
Accrued income and prepaid expenses	14	116,821	108,704	63,064
– Acquisition costs capitalised		32,689	23,219	26,584
– Other		84,132	85,485	36,480
TOTAL		**4,584,823**	**6,488,729**	**6,724,561**

SHAREHOLDERS' EQUITY AND LIABILITIES

(IN THOUSANDS OF EUROS)

	Notes	31/12/04	31/12/03	31/12/02
Group shareholders' equity	15	1,233,010	1,049,207	941,858
– Capital stock		13,794	13,297	12,893
– Additional paid-in capital		353,912	292,288	263,487
– Consolidated reserves and income		940,184	812,968	701,045
– Other		(74,880)	(69,346)	(35,567)
Minority interests	16	22,911	24,283	24,044
Subordinated liabilities	17	13,377	81,973	110,342
Gross non-life insurance technical reserves	18	2,061,084	2,144,616	2,502,934
Provisions for risks and charges	19	223,998	304,117	243,315
Credit insurance liabilities	20	356,456	299,991	302,527
Factoring liabilities	21	–	830,626	934,485
Liabilities represented by securities	22	–	324,640	239,967
Liabilities to banking sector businesses	23	250,319	840,250	876,635
Other liabilities	24	377,016	538,232	523,871
Deferred income and accrued expenses	25	46,652	50,794	24,583
TOTAL		**4,584,823**	**6,488,729**	**6,724,561**
Number of shares net of treasury shares		**41,354,334**	**39,800,462**	**38,538,513**

CONSOLIDATED INCOME STATEMENT

(IN THOUSANDS OF EUROS)

	Notes	Non-life insurance activities	Banking activities	2004	2003	2002
Premiums written and commissions		1,594,349	–	1,594,349	1,544,472	1,222,282
Change in unearned premiums		(27,899)	–	(27,899)	(10,617)	9,117
Earned premiums and commissions	27.2	1,566,450	–	1,566,450	1,533,855	1,231,399
Income from banking operations		–	97,977	97,977	98,826	116,698
Other operating income		262,387	–	262,387	239,646	198,272
Financial income net of expense	29	68,522	–	68,522	77,579	53,732
Total ordinary operating income		**1,897,359**	**97,977**	**1,995,336**	**1,949,906**	**1,600,101**
Insurance services expense		(650,897)	–	(650,897)	(811,899)	(784,521)
– including change in equalisation reserve		(55,023)	–	(55,023)	(15,645)	15,784
Net reinsurance income or expense		(289,055)	–	(289,055)	(92,463)	(3,838)
Banking operations expense		–	(29,573)	(29,573)	(44,921)	(88,936)
Management expense		(686,023)	(50,119)	(736,142)	(756,249)	(618,108)
Total ordinary operating expenses		**(1,625,975)**	**(79,692)**	**(1,705,667)**	**(1,705,532)**	**(1,495,403)**
Ordinary operating income		**271,384**	**18,285**	**289,669**	**244,374**	**104,698**
Transfers to / from Fund for General Banking Risks (FGBR)				–	–	–
Ordinary operating income after transfers to / from FGBR				**289,669**	**244,374**	**104,698**
Other income / expense	30			(6,744)	(6,043)	(7,991)
Exceptional income / (expense)	31			19,865	(159)	(1,349)
Corporation tax	32			(94,470)	(89,852)	(38,240)
Net income from consolidated businesses				**208,320**	**148,320**	**57,118**
Share of income from companies accounted for by the equity method	7			5,466	3,163	2,352
Goodwill amortisation	5			(4,836)	(2,923)	(7,619)
Consolidated net income				**208,950**	**148,560**	**51,851**
Minority interests				(2,513)	(2,415)	(646)
Net income, Group share				**206,437**	**146,145**	**51,205**
Earnings per share				**5.07**	**3.72**	**1.43**
Diluted earnings per share				**5.05**	**3.71**	**1.42**

OFF-BALANCE SHEET COMMITMENTS

In accordance with the new format for the presentation of financial statements, this table includes all commitments except those resulting from the use of financial instruments, which are shown in Notes 34 and 35.

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Commitments given	**391,449**	**886,126**	**663,923**
Insurance businesses	391,449	289,207	262,026
Banking sector businesses	–	596,919	401,897
Commitments received	**11,552**	**444,666**	**457,365**
Insurance businesses	11,552	12,345	12,185
Banking sector businesses	–	432,321	445,180

There are no off-balance sheet commitments for banking sector businesses at 31 December 2004 as these businesses were disposed of on 14 December 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SIGNIFICANT EVENTS

Note 1.1 – Events in 2004

The following events occurred during 2004:

Changes in the capital stock and share ownership

– The Shareholders' General Meeting of 28 April 2004 approved the distribution of a dividend of 1.82 euros per share, with a choice between payment in cash or payment in shares at a price of 40.70 euros per share. This distribution resulted in the creation of 1,502,151 new shares, with an increase in the capital stock of 481,000 euros and additional paid-in capital of 60,657,000 euros. On this occasion, AGF reinvested all the dividends due to it in shares. At 31 December 2004, AGF owned 68.2% of the capital of Euler Hermes.

– In 2004, 51,721 new shares were created following the exercise of options under the 1997, 1998 and 1999 stock option plans. At 31 December 2004, Euler Hermes' capital stock was composed of 43,105,673 shares.

Changes to the Group Management Board

– On 25 May 2004, the Supervisory Board of Euler Hermes approved the appointment of a new Group Management Board with effect from 1 June 2004, which comprised the following members:

– Clemens von Weichs, Chairman of the Euler Hermes Group Management Board, has Group responsibility for Information Technology, Internal Audit, Communications and senior executive career management.

– Jean-Marc Pillu, Group Managing Director, has responsibility for commercial matters in addition to his role as Chairman of the Management Board of Euler Hermes Sfac.

– Gerd-Uwe Baden has responsibility for Risks and Commitments in addition to his role as Chairman of the Management Board of Euler Hermes Kreditversicherungs-AG

– Michel Mollard has responsibility for supervision of the operating entities in the United Kingdom, the USA, Italy, Belgium and the Netherlands in addition to his role as Head of Strategy.

– Nicolas Hein, Group Chief Financial Officer, also has responsibility for the Reinsurance business.

Reorganisation of international activities

– The reorganisation of International Activities decided in 2003 has been in effect since the start of 2004. Under the new organisation, operational responsibility for each Small Business Unit is delegated by Euler Hermes, the holding company, to a Large Business Unit.

Euler Hermes Kreditversicherungs-AG has responsibility for development in Eastern Europe and Asia.

Euler Hermes Sfac supervises Southern Europe and the Mediterranean region.

Euler Hermes ACI has responsibility for the Americas.

Disposal of Eurofactor

– Announced on 27 July, the discussions concerning the acquisition by Crédit Lyonnais - Crédit Agricole of Euler Hermes' interest in Eurofactor concluded on 16 September with the signing of a sale agreement. The effective date of the disposal was 14 December 2004. The disposal proceeds totalled 189.2 million euros, to which must be added the repayment of an 11 million euros loan granted to Eurofactor together with accrued interest to the effective date. The cash flow generated by this disposal was used mainly to redeem loans contracted from AGF.

– As a part of the disposal, a transaction putting an end to most of the guaranteed commitments issued in 1999 when Eurofactor was formed, was included in the sales agreement. A new liabilities guarantee, for a maximum amount of 10 million euros and with an excess of 1 million euros, was also put in place to cover tax and tax-related risks prior to 31 December 2003. Concerning any future calls under the new liabilities guarantee, Euler Hermes benefits from a deductibility clause covering specific provisions in Eurofactor's closing 2004 balance sheet in the event that writebacks are made to such provisions in future closings. No provision had been made in this respect in Euler Hermes' financial statements at 31 December 2004.

Change in Euler Hermes' rating by Standard & Poor's

– On 26 May 2004, Standard & Poor's Paris revised the outlook for its A+ financial strength and counterparty ratings on the main companies in the Euler Hermes Group from Stable to Positive. This improved rating outlook is a direct consequence of the significant improvement in Euler Hermes Group's profitability in 2003.

Note 1.2 – Post-balance sheet events

No significant events have occurred since the year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – CONSOLIDATION SCOPE

Note 2.1 – Changes in the consolidation scope

The following changes in the consolidation scope occurred during the year:

Companies joining the Group

– Hermes Kredit Service S.R.O. was fully consolidated from 1 January 2004.

– Acmar, renamed Euler Hermes Acmar, was fully consolidated from 1 January 2004.

– Phoenix Credit Insurance, renamed Euler Hermes Emporiki SA, was fully consolidated from 1 January 2004.

– Companhia de Seguros de Creditos SA (COSEC) was consolidated using the equity method on 31 December 2004.

– Euler Hermes Towarzystwo Ubezpieczeniowe was fully consolidated on 31 December 2004.

– Euler Do Brasil Exportaçao was fully consolidated on 31 December 2004.

Companies leaving the Group

– Cerip, Codinf and Finnish were liquidated on 31 December 2004.

– The factoring companies were sold by Euler Hermes on 14 December 2004. The consolidated realised gain on disposal came to 14,786,000 euros. This amount does not include the transaction costs of 2.2 million euros or the tax charge of 2.6 million euros relating to the cancellation of the neutralisation in the tax group of the profit on the internal disposal of the SFF/Eurofactor shares. As no significant transactions were made in the last two weeks of December, the full-year results of the factoring companies were taken into account in the consolidated financial statements.

– Pylon was deconsolidated on 31 December 2004 following its sale to a non-Group entity.

Other changes

– Following the acquisition of minority interests, the percentage interests held by the Euler Hermes Group in certain subsidiaries changed as follows:

– CODINF Services SA: from 51.13% to 81.13%,

– Euler Hermes Interborg NV: from 60.0% to 91.92%,

– Prisma Kreditvversicherungs-AG: from 46% to 49%,

– Euler Hermes Emporiki SA: from 34% to 50%,

– Hermes Kredit Service SRO: from 60.51% to 95.77%,

– Finnish Credit Insurance Company Ltd: from 50% to 100%,

– Euler Hermes Cescob: from 60.51% to 95.77%.

– Following the acquisition of minority interests of Euler Hermes Cescob, the percentage interest held by the Euler Hermes group in Hermes Euler Kredit Services S.R.O. (hold at 100% by Euler Hermes Cescob) increased from 60.51% to 95.77%.

– Following the sale of securities to minority interests, the percentage interest held by the Euler Hermes Group in Euler Hermes Guarantee plc decreased from 100% to 94.86%.

– Following the acquisition of the minority interests of Euler Hermes Credit Underwriters Hong Kong Ltd by Euler Hermes Beteiligungen Gmbh., the percentage interest of the Euler Hermes group increased from 90% to 100%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2.2 – List of consolidated companies

French companies	Consolidation method	31/12/04		31/12/03	
		% control	% interest	% control	% interest
Euler Hermes S.A. (1) 1, rue Euler - 75008 Paris Siren no: 552 040 594	68,19% held by AGF	Parent company	Parent company	Parent company	Parent company
Bilan Services 25, boulevard des Bouvets - 92000 Nanterre Siren no: 333 192 631	Full	66.00	50.00	66.00	50.00
Codinf Services 29, rue de Délizy - 93500 Pantin Siren no: 341 693 778	Full	81.13	81.13	51.13	51.13
Euler Hermes Asset Management 1, rue Euler - 75008 Paris Siren no: 422 728 956	Full	100.00	100.00	100.00	100.00
Euler Hermes Services 1, rue Euler - 75008 Paris Siren no: 414 960 377	Full	100.00	100.00	100.00	100.00
Euler Hermes Sfac 1-3-5 rue Euler - 75008 Paris Siren no: 348 920 596	Full	100.00	100.00	100.00	100.00
Euler Hermes Sfac Crédit 1, rue Euler - 75008 Paris Siren no: 388 236 853	Full	100.00	100.00	100.00	100.00
Euler Hermes Sfac Recouvrement 1, rue Euler - 75008 Paris Siren no: 388 238 026	Full	100.00	100.00	100.00	100.00
Euler Tech 1, rue Euler - 75008 Paris Siren no: 388 237 091	Full	100.00	100.00	100.00	100.00

(1) Proportion held is bassed on a total of 43,105,673 shares (before restatement of treasury shares).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Non-French companies	Country	Consolidation method	31/12/04 % control	31/12/04 % interest	31/12/03 % control	31/12/03 % interest
Bürgel Wirtschaftsinformationen GmbH & Co. K.G. Gasstraße 18 - Hambourg	Germany	Equity	50.10	50.10	50.10	50.10
Euler Hermes Beteiligungen GmbH Friedensallee 254 - Hambourg	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Gesellschaft für Finanzdienstleistungen GmbH Friedensallee 254 - Hambourg	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Forderungsmanagement GmbH Friedensallee 254 - Hambourg	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Germany GmbH Königinstrasse 28 - 80802 Munich	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Gesellschaft für Informations Dienstleistungen mbH Friedensallee 254 - Hambourg	Germany	Full	100.00	100.00	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 Friedensallee 254 - Hambourg	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Versicherungsbeteiligungen GmbH Friedensallee 254 - Hambourg	Germany	Full	100.00	100.00	100.00	100.00
Hermes E-Business GmbH Friedensallee 254 - Hambourg	Germany	Full	100.00	100.00	100.00	100.00
Hermes Risk Management Hamb. Friedensallee 254 - Hambourg	Germany	Full	100.00	100.00	100.00	100.00
Prisma Kreditversicherungs-AG Heiligenstadter Strasse 201 - Vienne	Austria	Equity	49.00	49.00	46.00	46.00
Euler Hermes Credit Insurance Belgium SA (N.V.) 15, rue Montoyer - 1000 Bruxelles RC Bruxelles: 31 955	Belgium	Full	70.00	70.00	70.00	70.00
Euler Hermes Services Belgium S.A. (N.V.) 15, rue Montoyer - 1000 Bruxelles RC Bruxelles: 45 8033	Belgium	Full	100.00	69.99	100.00	69.99
Graydon Belgium (N.V.) Uibreidingstraat 84 Bus 1 - 2500 Berchem	Belgium	Equity	27.50	27.50	27.40	27.40
Mundialis SA (N.V.) 39, rue du Commerce - 1000 Bruxelles	Belgium	Proportional	50.00	35.00	50.00	35.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Non-French companies	Country	Consolidation method	31/12/04 % control	31/12/04 % interest	31/12/03 % control	31/12/03 % interest
Euler Hermes Seguros de Crédito S.A Alameda Santos 2335 Conj. 51 Cerqueira César 01419-002 - São Paulo	Brazil	Full	100.00	100.00	100.00	100.00
Euler Hermes Serviços Ltda Alameda Santos 2335 Conj. 51 Cerqueira César 01419-002 - São Paulo	Brazil	Full	100.00	100.00	100.00	100.00
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 Credit Insurance Nordic AB, Denmark Branch Nyropsgade 45, 5 SAL. - 1504 Copenhague	Denmark	Full	100.00	100.00	100.00	100.00
Euler Hermes Crédito Compaña de Seguros y Reaseguros S.A. Paseo de la Castellana, 77 - 28046 Madrid	Spain	Full	100.00	100.00	100.00	100.00
Euler Hermes Servicios SL Paseo de la Castellana, 77 - 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	USA	Full	100.00	100.00	100.00	100.00
Euler Hermes A.C.I Collections Services Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	USA	Full	100.00	100.00	100.00	100.00
Euler Hermes A.C.I Holding Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	USA	Full	100.00	100.00	100.00	100.00
Euler Hermes A.C.I Services, LLC 800, Red Brook Boulevard - Owings Mills, MD 21117	USA	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 UK Collections 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	94.86	94.86	100.00	100.00
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Non-French companies	Country	Consolidation method	31/12/04 % control	31/12/04 % interest	31/12/03 % control	31/12/03 % interest
Graydon U.K. Limited Hyde House, Edgware road Colindale - Londres NW9 6LW	United Kingdom	Equity	27.50	27.50	27.50	27.50
Euler Hermes Emporiki SA 109-111, Messogion Ave - Politia Business Center - 115 26 Athènes	Greece	Full	50.00	50.00	34.00	34.00
Euler Hermes Credit Underwriters Hong Kong Ltd 09/F 1 Int. Finance Centre 01. Harbour View street - Hong Kong	Hong-Kong	Equity	100.00	100.00	90.00	90.00
Euler Hermes Services (HK) Ltd 09/F Int. Finance Centre 01. Harbour View street - Hong Kong	Hong-Kong	Equity	100.00	100.00	100.00	100.00
Magyar Kovesteleskezels Bognar u.11 - 1021 Budapest	Hungary	Full	74.90	74.90	74.90	74.90
Euler Hermes Magyar Hitelbiztosító Rt Bognar u.11 - 1021 Budapest	Hungary	Full	74.89	74.89	74.89	74.89
Euler Hermes Siac Via Raffaello Matarazzo - 00139 Rome	Italy	Full	100.00	100.00	100.00	100.00
Euler Hermes Siac Services S.r.l Via Raffaello Matarazzo - 00139 Rome	Italy	Full	100.00	100.00	100.00	100.00
Dimensione S.R.L. Piazza Stia, 8 - 00138 Rome	Italy	Full	100.0	100.0	86.17	86.17
Logica S.R.L. Via Raffaello Matarazzo - 00139 Rome	Italy	Full	100.0	100.0		
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 Kreditversicherungs-AG Lietuvos Filialas - Konstitucijos ave 7 - 09308 Vinius	Lithuania	Equity	51.00	51.00	51.00	51.00
Euler Hermes Re 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 Seguro de Crédito S.A. Blvd Manuel Avila Camacho #164, 8° piso Col. Lomas de Barrilaco - Mexico, DF CP 11010	Mexico	Full	100.00	100.00	100.00	100.00
Euler Hermes Servicios SA Blvd Manuel Avila Camacho #164, 8° piso Col. Lomas de Barrilaco - Mexico, DF CP 11010	Mexico	Full	100.00	100.00	100.00	100.00
Euler Hermes Credit Insurance Nordic AB, Norway Branch Postboks 6875, St Olavs Plass - NO 130 Oslo	Norway	Full	100.00	100.00	100.00	100.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Non-French companies	Country	Consolidation method	31/12/04 % control	31/12/04 % interest	31/12/03 % control	31/12/03 % interest
Euler Hermes Interborg NV Hoogoorddreef 5 - Postbus/ PO 1100 AL Amsterdam	Netherlands	Full	95.00	91.92	60.00	60.00
Euler Hermes Kredietverzekering NV Pettelaarpark 20 - Postbus 70571 NL-5201 CZ's-Hertogenbosch	Netherlands	Full	100.00	76.40	100.00	76.40
Euler Hermes Services BV Pettelaarpark 20 - Postbus 70571 NL-5201 CZ's-Hertogenbosch	Netherlands	Full	100.00	73.13	100.00	73.13
Graydon Creditfink B.V. Hullenbergweg 260 - 1101 BV Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Graydon Holding N.V. Hullenbergweg 260 - 1101 BV Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Graydon Nederland B.V. Hullenbergweg 260 - 1101 BV Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Kisys Krediet Informatie Systemen B.V. Hullenbergweg 270 - 1101 BV Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
MarkSelect B.V. Diemerhof 26 - Postbus 22969 - 1100 DL Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
N.V. Interpolis Kredietverzekeringen Pettelaarpark 20 - 5216 PD's Hertogenbosch	Netherlands	Proportional	45.00	34.38	45.00	34.38
Euler Hermes Zarzadzanie Ryzykiem Sp. Z.o.o. ul. Chocimska, 17 - 00 791 Varsovie	Poland	Full	100.00	100.00	100.00	100.00
Euler Hermes Towarzystwo Ubezpieczeniowe ul. Chocimska, 17 - 00 791 Varsovie	Poland	Full	100.00	100.00		
Companhia de Seguro de Creditos SA (COSEC) Avenida de Republica, n° 58 1069-057 Lisboa	Portugal	Equity	41.43	41.43		
Euler Hermes Cescob Pojist'ovna, AS Molakova 576/11, 186 00 Pragues 8	Czech Republic	Full	100.00	95.77	64.74	60.51
Hermes-Kredit Service S.R.O. Zahrebska 23-25 - 120 00 Pragues 2	Czech Republic	Full	100.00	95.77	100.00	60.51
Euler Hermes United Kingdom Singapore Branch 03, Temasek Avenue, 08-01 Centennial Tower	Singapore	Full	100.00	100.00	100.00	100.00
Euler Hermes Credit Insurance Nordic A.B. Klara Norra Kyrkogata 29 - SE 101 34 Stockholm	Sweden	Full	100.00	100.00	100.00	100.00
Euler Hermes Kreditversicherungs Service - AG General Wille strasse 10 - 8002 Zurich	Switzerland	Full	100.00	99.50	100.00	99.50

NB : The interest and control percentages are stated as at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – CONSOLIDATION PRINCIPLES AND METHODS

The consolidated financial statements have been prepared in accordance with general accounting principles applicable in France and in particular with the provisions of regulation No. 2000-05 of the *Comité de la Réglementation Comptable* (French Accounting Regulations Committee) dated 7 December 2000 relating to the consolidation and merger accounting rules for companies governed by the French Insurance Code.

Note 3.1 – Consolidation policies applied

The results of the factoring subsidiaries, which were controlled jointly with Crédit Lyonnais, were consolidated using the proportional method in the consolidated financial statements until 31 December 2004.

NV Interpolis Kredietverzekeringen, controlled jointly with Interpolis (the Netherlands), and Mundialis, controlled jointly by Euler Hermes Credit Insurance Belgium and Office National Ducroire, are consolidated using the proportional method.

Companies that are neither wholly nor jointly owned are consolidated using the equity method. These companies are Prisma Kreditversicherungs-AG, Graydon Holding N.V and Compania de Seguros de Credito. In addition, Euler Hermes Credit Underwriters Hong Kong, Lietuvos Draudimo Kreditu Draudimas and Bürgel Wirtschaftsinformationen are accounted for using the equity method even though they are exclusively controlled, since the accounting information necessary for their consolidation is not available within the time required for publishing the Group's results.

All other companies included in the consolidation scope are fully consolidated.

Some holdings are not included in the consolidation scope as they are not material to the Group. The general rule is to exclude, except in exceptional cases, companies whose turnover represents less than 1% of consolidated turnover. Furthermore, in accordance with the new methodology relating to consolidated financial statements contained in regulation No. 2000-05, property trusts, economic interest groups such as GIE Eurexel and investment funds are not consolidated.

Note 3.2 – Financial period and year-end dates

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

Note 3.3 – Goodwill on first consolidation and network values

Goodwill on first consolidation represents the difference between the acquisition cost of consolidated companies' shares and the book value of the Group's stake in the equity of those companies, after any asset and liability revaluations as of the date of acquisition. It is allocated to identified tangible or intangible assets, no later than the end of the financial year following the year of acquisition.

The network value allocation is calculated based on up to the percentage of equity interest, or increase in equity interest, of companies already consolidated. For credit insurance, the most appropriate manner of estimating the value of the commercial network is turnover, standard practice being to assign a network value for an amount not exceeding 40% of gross premiums excluding acceptances, up to the amount of goodwill on first consolidation. Nevertheless, when goodwill results from acquisitions made over several years, only goodwill from the first year can be allocated to commercial network value, as subsequent goodwill is included in amortisable goodwill. Network values thus determined are compared at the year end with the discounted value of future super profits, i.e. the excess of projected earnings over the cost of regulatory capital. The method is compliant with the IFRS standards. The principal assumptions used in determining super profits are: continuous renewal of policies, annual premium growth of 2%, discount rate of 8.15%, target combined ratio and target retention rate are based on the third year of the business plan with for the first one a minimum of 85%. Network depreciation is recorded when the discounted value of future super profits is less than the network value in the balance sheet.

Note 3.4 – Acquisition goodwill

Acquisition goodwill represents the non-allocated portion of goodwill on first consolidation. This goodwill is amortised according to a pre-defined plan, for a fixed period determined on the basis of the assumptions and objectives applied at the time of the acquisition. Under no circumstances can this period exceed 20 years.

At each closing, acquisition goodwill is compared to the difference between the fair value of the subsidiary and its net book value plus network value. The fair value is defined as the present value of future cash flows as shown in the business plans of the subsidiary concerned.

Acquisition goodwill arising from the parent company's repurchase of shares issued under stock option plans is recorded as an expense for the year in the form of an exceptional write-down. A provision is also established for potential acquisition goodwill attached to options that have been granted but not yet exercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 3.5 – Translation of non-French subsidiaries' financial statements

The financial statements of non-French subsidiaries are prepared in their operating currency and, where appropriate, translated into euros using the closing-rate method at the exchange rate prevailing in Paris on the balance sheet date.

The Group's share of exchange differences arising on opening net assets is recorded in shareholders' equity under the heading "Foreign currency translation differences", and under "Minority interests" for the portion relating to third parties.

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

Exchange rate (to euros) on the balance sheet date

	31/12/04	31/12/03	31/12/2002
Pound sterling	0.70505	0.7048	0.6505
US dollar	1.3621	1.2630	1.0487
Swedish krona	9.0206	9.0800	9.1528
Brazilian real	3.6137	3.6263	3.6894

Note 3.6 – Internal transactions between consolidated companies

Sale of assets

Capital gains and losses on intra-group transfers are eliminated.

Other transactions

Other intra-group transactions are eliminated from the balance sheet and income statement if material. These mainly concern intra-group reinsurance transactions and the purchase and sale of information.

Inter-sector elimination items in the income statement result from the elimination of reciprocal transactions between Group companies.

Note 3.7 – Fund for general banking risks

Since 31 December 2001, funds for general banking risks constituted by certain subsidiaries pursuant to banking regulations have not been recognised in the consolidated financial statements.

Any movements recorded on these funds in the individual company financial statements are eliminated in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – ACCOUNTING PRINCIPLES AND VALUATION METHODS

Note 4.1 – General principles

The valuation methods used comply with the European Directive No. 91-674 of 19 December 1991 relating to the parent company and consolidated financial statements of insurance companies and with regulations No. 99-02 and 2000-05 of the *Comité de la Réglementation Comptable*.

For French insurance companies, the accounting provisions of the French Insurance Code are specified by decrees No. 94-481 and No. 94-482 of 8 June 1994, decree No. 95-153 of 7 February 1995 and the ordinances of 20 June 1994 and 19 April 1995 transposing the European Directive of 19 December 1991. For other European insurance companies, their respective national regulations transposing the European Directive of 19 December 1991 are applied. The annual financial statements of French credit institutions comply with the regulations of the *Comité de la Réglementation Bancaire et Financière* (the French banking and financial regulatory body) and the instructions of the *Commission Bancaire* (French Banking Commission). For other companies, and in general, when a specific rule does not apply, the principles of the French *Plan Comptable Général* are used.

Note 4.2 – Premiums

Credit insurance premiums included in turnover correspond to written premiums excluding taxes, less premiums cancelled during the financial year and an estimate of written premiums that will be cancelled after the year end. They are increased by an estimate of the portion of premiums to be written that are earned during the financial year 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.

Note 4.3 – Income from banking operations

Income from banking operations includes factoring commissions used to pay for services associated with the management and collection of debt, outstanding debt financing commissions, claims files management commissions, interest and similar income and other income from banking operations.

Note 4.4 – Other operating income

Other operating income includes other services and premium-related fees, which include enquiry and monitoring costs invoiced in respect of risk management and prevention on behalf of clients, and fees for the collection of disputed receivables. It also includes interest on arrears relating to Euler Hermes Credit Insurance's retail credit activity in Belgium, as well as other underwriting-related income.

Note 4.5 – Insurance services expense

Insurance services expenses include the net cost of claims (i.e. claims settled during the financial year less recoveries received, the movement in claims reserves net of projected recoveries, bonuses and profit participations paid and payable and expenses incurred or to be incurred for the management of claims payments and collections) and the movement in the equalisation reserve.

Note 4.5.1 – Claims reserves

The credit insurance companies within the Group establish technical reserves calculated in accordance with applicable regulations.

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

– claims reported but not yet settled at the end of the financial year;

– claims occurring during the year but reported after the financial year end and, in respect of trade receivables existing at the year end and covered by a policy on such date, claims that will occur and will be reported during subsequent financial years.

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 previous financial years.

Claims reserves are increased by a provision for management fees.

Note 4.5.2 – 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 customers.

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

Note 4.5.3 – Equalisation reserve

The purpose of the equalisation reserve is to hedge macroeconomic risks, which are characterised by their low frequency and high unit cost. When there is a positive underwriting result, a portion is assigned to the equalisation reserve to offset the technical losses that may appear on a cyclical basis over the next 10 financial years. This practice is mandatory for all European insurance companies within the Group, based on the various methods that are all

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

prescribed in the Directive dated 22 June 1987.

Until the end of the 2001 financial year, the accounting policy applied to the consolidated financial statements was not to modify the individual calculations made in accordance with the regulations of each country, provided that such calculations were not materially different from those applied in the rest of the Group.

Following the acquisition of the Hermes Group, as the calculation methods for this reserve in Germany were significantly different from those most commonly used within the Group, it was decided to harmonise the calculations in the consolidated financial statements. The new methods have been applied since 1 January 2002 to the Group's European credit insurance subsidiaries.

In principle, the methods comply with those described in Article R. 331-33 of the French Insurance Code as applicable to French insurance companies. However, the effects of reciprocal reinsurance transactions between the Group's credit insurance companies have been eliminated.

If internal reinsurance transactions were not eliminated, it would lead to double write downs or write backs in cases where the equalisation reserve has a ceiling in a company accepting for reinsurance the underwriting result of other partners within the Group.

Charge / write-back

The equalisation reserve is funded by deducting 75% (tax allowable) of the surplus underwriting profit from credit insurance net of reinsurance assignments and before allocation of net income from investments. It is written back when the underwriting result for the financial year is in deficit.

Cumulative ceiling

Allocation to the equalisation reserve ceases to be mandatory when the reserve reaches 134% of the average net reinsurance premiums recorded in the five previous financial years. Since 30 June 2002, when preparing interim accounts, the maximum allocation at the end of the period has been assessed in relation to the average of the five previous financial years calculated on a rolling quarterly basis.

Note 4.6 – Income and expense net of reinsurance

Income or expense net of reinsurance includes premiums and claims ceded to reinsurers, commissions and bonus participations paid by reinsurers.

Note 4.7 – Banking operations expense

Banking operations expense includes interest and similar expenses, banking commissions, net losses on portfolio transactions and other expenses on banking transactions such as foreign exchange transactions and financial instruments.

Note 4.8 – Management expenses

Insurance companies' overheads are initially accounted for by expense type in accordance with legal accounting principles, then allocated or divided among five analytical accounting categories as defined by the French *Plan Comptable des Assurances* (insurance chart of accounts):

- management expenses relating to investments – these are deducted from investment income;
- management expenses relating to claims – these are included in claims expenses;
- contract acquisition costs, administrative expenses and other underwriting expenses that, after allowing for commissions paid or received on reinsurance transactions, constitute net operating expenses.

Employee profit-sharing and incentive schemes are also included in management expenses.

Note 4.9 – Factoring receivables and liabilities

Note 4.9.1 – Factoring receivables

These are included in balance sheet assets for the total uncollected receivables not recovered on the date the accounts are prepared. These receivables are recognised at their nominal value, which corresponds to the invoiced amount, including all taxes, assigned by members. When a risk of partial or total non-recovery is deemed likely, the receivables are reclassified as "Doubtful debts" and a provision is raised, which is deducted from the corresponding asset in the balance sheet.

Note 4.9.2 – Factoring liabilities

Factoring liabilities correspond to the amounts credited to the current accounts of members who have not received a credit advance from the factor and to holdbacks on each contract. Contract holdbacks are specific to each contract and cumulative.

Note 4.9.3 – Liabilities represented by securities

This item consists of all borrowings made available to the factoring company in conjunction with its financing activities. The main refinancing sources consist of negotiable debt securities.

Note 4.9.4 – Liabilities to banking sector businesses

This item mainly comprises liabilities repayable on demand and term loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 4.10 – Investments - insurance businesses

Note 4.10.1 – Original cost

Investments are recorded at purchase cost less accrued interest.

Note 4.10.2 – Inventory value and provisions for depreciation

Equities

At the year end, equities are included at historical cost. However, equities that were the subject of a public exchange offer are revalued using the market price on the day that the *Conseil des Marchés Financiers* (C.M.F.) published the notice announcing the completion of the public exchange offer.

Investments denominated in foreign currencies are valued at the year-end rate. Translation gains and losses are recognised in the income statement in accordance with the preferred method under regulation No. 2000-05, which involves recognising the translation gains and losses that were included in the individual company financial statements.

For listed shares, the realisable value at the year end corresponds to the stock exchange price on the balance sheet date or the average price for the month preceding the closing, while unlisted shares are valued at their fair market value. This value is also used to determine the unrealised capital gains and losses as shown in the investment table.

Article R. 332-20 of the French Insurance Code specifies that provisions should be raised in respect of securities held by French insurance companies when they are subject to a permanent diminution in value, which is assessed based on criteria consistent with the company's ownership strategy. The corresponding charge is calculated for each security. In accordance with the notice issued by the *Comité d'Urgence* of the C.N.C. (French Accounting Committee's urgent issues task force) dated 18 December 2002, a permanent diminution in value is assumed to occur when a security loses at least 20% of its value over a period of more than six consecutive months. For securities assumed to be subject to a permanent diminution in value, the recoverable value is equal to the highest of the market price on the balance sheet date and the average price for the month preceding the balance sheet closing. A provision for permanent diminution in value, equal to the difference between the recoverable value and the net book value of the security, is thus recognised.

For each Group company, whether French or foreign, an overall provision for diminution in value is established when the overall realisable value of investments excluding depreciable securities is less than their historical acquisition cost after provisions for permanent diminution in value.

Bonds and other fixed-interest securities

The difference between the sale price and the purchase price of bonds and negotiable debt securities is written down or offset against income over the residual life of the securities. The realisable value corresponds to the share price or the fair market value for unlisted securities.

A provision is constituted only if the issuer is likely to become insolvent.

Insurance company property

Buildings, land and shares in non-trading property investment companies are recorded at purchase cost, with acquisition costs being expensed immediately. Property improvements that result in an increase in the value of the buildings concerned are capitalised under "Buildings" and are amortised over the same period as the underlying properties.

Buildings are depreciated using the straight-line method over a period of up to 50 years. The realisable value of buildings is determined based on five-yearly expert valuations, which are updated annually. When the expert valuations are lower than the net book value, a provision for depreciation is recorded in the income statement.

In accordance with regulation No. CRC 02-10 dated 12 December 2002 relating to the treatment of significant maintenance expenses, a provision is established by Euler Hermes for such items, this provision amounting to 2,353,000 euros at 31 December 2004.

Note 4.10.3 – Allocation of net income from investments to the technical account

Income net of expenses, generated by insurance company investments, whether from revenues or capital gains and losses on disposals, is transferred to the technical account in respect of the part of the investments that represents technical reserves.

Note 4.10.4 – Profits from the sale of assets

Capital gains and losses on disposals of securities or property are recognised in the income statement. The Group generally uses the F.I.F.O. method (First In, First Out). As an exception, shares exchanged under a public share exchange offer result in the recognition of an exchange capital gain.

Note 4.11 – Investments - banking sector businesses

The accounting method used for banking investments complies with regulation No. 90-01 as amended of the *Comité de la Réglementation Bancaire et Financière* (the French banking and financial regulatory body).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 4.12 – Non-consolidated equity holdings

Non-consolidated equity holdings are recognised at the lower of cost and likely realisable value. In the latter case, a provision for diminution in value is recorded. The holdings are assessed based on the company's net assets, which may be revalued or maintained at their book value.

Note 4.13 – Receivables from banking sector businesses

This item shows the balance of ordinary accounts held with credit institutions and invested in cash management funds. However, cash invested in short-term investment funds or in term deposits is reported under "Investments".

Note 4.14 – Other receivables and other liabilities

Other receivables and other liabilities consist mainly of receivables and liabilities due to Governments and employees, borrowings, amounts due to social security agencies, term deposits and other sundry liabilities.

Note 4.15 – Deferred acquisition expenses

Deferred acquisition expenses mainly comprise brokerage network commissions and expenses incurred by the sales and marketing departments. The deferred 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 expenses are deferred to the following year. The movement in deferred acquisition expenses is included in acquisition expenses reported in the income statement.

Note 4.16 – Retirement commitments

In accordance with the laws and practices of each country, the Group contributes to pension or retirement funds for its staff (see Note 19). In some countries, Group companies pay contributions based on salaries to organisations responsible for providing these benefits. Accordingly, there is no actuarial liability in respect of retirement commitments, except when these funds do not adequately cover commitments. In such cases, the shortfall is taken into account in accordance with the method used for the recognition of actuarial deficits as set out in the international accounting standard IAS19. Provisions are made to cover the Group's commitments to employees in respect of lump-sum retirement benefits and long-service awards.

For insurance companies in France, under the terms of the agreement dated 2 February 1995 between the F.F.S.A. (French federation of insurance companies) and labour and management representatives, the cost of consolidating the industry's pension and retirement scheme provisions was charged to shareholders' equity, with an offsetting entry in provisions for risks and charges. Since 1996, any contributions resulting from this agreement have been expensed each year, with an offsetting entry writing back the provision.

Note 4.17 – Income tax

The tax charge comprises tax due and deferred tax resulting from assessment timing differences and consolidation adjustments, when this is justified by the tax position of the companies concerned. Deferred tax is calculated using the liability method based on the taxation conditions known at the year end. In the absence of a reliable timetable for the reversal of the underlying items, deferred tax balances are not discounted to their present value.

Deferred tax assets arising from tax losses carried forward are recognised in the consolidated financial statements when the forecast results for the companies concerned make their use likely in the short term.

Note 4.18 – Stock option plans

Following the capital increase at Euler Hermes, which took place from 24 June to 5 July 2002 inclusive and which maintained preferential subscription rights at two new shares for 13 old shares, the exercise prices and quantities of options already allocated and not yet exercised have been adjusted in accordance with the legal and regulatory provisions and the stipulations of the option plans.

Note 4.18.1 – Stock subscription options

The Extraordinary General Meeting of Euler held on 29 April 1997 approved a stock option plan concerning 1% of the capital stock, i.e. 348,750 shares, including 314,200 shares in favour of the senior executives of the company and its subsidiaries. At 31 December 2002, 9,300 options had been lost and 45,884 options had been exercised, with 29,884 of these being exercised at 16.07 euros each and 16,000 at 18.88 euros each. Following the capital increase at Euler Hermes and in accordance with the legal and regulatory provisions, 9,040 new options were allocated, bringing the balance of options still to be exercised to 268,056 options at 31 December 2002. During 2003, 89,518 options were exercised, with 22,217 of these being exercised at 15.55 euros each and 67,301 at 18.27 euros each. During 2004, 51,721 options were exercised, with 3,669 of these being exercised at 15.55 each, 31,001 at 18.27 each and 17,051 at 21.12 each. Some 4,237 options were lost during 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Extraordinary General Meeting of Euler Hermes held on 23 April 2003 approved a stock subscription plan concerning 0.625% of the capital stock, i.e. 250,000 Euler Hermes shares, in favour of the senior executives of the company and its subsidiaries. Six beneficiaries gave up their rights to 10,200 options in 2003. No options had been exercised at 31 December 2004. During 2004, 16,000 options were lost.

The Supervisory Board of 25 May 2004 approved the distribution of 130,000 new stock subscription options under the plan adopted on 23 April 2003. At 31 December 2004, four beneficiaries had given up their rights to 4,700 options.

Year of allocation	1997	1998	1999	2003	2004	Total
Number of options available	37,099	77,369	8,112	223,800	125,300	471,680
End of subscription period	2007	2008	2009	2011	2012	
Subscription price at 31/12/2004 (euros)	15.55	18.27	21.12	27.35	44.41	

The numbers of options have been multiplied by 50 in accordance with the decision of the General Meeting held on 7 April 2000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 4.18.2 – Stock purchase options

Under the authorisation granted by the Extraordinary General Meeting held on 7 April 2000 and following the meeting of the Supervisory Board on 26 April 2000, the Group Management Board, at its meeting on 27 April 2000, decided to allocate options to purchase Euler Hermes shares to all Group employees (plan 1) and also to some senior executives of the company and its subsidiaries (plan 2). These options were allocated on 27 April 2000. In accordance with the decisions of the Combined General Meeting held on 7 April 2000, a second allocation of stock options under plan 2 was implemented in early 2001 following the meetings of the Supervisory Board on 27 February 2001 and of the Group Management Board on 28 March 2001.

Following the Euler Hermes capital increase and in accordance with the legal and regulatory provisions, 17,803 new shares were allocated at 31 December 2003.

During 2004, some 30,356 options were lost. There were 427,378 options still to be exercised at 31 December 2004

The features of these three stock option plans are summarised in the table below:

	Plan 1	Plan 2 1st allocation	Plan 2 2nd allocation
Date of General Meeting	07/04/2000	07/04/2000	07/04/2000
Date of Supervisory Board	26/04/2000	26/04/2000	27/02/2001
Number of share options still to be exercised	148,185	132,468	146,725
o/w options allocated to members of the Management Board of Euler Hermes	*0*	*0*	*16,863*
Number of employees involved	1,665	64	69
o/w members of the Management Board of Euler Hermes	*0*	*0*	*1*
Exercise start date	27/04/2000	27/04/2000	28/03/2001
Expiry date	26/04/2008	26/04/2008	27/03/2009
Average weighted purchase price in euros (1)	51.61	51.63	51.24
Exercise method	Purchase	Purchase	Purchase
Number of shares subscribed or purchased at 31/12/2004	20	None	None

(1) The average purchase price in euros is the weighted average of the individual exercise prices, which may vary according to the applicable tax rules. For the employees and executives of the French company or any of its French subsidiaries, the purchase price is the average of the market price during the 20 stock market trading days preceding the Group Management Board meeting. For French residents, a discount of 5% is applied. Other beneficiaries (employees of the Group's foreign subsidiaries), who are not subject to the same vesting or lock-in period constraints as those of the employees and executives of the French companies, the purchase price is the closing value of the share on the Paris Bourse on the day of the Group Management Board meeting that grants the options.

Note 4.19 – Earnings per share

Earnings per share are calculated by dividing the consolidated net income or loss by the weighted average number of shares in issue during the year. Diluted earnings per share are calculated by assuming that the funds that will be received when the rights attached to diluting instruments are exercised will be allocated, as a matter of priority, to buying back shares at market price.

Note 4.20 – Financial instruments

Financial instruments held by the Euler Hermes Group mainly comprise interest rate Swaps. These Swaps are used as hedging contracts to cover underlying items of the same amount and the same maturity. Gains and losses arising from fluctuations in the market value of these financial instruments are recognised over the residual life of the item hedged in the same way as for the income and expenses relating to this item.

Note 4.21 – Litigation

Group companies may be faced with legal disputes as an inherent part of the exercise of their business. However, there currently exists no exceptional event, legal dispute or arbitration that is likely to substantially affect the Group's business, results or financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 – GOODWILL

Note 5.1 – Changes during the year

(In thousands of euros)

	31/12/04	31/12/03	31/12/02
Net goodwill at start of year	**54,899**	**123,826**	**30,646**
Acquisition of shares in Euler Hermes Cescob Pojist'ovna, AS (Czech Republic)	1,134	1,889	–
Acquisition of shares in Euler Hermes Interborg NV	552	–	–
Acquisitions of shares in Companhia de Seguro de Creditos SA (COSEC)	1,741	–	–
Acquisition of Prisma Kreditversicherungs-AG (Austria)	153	288	–
Acquisition of shares in Euler Hermes Sfac [1]	91	1,068	3,425
Acquisition of shares in Euler Hermes Crédito Compaña (Spain)	–	–	2,123
Acquisition of Logica S.R.L.	578	–	–
Other acquisitions	442	–	–
Lietuvos Draudimo Kreditu Draudimas (Lithuania)	–	512	–
Acquisition of Euler Hermes Credit Services (Japan) Ltd	–	(150)	–
Euler Hermes Kredietverzekering NV	–	–	2,917
Hermes Kreditversicherung	–	(69,036)	92,059
Disposal of Eurofactor	(689)	–	–
Other changes during the year [1]	(250)	(139)	863
Amortisation during the year	(4,836)	(2,923)	(7,619)
Additional amortisation during the year	(616)	–	–
Translation difference on Euler Hermes A.C.I. Inc goodwill (USA)	(159)	(436)	(588)
Net goodwill at end of year	**53,040**	**54,899**	**123,826**

(1) In accordance with the recommendation by the AMF in its 1997 report, goodwill resulting from the parent company's purchase of shares issued under stock option plans is written off in the year in which the shares are purchased. The amounts involved total 91,000 euros.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 5.2 – Breakdown by subsidiary at 31 December 2004

(IN THOUSANDS OF EUROS)

	Goodwill gross	Cumulative amortisation	Goodwill Net
Euler Hermes Holdings UK plc	23,046	(10,082)	12,964
Euler Hermes Credit Insurance Belgium SA (N.V.)	7,848	(4,557)	3,291
Euler Hermes A.C.I. Inc	7,410	(2,617)	4,793
Euler Hermes Sfac	91	(91)	–
Euler Hermes Kredietverzekering NV	4,506	(1,179)	3,327
Euler Hermes Siac	2,042	(628)	1,414
Codinf Services	606	(606)	–
Euler Hermes Seguros de Crédito S.A.	110	(110)	–
Euler Hermes Crédito Compaña	2,123	(362)	1,761
Hermes Kreditversicherung	22,926	(2,883)	20,043
Euler Hermes Cescob Pojist'ovna, AS	3,023	(222)	2,801
Lietuvos Draudimo Kreditu Draudimas	512	(512)	–
Prisma Kreditversicherungs-AG	441	(24)	417
Euler Hermes Acmar	(80)	80	–
Euler Hermes Emporiki SA	116	(116)	–
Euler Hermes Credit Services (Japan) Ltd	(150)	150	–
Euler Hermes Credit Underwriters Hong Kong Ltd	167	(167)	–
Hermes-Kredit Service S.R.O.	(101)	101	–
Euler Hermes Interborg NV	552	(20)	532
Companhia de Seguro de Creditos SA (COSEC)	1,741	(44)	1,697
Goodwill at 31 December 2004	**76,929**	**(23,889)**	**53,040**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – INTANGIBLE ASSETS

Note 6.1 – Intangible assets

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Gross network values	316,729	316,729	316,729
Provisions for network values	–	–	–
Network values, net	**316,729**	**316,729**	**316,729**
IT and software developments - gross (1)	48,356	63,884	57,947
Amortisation	(27,694)	(36,833)	(32,861)
IT and software developments	**20,662**	**27,051**	**25,086**
Gross value of other intangible assets	11,145	11,406	11,494
Amortisation of other intangible assets	(7,344)	(5,577)	(4,532)
Other intangible assets	**3,801**	**5,829**	**6,962**
Intangible assets	**341,192**	**349,609**	**348,777**

(1) IT developments considered strategic to the Group are capitalised and amortised based on their estimated useful life. At the year end, Euler Hermes applied CRC regulation 2004-06 relating to the valuation and recording of assets in advance of its mandatory application date, thereby reducing gross intangible assets by around 9 million euros.

Note 6.2 – Breakdown of network values by subsidiary

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Euler Hermes Holdings United Kingdom plc	60,980	60,980	60,980
Euler Hermes Siac	6,564	6,564	6,564
Euler Hermes A.C.I. Holding Inc	33,037	33,037	33,037
Euler Hermes Guarantee plc	5,978	5,978	5,978
Euler Hermes Interborg NV	1,510	1,510	1,510
Euler Hermes Credit Insurance Nordic A.B.	9,673	9,673	9,673
Euler Hermes Magyar Hitelbiztosító Rt	1,580	1,580	1,580
Euler Hermes Kreditversicherungs-AG	197,407	197,407	197,407
Network values	**316,729**	**316,729**	**316,729**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – INVESTMENTS

Note 7.1 – Investments of insurance businesses

(IN THOUSANDS OF EUROS)

	31/12/04				31/12/03				31/12/02			
	Gross value	Net book value	Estimated value	Unrealised capital gains	Gross value	Net book value	Estimated value	Unrealised capital gains	Gross value	Net book value	Estimated value	Unrealised capital gains
Property	**334,723**	**279,833**	**373,306**	**93,473**	**333,743**	**284,574**	**369,452**	**84,878**	**327,956**	**286,460**	**363,550**	**77,090**
Non-consolidated equity investments (see note 8)	**1,478**	**1,381**	**1,381**	**–**	**17,562**	**16,823**	**16,823**	**–**	**24,090**	**20,588**	**20,588**	**–**
Shares and variable-income securities	110,312	108,031	138,430	30,399	122,215	118,314	144,591	26,277	215,309	201,337	195,324	(6,013)
Units in equity mutual funds	214,588	213,342	236,430	23,088	221,887	212,315	226,522	14,207	232,265	209,812	201,004	(8,808)
Bonds and other fixed-income securities	1,367,717	1,367,615	1,413,868	46,253	1,328,952	1,328,864	1,363,664	34,800	1,161,372	1,161,284	1,211,644	50,360
Units in bond mutual funds	188,998	188,998	204,227	15,229	116,498	116,496	116,805	309	102,478	102,478	103,055	577
Total investment securities	**1,881,615**	**1,877,986**	**1,992,955**	**114,969**	**1,789,552**	**1,775,989**	**1,851,582**	**75,593**	**1,711,424**	**1,674,911**	**1,711,027**	**36,116**
Loans and other financial investments	238,945	238,939	245,622	6,683	193,541	193,535	193,535	–	177,518	177,119	177,514	395
Deposits at credit institutions	243,239	243,239	243,307	68	241,673	241,673	241,732	59	162,444	162,444	162,529	85
Deposits at reinsurance institutions	18,586	18,586	18,586	–	22,748	22,748	22,748	–	20,393	20,393	20,393	–
Total other investments	**500,770**	**500,764**	**507,515**	**6,751**	**457,962**	**457,956**	**458,015**	**59**	**360,355**	**359,956**	**360,436**	**480**
Total	**2,718,586**	**2,659,964**	**2,875,157**	**215,193**	**2,598,819**	**2,535,342**	**2,695,872**	**160,530**	**2,423,825**	**2,341,915**	**2,455,601**	**113,686**
Listed investments	1,753,534	1,752,095	1,861,846	109,751	1,690,283	1,680,449	1,760,327	79,878	1,597,985	1,563,685	1,599,782	36,097
Unlisted investments	965,052	907,869	1,013,311	105,442	908,536	854,893	935,545	80,652	825,840	778,230	855,819	77,589
Total listed/unlisted investments	**2,718,586**	**2,659,964**	**2,875,157**	**215,193**	**2,598,819**	**2,535,342**	**2,695,872**	**160,530**	**2,423,825**	**2,341,915**	**2,455,601**	**113,686**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 7.2 – Investments of banking sector businesses

(IN THOUSANDS OF EUROS)

	31/12/04				31/12/03				31/12/02			
	Gross value	Net book value	Estimated value	Unrealised capital gains	Gross value	Net book value	Estimated value	Unrealised capital gains	Gross value	Net book value	Estimated value	Unrealised capital gains
Property	–	–	–	–	**2,420**	**1,663**	**1,663**	**–**	**2,420**	**1,737**	**1,737**	–
Non-consolidated equity investments (see note 8)	–	–	–	–	**294**	**252**	**252**	**–**	**302**	**299**	**299**	–
Shares and variable-income securities	–	–	–	–	271	256	256	–	297	281	281	–
Units in equity mutual funds	–	–	–	–	–	–	–	–	–	–	–	–
Bonds and other fixed-income securities	–	–	–	–	–	–	–	–	–	–	–	–
Units in bond mutual funds	–	–	–	–	–	–	–	–	–	–	–	–
Loan fund units	–	–	–	–	3,349	–	–	–	3,349	2,522	2,522	–
Total investment securities and other financial investments	**–**	**–**	**–**	**–**	**3,620**	**256**	**256**	**–**	**3,646**	**2,803**	**2,803**	**–**
Deposits at credit institutions	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Deposits at assigning businesses	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**–**	**–**	**–**	**–**	**6,334**	**2,171**	**2,171**	**–**	**6,368**	**4,839**	**4,839**	**–**
Listed investments	–	–	–	–	–	–	–	–	–	–	–	–
Unlisted investments	–	–	–	–	6,334	2,171	2,171	–	6,368	4,839	4,839	–
Total listed/unlisted investments	**–**	**–**	**–**	**–**	**6,334**	**2,171**	**2,171**	**–**	**6,368**	**4,839**	**4,839**	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 7.3 – Contribution to shareholders' equity from equity affiliates

(IN THOUSANDS OF EUROS)

Contribution to shareholders' equity	31/12/04	31/12/03	31/12/02
Euler Hermes Acmar (1)	–	2,532	–
Bürgel W.I. GmbH & Co. K.G. (2)	7,589	7,478	–
Prisma Kreditversicherungs-AG	6,447	5,218	4,763
Euler Hermes Emporiki SA (1)	–	757	799
Finnish Credit Insurance Company (7)	–	2,193	1,443
Lietuvos Draudimo Kreditu Draudimas	–	1,742	1,529
Euler Hermes Credit Underwriters Hong Kong Ltd	1,638	873	784
Euler Hermes Zarzadzanie Ryzykiem Sp. Z.o.o. (Pologne) (3)	680	–	1,609
Hermes- Kredit Service S.R.O., Prague (4)	–	434	351
Pylon A.G. (5)	–	1,161	793
Graydon Holding N.V.	2,587	2,846	4,316
Companhia de Seguros de Creditos SA (COSEC) (6)	10,522	0	0
Non-life insurance businesses	**29,463**	**25,234**	**16,387**
Elysées Factor	(132)	1,135	1,060
Banking sector businesses	**(132)**	**1,135**	**1,060**
Contribution to shareholders' equity (*)	**29,331**	**26,369**	**17,447**

(*) Shareholders' equity is stated before appropriation of net income for the year.

(1) Fully consolidated at 30 June 2004.

(2) Not consolidated at 31 December 2002, consolidated by the equity method at 30 June 2003.

(3) Fully consolidated at 1 January 2003.

(4) Fully consolidated at 1 January 2004.

(5) A provision for risks corresponding to the share of PYLON AG's negative net assets, i.e. 916 thousand euros, has been booked.

(6) Not consolidated at 31 December 2003, consolidated by the equity method at 31 December 2004.

(7) Liquidated on 15 December 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS OF EUROS)

Net income / (loss) for the year	31/12/04	31/12/03	31/12/02
Euler Hermes Acmar (1)	–	(263)	–
Bürgel W.I. GmbH & Co. K.G. (2)	–	1,457	–
Prisma Kreditversicherungs-AG	1,025	1,269	302
Euler Hermes Emporiki SA (1)	1,110	(321)	(42)
Finnish Credit Insurance Company (7)	–	(108)	19
Lietuvos Draudimo Kreditu Draudimas	88	(105)	145
Euler Hermes Credit Underwriters Hong Kong Ltd	166	(213)	263
Euler Hermes Zarzadzanie Ryzykiem Sp. Z.o.o. (Pologne) (3)	–	–	666
Hermes- Kredit Service S.R.O., Prague (4)	–	296	102
Pylon A.G. (5)	–	(1,160)	367
Graydon Holding N.V.	2,019	2,217	455
Companhia de Seguros de Creditos SA (COSEC) (6)	926	–	–
Non-life insurance businesses	**5,334**	**3,069**	**2,277**
Elysées Factor	132	94	75
Banking sector businesses	**132**	**94**	**75**
Net income for the year	5,466	3,163	2,352
Net book value of equity affiliates	**34,797**	**29,532**	**19,799**

(1) Fully consolidated at 30 June 2004.

(2) Not consolidated at 31 December 2002, consolidated by the equity method at 30 June 2003.

(3) Fully consolidated at 1 January 2003.

(4) Fully consolidated at 1 January 2004.

(5) A provision for risks corresponding to the share of PYLON AG's negative net assets, i.e. 916 thousand euros, has been booked.

(6) Not consolidated at 31 December 2003, consolidated by the equity method at 31 December 2004.

(7) Liquidated on 15 December 2004.

(IN THOUSANDS OF EUROS)

Net book value of equity affiliates at 31 December 2003	**29,532**
Change in consolidation scope	7,261
Change in consolidation method	(3,435)
Capital increase	–
Dividends	(4,448)
Foreign currency translation differences	–
Income for the period	5,466
Other movements	421
Net book value of equity affiliates at 31 December 2004	**34,797**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – NON-CONSOLIDATED EQUITY INVESTMENTS AT 31 DECEMBER 2004

(in thousands of euros)

Company		Percentage control	Percentage interest	Shareholders' equity (*)	Last year income (*)	Balance sheet total	Turnover (exc. taxes)	Gross book value	Charges and provisions	Net book value	Realisable value
French companies										**467**	**467**
France Direct Courtage (ex-Financière Île-de-France) 5, rue Euler - Paris	EUR	100.00 %	100.00 %	45	(6)	102	–	40	–	40	40
Kepler Ratings (ex-Financière Galilée) 1, rue Euler - Paris	EUR	100.00 %	100.00 %	77	(16)	66	–	90	–	90	90
H.D.N. Gestion (1) 110, rue de la Boétie - Paris	EUR	20.00 %	20.00 %	1,743	446	3,599	–	315	–	315	315
Other holdings in French companies										**22**	**22**
Non-French companies										**914**	**914**
Euler Hermes Anna Kozinska Kancelaria Prawna S.K. Ul, Chocimska 17 - 00-791 Varsovie - Pologne	EUR	100.00 %	100.00 %	245	172	495	616	245	–	245	245
Euler Hermes Servis s.r.o. (2) Plynarenska 4659/1, 821 09 Bratislava - Slovaquie	EUR	99.00 %	99.00 %	106	(18)	171	107	99	–	99	99
Bürgel Wirtschaftsinformationen Verwaltungs- GmbH Gasstrasse 18 - 22 761 Hamburg - Allemagne	EUR	50.40 %	50.40 %	66	7	372	–	13	–	13	13
Euler Hermes Services Baltic (3) Jogailos Str.9 - Vilnius - Lituanie	EUR	100.00 %	100.00 %	–	–	–	–	250	–	250	250
Euler Hermes Servicii Financiare S.R.L. Str. Ion Slatineanu, Nr.5 - 010601 Bucarest - Roumanie	EUR	80.00 %	80.00 %	360	(153)	219	–	124	–	124	124
Euler Hermes Emporiki Services Ltd 109-111 Messogion Avenue - 11526 Athènes - Grèce	EUR	100.00 %	100.00 %	209	(133)	1,272	1,346	183	–	183	183
Other holdings in non-French companies										**–**	**–**
Total non-consolidated equity investments										**1,381**	**1,381**

(*) Shareholders' equity and net income for the latest year are as at 31 December 2004. Shareholders' equity is shown before net income for the year.
(1) Figures as at 31 May 2004.
(2) Figures as at 30 November 2004.
(3) Company formed in November 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 – CREDIT INSURANCE RECEIVABLES

Note 9.1 – Breakdown by type

(IN THOUSANDS OF EUROS)

	Gross	Provisions	Net 31/12/04	Net 31/12/03	Net 31/12/02
Receivables from customers and agents	176,432	(12,783)	163,649	170,450	155,411
Earned premiums not written	136,178	–	136,178	121,297	121,969
Receivables from guaranteed debtors (1)	52,711	–	52,711	49,321	53,544
Receivables from reinsurance transactions	82,171	(1,499)	80,672	107,366	186,723
Total credit insurance receivables	**447,492**	**(14,282)**	**433,210**	**448,434**	**517,647**
Gross receivables	78,584	–	78,584	74,861	81,293
Reinsurers' share	(25,873)	–	(25,873)	(25,540)	(27,749)
Net receivables	**52,711**	**–**	**52,711**	**49,321**	**53,544**

(1) Includes receivables accounted for by Euler Hermes Credit Insurance (Belgium) in respect of the retail credit business.

Note 9.2 – Breakdown by maturity

(IN THOUSANDS OF EUROS)

	< 1 year	1 to 5 years	> 5 years	Total
Receivables arising from insurance transactions	352,538	–	–	352,538
Receivables arising from reinsurance transactions	80,672	–	–	80,672
Total credit insurance receivables	**433,210**	**–**	**–**	**433,210**

NOTE 10 – FACTORING RECEIVABLES

Note 10.1 – Breakdown by type

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Receivables from customers (subscribers and factors)	–	74,561	3,980
Receivables from factoring	–	1,795,882	1,716,902
Total factoring receivables	**–**	**1,870,443**	**1,720,882**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 – RECEIVABLES FROM BANKING SECTOR BUSINESSES

Note 11.1 – Breakdown by type

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Assets in bank from insurance businesses	101,577	116,465	100,912
Interbank transactions	–	40,272	20,466
Cash, central bank, post office current accounts	*–*	*40,272*	*20,466*
Total receivables from banking sector businesses	**101,577**	**156,737**	**121,378**

Note 11.2 – Breakdown by maturity

(IN THOUSANDS OF EUROS)

	< 1 year	1 to 5 years	> 5 years	Total
Assets in bank from insurance businesses	98,557	3,020	–	101,577
Interbank transactions	–	–	–	–
Total receivables from banking sector businesses	**98,557**	**3,020**	**–**	**101,577**

Note 11.3 – Breakdown by gross / net book value

(IN THOUSANDS OF EUROS)

	Gross	Provisions	Net
Assets in bank from insurance businesses	101,946	(369)	101,577
Interbank transactions	–	–	–
Total receivables from banking sector businesses	**101,946**	**(369)**	**101,577**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 – OTHER RECEIVABLES

Note 12.1 – Breakdown by type

(IN THOUSANDS OF EUROS)

	Gross	Provisions	Net		
			31/12/04	31/12/03	31/12/02
Government, corporation tax	36,900	–	36,900	35,016	57,364
Deferred tax assets (see Note 26)	20,010	–	20,010	60,625	59,401
Other receivables	145,584	(1,555)	144,029	81,930	84,906
Total other receivables - Insurance	**202,494**	**(1,555)**	**200,939**	**177,571**	**201,671**
Government, corporation tax	–	–	–	2,806	2,859
Deferred tax assets (see Note 26)	–	–	–	2,720	7,988
Other receivables	–	–	–	834	292,664
Total other receivables - Banks	**–**	**–**	**–**	**6,360**	**303,511**
Total other receivables	**202,494**	**(1,555)**	**200,939**	**183,931**	**505,182**

Note 12.2 – Breakdown by maturity

(IN THOUSANDS OF EUROS)

	< 1 year	1 to 5 years	> 5 years	Total
Insurance	195,326	5,613	–	200,939
Banks	–	–	–	–
Total other receivables, net of provisions	**195,326**	**5,613**	**–**	**200,939**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 – OTHER ASSETS

Note 13.1 – Breakdown by business

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Insurance	34,830	36,901	39,554
Banks		2,425	2,844
Total other assets	**34,830**	**39,326**	**42,398**

Note 13.2 – Breakdown by type

(IN THOUSANDS OF EUROS)

	Gross	Provisions	Net 31/12/04	Net 31/12/03	Net 31/12/02
Other tangible assets	160,915	(126,085)	34,830	39,326	42,398
Total other assets	**160,915**	**(126,085)**	**34,830**	**39,326**	**42,398**

NOTE 14 – ACCRUED INCOME AND PREPAID EXPENSES

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Accrued unpaid interest on bonds and loans	34,470	33,162	28,166
Non-life insurance acquisition costs capitalised	32,689	23,219	26,584
Prepaid expenses	9,118	11,330	6,268
Other	40,544	40,993	2,046
Total accrued income and prepaid expenses	**116,821**	**108,704**	**63,064**
Insurance	116,821	107,707	59,467
Banks	–	997	3,597
Total accrued income and prepaid expenses	**116,821**	**108,704**	**63,064**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 – GROUP SHAREHOLDERS' EQUITY

(IN THOUSANDS OF EUROS)

	Capital (1)	Additional paid-in capital	Consolidated reserve	Net income for the year	Other				Total shareholders' equity
					Translation difference	Capitalization reserve	Treasury shares	Total other	
Group shareholders' equity at 31 December 2002	**12,893**	**263,487**	**649,840**	**51,205**	**33,547**	**23,176**	**(92,290)**	**(35,567)**	**941,858**
Capital increase	404	27,152	–	–	–	–	–	–	27,556
Foreign currency translation differences	–	–	–	–	(33,779)	–	–	(33,779)	(33,779)
Dividends paid	–	–	(30,831)	–	–	–	–	–	(30,831)
Change in capitalisation reserve	–	–	–	–	–	–	–	–	–
Treasury shares	–	1,649	(1,649)	–	–	–	–	–	–
Other changes	–	–	49,463	(51,205)	–	–	–	–	(1,742)
Net income, Group share	–	–	–	146,145	–	–	–	–	146,145
Group shareholders' equity at 31 December 2003	**13,297**	**292,288**	**666,823**	**146,145**	**(232)**	**23,176**	**(92,290)**	**(69,346)**	**1,049,207**
Capital increase (2)	497	61,624	–	–	–	–	–	–	62,121
Foreign currency translation differences (3)	–	–	–	–	(5,534)	–	–	(5,534)	(5,534)
Dividends paid	–	–	(72,437)	–	–	–	–	–	(72,437)
Change in capitalisation reserve (4)	–	–	–	–	–	–	–	–	–
Treasury shares	–	–	–	–	–	–	–	–	–
Other changes (5)	–	–	139,361	(146,145)	–	–	–	–	(6,784)
Net income, Group share	–	–	–	206,437	–	–	–	–	206,437
Group shareholders' equity at 31 December 2004	**13,794**	**353,912**	**733,747**	**206,437**	**(5,766)**	**23,176**	**(92,290)**	**(74,880)**	**1,233,010**

(1) At 31 December 2004, the capital stock of Euler Hermes totalled 43,105,673 fully paid-up shares, including 1,751,339 treasury shares.

(2) The combined ordinary and extraordinary general meeting held on 28 April 2004 set the price for reinvestment of the Euler Hermes dividend in shares at 40.70 euros per share, following which 1,502,151 new shares were created, representing a capital increase of 481,000 euros and additional paid-in capital of 60,657,000 euros. In addition, 51,721 options on Euler Hermes shares were exercised during the year, representing a capital increase of 17,000 euros and additional paid-in capital of 967,000 euros.

(3) Translation differences locked in on euro-zone currencies amount to 895,000 euros. Movements during the year comprised mainly the US dollar for (7,253,000) euros, the British pound for 563,000 euros, the Polish zloty for 386,000 euros, the Moroccan dinar for 243,000 euros, the Czech crown for 223,000 euros and the Hungarian Florint for 168,000 euros.

(4) In accordance with regulations covering the preparation of the consolidated financial statements of French insurance companies, the capitalisation reserve totalling 23,176,000 euros constituted in the company financial statements of the Group's French insurance subsidiaries as at 31 December 2000 has been incorporated into Group shareholders' equity at that date. Subsequent movements in this reserve are cancelled out on consolidation. In addition, a deferred tax liability of 8,211,000 euros in respect of this reserve had been constituted and has been maintained in the 2004 financial statements.

(5) Other changes derive mainly from the application by Euler Hermes in advance of its mandatory application date of CRC regulation 2004-06 relating to the valuation and recording of assets. The regulation was applied to the IRP information system and required the imputation to shareholders' equity of all expenses capitalised prior to December 2001. Following a detailed analysis of the costs capitalised relating to the IRP information system, it had become apparent that the costs capitalised prior to end-2001 did not meet the capitalisation criteria under regulation 2004-06 relating to the valuation and recording of assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 – MINORITY INTERESTS

Note 16.1 – Movements during the year

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Minority interests at start of year	**24,283**	**24,044**	**24,199**
Purchase of minority interests in Cerip France	–	(224)	–
Purchase of minority interests in Eurofactor	–	(1,752)	–
Purchase of minority interests in Codinf Services	(172)	–	–
Purchase of minority interests in Euler Hermes Japan	–	155	–
Purchase of minority interests in Euler Hermes Serviços Ltda	–	–	(162)
Change in Eurofactor minority interests	–	–	(468)
Euler Hermes Emporiki SA capital increase	1,474	–	–
Acquisition of Hermes	–	–	2,445
Movements in Euler Hermes Siac (LDS - Logica) securities	(146)	(57)	(36)
Movements in Hermes-Kredit Service S.R.O. securities	(87)	(17)	–
Movements in Euler Hermes Guarantee plc securities	955	–	–
Movements in Euler Hermes Interborg NV securities	(3,032)	–	–
Movements in Euler Hermes Credit Insurance Belgium SA (N.V.) securities	(65)	–	–
Movements in Euler Hermes Kredietverzekering NV securities	289	–	–
Movements in Euler Hermes Cescob Pojist'ovna, AS securities	(1,964)	1,911	–
Change in consolidation method, Euler Hermes Acmar	1,850	–	–
Change in consolidation method, Euler Hermes Emporiki SA	641	–	–
Foreign currency translation differences	84	(160)	30
Minority interests in disposals	(3,163)	–	–
Dividends paid to minority shareholders	(548)	(2,040)	(2,608)
Capital increases and other movements	–	8	(2)
Minority shareholders' share of net income	2,512	2,415	646
Minority interests at end of year	**22,911**	**24,283**	**24,044**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 16.2 – Breakdown by company

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Euler Hermes Credit Insurance Belgium SA (N.V.)	13,216	11,559	12,283
Cerip France	–	–	225
Codinf Services	144	282	252
Bilan Services	504	482	386
Euler Hermes Kredietverzekering NV	1,558	1,808	1,142
Groupe Euler Hermes Siac	–	147	372
Groupe Eurofactor	–	2,960	4,573
Euler Hermes Interborg NV	566	3,586	3,555
Euler Hermes Magyar Hitelbiztosító Rt	1,483	1,234	1,255
Euler Hermes Consult Kft	292	188	152
Euler Hermes Credit Services (Japan) Ltd	–	–	(155)
Euler Hermes Kreditversicherungs Service – AG	16	7	4
Hermes Kredit Service S.R.O.	28	100	–
Euler Hermes Guarantee plc	970	–	–
Mundialis SA (N.V.)	65	(67)	–
Euler Hermes Acmar	1,887	–	–
Euler Hermes Emporiki SA	2,132	–	–
Euler Hermes Cescob Pojist'ovna, AS	50	1,997	–
Minority interests	**22,911**	**24,283**	**24,044**

NOTE 17 – SUBORDINATED LIABILITIES

Note 17.1 – Breakdown of liabilities by type of business

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Non-life insurance (1)	13,377	76,318	103,008
Banking sector businesses	–	5,655	7,334
Total subordinated liabilities	**13,377**	**81,973**	**110,342**

(1) The change in relation to 31 December 2003 is due mainly to the early repayment, on 11 June 2004, by Euler Hermes SA of 61.137 million euros of a loan with a nominal amount of 100 million euros maturing in 2012.

Note 17.2 – Breakdown by maturity

(IN THOUSANDS OF EUROS)

Total	< 1 year	1 to 5 years	> 5 years	Total
Non-life insurance	780	3,898	8,699	13,377
Banking sector businesses	–	–	–	–
Total subordinated liabilities	**780**	**3,898**	**8,699**	**13,377**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 – NON-LIFE INSURANCE TECHNICAL RESERVES

Note 18.1 – Breakdown by type of provision

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Gross reinsurance technical reserves			
Provisions for unearned premiums	188,938	164,363	165,528
Provisions for claims	1,227,354	1,402,871	1,789,366
Profit sharing and discounts	110,627	98,453	88,087
Equalisation reserve	534,165	478,929	459,953
Total technical reserves	**2,061,084**	**2,144,616**	**2,502,934**
Reinsurers' share of technical reserves			
Provisions for unearned premiums	(53,252)	(57,007)	(54,015)
Provisions for claims	(528,417)	(629,580)	(833,799)
Provisions for bonuses and participating benefits	(26,784)	(23,014)	(27,040)
Total reinsurers' share	**(608,453)**	**(709,601)**	**(914,854)**
Total net technical reserves	**1,452,631**	**1,435,015**	**1,588,080**

Note 18.2 – Breakdown of the equalisation reserve by company

(IN THOUSANDS OF EUROS)

	31/12/02	Transfers to/(from) reserve in 2003	Other movements	31/12/03	Transfers to/(from) reserve in 2004	Other movements	31/12/04
Euler Hermes Cescob Pojist'ovna, AS	–	100	205	305	129	19	453
Euler Hermes Sfac	309,676	–	–	309,676	(20,042)	–	289,634
Euler Hermes Re	11,724	2,165	–	13,889	(11,084)	–	2,805
Euler Hermes Credit Insurance Belgium SA (N.V.)	6,472	(6,472)	–	–	6,125	–	6,125
Euler Hermes Kredietverzekering NV (Netherlands)	6,462	(3,463)	–	2,999	198	–	3,197
Euler Hermes Siac	–	5,129	–	5,129	11,465	–	16,594
N.V. Interpolis Kredietverzekeringen	117	286	–	403	403	–	806
Euler Hermes Guarantee plc	814	762	218	1,794	2,276	(86)	3,984
Euler Hermes Kreditversicherungs-AG	124,688	12,949	2,908	140,545	40,805	–	181,350
Euler Hermes Credit Insurance Nordic A.B.	–	2,760	–	2,760	3,612	280	6,652
Euler Hermes Holdings UK plc	–	1,241	–	1,241	21,186	–	22,427
Mundialis SA (N.V.)	–	188	–	188	(50)	–	138
Total	**459,953**	**15,645**	**3,331**	**478,929**	**55,023**	**213**	**534,165**

NOTE 19 – PROVISIONS FOR RISKS AND CHARGES

Note 19.1 – Breakdown by type of provision

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Provisions for pensions and similar commitments (1)	78,920	90,502	97,121
Provisions for deferred tax liabilities (see Note 26)	90,751	158,174	98,543
Provisions for potential goodwill	272	449	1,576
Provisions for risks in the factoring business	–	18,897	29,494
Provisions for restructuring costs	509	2,655	–
Other provisions for risks and charges	53,546	33,440	16,581
Total provisions for risks and charges	**223,998**	**304,117**	**243,315**

(1) There's an actuarial deficit of 37.6 million euros realised by Euler Hermes UK for 28.8 million euros, Euler Hermes Forderungsmanagement Gmbh for 0.8 million euros and Euler Hermes Kreditversicherungs-AG which has applied the corridor method for a part of the acturial deficit amounting to 7.7 million euros.These deficits are accounted for in accordance with the policies set out in note 4.16.

Note 19.2 – Analysis of provisions used

(IN THOUSANDS OF EUROS)

	31/12/03	Charge	Writeback of provisions		Entities deconsolidates	31/12/04
			provision used	*provision not used*		
Provisions for pensions and similar commitments (1)	90,502	7,828	(19,410)	–	–	78,920
Provisions for deferred tax liabilities	158,174	27,534	(94,957)	–	–	90,751
Provisions for potential goodwill	449	95	(272)	–	–	272
Provisions for risks in the factoring business (2)	18,897	34	(3,042)	–	(15,889)	–
Provisions for restructuring costs	2,655	–	(2,146)	–	–	509
Other provisions for risks and charges (2)	33,440	27,364	(7,174)	(4,973)	4,889	53,546
Total provisions for risks and charges	**304,117**	**62,855**	**(127,001)**	**(4,973)**	**(11,000)**	**223,998**

(1) The variation of provisions for pensions and similar commitments of 19.41 millions euros is explained on one hand by the paiement of insurance premiums as for the indemnisation of employees until their pension departure and on the other hand by the write up of the provision for pension RRP amounting to 2,212 thousands of euros which correspond to the paiement in regards of professional pension plan.

(2) The write back (provision not used) of 4,973 thousands of euros corresponds mainly to the liabilities guarantee granted to Eurofactor which has been write up in the same proportion as the indemnisation accounted in exceptional expenses. The other write back linked to companies disposal are explained by the cession of Eurofactor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 19.3 – Analysis of provisions for pensions and similar commitments

Amounts relating to defined benefit pension plans	31/12/04
Commitments borne direclty by the company	66,536
Commitments borne by the pension plans	348,288
Total (1)	**414,824**
Pension plan assets	329,100
Pension commitments less pension plan assets	85,724
Gains/losses not accounted for	(37,604)
Plan surplus accounted for as an asset	30,800
Main actuarial assumptions used in pension plans	**31/12/04**
Discount rate	4.85 %
Expected rate of return on plan assets	5.10 %
Expected rate of increase in pensions	2.04 %
Expected rate of increase in salaries	2.88 %

(1) The Euler Hermes Group has a number of plans providing post-employment or long-term benefits. The plans are negotiated and administered locally by the subsidiaries concerned. The main defined benefit pension plans are in Germany, the United Kingdom and Belgium and, in respect of lump-sum retirement payments, France. Defined benefit pension plans commit the company to pay the benefits agreed with current and former staff members. The actuarial risk (i.e. the risk that the cost of the benefits will be higher than planned) and the investment risk are borne by the company. Certain plans are funded wholly or partially by dedicated assets (plan assets). These assets are managed by independent investment funds and comprise mainly equity and bond investments.
Pension provisions are not required for defined contribution plans, the cost of which is recorded under social security and welfare expenses.
The post-retirement commitments detailed above have been evaluated and accounted for in accordance with IFRS 19.
The accompanying table shows defined-benefit post-retirement commitments in respect of the Euler Hermes Group.

NOTE 20 – CREDIT INSURANCE LIABILITIES

Note 20.1 – Breakdown by type

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Customers guarantee deposits and miscellaneous	131,493	115,010	98,823
Debts to customers and agents	30,057	32,638	42,104
Debts to reinsurers and assignors	123,459	91,401	97,666
Deposits received from reinsurers	71,447	60,942	63,934
Total credit insurance liabilities	**356,456**	**299,991**	**302,527**

Note 20.2 – Breakdown by maturity

(IN THOUSANDS OF EUROS)

	< 3 months	3 mths - 1 year	1 - 5 years	> 5 years	Total
Insurance	192,443	120,423	17,257	26,333	356,456
Total credit insurance liabilities	**192,443**	**120,423**	**17,257**	**26,333**	**356,456**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 20.3 – Breakdown by currency

(IN THOUSANDS OF EUROS)

	31/12/04
EUR	295,718
USD	18,899
GBP	30,576
Other	11,263
Total credit insurance liabilities	**356,456**

Note 20.4 – Breakdown by type of interest rate

(IN THOUSANDS OF EUROS)

	31/12/04
Fixed rate	197,066
Variable rate	159,390
Total credit insurance liabilities	**356,456**

NOTE 21 – LIABILITIES TO BANKING SECTOR BUSINESS CUSTOMERS

Note 21.1 – Amounts payable in respect of factoring transactions

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Guarantee deposits, sureties received and miscellaneous	–	338,126	418,436
Subscribers' credit accounts	–	492,500	429,575
Factors' credit accounts (1)	–	–	27,660
Factoring bills (1)	–	–	58,814
Total payable in respect of factoring transactions	**–**	**830,626**	**934,485**

(1) Factors' credit accounts and factoring bills were settled in 2003.

Note 21.2 – Breakdown by type of liability

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Demand liabilities	–	338,126	418,436
Term liabilities	–	492,500	516,049
Total payable in respect of factoring transactions	**–**	**830,626**	**934,485**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 – LIABILITIES REPRESENTED BY SECURITIES

Note 22.1 – Breakdown by type of borrower

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Banking sector businesses	–	324,640	239,967
Total liabilities represented by securities	**–**	**324,640**	**239,967**

Note 22.2 – Breakdown by type of security

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Short-term notes	–	300,405	–
Interbank market securities	–	–	–
Negotiable debt securities	–	–	217,100
Other liabilities represented by securities	–	24,235	22,867
Total liabilities represented by securities	**–**	**324,640**	**239,967**

All liabilities represented by securities relate to the banking sector businesses, which were disposed of in December 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23 – LIABILITIES TO BANKING SECTOR BUSINESSES

Note 23.1 – Breakdown by type of liability and type of borrower

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Cash, central banks, post office current accounts	–	101,943	130,117
Demand liabilities	–	347,341	211,865
Term liabilities	–	115,496	332,691
Interbank transactions	**–**	**564,780**	**674,673**
Term accounts and borrowings	250,319	275,470	200,952
Ordinary demand accounts	–	–	1,010
Non-life insurance and other activities	**250,319**	**275,470**	**201,962**
Total liabilities to banking sector businesses	**250,319**	**840,250**	**876,635**

Of the various liabilities contracted by the Euler Hermes Group, the syndicated loan managed by HSBC-CCF for a nominal amount of 50 million euros, due to be repaid in an amount of 50 million euros on 20 December 2005, contains an early repayment clause in addition to standard clauses relating to payment defaults and non-compliance with contractual obligations. This clause takes effect if the Euler Hermes Group's Standard & Poor's rating falls below BBB+. The rating was changed following a rider to the loan agreement dated 12 June 2003. In addition, the 75 million euro syndicated loan managed by HSBC-CCF and the 110 million euro syndicated loan managed by Société Générale include a margin adjustment clause applicable as a function of the long-term rating assigned by one of the rating agencies.

Note 23.2 – Breakdown by maturity

(IN THOUSANDS OF EUROS)

	< 3 months	3 mths - 1 year	1 - 5 years	> 5 years	Total
Banks	–	–	–	–	–
Insurance	90,319	50,000	110,000	–	250,319
Total liabilities to banking sector businesses	**90,319**	**50,000**	**110,000**	**–**	**250,319**

Note 23.3 – Breakdown by currency

(IN THOUSANDS OF EUROS)

	31/12/04
EUR	250,319
Total liabilities to banking sector businesses	**250,319**

Note 23.4 – Breakdown by type of interest rate

(IN THOUSANDS OF EUROS)

	31/12/04
Variable rate	250,319
Total liabilities to banking sector businesses	**250,319**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24 – OTHER LIABILITIES

Note 24.1 – Breakdown by type of liability and type of borrower

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Tax and social security (1)	119,298	166,625	96,951
Employee profit-sharing and bonuses	–	6,960	5,517
Other operating liabilities	167,840	129,553	129,207
Total operating liabilities - Insurance	**287,138**	**303,138**	**231,675**
Term deposits	117	187	189
Debts maturing in over one year (other than term deposits)	–	–	244
Other financial liabilities (2)	89,761	218,875	276,951
Total other financial liabilities - Insurance	**89,878**	**219,062**	**277,384**
Total other liabilities - Insurance	**377,016**	**522,200**	**509,059**
Tax and social security	–	3,279	2,932
Employee profit-sharing and bonuses	–	909	133
Other operating liabilities	–	11,844	11,747
Total operating liabilities - Banks	**–**	16,032	14,812
Total other financial liabilities - Banks	**–**	**–**	**–**
Total other liabilities - Banks	**–**	**16,032**	**14,812**
Total other liabilities	**377,016**	**538,232**	**523,871**

(1) The reduction of tax and social security is linked to the paiement of tax advances in regards of current tax income as at december 2004 by Euler Hermes SA.
(2) The reduction of other financial liabilities is explained by the paiment of the loan subscribed towards AGF after the paiement received thanks to the cession of the factoring companies.

Note 24.2 – Breakdown by maturity

(IN THOUSANDS OF EUROS)

	< 3 months	3 mths - 1 year	1 - 5 years	> 5 years	Total
Banks	–	–	–	–	–
Insurance	188,123	89,982	97,007	1,904	377,016
Total other liabilities	**188,123**	**89,982**	**97,007**	**1,904**	**377,016**

Note 24.3 – Breakdown by currency

(IN THOUSANDS OF EUROS)

	31/12/04
EUR	331,854
GBP	27,087
USD	12,520
Other	5,555
Total other liabilities	**377,016**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 24.4 – Breakdown by type of interest rate

(IN THOUSANDS OF EUROS)

	31/12/04
Fixed rate	270,536
Variable rate	106,480
Total other liabilities	**377,016**

NOTE 25 – DEFERRED INCOME AND ACCRUED EXPENSES

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Deferred income	18,577	17,043	19,055
Reinsurance technical valuations	16,122	13,925	(4,732)
Other	11,953	19,826	10,260
Total deferred income and accrued expenses	**46,652**	**50,794**	**24,583**
Non-life insurance	46,652	48,460	21,436
Banking businesses	–	2,334	3,147
Total deferred income and accrued expenses	**46,652**	**50,794**	**24,583**

NOTE 26 – DEFERRED TAXATION

(IN THOUSANDS OF EUROS)

	31/12/04	31/12/03	31/12/02
Deferred tax assets (note 12) (1)	20,010	63,345	67,388
Deferred tax liabilities (note 19) (1)	(90,751)	(158,174)	(98,543)
Total	**(70,741)**	**(94,829)**	**(31,155)**
Tax losses	2,523	3,064	12,926
Timing differences	(69,047)	(87,880)	(31,117)
Unrealised capital gains on UCITS	7,114	1,902	387
Capitalisation reserve	(8,212)	(8,212)	(8,212)
Capital gains on security Swaps	(2,315)	(2,450)	(3,798)
Spreading of capital gains on contributions	(771)	(882)	(970)
Provisions on accrued bond coupons	(33)	(371)	(371)
Total	**(70,741)**	**(94,829)**	**(31,155)**

(1) The change in deferred tax accounts is attributable to the fact that Euler Hermes Kreditversicherungs-AG's deferred tax assets and liabilities were not netted off in 2003.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 27 – CREDIT INSURANCE SECTORAL DATA

Note 27.1 – Non-life insurance technical account

(IN THOUSANDS OF EUROS)

	Notes	2004			2003			2002
		Gross transactions	Assignments and retrocessions	Net transactions	Gross transactions	Assignments and retrocessions	Net transactions	Net transactions
Earned premiums		**1,566,450**	**(693,203)**	**873,247**	**1,533,855**	**(706,838)**	**827,017**	**734,922**
Premiums written		1,594,349	(706,413)	887,936	1,544,472	(711,790)	832,682	735,800
Change in unearned premiums		(27,899)	13,210	(14,689)	(10,617)	4,952	(5,665)	(878)
Technical account share of net income from investments		**41,118**	**–**	**41,118**	**43,840**	**–**	**43,840**	**52,250**
Other technical income		**262,387**	**–**	**262,387**	**239,646**	**–**	**239,646**	**198,272**
Cost of claims		**(522,453)**	**166,369**	**(356,084)**	**(721,644)**	**367,225**	**(354,419)**	**(437,561)**
Claims paid		(650,962)	275,284	(375,678)	(761,857)	357,885	(403,972)	(435,152)
Provisions for claims		179,216	(108,915)	70,301	72,483	9,340	81,823	27,559
Claims management expenses		(50,707)	–	(50,707)	(32,270)	–	(32,270)	(29,968)
Expenses for other technical provisions		**–**	**–**	**–**	**–**	**–**	**–**	**–**
Profit share		**(73,421)**	**31,178**	**(42,243)**	**(74,610)**	**32,022**	**(42,588)**	**(22,097)**
Acquisition expenses		**(275,299)**	**–**	**(275,299)**	**(285,206)**	**–**	**(285,206)**	**(216,744)**
Brokerage commissions		(186,054)	–	(186,054)	(170,310)	–	(170,310)	(124,615)
Other acquisition expenses		(96,144)	–	(96,144)	(111,323)	–	(111,323)	(87,740)
Change in deferred acquisition costs		6,899	–	6,899	(3,573)	–	(3,573)	(4,389)
Administration expenses		**(184,632)**	**–**	**(184,632)**	**(215,269)**	**–**	**(215,269)**	**(185,156)**
Commissions paid on acceptances		–	–	–	–	–	–	(303)
Other administration expenses		(184,632)	–	(184,632)	(215,269)	–	(215,269)	(184,853)
Commissions received from reinsurers		**–**	**206,601**	**206,601**	**–**	**215,128**	**215,128**	**151,992**
Other technical expenses		**(222,450)**	**–**	**(222,450)**	**(202,291)**	**–**	**(202,291)**	**(160,096)**
Change in equalisation reserve	18.2	**(55,023)**	**–**	**(55,023)**	**(15,645)**	**–**	**(15,645)**	**15,784**
Underwriting result from non-life insurance		**536,677**	**(289,055)**	**247,622**	**302,676**	**(92,463)**	**210,213**	**131,566**
Employees profit-sharing and bonuses				(7,700)			(7,566)	(5,517)
Net income from investments excluding technical account share				27,404			33,739	1,482
Elimination of inter-sectoral transactions				4,058			2,027	(1,521)
Ordinary operating income				**271,384**			**238,413**	**126,010**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 27.2 – Turnover by category

(IN THOUSANDS OF EUROS)

	2004	2003	2002
Premiums and commissions on direct business	1,509,153	1,463,530	1,169,605
Premiums on acceptances	85,196	80,942	52,677
Gross premiums written - credit insurance	1,594,349	1,544,472	1,222,282
Change in provisions for premiums	(27,899)	(10,617)	9,117
Earned premiums	**1,566,450**	**1,533,855**	**1,231,399**
Premium-related income	254,167	235,947	188,214
Other services	–	–	–
Credit insurance turnover	**1,820,617**	**1,769,802**	**1,419,613**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 27.3 – Breakdown of credit insurance turnover by country of origin

(IN THOUSANDS OF EUROS)

	2004	2003 (2) pro forma	2003 (1)	2002
France	371,943	360,185	360,449	356,543
United Kingdom	196,773	224,141	228,300	273,151
Belgium	75,026	69,981	69,981	65,292
Netherlands	40,387	37,542	36,043	34,533
United States	98,939	105,609	105,609	120,990
Italy	205,577	195,697	195,697	206,011
Scandinavia	38,701	36,172	33,031	14,779
Germany	680,094	669,150	694,726	325,008
Sub-total: large business units	**1,707,440**	**1,698,477**	**1,723,836**	**1,396,307**
Brazil	1,092	1,000	1,000	–
Mexico	3,726	1,569	1,569	1,074
Canada	22,078	21,799	21,799	19,614
Sub-total: the Americas (excluding United States)	**26,896**	**24,368**	**24,368**	**20,688**
Hong Kong	5,292	3,964	–	–
Singapore	3,761	2,232	–	–
Japan	962	1,159	–	–
Sub-total, Asia	**10,015**	**7,355**	**–**	**–**
Poland	25,379	20,228	7,400	–
Hungary	7,329	6,289	5,147	2,615
Czech Republic	6,360	5,402	4,790	–
Switzerland	16,097	10,946	–	–
Sub-total: Eastern Europe and Switzerland	**55,165**	**42,865**	**17,337**	**2,615**
Morocco	2,439	2,291	–	–
Spain	10,408	4,261	4,261	3
Greece	8,254	5,838	–	–
Sub-total: Southern Europe and North Africa	**21,101**	**12,390**	**4,261**	**3**
Credit insurance turnover	**1,820,617**	**1,785,455**	**1,769,802**	**1,419,613**

(1) Historical data reclassified by geographical region.

(2) Pro forma figures after accounting restatements (transfer of non-technical items to turnover in certain companies formerly included in the Hermes consolidation scope) and consolidation scope restatements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 27.4 – Breakdown of gross premiums written by country of origin

(IN THOUSANDS OF EUROS)

	2004	2003	2002
France	304,384	294,752	291,191
United Kingdom	191,910	213,036	243,258
Belgium	64,421	59,211	54,939
Netherlands	32,768	30,467	28,416
United States	93,302	96,129	109,208
Italy	169,009	162,865	173,534
Scandinavia	31,920	27,890	14,466
Germany	602,979	624,360	286,997
Sub-total: large business units	**1,490,693**	**1,508,710**	**1,202,009**
Brazil	1,491	1,000	–
Mexico	3,216	442	–
Canada	20,648	21,078	17,628
Sub-total: the Americas (excluding United States)	**25,355**	**22,520**	**17,628**
Hong Kong	2,640	–	–
Singapore	2,536	–	–
Japan	445	–	–
Sub-total, Asia	**5,621**	**–**	**–**
Poland	26,540	–	–
Hungary	5,791	5,102	2,645
Czech Republic	5,199	3,710	–
Switzerland	15,885	–	–
Sub-total: Eastern Europe and Switzerland	**53,415**	**8,812**	**2,645**
Morocco	2,263	–	–
Spain	9,597	4,431	–
Greece	7,405	–	–
Sub-total: Southern Europe and North Africa	**19,265**	**4,431**	**–**
Gross premiums written	**1,594,349**	**1,544,472**	**1,222,282**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 28 – BANKING SECTOR BUSINESSES SECTORAL DATA

(In thousands of euros)

	2004	2003	2002
Financing commissions	43,904	46,164	69,242
Factoring commissions	40,355	39,747	37,671
Other commissions	1,300	8,521	9,013
Factoring turnover	85,559	94,432	115,926
Other interest and similar income	597	1,295	785
Income from variable-income securities	4,489	26	–
Net gains on trading portfolio transactions	–	–	–
Net gains on investment transactions	–	–	–
Other operating income	7,332	3,073	(13)
Income from banking operations	**97,977**	**98,826**	**116,698**
Interest and similar expenses (1)	(21,594)	(24,603)	(80,433)
Commissions paid	(3,220)	(3,499)	(3,354)
Net losses on investment transactions	–	–	254
Other operating expenses	(351)	(603)	(1,532)
Net banking income	**72,812**	**70,121**	**31,633**
General operating expenses	(44,820)	(44,514)	(48,897)
Depreciation, amortisation and provisions against tangible and intangible assets	(1,241)	(1,403)	(1,699)
Gross operating income	**26,751**	**24,204**	**(18,963)**
Cost of risk (1)	(4,408)	(16,199)	(3,870)
Gains or losses on equity investments and investments in associated companies	–	(17)	–
Elimination of inter-sectoral transactions	(4,058)	(2,027)	1,521
Ordinary operating income	**18,285**	**5,961**	**(21,312)**
Transfers to / from FGBR	–	–	–
Ordinary operating income after transfers to / from FGBR	**18,285**	**5,961**	**(21,312)**

(1) Provisions and losses on factoring risk were classified incorrectly in 2002 under Interest and similar expenses rather than as Cost of risk in an amount of 65 million euros, consolidated for 50% under the proportional method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 29 – FINANCIAL INCOME NET OF EXPENSE – NON-LIFE INSURANCE AND OTHER ACTIVITIES

(in thousands of euros)

	2004	2003	2002
Net income from property	12,938	16,238	9,998
Net income from investment securities	73,662	83,653	74,847
Other net financial income	9,600	8,665	10,350
Interest paid to reinsurers	(1,388)	(1,269)	(2,838)
Net income	**94,812**	**107,287**	**92,357**
Other financial income	9,400	16,270	8,452
Other income from investments	**9,400**	**16,270**	**8,452**
Profit on sale of buildings	2,082	172	5,704
Profit on sale of securities	7,995	22,023	55,318
Profit on sale of equity interests	2,513	339	1,218
Writeback of capitalisation reserve	–	–	–
Writeback of provisions for investments	12,606	35,050	9,264
Income from realisation of investments	**25,196**	**57,584**	**71,504**
Other adjustments to investment values	(4,635)	(4,888)	(3,377)
Interest on borrowings and lines of credit	(21,944)	(28,265)	(18,747)
Other financial expenses	(11,796)	(20,168)	(25,578)
Other investment expenses	**(38,375)**	**(53,321)**	**(47,702)**
Internal and external management expenses	**(7,435)**	**(3,581)**	**(4,559)**
Losses on sale of buildings	–	(1,042)	(2)
Losses on sale of securities	(6,242)	(30,701)	(26,303)
Losses on sale of equity interests	(5,453)	(1,078)	–
Losses on sale of other assets	–	–	–
Provisions against investments	(3,381)	(13,839)	(40,015)
Losses on realisation of investments	**(15,076)**	**(46,660)**	**(66,320)**
Total financial income net of expenses	**68,522**	**77,579**	**53,732**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 30 – OTHER NET INCOME

(IN THOUSANDS OF EUROS)

	2004	2003	2002
Provisions for potential goodwill	176	1,127	6,422
Other non-technical income and expenses, net	(6,920)	(7,170)	(14,413)
Total other net income	**(6,744)**	**(6,043)**	**(7,991)**

NOTE 31 – EXCEPTIONAL INCOME / EXPENSE

(IN THOUSANDS OF EUROS)

	2004	2003	2002
Provisions for risks and charges	8,333	(2,699)	1,021
Exceptional income and expenses on factoring business	(425)	1,910	(596)
Other exceptional income and expenses	11,957	630	(1,774)
Exceptional income / expense	**19,865**	**(159)**	**(1,349)**

The exceptional income derives mainly from the disposal of Eurofactor, which generated an overall capital gain of 14.8 million euros corresponding to a holding company gain of 9.8 million euros and a gain on consolidation of 4.9 million euros. At the same time, a provision writeback was booked in respect of the liabilities guarantee in an amount of 8.2 million euros.

NOTE 32 – INCOME TAX

Note 32.1 – Breakdown between deferred and current tax

(IN THOUSANDS OF EUROS)

	2004	2003	2002
Income tax	(117,599)	(75,226)	(18,471)
Movement in deferred tax (see note 32.2)	23,129	(14,626)	(19,769)
Total	**(94,470)**	**(89,852)**	**(38,240)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 32.2 – Movement in deferred tax by company

(IN THOUSANDS OF EUROS)

Company	31/12/03	Translation difference	Income statement	Other (1)	31/12/04
Euler Hermes S.A.	(7,550)	–	7,561	921	932
Euler Hermes Sfac Recouvrement	1,322	–	(81)	–	1,241
Euler Hermes Services	53	–	41	–	94
Euler Tech	4	–	1	–	5
Euler Hermes Sfac	(19,067)	–	(4,545)	–	(23,612)
Euler Hermes Asset Management	–	–	1	–	1
Euler Hermes Sfac Crédit	3,357	–	632	1,348	5,337
Euler Hermes Re	–	–	100	–	100
Euler Hermes Siac	1,476	–	366	–	1,842
Euler Hermes Servicios SL (Espagne)	432	–	(299)	–	133
Eurofactor	2,719	–	(936)	(1,783)	–
Euler Hermes Credit Insurance Belgium SA (N.V.)	(1,571)	–	(1,394)	112	(2,853)
Euler Hermes Services Belgium S.A. (N.V.)	418	–	(85)	–	333
Euler Hermes Kredietverzekering NV (Pays–Bas)	789	–	184	–	973
Mundialis SA (N.V.)	84	–	(83)	–	1
Euler Hermes Holdings UK plc	2,755	(1)	(3,780)	674	(352)
Euler Hermes ACI Holding Inc	207	(15)	(3)	–	189
Euler Hermes ACI Inc	4,251	(309)	852	(5)	4,789
Euler Hermes Serviços Ltda	–	–	4	(2)	2
Euler Hermes Cescob Pojist'ovna, AS	7	–	–	2	9
Hermes– Kredit Service S.R.O.	–	–	(1)	–	(1)
N.V. Interpolis Kredietverzekeringen	(85)	–	149	–	64
Euler Hermes Risk Management GmbH	(183)	–	219	–	36
Euler Hermes Guarantee plc	201	–	597	–	798
Euler Hermes Kreditförsäkring	2,519	17	(217)	–	2,319
Euler Hermes Forderungsmanagement GmbH	(243)	–	(73)		(316)
Euler Hermes Rating GmbH	–	–	(15)	–	(15)
Euler Hermes Magyar Hitelbiztosító Rt	–	–	(2)	–	(2)
Euler Hermes Consult Kft	–	–	17	–	17
Euler Hermes Beteiligungen GmbH	231	–	(231)	–	–
Euler Hermes Kreditversicherungs-AG	(86,955)	–	24,150	-	(62,805)
	(94,829)	**(308)**	**23,129**	**1,267**	**(70,741)**

(1) Other deferred tax movements correspond mainly to deconsolidation of Eurofactor and the decision by Euler Hermes to apply to the IRP information system, in advance of its mandatory application date, CRC regulation 2004-06 relating to the valuation and recording of assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 32.3 – Reconciliation of theoretical and effective tax rate

Theoretical tax rate	**[a]**	**35.43 %**
Impact of differences between Group and local tax rates	[b]	0.46%
Impact of permanent differences between taxable and accounting income (including tax receivables)	[c]	– 0.54%
Impact of particular tax circumstances	[d]	0.49%
Impact of goodwill amortisation	[e]	0.57%
Impact of income taxed at reduced rates	[f]	– 2.60%
Impact of using the liability method (change in rates of tax)	[g]	– 1.74%
Effective tax rate	**[a] + [b] + [c] + [d] + [e] + [f] + [g]**	**32.07 %**

NOTE 33 – GROUP EMPLOYEES

	2004	2003	2002
Euler Hermes A.C.I. Inc (United States)	313	319	297
Euler Hermes Credit Insurance Belgium SA (N.V.)	216	230	296
Euler Hermes Kredietverzekering NV (Netherlands)	82	73	69
Euler Hermes Holdings UK plc	–	–	7
Euler Hermes Servicios SL (Spain)	76	50	40
Euler Hermes Serviços Ltda (Brazil)	12	12	9
Euler Hermes Sfac (France)	968	987	968
Euler Hermes Siac (Italy)	458	490	496
Euler Hermes UK plc	517	553	557
Eurofactor Group (1)	421	423	455
Sub-total	**3,063**	**3,137**	**3,194**
Euler Hermes Cescob Pojist'ovna, AS (Czech Republic)	31	31	–
Euler Hermes Credit Services (Japan) Ltd	13	14	–
Euler Hermes Guarantee plc	29	20	–
Euler Hermes Magyar Hitelbiztosító Rt (Hungary)	49	44	–
Euler Hermes Credit Insurance Nordic A.B. (Sweden)	113	98	–
Euler Hermes Kreditversicherungs-AG (Germany)	2,123	2,054	–
Euler Hermes Kreditversicherungs Service – AG (Switzerland)	32	23	–
Euler Hermes Zarzadzanie Ryzykiem Sp.Z.o.o. (Poland)	256	177	–
Euler Hermes Emporiki SA (Greece)	41	–	–
Euler Hermes Acmar (Morocco)	20	–	–
Sous-total	**2,707**	**2,461**	**2,213**
Total	**5,770**	**5,598**	**5,407**

(1) 50% of total employee numbers.
Total payroll expenses amounted to 367.953 million euros in 2004. The total remuneration of members of the Group Management Board and the Supervisory Board during the year amounted to 2.814 million euros and 0.260 million euros, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 34 – OFF-BALANCE SHEET COMMITMENTS

Note 34.1 – Off-balance sheet commitments received and given by insurance businesses

(In thousands of euros)

Commitments received and given	31/12/04	31/12/03	31/12/02
Commitments received	**11,552**	**12,345**	**12,185**
Deposits, sureties and other guarantees	11,552	12,345	12,185
Commitments given	**391,449**	**289,207**	**262,026**
Deposits, sureties and other guarantees	46,366	19,672	26,963
Of which: – Commitments associated with membership of an EIG	11,046	7,190	9,265
– Share buyback agreement	2,117	2,644	6,495
Guarantee commitments in favour of credit institutions (guarantees given by Euler Sfac Crédit to factoring companies)	335,083	269,535	235,063
Guarantee commitments maximum towards Credit Agricole (1)	10,000	–	–
Reciprocal commitments	**355,464**	**387,970**	**305,953**
Financial instruments (see note 35)	355,464	387,970	305,953

(1) Euler Hermes has given a guarantee commitment of a maximum of 10 million euros in order to cover potential tax adjustments regarding Eurofactor SA, which corresponds to a global task risk of 22 million euros since there's an exemption of 1 million euro. In case of part or total write up, from 1 January 2004 onwards, of reserves accounted in the consolidated statements of Eurofactor as at 31 December 2003, in regards of Salvat and Matussière et Forest, a sum equivalent to 49,09% of the amount of write up after taxes will reduce the debt of Euler Hermes regarding this fiscal guarantee. All paiements asked by Credit Agricole to Euler Hermes must be payed by Euler Hermes in the 30 days and will bring an interest equivalent to EONIA + 100 basis points.

Note 34.2– Off-balance sheet commitments received and given by banking sector businesses

(In thousands of euros)

Commitments received and given	31/12/04	31/12/03	31/12/02
Financing commitments given (1)	–	–	36,387
Financing commitments received	–	331,764	385,623
Guarantee commitments given (2)	–	596,919	365,510
Guarantee commitments received	–	100,557	59,557
Commitments on securities to be delivered (3)	–	128,196	25,000
Commitments on securities to be received (3)	–	128,196	25,000

Given that the banking sector businesses were disposed of on 14 December 2004, their off-balance sheet commitments at 31 December 2004 are not shown.

(1) A financing commitment given was incorrectly eliminated in the 2002 financial statements in an amount of 36.387 million euros.

(2) Guarantee commitments given as at 31 December 2002 and 2001 have been restated in an amount of 50% for 377.628 million euros and 50% for 238.696 million euros, respectively, following application of Commission Bancaire instruction no. 98-05.

(3) Including interest-rate Swaps entered into by Eurofactor for an amount of 256 million euros, of which 50% is consolidated proportionally. The gross amount comprises macro-hedge Swaps covering long-term interest-rate risks for 120 million euros (exchange of variable rate against fixed rate), macro-hedge Swaps against base-rate risk for 100 million euros (exchange of variable rate against EONIA variable rate) and micro-hedge Swaps related to certificates of deposit for 36.4 million euros (exchange of EONIA variable rate against fixed rate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 35 – FINANCIAL INSTRUMENTS AT 31 DECEMBER 2004

(IN THOUSANDS OF EUROS)

	Nominal value	Market value	Sensitivity to interest rates (*)
Euler Hermes S.A.	**345,000**	**(8,954)**	–
– Interest-rate Swap maturing 2005	50,000	(1,507)	381
– Interest-rate Swap maturing 2007	185,000	(5,195)	4,358
– Interest-rate Swap maturing 2008	55,000	(1,126)	1,423
– Interest-rate Swap maturing 2008	55,000	(1,126)	1,423
Euler Hermes Credit Insurance (Belgium)	**10,464**	**(123)**	–
– Interest-rate Swap maturing 2005	5,064	(18)	8
– Interest-rate Swap maturing 2006	3,502	(71)	40
– Interest-rate Swap maturing 2007	1,898	(34)	40
Total	**355,464**	**(9,077)**	**–**

(*) Sensitivity to interest rates is calculated as the change in market value in the event of a 100-basis point rise in rates.

(IN THOUSANDS OF EUROS)

	Nominal value	Market value	Unrealised gains and losses	Maturity of nominal		Counterparty risk				Issuer		
				< 1 year	1 to 5 years	AAA	AA	A	< BB	OECD credit institutions	Customers	Govt., central banks
Total	**355,464**	**(9,077)**	**(9,077)**	**55,064**	**300,400**	**–**	**300,464**	**55,000**	**–**	**355,464**	**–**	**–**
Hedging	**170,464**	**(3,882)**	**(3,882)**	**55,064**	**115,400**	**–**	**115,464**	**55,000**	**–**	**170,464**	**–**	**–**
Pay fixed rate / receive variable rate	**170,464**	**(3,882)**	**(3,882)**	**55,064**	**115,400**	**–**	**115,464**	**55,000**	**–**	**170,464**	**–**	**–**
HSBC CCF Swap	50,000	(1,507)	(1,507)	50,000	–	–	50,000	–	–	50,000	–	–
CIC Swap	55,000	(1,126)	(1,126)	–	55,000	–	–	55,000	–	55,000	–	–
CADIF Swap	55,000	(1,126)	(1,126)	–	55,000	–	55,000	–	–	55,000	–	–
Dexia Bank	10,464	(123)	(123)	5,064	5,400	–	10,464	–	–	10,464	–	–
Trading	**185,000**	**(5,195)**	**(5,195)**	**–**	**185,000**	**–**	**185,000**	**–**	**–**	**185,000**	**–**	**–**
Pay fixed rate / receive variable rate	**185,000**	**(5,195)**	**(5,195)**	**–**	**185,000**	**–**	**185,000**	**–**	**–**	**185,000**	**–**	**–**
Deutsche Bank Swap	185,000	(5,195)	(5,195)	–	185,000	–	185,000	–	–	185,000	–	–

The Group uses financial instruments to manage its exposure to the foreign exchange and interest rate risks arising in the course of its business. The Group's policy excludes trading on the market for speculative purposes. These financial instruments are mainly Swaps.

Interest rate risks:

This risk has been achieved via interest-rate Swaps for nominal amount of 345 million euros.

This sum is principally made up of 4 rate Swaps. The first is linked to the variable rate 50 million euro loan contracted by Euler Hermes with HSBC. *Credit commercial de France*, which matures on 20 December 2005. This interest rate hedge Swaps a variable rate payable against a fixed rate receivable for the same amount and maturity as the loan. A repayment of 25 millions euros was made against this loan on 20 December 2003 and of 25 million euros on 20 December 2004 and the Swap was adjusted for the same amounts. The second Swap is linked to a 185 million euros loan from Deutsche Bank. The third and fourth Swaps have the same maturity and hedge 2 loans of 55 million euros, one from CIC and the from the *Crédit Agricole* (CADIF).

The remaining Swaps have a nominal value of 10.5 million euros and are intended to hedge the financing of the retail credit activities of Euler Hermes in Belgium.

Hedging exchange rates:

In order to hedge the exchange rates on US dollar shares portfolio, foreign exchange options were acquired in 2004. The amount at 31 December 2004 is valued at 834 thousand euros.

REPORT BY THE AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

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 S.A. for the year ended 31 December 2004, 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 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 test 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, the consolidated financial statements, having regard to French accounting rules and principles, present fairly the assets and liabilities, financial position and results of the entity formed by the companies included in the consolidation scope.

Substantiation of assessments

Pursuant to the provisions of article L.225-235 of the Commercial Code relating to the substantiation of our assessments, we hereby give you the following information:
• Your company books technical reserves to cover its commitments as shown in Note 4.5 to the consolidated financial statements. Our assessment of the technical reserves is based on an analysis of the methodology used for calculations and a review of the assumptions made in the calculations performed by the various Group companies. In the context of our assessments, we satisfied ourselves that these estimates were reasonable.
• The recoverability of goodwill and network values is tested at the time of each statement of assets and liabilities in accordance with the methods described in Notes 3.3 and 3.4 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 without any qualifications as expressed in the first half of this report.

Specific checks

Furthermore, we also checked the information given in the report on the management of the Group. We have no observations to make on the accuracy of such information or whether it is consistent with the consolidated financial statements.
As regards information required under International Financial Reporting Standards (IFRS), we draw your attention to the chapter of the management report entitled “Euler Hermes and the IFRS”, which sets out the various methods used and assumptions made to determine the Euler Hermes Group's consolidated shareholders' equity under IFRS as at 1 January 2004.

Paris and Paris La Défense, 4 March 2005
The Auditors

PricewaterhouseCoopers Audit	KPMG Audit A division of KPMG SA	Alain AUVRAY
Christine Bouvry	Xavier Dupuy	

Parent Company financial statements

at 31 December 2004

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BALANCE SHEET AS AT 31 DECEMBER 2004

(IN EUROS)

ASSETS	Notes	Gross	Amort & prov	Net 31/12/04	Net 31/12/03	Net 31/12/02
Intangible assets	**3.1**	**8,104,349**	**3,133,967**	**4,970,382**	**6,775,921**	**5,908,090**
Tangible assets	**3.1**	**1,366,244**	**1,356,964**	**9,280**	**137,891**	**603,142**
Long-term investments						
Equity investments	3.2	1,247,724,584	20,795,000	1,226,929,584	1,423,379,343	1,417,953,011
Other long-term investments	3.3	92,591,021	3,017,068	89,573,953	78,154,405	46,991,617
Fixed assets		**1,349,786,198**	**28,302,999**	**1,321,483,199**	**1,508,447,560**	**1,471,455,860**
Receivables	3.4	18,197,923	0	18,197,923	23,576,903	38,568,557
Cash and cash equivalents	3.5	4,675,510	0	4,675,510	3,282,378	1,138,941
Current assets		**22,873,433**		**22,873,433**	**26,859,281**	**39,707,498**
Translation differences		**0**		**0**	**0**	**42,571**
Total assets		**1,372,659,632**	**28,302,999**	**1,344,356,632**	**1,535,306,841**	**1,511,205,929**
Off-balance sheet commitments received:				345,000,000	370,000,000	285,000,000

(IN EUROS)

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/04	31/12/03	31/12/02
Capital stock	3.6.1	13,793,815	13,296,576	12,892,753
Additional paid-in capital		353,912,260	292,288,394	263,487,257
Reserves				
– legal reserve		1,329,658	1,289,275	1,116,797
– special reserve for long-term capital gains		178,243,227	178,243,227	178,243,227
– general reserve		77,473,535	77,473,534	77,136,234
– reserve for treasury shares		92,589,093	92,589,093	94,575,220
Retained earnings brought forward		189,970,879	230,723,010	189,105,144
Net income for the year		50,074,199	36,168,675	72,621,154
Shareholders' equity	3.6.2	**957,386,666**	**922,071,784**	**889,177,786**
Provisions for risks and charges	3.7	**6,073,983**	**9,090,994**	**6,278,179**
Borrowings and other financial liabilities	3.8	353,635,744	553,281,855	575,795,827
Trade payables	3.9	3,927,987	470,109	1,041,983
Social security, tax and other liabilities	3.10	23,328,878	49,849,259	38,912,154
Liabilities		**380,892,609**	**603,601,223**	**615,749,964**
Translation differences	3.11	**3,374**	**542,840**	**0**
Total shareholders' equity and liabilities		**1,344,356,632**	**1,535,306,841**	**1,511,205,929**
Off-balance sheet commitments given:	5.3	358,156,682	379,830,148	396,113,475

INCOME STATEMENT

(IN EUROS)

	Notes	2004	2003	2002
Operating and financial income				
Income from equity investments	4.1	75,557,853	38,541,826	122,486,579
Income from other securities and fixed asset receivables		348,416	400,690	508,126
Net income from sale of securities		93,743	52,099	42,059
Reversals of provisions for exchange losses		0	42,571	1,587,198
Reversals of provisions for write-down of treasury shares	3.3.1	22,954,592	31,187,844	19,976
Other financial income	4.2	9,149,884	7,608,355	3,743,933
Sundry services		531,790	147,085	77,858
Capitalised costs	3.1.1	962,610	1,006,161	2,989,963
Reversals of provisions for operating risks and charges		0	0	0
Total I		**109,598,888**	**78,986,631**	**131,455,692**
Operating and financial expenses				
External charges	4.3	11,006,119	5,689,440	8,807,102
Taxes, duties and similar payments	4.4	5,258,535	65,980	69,963
Payroll and social security contributions	4.5	1,354,033	580,328	404,365
Other ordinary management expenses	5.2	260,000	260,000	260,000
Depreciation and amortisation of fixed assets	3.1.2	2,898,188	630,937	674,162
Provisions for exchange losses		0	0	42,571
Provisions for diminution in value of treasury shares	3.3.1	0	0	42,628,501
Provisions for diminution in value of related companies	3.3.2	20,795,000	0	0
Other financial expenses	4.6	30,202,475	30,974,448	28,025,612
Total II		**71,774,350**	**38,201,133**	**80,912,276**
Ordinary income (I-II)		**37,824,538**	**40,785,498**	**50,543,416**
Exceptional income				
Proceeds from sale of equity investments	4.7	189,217,258	0	15
Other exceptional income	4.8	723,199	22,024	0
Reversals of provisions for risks and charges	3.7	8,211,994	243,736	2,918,392
Total III		**198,152,451**	**265,760**	**2,918,407**
Exceptional charges				
Book value of equity investments sold	4.7	176,889,906	0	15
Other exceptional charges	4.8	5,770,361	1,158,429	4,596,509
Provisions for risks and charges	3.7	5,194,983	3,099,122	3,725,000
Total IV		**187,855,250**	**4,257,551**	**8,321,524**
Net exceptional income (III-IV)		**10,297,201**	**(3,991,791)**	**(5,403,117)**
Corporation tax	4.9	**1,952,460**	**(625,032)**	**27,480,855**
Net income		**50,074,199**	**36,168,675**	**72,621,154**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

These notes should be read in conjunction with the balance sheet before allocation of the net income for the year ended 31 December 2004 showing total assets of 1,344,356,632 euros, and the income statement showing net income of 50,074,199 euros.

The financial year covers the twelve months from 1 January to 31 December 2004.

These notes comprise:

- the accounting principles and methods applied
- significant events during the year
- notes relating to the balance sheet
- notes relating 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 4 March 2005.

1 – ACCOUNTING PRINCIPLES AND METHODS

The 2004 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 decree No. 83 – 1020 of 29 November 1983 that applies the French Commercial Code, the regulations of the Comité de la Réglementation Comptable (French Accounting Regulations Committee), and in particular with CRC regulation No. 99 – 03 of 29 April 1999 relating to the revision of the French general chart of accounts.

In addition, Euler Hermes applied CNC notice No. 2004-15 of 23 June 2004 relating to the definition, recording and valuation of assets in advance of its mandatory application date (see *)*.

2 – SIGNIFICANT EVENTS DURING THE YEAR

The following events occurred during 2004:

Sale of equity investments in Eurofactor and Financière Européenne d'Affacturage

Euler Hermes sold all its equity investments in Eurofactor and Financière Européenne d'Affacturage to Crédit Agricole SA. In the financial statements of Euler Hermes, these disposals generated a net long-term gain of 12,327,000 euros before tax and excluding transaction costs (*see Note 4.7 Proceeds from the sale of equity investments and their net book value*).

Provision for write-down in value of Euler Hermes United Kingdom shares

The valuation method applied to the shares in Euler Hermes United Kingdom in the parent company financial statements was brought into line with that used for consolidation purposes. This resulted in the recording of a provision for write-down in value of the shares amounting to 20,795,000 euros *(see Note 3.2.2 Provisions for write-down of equity investments)*.

IRP system

In 2004, Euler Hermes continued to develop the IRP system, the Group's standardised management system for Information, Risk and Policies. Development costs corresponding to the share of costs of companies not included in the cost-sharing agreement were capitalised *(see Note 3.1 Intangible and tangible assets, and amortisation and depreciation, and Note 4.3 External charges)*. The IRP system was first implemented in 2002 and 2003 in Euler Hermes Credit Insurance Belgium and Euler Hermes Services BV (Netherlands), and was implemented in 2004 in Euler Hermes Sfac Crédit, Euler Hermes ACI and Euler Hermes UK (*see Note* 3.1.1 *Intangible and tangible assets*).

Improvement in the share price

The continuing strong rally in the Euler Hermes share price in 2004 (up 33%) enabled the company to release 22,955,000 euros of the provision for the diminution in value of treasury shares *(see Note 3.3.1 Treasury shares)*.

Capital increase

The Annual General Meeting held on 23 April 2004 approved giving shareholders the option to receive their dividend in cash or in shares. Some 84% of the dividend payment was thus made by the issue of shares, thereby increasing shareholders' equity by 61,138,000 euros*(see Note 3.6.1 Composition of the capital stock)*.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

3 – NOTES TO THE BALANCE SHEET

A – ASSETS

3.1 – Intangible and tangible assets, and amortisation and depreciation

3.1.1 – Intangible and tangible assets

Intangible and tangible assets at 31 December 2004 were as follows:

(IN EUROS)

	Gross value at 1 January 2004	Increases	Decreases	Gross value at 31 December 2004
Intangible assets	**7,141,739**	**3,184,590**	**2,221,980**	**8,104,349**
Intangible assets in progress - IRP (1)	6,228,266	962,610	2,221,980	4,968,896
Software – IRP (2)	638,930	2,221,980	0	2,860,910
Software – other	274,543	0	0	274,543
Tangible assets	**1,364,816**	**1,428**	**0**	**1,366,244**
IT equipment	1,364,816	1,428	0	1,366,244
Total	**8,506,555**	**3,186,018**	**2,221,980**	**9,470,593**

(1) In accordance with Article 331-3 II.c of the French general chart of accounts, the share of expenses relating to the programming of the IRP system corresponding to those companies not included in the cost-sharing agreement is recorded as “Intangible fixed assets in progress” with the credit entry being posted to “Capitalised costs” *(see Note 2 Significant events during the year)*.

(2) As the IRP system was brought into production in 2004 in Euler Hermes ACI, the related costs of 2,221,000 euros have been reclassified under “Software – IRP” and are subject to amortisation.

3.1.2 – Amortisation and depreciation of intangible and tangible assets

The IRP software is amortised on a straight-line basis over a period of seven years corresponding to its estimated useful life. As part of the application before the mandatory date of CNC notice No. 2004-15 on assets, an additional charge of 2,600,000 euros was booked in the accounts *(see Note 1 Accounting principles and methods)*.

Other software is amortised prorata temporis over 12 months. Such software has been fully amortised.

IT equipment, which comprises production and receipts servers, is depreciated over a period of three years using the reducing-balance method.

(IN EUROS)

The breakdown of amortisation and depreciation at 31 december 2004 is a follow:

	Opening balance at 1 January 2004	Charges	Reversals	Closing balance at 31 December 2004
Intangible assets	**365,818**	**2,768,149**	**0**	**3,133,967**
Software – IRP	91,275	2,768,149	0	2,859,424
Software – other	274,543	0	0	274,543
Tangible assets				
IT equipment	**1,226,925**	**130,039**	**0**	**1,356,964**
Total	**1,592,743**	**2,898,188**	**0**	**4,490,931**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

3.2 – Equity investments and provisions for write-down of equity investments

3.2.1 – Equity investments

Equity investments are long-term investments that are deemed to contribute to Euler Hermes' business, particularly because they enable it to influence the management of or assume control of the company held.

Equity investments are recorded at their historical cost (purchase cost or contribution value). Related purchase and sale costs are booked as operating expenses.

Movements in the gross value of equity investments were as follows:

(in euros)

Holding	Gross value at 1 January 2004	Increases	Decreases	Gross value at 31 December 2004
Euler Hermes Sfac	168,410,052	359,419	45	168,769,426
Euler Hermes Sfac Crédit	15		15	0
Euler Hermes Services	38,112			38,112
Euler Hermes Credit Insurance Belgium S.A.	38,322,055			38,322,055
Euler Hermes United Kingdom plc.	238,382,378			238,382,378
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
Eurofactor	67,309,671	158	67,309,829	0
Euler Hermes Emporiki (ex-Phoenix Credit & Guarantee Insurance)	806,443	500,918		1,307,361
Euler Hermes Kreditversicherungs-AG	3,217,504			3,217,504
Euler Hermes Germany GmbH	537,313,981			537,313,981
Euler Hermes Hitelbiztosito Rt	434,540			434,540
Euler Hermes Consult Kft	204,519			204,519
Financière Européenne d'Affacturage	109,580,216		109,580,216	0
Euler Hermes Serviços de Gestao de Riscos Ltda	4,899,722			4,899,722
Euler Hermes Seguros de Credito SA	2,706,000	285,000		2,991,000
Euler Hermes Crédito Compania de seguros y reaseguros SA	10,000,000			10,000,000
Acmar	2,676,458		52	2,676,406
Kepler Ratings	0	90,000	96	89,904
Euler Hermes Seguros de Credito a Exportaceo SA	1,000,000			1,000,000
Total	**1,423,379,342**	**1,235,495**	**176,890,253**	**1,247,724,584**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

The main movements during the year were as follows:

– Sale of all shares in Eurofactor and Financière Européenne d'Affacturage to Crédit Agricole SA *(see Note 2 Significant events during the year)*.

– Euler Hermes subscribed to capital increases of various subsidiaries, i.e. Euler Hermes Sfac, Euler Hermes Emporiki and Euler Hermes Seguros de Credito.

– Acquisition of 2,500 shares in Kepler Ratings for 40,000 euros and subscription to its capital increase for 50,000 euros.

3.2.2 – Provisions for write-down of equity investments

At each year end, equity investments are revalued based on their usage value. When necessary, a provision for diminution in value is made on an individual investment basis, taking into account both the market price or the estimated value of the share and any unrealised capital gains, as well as the general prospects of the subsidiary concerned.

Movements in the provisions for write-down of equity investments were as follows:

(IN EUROS)

	Opening provisions at 1 January 2004	Increases	Decreases	Closing provisions at 31 December 2004
Euler Hermes United Kingdom plc.	0	20,795,000	0	20,795,000
Total	**0**	**20,795,000**	**0**	**20,795,000**

(see Note 2. Significant events during the year)

3.3 – Other long-term investments

This item comprises mainly treasury shares with a net book value of 89,572,000 euros.

The participating loan granted to Eurofactor that was included in the financial statements as at 31 December 2003 was fully repaid during 2004.

3.3.1 – Treasury shares

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 4.06% of the capital stock as follows:

(IN EUROS)

Purpose of holding	Number of shares	Average price	Total	% of capital
Unrestricted use	1,739,108	52.937	92,062,876	4.03%
Adjustment of share price	12,231	43.023	526,217	0.03%
Total	**1,751,339**		**92,589,093**	**4.06%**

There were no transactions in treasury shares during the year.

For balance sheet purposes, these shares were valued using the average market price during the last month of the financial year.

A reversal of the provision for diminution in value was thus booked at 31 December 2004 amounting to 22,955,000 euros *(see Note 2 Significant events during the year)*.

Movements in the provision for diminution in value during the year were as follows:

(IN EUROS)

	Opening provision at 1 January 2004	Charge	Reversal	Closing provision at 31 December 2004
Provision for write-down in value of treasury shares	25,971,660	0	22,954,592	3,017,068
Total	**25,971,660**	**0**	**22,954,592**	**3,017,068**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

3.3.2 – Subordinated loan to Eurofactor

Eurofactor made full early repayment of the participating loan that it was granted by Euler Hermes in 2000 amounting to 11,434,000 euros.

This early repayment was made as part of the agreement for the sale of the equity investment in Eurofactor to Crédit Agricole SA *(see Note 2 Significant events during the year)*.

3.4 – Receivables

As in 2003, this item comprises mainly balances on transactions between subsidiaries belonging to the Euler Hermes tax group *(see Note 4.9.1 Current tax)*.

All these receivables are due in less than one year.

3.5 – Cash and cash equivalents

This item comprises sight 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 capital stock

At 31 December 2003, the capital stock comprised 41,551,801 shares totalling 13,296,576 euros.

The Annual General Meeting of 23 April 2004 approved giving shareholders the option to receive their dividend in cash or in shares.

Accordingly, 1,502,151 new shares were used to pay the dividend at a unit price of 40.70 euros, determined in accordance with Article 232-19 of the French Commercial Code. The corresponding capital increase amounted to 481,000 euros and the additional paid-in capital totalled 60,657,000 euros *(see Note 2 Significant events during the year)*.

During 2004, 51,721 options relating to the stock option subscription plan were exercised for an amount of 984,000 euros, corresponding to a capital increase of 17,000 euros and additional paid-in capital of 967,000 euros *(See Note 5.4 Stock option subscription plans)*.

At the year end, the capital stock thus comprised 43,105,673 issued and fully paid-up shares totalling 13,793,815 euros.

3.6.2 – Changes in shareholders' equity

Changes in shareholders' equity during the year were as follows:

(IN EUROS)

	31/12/2003	Allocation of income	Dividends paid	Other movements during the year	31/12/2004
Capital stock	13,296,576		480,688	16,551	13,793,815
Additional paid-in capital	292,288,395		60,656,857	967,008	353,912,260
Reserves					
– Legal reserve	1,289,275	40,383			1,329,658
– Special reserve for long-term capital gains	178,243,227				178,243,227
– General reserve	77,473,535				77,473,535
– Reserve for treasury shares	92,589,093				92,589,093
Retained earnings brought forward	230,723,008	36,128,292	(72,436,840)	(4,443,581)	189,970,879
Net income for the year	36,168,675	(36,168,675)		50,074,199	50,074,199
Total	**922,071,785**	**(0)**	**(11,299,295)**	**46,614,177**	**957,386,666**

Besides the transactions described above, the rectified Finance Bill for 2004 withdrew the obligation to transfer to the special reserve any long-term capital gains with effect from 1 January 2004.

The usage of this reserve has thus become unrestricted for the portion below 200 million euros, subject to a transfer to an ordinary reserve account before 31 December 2005. This transfer will be accompanied by the deduction of an exceptional tax charge, known as Exit tax, half of which will be settled in 2006 and the other half in 2007.

Therefore, at 31 December 2004, in accordance with the CNC urgent advice No. 2005-A of 2 February 2005, Exit tax amounting to 4,444,000 euros was charged to retained earnings brought forward.

Reserve for treasury shares

There were no movements in this reserve in 2004 as there were no purchases or sales of own shares requiring any adjustments to be made.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

3.7 – Provisions for risks and charges

The breakdown of provisions for risks and charges is as follows:

(IN EUROS)

	Opening provisions at 1 January 2004	Charges	Reversals	Closing provisions at 31 December 2004
Provision for the Eurofactor liabilities guarantee	9,090,994	0	8,211,994	879,000
Other provisions for risks and charges	0	5,194,983	0	5,194,983
Total	**9,090,994**	**5,194,983**	**8,211,994**	**6,073,983**

Movements during the year were as follows:

• **provision for liabilities guarantee:** the provision to cover the exercise of the liabilities guarantee granted by Euler Hermes to Eurofactor was reversed to the extent of the indemnity paid by Euler Hermes and recorded under Other exceptional charges in an amount of 4,687,000 euros (*see Note 4.8 Other exceptional income and charges*). In accordance with the transaction entered into on 26 July 2004 between Euler Hermes, Eurofactor and Crédit Lyonnais, the balance of the provision was adjusted to 879,000 euros.
Furthermore, the additional provision of 3,099,000 euros raised in 2003 was fully reversed *(see Note 5.3.3 Liabilities guarantee)*.

• **other provisions for risks and charges:** in order to hedge against interest rate risk, Euler Hermes has used interest rate Swaps to cover its variable-rate borrowings. As one of these borrowings was fully repaid in December 2004 without the related swap being sold, a provision of 5,195,000 euros corresponding to the amount of the unrealised loss was recorded as a provision for risks and charges at 31 December 2004.

3.8 – Borrowings and other financial liabilities

3.8.1 – Breakdown by maturity

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

(IN EUROS)

	31/12/2004	31/12/2003	Change
Less than 1 year	140,754,361	79,262,925	61,491,436
From 1 to 5 years	200,000,000	400,000,000	(200,000,000)
More than 5 years	12,881,383	74,018,930	(61,137,547)
Total	**353,635,744**	**553,281,855**	**(199,646,111)**
Of which, with related companies	*103,315,528*	*291,992,371*	*(188,676,843)*

Euler Hermes made full early repayment of the borrowing of 185,000,000 euros granted by AGF Holding in 2002.
Euler Hermes also paid off the borrowings of 65.8 million euros and 13.5 million US dollars granted by BNP by repaying the final instalments of 16,753,000 euros.
Of the various borrowings contracted by Euler Hermes, the syndicated loan managed by HSBC-CCF with a principal value of 50 million euros contains an early repayment clause in addition to the standard clauses relating to payment default and non-compliance with contractual obligations. This clause takes effect if the rating of Euler Hermes or of Euler Hermes Sfac assigned by Standard and Poor's falls below BBB+. At 31 December 2004, the conditions that would prompt the exercise of this clause had not been met. In addition, this loan contains a margin adjustment clause applicable as a function of the long-term rating assigned by one of the rating agencies.

The syndicated loans managed by Société Générale with a principal amount of 110 million euros also contain this latter clause.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

3.8.2 – Breakdown by currency

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

(IN EUROS)

	31/12/2004	31/12/2003	Variation
In euros	353,635,744	550,510,675	(196,874,931)
In USD (1)	0	2,771,180	(2,771,180)
Total	**353,635,744**	**553,281,855**	**(199,646,111)**

(1) The US dollar borrowing was fully repaid in May 2004 (*see Note* 3.11 *Translation differences*).

3.8.3 – Breakdown by interest rate type

The breakdown by interest rate type of Borrowings and other financial liabilities is as follows:

(IN EUROS)

	31/12/2004	31/12/2003	Change
Fixed rate	13,239,936	90,086,301	(76,846,365)
Variable rate	340,395,808	463,195,554	(122,799,746)
Total	**353,635,744**	**553,281,855**	**(199,646,111)**

In order to hedge against interest rate risk, Euler Hermes has used interest rate Swaps to cover its variable-rate borrowings *(see Note 5.3.2 Off-balance sheet commitments received)*.

Income and expenses relating to these Swaps are recognised separately in Other financial income and Other financial ex-penses *(see Note 4.2 Other financial income and Note 4.6 Other financial expenses)*.

3.9 – Trade payables

This item comprises mainly fee notes not yet received at 31 December 2004.

3.10 – Social security, tax and other liabilities

As in 2003, 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 in less than one year.

3.11 – Translation differences

The significant change in this item relates to the full repayment of the US dollar borrowing *(see Note 3.8.2 Borrowings and other financial liabilities, Breakdown by currency)*.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

4 – NOTES TO THE INCOME STATEMENT

4.1 – Income from equity investments

This item comprises dividends received from related companies as follows:

(IN EUROS)

	2004	2003
Euler Hermes Sfac (1)	47,327,734	6,785,565
Euler Hermes Siac	7,000,000	7,581,000
Euler Hermes Credit Insurance Belgium S.A.	0	4,199,025
Euler Hermes ACI	9,404,384	6,786,563
Euler Hermes Germany Gmbh	8,690,000	13,006,600
Euler Hermes Kreditversicherungs-AG	144,634	183,073
Euler Hermes United Kingdom plc	2,991,101	0
Total	**75,557,853**	**38,541,826**

(1) In 2002, Euler Hermes Sfac paid an interim dividend for 2003 amounting to 36.5 million euros.

4.2 – Other financial income

This item comprises mainly variable-rate annual interest relating to the interest rate Swaps hedging the variable rate borrowings *(see Note 3.8 Borrowings and other financial liabilities and Note 4.6 Other financial expenses)*.

4.3 – External charges

This item comprises the external structural charges of Euler Hermes as well as expenses incurred for the development of the IRP (Information, Risk, Policies) system (see Note 2 Significant events during the year). It also includes the transaction costs associated with the sale of Eurofactor, amounting to 2.2 million euros.

4.4 – Taxes, duties and similar payments

The significant change in this item stems from the transfer duties to be paid in 2005 to the German tax authorities in relation to the acquisition of Euler Hermes Germany GmbH during 2002.

4.5 – Payroll and social security contributions

The change in payroll reflects the change in the number of employees as indicated in the five-year financial summary.

4.6 – Other financial expenses

This item comprises *(see Note 3.8 Borrowings and other financial liabilities*:

– interest of 1,821,000 euros, including 61,000 euros of accrued interest, on credit lines,
– interest of 4,709,000 euros, including 257,000 euros of accrued interest, on bank loans,
– interest of 7,818,000 euros, including 434,000 of accrued interest, in respect of related companies,
– fixed-rate interest of 15,747,000 euros, including 1,879,000 of accrued interest, on the interest rate Swaps hedging the variable-rate borrowings *(see Note 4.3 Others financial income)*.

4.7 – Proceeds from the sale of equity investments and their net book value

The sale of the equity investments in Eurofactor and Financière Européenne d'Affacturage generated proceeds of 189,217,000 euros.

The net book value of the equity investments in Eurofactor and Financière Européenne d'Affacturage was 176,890,000 euros.

The capital gain on the disposal of the equity investments in Eurofactor and Financière Européenne d'Affacturage thus came to 12,327,000 euros *(see Note 2 Significant events during the year)*.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

4.8 – Other exceptional income and charges

These two items comprise mainly:

– indemnities paid by Eurofactor to Euler Hermes amounting to 600,000 euros,

– indemnities paid by Euler Hermes to Eurofactor amounting to 4,687,000 euros *(see Note 3.7 Provisions for risks and charges)*.

These indemnities were paid pursuant to the transaction concluded on 26 July 2004 between Euler Hermes, Eurofactor and Crédit Lyonnais.

4.9 – Corporation tax

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

(IN EUROS)

	2004	2003
Current tax payable by the company	0	(1,648,364)
Tax grouping surplus	5,867,725	534,508
Deferred tax	(3,915,265)	488,824
Total	**1,952,460**	**(625,032)**

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 Sfac Direct, Euler Hermes Tech, Euler Hermes Sfac Asset Management, CCA, France Direct Courtage and Kepler Ratings. Each company pays the company heading the tax group the tax that it would have paid to the authorities if it had been taxed individually *(see Note 3.4 Receivables and Note 3.10 Social security, tax and other liabilities)*.

The current tax liability is calculated at the rate of 35.43% and at 20.20% for net long-term capital gains on equity investments, including a surcharge of 3% and the 3.3% social security contribution on profits (based on the tax charge after deducting an allowance of 763,000 euros).

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 has been 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 5,868,000 euros 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,

– 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; as the 2005 Finance Bill revised the additional contribution rate of 3%, the rate used for 2005 is 34.93% and 34.43% for subsequent years.

As none of the significant deferred tax assets and liabilities has a set maturity, discounting has not been applied to any items. Deferred tax assets and liabilities are offset only when they have the same nature and maturity.

5 – OTHER INFORMATION

5.1 – Consolidation

The company's financial statements are fully consolidated within the financial statements prepared by Assurances Générales de France SA (Trade and Companies Registry no. 303 265 128).

5.2 – Directors' attendance fees

Attendance fees paid to members of the Supervisory Board, in accordance with the decision of the Combined Ordinary and Extraordinary General Meeting of 25 April 2001, amounted to 260,000 euros.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

5.3 – Off-balance sheet commitments

5.3.1 – Off-balance sheet commitments given

Commitments given comprise:

• the contra entry to the off-balance sheet commitments received amounting to 345 million euros.

• a commitment given amounting to 13,472,000 euros relating to the liabilities of GIE Euler Hermes Sfac Services, whose registered office is located 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 towards its own members (Article 4 paragraph 1 of ordinance No. 67 821); Euler Hermes shares this commitment with the following direct and indirect subsidiaries: Euler Hermes Sfac, Euler Hermes Sfac Crédit, Euler Hermes Sfac Recouvrement, Euler Hermes Services and Euler Hermes Tech.

• a commitment of 2,117,000 euros given to Group employees in respect of the liquidity of the current stock option subscription plans at subsidiaries.

In addition, Euler Hermes serves as counter-guarantor for Euler Hermes Sfac in respect of the commitment of support granted by this company to a related company regarding the ratings assigned by Standard & Poor's to the Group's subsidiaries.

5.3.2 – Off-balance sheet commitments received

A reciprocal financial commitment of 345 million euros is included in off-balance sheet commitments received corresponding to the nominal value of the interest rate Swaps used to hedge the interest rate risk on variable-rate borrowings.

The Swaps are for the same amount and maturity as the borrowings that they hedge *(see Note 3.8 Borrowings and other financial liabilities)*, and are broken down as follows:

(IN EUROS)

Interest rate Swaps	31/12/2004
Maturing in 2005	50,000,000
Maturing in 2007 (1)	185,000,000
Maturing in 2008	110,000,000
Total	**345,000,000**

(1) This swap will be closed out in 2005, as the borrowing that it hedges was fully repaid in 2004 *(see Note 3.8 Borrowings and other financial liabilities)*.

5.3.3 – Liabilities guarantee

In 1999, Euler Hermes issued a liabilities guarantee on behalf of its subsidiary Eurofactor (formerly SFF) as part of the merger of Eurofactor with the factoring activities of Crédit Lyonnais. This guarantee, which expired on 30 June 2001, covered any increase in Eurofactor's liabilities or any decrease in its assets originating prior to 1 January 1999 (30 December 1999 for tax liabilities), subject to deducting an excess of 45,734 euros for each case and a cumulative excess of 3,048,980 euros.

On 31 December 2004, the provision for risks and charges raised in 2001 to cover the exercise of this guarantee was adjusted to 879,000 euros in accordance with the transaction concluded on 26 July 2004 between Euler Hermes, Eurofactor and Crédit Lyonnais *(see Note 3.7 Provisions for risks and charges)*.

In addition, as part of the sale of Eurofactor to Crédit Agricole SA, Euler Hermes provides Crédit Agricole SA with a guarantee, calculated pro-rata in relation to its consolidated participation before the sale, against the consequences of any additional tax assessment concerning Eurofactor prior to 31 December 2003. This tax guarantee cannot exceed the sum of 10 million euros with an excess of 1 million euros.

5.4 – Stock option subscription plans

The Extraordinary General Meeting of 29 April 1997 authorised a stock option subscription plan covering 1% of the capital stock, i.e. 348,750 shares. In accordance with the decisions of various Group Management Board meetings, a total of 564,200 options were granted during 1997, 1998, 1999 and 2003 (the number of shares was multiplied by 50 in accordance with the decision of the Combined Ordinary and Extraordinary General Meeting of 7 April 2000).

The Extraordinary General Meeting of 23 April 2004 approved a new plan covering 0.313% of the capital stock, i.e. 130,000 Euler Hermes shares. In accordance with the decision of the Group Management Board meeting of 6 July 2004, 130,000 share subscription options were granted to senior executives of the company and of its subsidiaries.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Movements on the stock option subscription plans during the year were as follows:

Year of grant	1997	1998	1999	2003	2004
Options still to be exercised at the start of the year	40,768	108,370	29,400	239,800	130,000
Options exercised (1)	3,669	31,001	17,051	0	0
Options attribuées au cours de l'exercice	0	0	0	0	0
Options cancelled (2)	0	0	4,237	16,000	4,700
Options still to be exercised at the year end	**37,099**	**77,369**	**8,112**	**223,800**	**125,300**
Exercise price	15.55	18.27	21.12	27.35	44.41

(1) *see Note 3.6 Shareholders' equity.*

(2) options renounced by beneficiaries.

5.5 – Stock option purchase plans

The Extraordinary General Meeting of 7 April 2000 approved a stock option purchase plan on behalf of employees of the majority-owned subsidiaries of Euler Hermes.

In accordance with the decision of the Group Management Board meeting of 27 April 2000, 376,340 options were granted in May 2000 (plan 1 and plan 2, 1st allocation).

A second allocation under plan 2, covering 187,590 options, was implemented following the Group Management Board meeting of 28 March 2001.

Movements on the stock option purchase plans during the year were as follows:

	Plan 1	Plan 2 1st allocation	Plan 2 2nd allocation
Date of the General Meeting	07/04/2000	07/04/2000	07/04/2000
Date of the Group Management Board meeting	27/04/2000	27/04/2000	28/03/2001
Options still to be exercised at the start of the year	154,504	139,888	163,342
Options exercised	0	0	0
Options cancelled	6,319	7,420	16,617
Options still to be exercised at the year end	**148,185**	**132,468**	**146,725**
Average exercise price (1)	51.61	51.63	51.24

(1) The average exercise price is the weighted average of the individual exercise prices, which may vary depending on the tax regime of the beneficiaries in the subsidiaries concerned.

5.6 – Retirement commitments

Retirement commitments are fully outsourced and are covered by insurance policies taken out with life insurance companies.

5.7 – Audit fees

Fees paid for the statutory audit of the 2004 parent company financial statements are as follows:

- ACE: 9,000 euros
- KPMG: 3,000 euros
- PWC: 9,000 euros

Total fees paid to the statutory auditors by the Euler Hermes Group are shown in the notes to the consolidated financial statements.

SCHEDULE OF SUBSIDIARIES AND EQUITY INVESTMENTS

Subsidiaries and equity investments	Capital stock	Other shareholders' equity	Proportion of capital held	Book value of shares held Gross	Book value of shares held Net	Outstanding loans and advances	Sureties and guarantees given	Net revenues for past year	Net income for past year	Dividends received during the year
			in %	EUR	EUR	EUR	EUR	EUR (1)	EUR (1)	EUR
A. Detailed information concerning securities whose gross value exceeds 1% of the capital stock										
1. Subsidiaries										
Euler Hermes Sfac 1, rue Euler – 75008 Paris	EUR 90,152,896	EUR 140,499,109	99.99%	168,769,426	168,769,426	4,653,268	1,059,588	349,832,386	76,166,008	47,327,734
Euler Hermes Germany GmbH königinstr. 28, D-80802 Munich – GERMANY	EUR 36,000	EUR 528,909,000	100.00%	537,313,981	537,313,981	–	–	–	8,708,000	8,690,000
Euler Hermes United Kingdom plc. 1, Canada Square – London E14 5DX – United Kingdom	GBP 50,550,182	GBP 48,400,000 (2)	99.99%	238,382,379	217,587,379	–	1,057,069	190,339,692 (2)	12,502,659 (2)	2,991,101
Euler Hermes Credit Insurance Belgium SA 15, rue Montoyer – 1000 Brussels – BELGIUM	EUR 27,916,000	EUR 12,315,000	70.00%	38,322,055	38,322,055	–	–	69,274,000	4,599,000	–
Euler Hermes ACI Holding Inc. 100 East Pratt Street, Baltimore MD 21202-1008 – USA	USD 129,526,334	USD (9,051,000)	100.00%	143,541,100	143,541,100	291,253	–	–	8,737,978 (3)	9,404,384
Euler Hermes Siac S.p.A. Via Raffaello Matarazzo, 19 00139 Rome – ITALY	EUR 28,000,000	EUR 65,116,000 (4)	100.00%	94,535,667	94,535,667	–	–	211,862,000 (4)	8,571,000 (4)	7,000,000
Euler Hermes Serviços de Gestao de Riscos Ltda Alameda Santos – 2335 Conj. 51 Cerqueira César 01419-002 SÃO PAULO SP – BRAZIL	REAL 10,745,320	REAL (1,666,000)	100.00%	4,899,721	4,899,721	1,052	–	180,374	19,277	–
Euler Hermes Crédito Compañia de Seguros y Reaseguros SA Paséo de la Castellana N°77, 4a planta – 28046 MADRID – SPAIN	EUR 10,000,000	EUR (1,990,000)	100.00%	10,000,000	10,000,000	2,805,000	–	9,387,000	(1,228,000)	–
Euler Hermes Seguros de Crédito SA Alameda Santos – 2335 Conj. 51 Cerqueira César 01419-002 SÃO PAULO SP – BRASIL	REAL 9,947,500	REAL (1,679,000)	55.24%	2,991,000	2,991,000	–	–	819,530	(342,297)	–
Euler Hermes Acmar 243, boulevard Mohamed V 2000 Casablanca – MOROCCO	MAD 50,000,000	MAD (3,936,000)	55.00%	2,676,405	2,676,405	–	–	2,421,405	75,818	–
2. Equity investments										
Euler Hermes Hitelbiztosito Magyarorszag Rt Nagybatonyi u.8. H-1037 Budapest – HUNGARY	HUF 450,000,000	HUF 425,345,000	17.86%	434,540	434,540	–	–	5,948,835	766,955	–
Euler Hermes Consult KFT Nagybatonyi u.8. – H-1037 Budapest – HUNGARY	HUF 30,000,000	HUF 167,121,000	20.10%	204,519	204,519	–	–	1,962,373	453 868	–
Euler Hermes Emporiki SA 109-111 Messogion AV – 11526 Athens – GREECE	EUR 5,700,000	EUR (1,620,000)	17.00%	1,307,361	1,307,361	–	–	8,254,000	184,000	–
Euler Hermes Seguros de Crédito a exportacao SA Alameda Santos – 2335 Conj. 51 Cerqueira César 01419-002 SÃO PAULO SP – BRAZIL	REAL 7,226,753	REAL 709,000	49.19%	1,000,000	1,000,000	–	–	226,362	(221,130)	–
B. Summary information concerning other securities whose gross value does not exceed 1% of the capital stock										
French subsidiaries	EUR 130,000	EUR 316,226	–	128,016	128,016	1,148,707	–	10,926,586	207,459	–
Non-French subsidiaries	USD 5,000	USD (4,679)	–	909	909	–	–	29,366	(1,071)	–

(1) The exchange rate used for companies located outside the euro zone is the closing rate on 31 December 2004.
(2) Amounts corresponding to the Euler Hermes United Kingdom sub-group of which Euler Hermes United Kingdom plc is the holding company.
(3) Amounts corresponding to the Euler Hermes ACI sub-group of which Euler Hermes ACI Holding Inc is the holding company.
(4) Amounts corresponding to the Euler Hermes Siac sub-group of which Euler Hermes Siac S.p.A. is the holding company.

FIVE-YEAR FINANCIAL SUMMARY

(In euros)

	2000	2001	2002	2003	2004
Capital					
Capital stock	11,165,888	11,167,968	12,892,753	13,296,576	13,793,815
Number of shares in issue (1)	34,893,400	34,899,900	40,289,852	41,551,801	43,105,673
Maximum number of shares that could be created in the future (1)	293,400	286,900	268,056	418,338	471,680
Results for the year					
Income from ordinary activities (2)	99,826,719	77,542,354	122,486,579	38,541,826	75,557,853
Income before tax, depreciation, amortisation and provisions	114,968,390	57,740,552	87,438,283	9,043,647	45,645,213
Corporation tax	1,948,922	(13,663,490)	(27,480,855)	625,032	(1,952,460)
Income after tax, depreciation, amortisation and provisions	115,577,486	62,805,492	72,621,154	36,168,675	50,074,199
Total dividends distributed (3)	48,850,760	48,859,860	32,231,882	75,624,278	107,764,183
Earnings per share					
Income after tax, but before depreciation, amortisation and provisions	3.24	2.05	2.85	0.20	1.10
Income after tax, depreciation, amortisation and provisions	3.31	1.80	1.80	0.87	1.16
Dividend per share	1.40	1.40	0.80	1.82	2.50
Employees					
Average number of employees	3	1	1	1	2

(1) The number of shares in prior years has been adjusted following the 50-for-1 share split, as decided by the Combined Ordinary and Extraordinary General Meeting of 7 April 2000.

(2) In accordance with the CNC notice dated 27 March 1985 and the COB bulletin no. 181 of May 1985, in view of Euler Hermes' activity as a holding company, this item comprises ordinary investment income instead of sales.

(3) Includes dividends on own shares held by the company, which will be credited to "Retained earnings" upon payment.

GENERAL REPORT BY THE AUDITORS ON THE ANNUAL FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting, we hereby submit our report for the year ended 31 December 2004 on the:

- audit of your company's annual financial statements, as attached to this report,
- substantiation of our assessments,
- specific checks and information required by law.

The annual financial statements were drawn up by the Group Management Board. We are required to express an opinion on these financial statements on the basis of our audit.

Opinion on the annual financial statements

We conducted our audit in accordance with professional standards applicable in France. These standards require us to perform such tests and procedures so as to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a test 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 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 accounting principles generally accepted in France, present fairly the company's results for the year ended 31 December 2004 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.225-235 of the Commercial Code relating to the substantiation of our assessments, we hereby provide the following information:

As your company's assets consist mainly of equity interests, we satisfied ourselves that the valuations made were at least equal to the net book values shown in the balance sheet. We consider that the methods of valuing these interests, in accordance with the methods shown in Note 3.2.2 to the financial statements, are appropriate.

The assessments thus made form part of our procedure for auditing the annual financial statements taken as a whole and therefore contributed to the formation of our opinion as expressed in the first half of this report.

Specific checks and information

In accordance with professional standards applicable in France, we also carried out the specific checks required by law.

We have no comments to make on the accuracy of the information given 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.

Pursuant to the law, we hereby inform you that the information provided for in article L.225-102. paragraphs 2 and 5 of the Commercial Code relating to corporate officers includes the attendance fees received by said officers, in view of the absence of any other compensation paid by the Euler Hermes Group, and, in accordance with the position expressed by your company in the management report, does not refer to total compensation and benefits of all kinds paid during the year to these corporate officers by the company which controls your company.

We satisfied ourselves that the management report contains the information required by law relating to participating and controlling interests acquired and the identity of owners of the company's capital.

Paris and Paris La Défense, 4 March 2005
The Auditors

PricewaterhouseCoopers Audit	KPMG Audit A division of KPMG SA	Alain AUVRAY
Christine Bouvry	Xavier Dupuy	

Euler Hermes shares on the stock exchange market

CONTENTS

EULER HERMES SHARES ON THE STOCK EXCHANGE MARKET

A LONG-STANDING RELATIONSHIP OF TRUST WITH ITS SHAREHOLDERS

Euler Hermes has built up a relationship of trust with its shareholders, notably AGF and Allianz, and with the public. The group is totally committed to achieving sustainable profitable growth. Euler Hermes has a policy of absolute transparency and guarantees responsible decision-making through its corporate governance structure. The Group Management Board, the Supervisory Board and its various related committees (audit committee, remuneration and appointments committee, finance committee, etc.) have set ambitious goals so as to work in a relationship of trust with all the group's partners and build long-term and profitable relations.

Euler Hermes' listing on the stock market has raised the profile of credit insurance and has revealed the various advantages and added-value that can be provided to businesses throughout the world.

SHARE PRICE PERFORMANCE

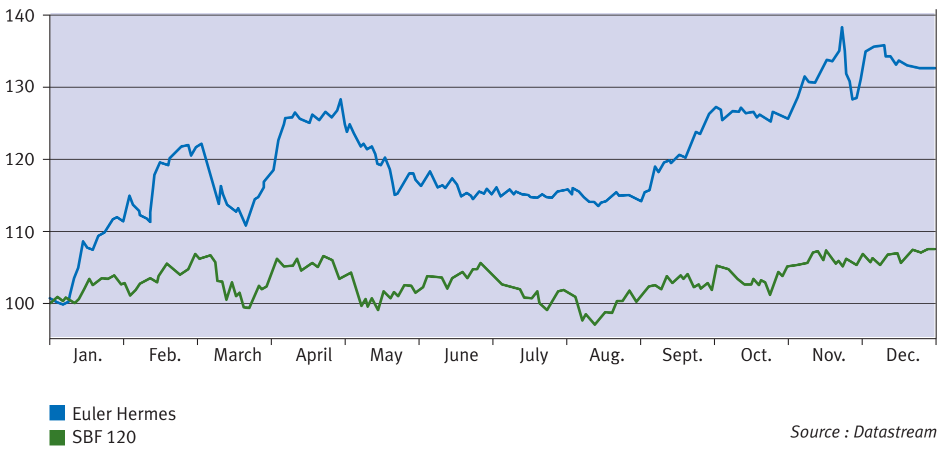
Since 1 January 2004, the Euler Hermes share price has gained more than 33%, up from 38.10 euros at 31 December 2003 to 50.70 euros at 31 December 2004. The SBF 120 index progressed by 8% over the same period. On the above basis, Euler Hermes has a market capitalisation of 2.185 billion euros.

The positive share price performance over the past two years (+ 130%) reflects the very significant progress in group earnings. In an unstable economic environment, Euler Hermes has shown itself capable of implementing effective strategies and, a result of its business model, the group's underwriting margins have grown steadily despite the still high level of company failures in Europe and the differences in economic growth from one region to another (slow growth in Europe and more positive growth in the United States and Asia).

Furthermore, the stock's liquidity improved considerably during the year, testimony to the increased interest taken by investors in the group and a reward for the efforts made and strategy implemented to improve underwriting margins at each of its subsidiaries. Since 1 January 2005, the stock has once again been included in the SBF 120 index which groups the 120 largest capitalisations on the Paris stock exchange. In 2005, thanks to the backing of its majority shareholders AGF and Allianz, and the support of its minority shareholders, Euler Hermes will continue to develop its business and strengthen its international positions in keeping with its business model in order to achieve lasting and profitable growth.

Euler Hermes share price relative to the SBF 120 index in 2004

(100 = 2 January 2004)



Source : Datastream

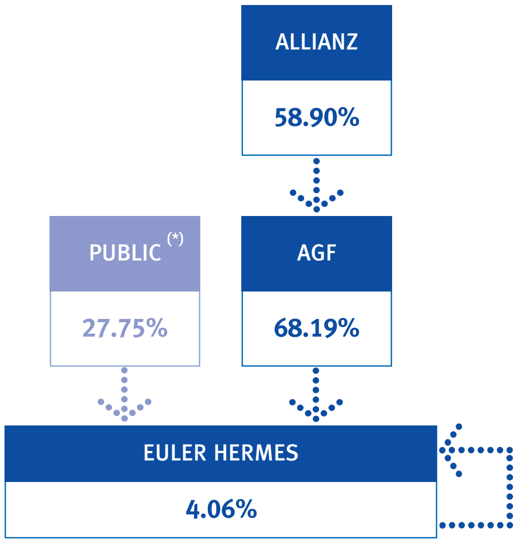
The performance of Euler Hermes' shares relative to the SBF 120 index highlights the interest shown by investors in the stock. Trading volumes also increased significantly thereby improving the stock's liquidity.

EULER HERMES SHARES ON THE STOCK EXCHANGE MARKET

SHAREHOLDER STRUCTURE

During 2004, AGF raised its holding in Euler Hermes' capital slightly to 68.19%, a consequence of its decision to opt for the payment of the dividend in shares, as proposed at the General Shareholders' Meeting on 28 April 2004. Euler Hermes holds 4.06% of the capital in treasury stock and the public, including Swiss Re, own 27.75%.

SHAREHOLDER STRUCTURE OF EULER HERMES AT 31 DECEMBER 2004



(*) including Swiss Re's holding

Breakdown of capital and voting rights at 31 December 2004

Shareholders	Number of shares	% of capital	Number of voting rights	% of voting rights
AGF	29,393,252	68.19%	29,393,252	71.08%
Swiss Re	2,261,162	5.25%	2,261,162	5.47%
Euler Hermes (treasury stock)	1,751,339	4.06%	0	0.00%
Public	9,699,920	22.50%	9,699,920	23.46%
Total	**43,105,673**	**100.00%**	**41,354,334**	**100.00%**

EULER HERMES SHARES ON THE STOCK EXCHANGE MARKET

Fundamentals of the Euler Hermes share

(En euros)

	2000	2001	2002	2003	2004
Group share of net income (In thousands of euros) (4)	121,178	90,379	51,205	146,145	206,437
Net earnings per share (4)	3.54	2.69	1.43	3.72	5.07
Dividends distributed (In thousands of euros)	46,430	48,860	32,232	75,624	107,764
Net dividend per share (1)	1.40	1.40	0.80	1.82	2.50
Distribution rate (2)	38.32%	54.06%	62.95%	51.75%	52.20%
Highest price	59.55	60.00	46.13	40.00	53.90
Lowest price	47.00	35.00	15.10	19.01	37.26
Last price (31 December)	54.55	42.50	22.00	38.10	50.70
Number of shares (3)	34,893,400	34,899,900	40,289,852	41,551,801	43,105,673
Market capitalisation (in millions)	1,903	1,483	907	1,583	2,185

(1) The dividend resulting from 2004 will be submitted to the General Meeting of 22 April 2005.

(2) The rate of distribution corresponds to the amount distributed related to the Group share net income.

(3) In 2001, 6,500 shares were created as result of the exercise of stock options with the plan adopted by the Extraordinary General Meeting of 29 April 1997.

In 2002, a new capital increase created 5,371,368 new shares on the basis of 2 new shares existing shares. 18,584 shares were also created after the exercise of stock options allocated in the previous years.

In 2003, as result of the payment of a part of the dividends in the form of shares, 1,172,431 new shares were created. Furthermore, 89,518 shares were created as a result of the exercise of stock options allocated in the years.

In 2004, as result of the payment of a part of the dividend in the form of shares, 1,502,151 new shares were created. Furthermore, 51,721 shares were created as a result of the exercise of stock options allocated in the previous years.

(4) In 2000, group share of net income excluding the exceptional gains realised from the sale of Coface shares stood at €97,47,000, representing net earnings per share of €2.85.

EULER HERMES SHARES ON THE STOCK EXCHANGE MARKET

Stock market performance of Euler Hermes in 2004 (Eurolist by Euronext™ – Compartiment A)

Code ISIN: FR 0004254035	Trading volumes		Share prices	
Month	Number of shares	Capital *(€ millions)*	High *(€)*	Low *(€)*
January 2003	596,538	14,364,950	27.50	19.01
February	231,592	5,714,690	26.50	22.51
March	331,478	8,148,980	26.94	22.55
April	786,024	21,726,820	29.89	24.30
May	852,760	23,683,350	30.10	27.05
June	198,650	5,540,280	28.78	26.20
July	302,014	9,754,550	35.69	25.55
August	607,652	20,931,150	35.85	33.30
September	1,171,818	38,754,770	35.40	30.05
October	745,685	26,195,960	37.40	32.30
November	619,595	22,529,410	37.90	32.42
December	432,965	16,443,110	40.00	36.30
January 2004	901,458	38,564,373	43.14	37.26
February	553,144	25,859,482	47.00	41.44
March	1,392,311	62,272,000	47.60	41.65
April	1,390,402	68,332,400	49.16	44.60
May	1,330,569	60,222,400	48.18	43.00
June	858,692	38,125,925	45.50	43.50
July	1,015,030	45,328,800	44.55	43.50
August	846,726	37,239,009	44.70	42.05
September	1,267,520	61,645,800	49.11	43.68
October	1,233,418	59,421,300	49.11	47.70
November	2,280,301	112,176,000	53.90	47.81
December	1,094,398	55,263,000	52.30	49.25

General Information

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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, the name "Euler Hermes" is used in the name of each of the Group's subsidiaries.

Head office

1-3-5, rue Euler, 75008 Paris, France

Legal form and applicable legislation

Euler Hermes is a public limited company under French law [Société Anonyme] with a Group Management Board and Supervisory Board. It is governed by the provisions of the Second Book of the French Commercial Code and by the provisions of Decree No. 67-236 of 23 March 1967.
Euler Hermes Sfac, a wholly-owned -subsidiary of Euler Hermes, is authorised as an insurance company by the Minister for the Economy and Finance. It is subject to the provisions of the Insurance Code [Code des Assurances] and comes under the joint control of the French Treasury and the Insurance Control Commission [Commission de Contrôle des Assurances].
Euler Hermes Sfac Crédit, itself a wholly-owned subsidiary of Euler Hermes Sfac, is authorised as a financial company by the Credit Institutions and Investment Companies Committee, CECEI, [Comité des Etablissements de Crédit et des Entreprises d'Investissement]. It is therefore subject to the provisions of the Monetary and Finance 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 [Code des Assurances] stipulate that any operation for the takeover, enlargement or disposal of a holding, whether direct or indirect, in companies that have received government authorisation to operate direct insurance in France, that would enable a person or several persons acting in concert either to acquire or to lose effective power or control over such a company, or to cross the thresholds of one-half, one-third, one-fifth or one-tenth of the voting rights in that company, must first obtain approval from the Minister for the Economy and Finance. The Minister has three months in which to raise any objection to the proposal, on the advice of the Insurance Companies Commission [Commission des Entreprises d'Assurance].
Furthermore, any transaction that results in one person, or several persons acting in concert, being able to acquire or dispose of one-twentieth of the voting rights in such a company must be reported to the Minister for the Economy and Finance prior to completion.
These provisions are applicable to Euler Hermes Sfac, a wholly-owned subsidiary of Euler Hermes, which is authorised as an insurance company.
– Regulation No. 96-16 of 20 December 1996 of the Banking and Finance Regulatory Committee stipulates that any person or group of persons acting in concert must obtain authorisation from the CECEI prior to the realisation of any operation for the takeover, enlargement or disposal of a holding, whether direct or indirect, in a company authorised by that Committee, if such an operation enables that person or those persons to acquire or to lose effective power or control over the management of that company, or to acquire or to lose one-third, one-fifth, or one-tenth of the voting rights in that company. The Committee then has three months to inform the applicant if the proposed operation necessitates a reassessment of the authorisation for the company in question.
Furthermore, any transaction that results in one person, or several persons acting in concert, being able to acquire one-twentieth of the voting rights in such a company must be immediately reported to the CECEI. These provisions are applicable to Euler Hermes Sfac Crédit, a wholly-owned subsidiary of Euler Hermes Sfac, which is authorised as a financial company.
These provisions are applicable to transactions in the Company's shares as a direct and indirect shareholder of Euler Hermes Sfac and Euler Hermes Sfac Crédit.

Date of incorporation and term

The Company was incorporated on 28 March 1927 for a term of 99 years, which will expire on 27 March 2026.

Corporate purpose

Under the terms of Article 3 of the Articles of Association, the purpose of the Com-

GENERAL INFORMATION ABOUT THE COMPANY

pany, directly or indirectly, in France and internationally, is financial services and insurance and especially any activities contributing to companies' management of their customer accounts, 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: 741J

Consultation of legal documents

The legal and corporate documents relating to the Company (Articles of Association, minutes of General Meetings, reports of the independent auditors and other documents available to shareholders) can be consulted at the Company's registered office, 1-3-5 Rue Euler, 75008 Paris.

Financial year

Each financial year covers twelve months, commencing on 1 January and terminating on 31 December.

Statutory distribution of earnings

Pursuant to the law and the provisions of Article 21 of the Articles of Association, the income statement summarises the income and expenditure for the year. The difference between them, after deductions for depreciation and provisions, shows the profit or loss for the year.

From the profit 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 shareholders' equity. It becomes obligatory again when, for any reason, the reserve falls below one-tenth.

The distributable profit is made up of the profit 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 a distributable profit ascertained, the Ordinary General Meeting resolves to allocate the distributable profit 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 profit for the year.

Apart from the instance of capital reduction, no distribution can be made to shareholders if the shareholders' equity is, or would as a result, become less than the amount of the capital plus the reserves that the law or the Articles of Association do not allow to be distributed. A revaluation reserve may not be distributed but it can be capitalised, in whole or in part.

The methods for paying dividends voted by the Ordinary General Meeting are fixed by the Meeting or, failing that, by the Group Management Board. Dividends must be paid within the period set by law.

When a balance sheet drawn up during or at the end of the year and certified by the auditors shows that the Company has, since the end of the previous year, after the constitution of the necessary amortisation and provisions, after deduction if any of previous losses, and sums taken to reserves pursuant to the law or the Articles of Association and including retained earnings, produced a profit, 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 profit as defined above.

The Ordinary General Meeting is entitled to grant each shareholder, for some or all of the dividend or interim dividend(s) to be distributed, an option between payment of the dividend or interim dividend(s) in cash or in Company shares.

The legally prescribed term for dividends is five years from the date payment is authorised by the General Meeting.

Taxation applied to the distribution of dividends to non-French companies complies with the legal regulations; generally these dividends are subject to a withholding tax. However, this principle is subject to certain exceptions under law or international tax treaties.

General Meetings and voting rights

In accordance with the law and the terms of Article 20 of the Articles of Association, General Meetings of shareholders are convened and take place under legally prescribed conditions.

The meetings are held either at the registered office, or at some other place specified in the notice of the meeting.

Ordinary and Extraordinary General Meetings include all shareholders who hold at least one share.

Special General Meetings include all shareholders who own at least one share of the class concerned.

However, in respect of amounts called but not paid on shares, such shares do not give right of admission to shareholders' meetings and are deducted for purposes of the quorum calculation.

GENERAL INFORMATION ABOUT THE COMPANY

Subject to the aforementioned, every shareholder is entitled, on proof of identity, to participate in General Meetings, either by attending in person, by returning a postal voting form, or by appointing a proxy, who may be his spouse or another shareholder, provided that:

– for registered shareholders: their shares are entered in the Company's register;

– for bearer shareholders: a certificate issued by the custodian is deposited at the address indicated in the meeting notice, stating that the shares have been placed in a non-transferable account until after the Meeting.

These formalities must be completed at least five days before the date of the 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. There is no statutory clause 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, which comes to hold a number of shares and/or voting rights in the Company greater than or equal to:

1 – 1% of the total number of shares and/or voting rights must, within fifteen days from the date of crossing this threshold, inform the Company of the total number of shares and/or voting rights he holds, 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 his 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 requires shares to be held in registered form.

For the determination of the thresholds prescribed in (1) and (2), shares and/or voting rights held indirectly and shares and/or voting rights equivalent to shares and/or voting rights owned as defined by the provisions of Articles L.233-7 et seq. of the Commercial Code shall be taken into account.

For each of the above-mentioned disclosures, the declarer must certify that the disclosure made includes all the securities owned or held pursuant to the previous paragraph. He must also specify the date(s) of acquisition.

Investment fund management companies are required to provide this information for all the voting rights attached to shares in the Company held by the funds they manage.

In the event of non-compliance with the obligation to provide the information referred to in (1) above or the obligation to register the shares in (2) above, one or more shareholders owning a fraction of 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 for a period of two years from the date the notification is complied with. The shareholders' application will be recorded in the minutes of the General Meeting and the sanction referred to above will be applied automatically.

Articles L.233-9 and L.233-10 of the Commercial Code referred to in the third paragraph stipulate that:

1 – shares and voting rights deemed to be akin to shares and voting rights owned by the person required to disclose when a threshold is crossed or to have their shares registered are:

I – shares or voting rights owned by other persons on behalf of that person;

II – shares or voting rights owned by companies that control that person;

III – shares or voting rights owned by a third party with whom that person is acting in concert;

IV – shares or voting rights which that person or one of the persons mentioned in (I)

GENERAL INFORMATION ABOUT THE COMPANY

and (III) above is entitled to acquire on request by virtue of an agreement.

2 – persons acting in concert are deemed to be persons who have concluded an agreement with the intention of acquiring or selling voting rights or with the intention of exercising voting rights in order to implement a joint policy with regard to the company.

Ownership of the Euler Hermes trademark

The Company is the owner of the "Euler Hermes" trademark in France. The "verbal" "Euler Hermes" trademark has been filed and registered, as has the "E+H" logo and the trademark associated with the "E+H Euler Hermes" logo, in classes 35 (management of commercial business), 36 (insurance) and 42 (computer programs – legal services).

In addition, the trademark, logo and trademark associated with the logo are being registered as Community trademarks in the European Union.

In countries outside the European Union but covered by the Madrid agreement, the Company is the owner of the logo and the trademark associated with the logo in classes 35, 36 and 42. This applies to the following countries: Algeria, Australia, Bulgaria, Croatia, Egypt, Estonia, Rumania, Switzerland, China, Czech Republic, Hungary, Japan, Korea, Latvia, Lithuania, Morocco, Norway, Poland, Russia, Singapore, Slovakia, Slovenia, Turkey, Vietnam, Liechtenstein, Serbia and Montenegro.

Lastly, for countries that are not covered by the Madrid agreement, the trademark, logo and the trademark associated with the logo are being registered individually in classes 35, 36 and 42 in each of the following countries: United States, Brazil, Canada, Mexico, Hong Kong, Malaysia, Taiwan, Thailand, Tunisia, Philippines, Indonesia, Colombia, Venezuela, Chile, India and Argentina.

GENERAL INFORMATION ABOUT THE COMPANY'S CAPITAL

Statutory conditions for changes to capital

The Company's share capital may be increased, reduced or amortised under the conditions laid down by law.

Total issued capital, number and classes of shares

As at 31 December 2004, the Company's share capital amounted to 13,793,815.36 euros, divided into 43,105,673 shares, all of the same class.

All the shares have been fully subscribed and paid up. The shares are in registered form until fully paid up. Shares must be fully paid up on subscription.

Shares are held in registered or bearer form at the choice of the shareholder, subject to the particular stipulations prescribed by law. Any shareholder holding 5% or more of the total number of shares and/or voting rights in the Company must apply for his shares to be held in registered form.

The Company is authorised to apply the provisions of commercial company law at any time to identify holders of shares giving immediate or eventual voting rights at its General Meetings.

The Company's securities and assets are not subject to any pledges.

Authorisation for capital increases

a – Pursuant to the provisions of paragraph 3 of Article L.225-129 III of the Commercial Code, the Extraordinary General Meeting of 28 April 2004 delegated to the Group Management Board, for a period of 26 months from the date of that General Meeting, i.e., until 27 June 2006, 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 total amount, including additional paid-in capital, of 750 million euros, with the proviso:

– that the above total is fixed not taking into account the consequences on the amount of the capital increase of any adjustments that may be made, following the issue of securities giving access to shares in the Company,

– and that the following are expressly excluded:

- the issue of preference shares with voting rights,
- the issue of non-voting preference shares,
- the issue of investment certificates, whether preferential or not,
- the issue of securities giving immediate and/or future access to voting or non-voting preference shares or investment certificates.

Securities thus issued, giving access to Company shares, may consist of securities representing debts or they may be linked to the issue of such securities or enable their issue as intermediate securities. These debt securities may be issued in the form of bonds or fungibles, especially perpetual or fixed-term subordinated notes, at floating or fixed rates, with or without capitalisation, issued in euros and/or any other currency or in composite monetary units, with possible rights, especially in the form of warrants, to receive and/or subscribe to other bonds or fungibles, repayable in the currency or composite monetary unit of issue and/or by any other means, up to the aforementioned maximum amount, including the issue premium, of 750 million euros, or its equivalent in another currency or composite monetary unit, it being specified that the maximum amount applies to all bonds or fungibles issued immediately or following the exercise of warrants, but that this amount does not include the redemption premium, if any.

This maximum nominal amount is separate from that set for the authorisation given to the Group Management Board to issue the debt securities described below.

The Group Management Board may institute for the benefit of shareholders a subscription right to new shares or securities, which may be exercised in proportion to their rights and up to the amount of their request. If the exercise of rights to subscribe to new shares and, if applicable, available excess shares does not absorb the entire issue, the Group Management Board may, in the order that it deems appropriate, and in accordance with the law, either limit the issue to the amount of subscriptions received, provided that at least three-quarters of the decided issue is subscribed, or freely allocate some or all of the shares that have not been subscribed, or offer them to the public.

The decision of the Extraordinary General Meeting entails:

- for the 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

GENERAL INFORMATION ABOUT THE COMPANY'S CAPITAL

nominal value of the shares, as calculated before the proposed issue.

In accordance with Article 12 of the Articles of Association, the maximum amount for each of the capital increases decided by the Group Management Board under this authorisation must first be approved by the Supervisory Board.

The General Meeting gave full authority to the Group Management Board, with the ability to delegate this authority in accordance with the law, to carry out these issues within the above-specified limits, and to define their terms and conditions, and more specifically to:

• carry out the aforementioned issues thus increasing the capital, on one or several occasions and in the proportions and on the dates determined by it, in France and/or in other countries, if appropriate, and/or on the international market, or refrain from doing so if appropriate;

• determine the categories and characteristics of the securities issued;

• set their subscription price, as well as the issue premium, if any;

• set the date from which the shares issued or to be issued shall have dividend rights attached, which may be retroactive;

• if securities are issued that give immediate or future access to shares, define the terms for adjusting the conditions of access to such shares;;

• 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 Manage-ment Board took advantage of a previous authorisation granted by the General Meeting of 17 April 2002, by increasing the capital on 18 July 2002 for a total of 171,883,776 euros through the issue of 5,371,368 new shares.

b – In accordance with Article L.225-129 II of the Commercial Code, the Extraordinary General Meeting of 28 April 2004 also gave full authority to the Group Management Board for a period of 26 months from the date of that Meeting, i.e., to 27 June 2006 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, profits or premiums, followed by the creation and allocation of bonus shares or increasing the total amount of capital or a combination of both methods.

The General Meeting gave the Group Management Board authority to decide that the rights forming fractional shares would not be negotiable and that the corresponding shares should be sold, the sums derived from the sale to be allocated to the owners of the rights within thirty days of the date of registration of the number of whole shares allocated to their account.

The amount of the capital increase that may be made pursuant to this resolution may not exceed a total amount of 750 million euros, a ceiling combined with that set for the capital increases resulting from 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 do not represent capital

In accordance with Article L.287 of the Act of 24 July 1966, the General Meeting of 28 April 2004 granted the Group Management Board full authority to create and issue, on one or more occasions, in France, in other countries and/or on the international market, bonds or fungibles, notably perpetual or fixed-term subordinated notes, at fixed and/or floating rates, with or without capitalisation, issued in euros and/or in any other currency or composite monetary units, with possible rights, notably 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 a maximum value, including the issue premium, of 750 million euros or its equivalent in other currencies or composite monetary units, it being specified that this maximum value applies to all bonds or fungibles issued immediately or

GENERAL INFORMATION ABOUT THE COMPANY'S CAPITAL

following the exercise of warrants, but that this amount does not include the redemption premium, if any.
This authorisation was given for a period of five years as from the date of that meeting, i.e. until 27 April 2009 or until the date it is renewed by a General Meeting held prior to that date.
In accordance with Article 12 of the Articles of Association, the value of each issue of bonds or other debt securities decided by the Group Management Board by virtue of this authorisation must first be approved by the Supervisory Board.
The General Meeting has given full authority to the Group Management Board, with the ability to delegate under the conditions prescribed by law, to carry out these issues up to the above-specified amount and to define the terms and conditions thereto, and more specifically to:
• determine the time or times of the issue(s),
• determine the issue currency and the nominal value of each issue,
• define the characteristics of the bonds and/or other assimilated securities to be issued and, in particular:
– their nominal value and the date from which dividend or coupon rights are attached,
– their issue price, and the issue premium, if any,
– the fixed and/or floating interest rate, or whether interest is to be capitalised, the interest payment dates or, for floating-rate bonds or securities, the procedure for calculating interest rates,
• set, in view of market conditions, the terms and conditions for repayment and/or early repayment of the loan, with a fixed or variable premium if appropriate, or for redemption by the Company,
• if appropriate, decide to provide guarantees or stand surety for the securities to be issued, define the type and characteristics thereof, and constitute the body of holders,
• and, generally, enter into any arrangement, sign any agreement with any bank or institution, take any action and complete any formalities relating to the issue, listing and financial servicing of the bonds and/or debt securities and otherwise do anything that may 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 stock 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 stock options allocated, 750 were exercised in 1997, 3,500 in 1998, 10,300 in 1999, 6,250 in 2000, 6,500 in 2001 and 18,584 in 2002, i.e. a total of 45,884 options of which 29,884 at the price of 16.07 euros each and 16,000 at the price of 18.88 euros each. In 2003, 89,518 options were exercised, of which 22,217 at the price of 15.55 euros each and 67,301 at the price of 18.27 euros each. In 2004, 51,721 options were exercised, of which 3,669 at the price of 15.55 euros each, 31,001 at the price of 18.27 euros each and 17,051 at the price of 21.12 euros each.
The Supervisory Board meeting of 28 September 1999 decided not to allocate additional options under this plan.
Following the Euler Hermes capital increase in 2002, and in accordance with legal and regulatory provisions, 9,040 new options have been granted taking the balance of options remaining to be exercised to 268,056 as at 31 December 2002. Following the exercise of options during 2003 and 2004, 178,538 options had not been exercised on 31 December 2003 and 122,580 had not been exercised on 31 December 2004.
The Extraordinary General Meeting of 28 April 2004 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 stock 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 may only grant 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

GENERAL INFORMATION ABOUT THE COMPANY'S CAPITAL

granting the options to potential beneficiaries resident in the various countries concerned, under acceptable conditions, an initial allocation of options, in one or more batches depending on the companies involved, to the greatest possible number of beneficiaries and giving entitlement to acquire a number of shares representing 0.6% of the Company's capital on the date of allocation; and

2 – a second allocation of options, in one or more batches depending on the countries concerned, reserved for certain beneficiaries who are members of the management of the Company and subsidiaries according to a list drawn up by the Group Management Board, giving entitlement to purchase a number of shares representing 0.6% of the Company's capital on the date of allocation.

– Subsequently, for each of the two years following this first twelve-month period and for each of the three years defined in the renewal of the authorisation given by the Extraordinary General Meeting of 17 April 2002, within the limits set by said Extraordinary General Meeting, the Supervisory Board decides on the maximum number of options that the Group Management Board may grant in each year within the limit of 3% of the capital of the company, taking options already granted into account.

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, the renewal of which will be submitted for approval to the Ordinary General Meeting of 28 April 2004, to replace the authorisation previously given by the Ordinary General Meeting of 23 April 2003 pursuant to Article 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 are 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 exercise of the options, during certain periods or following certain events;

– and more generally, to delegate in accordance with the law, sign any agreements, draw up any documents, carry out any formalities and make any declarations to any organisations and otherwise do everything that may be necessary.

In the context of this authorisation and following the meeting of the Supervisory Board on 26 April 2000, at its meeting on 27 April 2000, the Group Management Board decided to grant options to purchase existing shares in the Company, on the one hand to all employees in the Group who may benefit fiscally (Plan 1), and on the other hand to certain members of the management of the Company and its subsidiaries (Plan 2).

Following the meeting of the Supervisory Board on 27 February 2001, at its meeting on 28 March 2001, the Group Management Board again decided to grant options to purchase shares in the Company to certain members of the management of the Company and its subsidiaries (Plan 2, second grant).

The Extraordinary General Meeting of 17 April 2002 renewed this authorisation for a term of three years, i.e. until 17 April 2005 or until the date it is renewed by an Extraordinary General meeting held prior to that date. However, the Extraordinary General Meeting of 23 April 2003 withdrew this authorisation with regard to the unused part.

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The features of these two options plans are set out in the following table:

	Plan 1 First allocation	Plan 2 Second allocation	Plan 2
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 shares that may be purchased	148,185	132,468	146,725
– Number of these shares that may be subscribed or purchased by members of the Euler Hermes Group Management Board	0	0	16,863
Number of persons concerned	1,665	64	69
– Number of these persons who are members of the Euler Hermes Group Management Board	0	0	1
Initial 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)	51.61	51.63	51.24
Terms of exercise	purchase	purchase	purchase
Number of shares subscribed or purchased at 31 December 2004	20	none	none

(1) The average exercise price in euros is the result of the individual weighted average exercise price, which may differ according to the tax treatment of the beneficiaries. For employees and directors of the French company or one of its French subsidiaries, the exercise price is the average price for the twenty stock market trading days preceding the date of the Group Management Board meeting. A 5% discount is applied for French residents. For the other beneficiaries (employees of the Group's foreign subsidiaries) who are not subject to the same lock-in requirements or period for holding the shares as the employees or directors of the French companies, the exercise price is set at the closing price on the day of the Group Management Board meeting at which the options are granted

Following Euler Hermes' capital increase in 2002 and in accordance with legal and regulatory provisions, 17,803 new options were allocated taking the balance of outstanding options to 457,734 options as at 31 December 2003. The balance of outstanding options as at 31 December 2004 was 427,378.

In 2003, options were exercised under previously established option plans at two of the Company's subsidiaries, Euler Hermes Sfac (France) and Euler Hermes Holdings United Kingdom.

1 – Euler Hermes Sfac options:

– In 2004, no options were exercised by the members of the Group Management Board as it existed on 31 December 2004.

– In 2004, only one employee exercised a total of 2,000 options at the average price of 81.30 euros each.

2 – Euler Hermes Holdings United Kingdom option:

– In 2004, no options were exercised.

In addition, during 2001, options were allocated under the Euler Hermes option plans following the authorisation granted by the Extraordinary General Meeting of 7 April 2000 (see note 4.18 to the consolidated financial statements).

The number of options allocated under this plan to the 10 highest-paid employees of the Group totalled 30,211; the weighted average allocation price was 51.97 euros .

The number of options allocated under this plan to members of the Group Management Board during 2001 (as it existed on 31 December 2004) at the weighted average price of 51.91 euros totalled 16,863 (Jean-Marc Pillu).

No further allocation was made under these plans in 2002, except for the 9,040 new options allocated following the Euler Hermes capital increase, in accordance with legal and regulatory provisions.

In addition, the General Meeting of 23 April 2003 authorised the Group Management Board to grant subscription options or options to purchase shares, immediately cancelling the unused portion of the authorisation to grant options to purchase shares in the Company that was approved in the Ninth Resolution of the Combined Ordinary and Extraordinary General Meeting of 7 April 2000 and then replaced by the authorisation given to the Group Management Board in the Twelfth Resolution of the Combined Ordinary and Extraordinary General Meeting of 17 April 2002, to grant options to purchase shares in the Company.

Therefore, the Group Management Board is authorised, as stipulated by Articles L.225-177 to L.225-186 of the Commercial Code, to grant, on one or more occasions, for the benefit of employees and possibly for directors and officers defined by Article L.225-185 of the Commercial Code both in

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the Company and in companies or interest groupings that are affiliated as defined in Article L.225-180 of that Code or to only some of them, options giving rights to subscribe to new shares in the Company to be issued through a capital increase, as well as options giving rights to purchase existing shares in the Company obtained in buybacks made by the Company as prescribed by law.

The options for new and existing shares granted by virtue of this authorisation may not give rights to a total number of shares greater than 3% of the share capital on the day of the Group Management Board's decision, on the understanding that, within the confines of this resolution, the Supervisory Board shall define the number of options for new and existing shares that the Group Management Board may grant at each allocation.

The price to be paid when exercising the options for new or existing shares shall be determined by the Group Management Board on the day that the options are granted and it being understood that:

(I) – in the case of options for new shares, this price shall not be lower than 80% of the average of the opening prices of the Company's share on Euronext Paris SA for the 20 trading sessions preceding the day on which the stock options are granted, and

(II) – in the case of options for existing shares, this price shall not be lower than or equal to the value specified in (i) above, or 80% of the average purchase price of the shares held by the Company pursuant to Articles L.225-208 and L.225-209 of the Commercial Code.

This authorisation requires the express waiver by shareholders of their pre-emptive subscription rights to the shares that will be issued as and when the options for new shares are exercised, in favour of the beneficiaries of the stock options.

The General Meeting of 23 April 2003 granted full authority to the Group Management Board to implement this authorisation, especially as regards:

• drawing up a list of beneficiaries for the options and the number of options allocated to each of them;

• determining the terms and conditions for the options, especially:

– the period for which the options will be valid, on the understanding that the options must be exercised within a maximum period of 8 years from the date they are granted;

– the date(s) or period(s) of exercise for the options, on the understanding that the Group Management Board will have the option of (a) bringing forward the dates or periods for the exercise of the options, (b) extending the exercisable nature of the options or (c) modifying the dates or periods within which the shares obtained by exercise of the options may not be transferred or held in bearer form;

– possible clauses prohibiting the immediate resale of some or all of the shares provided that the obligatory holding period for the shares does not exceed three years from the date the option is exercised;

– if applicable, limit, suspend, restrict or prohibit the exercise of options, or the sale or transfer to bearer form of shares obtained by exercise of options, during certain periods or following certain events, and this decision may cover some or all of the options or shares or concern some or all of the beneficiaries;

– determine the date, which may be retroactive, from which the new shares derived from the exercise of stock options shall take effect;

– if applicable, make any adjustments to the number and price of the shares that may be obtained by the exercise of the options pursuant to the legal and regulatory provisions then in force;

– decide that the Group Management Board shall also have full authority, with the ability to delegate to its Chairman as legally prescribed, to recognise the capital increases for the amount of shares that have actually been subscribed by the exercise of stock options, and make the necessary amendments to the Articles of Association and, if it deems appropriate, it is empowered to make the decision to charge the costs of the capital increases to the amount of premiums arising from these transactions and deduct from this amount the sums necessary to raise the legal reserve to one-tenth of the new share capital after each increase, and perform any necessary formalities for the listing of the shares thus issued, any declarations to the authorities and otherwise do all that is necessary thereto.

This authorisation was given for a period of 38 months from 23 April 2003, i.e. until 22 June 2006. The Group Management Board will inform the Ordinary General Meeting each year of the transactions undertaken pursuant to this delegation in accordance with Article L.225-184 of the Commercial Code.

In the context of the new plan 48,300 stock options were granted to the 10 highest-paid employees in the Group in 2003. The weighted average price of options granted amounted to 27.35 euros. In 2004, 23,800 stock options were granted to the 10 highest-paid employees in the Group, and the weighted average price of options granted amounted to 44.41 euros.

The number of stock options granted to members of the Group Management Board, as it existed as at 31 December 2004, in connection with this plan in 2003 and 2004 amounted to 38,500 and 32,000 respectively, at a weighted average price

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of 27.35 euros and 41.41 euros, respectively.

	2003	2004
Clemens von Weichs	17,000	7,000
Jean-Marc Pillu	17,000	7,000
Gerd-Uwe Baden		7,000
Nicolas Hein		7,000
Michel Mollard	4,500	4,000

Share buyback programme

A resolution will be proposed at the Ordinary General Meeting on 22 April 2005 to authorise the Group Management Board, in accordance with Article L.225-209 of the Commercial Code, 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 21 October 2006, 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 Ordinary General Meeting on 28 April 2004 as far as the fraction not made use of is concerned;

• the total amount that the Company can allocate to the buyback of its shares during the life of this authorisation is 149.8 million euros;

• the maximum purchase price is set at 88 euros per share, which corresponds to the price as at 31 December 2004 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. The minimum sale price is set at 37 euros per share, which corresponds to the share's lowest price in 2004. In the event of transactions involving the Company's capital, in particular the capitalisation of reserves and the allocation of bonus shares or the division or grouping of shares, the above maximum purchase and sale prices shall be adjusted 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 financial equivalent of the shares allocated shall be determined in accordance with the specific legal provisions that apply;

• the acquisitions made by the Company by virtue of this authorisation cannot in any case lead to it holding more than 10% of the Company's authorised share capital;

• the acquisition, sale, transfer or exchange of these shares may be made, as prescribed by the market authorities and the applicable laws and regulations, by any means including by acquisition or sale of blocks of shares (if applicable, off-market, OTC, or by using derivatives, especially options or warrants, in compliance with applicable regulations), and at the times that the Group Management Board or the person delegated by the Group Management Board shall choose;

• these share purchases are authorised for any purpose allowed according to legislation, notably to:

(I) – boost the market for the shares, namely by improving the share's liquidity via an investment service provider acting independently within the framework of a liquidity contract, in accordance with a code of conduct recognised by the financial markets authority (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, stock purchase options, the allocation of existing bonus shares or a company savings plan;

(III) – deliver shares in exchange for other shares in merger or acquisition operations;

(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 22 April 2005 authorising the Group Management Board to make such cancellation.

The Company may undertake the transactions in (i) to (v) above during a cash or share-exchange takeover bid in accordance with the applicable legislation.

In accordance with paragraph 3 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 Articles of Association, the Group Management Board will seek the approval of the Supervisory Board for the policy it intends to follow with regard to share buybacks pursuant to this resolution.

The Group Management Board, which may delegate to its Chairman or, with his approval, to one or more of its members, is granted full authority to give orders for stock market trades and 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 2004.

GENERAL INFORMATION ABOUT THE COMPANY'S CAPITAL

Changes in capital in the last five years

The table below shows changes in the Company's share capital in the last 5 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
Exercise 1999	Exercise of stock options	206	€3,140.44	€803.51	€173,601,952.89	€10,637,023.46	697,743	€15.24
7 April 2000 (1)	Conversion of capital to euros and capital increase by transfer from available reserves		€526,865			€11,163,888	697,743	
7 April 2000 (1)	Cancellation of par value and multiplication of number of existing shares by 50						34,887,150	
Exercise 2000	Exercise of stock options	750	€240	€15.75	€173,613,765.39	€11,164,128	34,887,900	
Exercise 2000	Exercise of stock options	5,500	€1,760	€18.55	€173,715,791.16	€11,165,888	34,893,400	
Exercise 2001	Exercise of stock options	6,500	€2,080	€18.56	€173,836,431.16	€11,167,968	34,899,900	€0.32
Exercise 2001 (3)	Deduction from additional paid-in capital to create a reserve for treasury shares				€94,866,082.80			
Exercise 2002	Exercise of stock options	18,584	€5,946.88	€16.28	€95,168,677.12	€11,173,914.88	34,918,484	€0.32
17 June 2002 (3)	Capital increase by issue of new shares	5,371,368	€1,718,837.76	€31.68	€265,333,615.36	€12,892,752.64	40,289,852	€0.32
June 2002	Write-back from reserve for treasury shares				€265,790,282.01			
August 2002	Capital increase costs charged against additional paid-in capital				€263,487,257.18			
June 2003	Write-back from reserve for treasury shares				€265,136,083.68			
June 2003 (3)	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 stock options	14,467	€4,629.44	€17.95	€291,001,659.37	€13,272,460.00	41,476,750	€0.32
November 2003	Exercise of stock 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 stock options	2,067	€661.44	€17.95	€292,288,394.58	€13,296,576.32	41,551,801	€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 capital	Cumulative Authorised capital	Total Number of shares	Par value
January 2004	Exercise of stock options	827	€264.64	€15.23	€292,300,989.79	€13,296,840.96	41,552,628	€0.32
January 2004	Exercise of stock options	2,067	€661.44	€17.95	€292,338,092.44	€13,297,502.40	41,554,695	€0.32
February 2004	Exercise of stock 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 stock 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 stock options	2,894	€926.08	€20.80	€292,713,615.29	€13,304,049.92	41,575,156	€0.32
June 2004 (3)	Payment of dividend in shares	1,502,151	€480,688.32	€40.38	€353,370,472.67	€13,784,738.24	43,077,307	€0.32
November 2004	Exercise of stock options	2,842	€909.44	€15.23	€353,413,756.33	€13,785,647.68	43,080,149	€0.32
November 2004	Exercise of stock options	2,584	€826.88	€20.80	€353,467,503.53	€13,786,474.56	43,082,733	€0.32
November 2004	Exercise of stock 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 stock 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 stock options	7,750	€2,480.00	€17.95	€53,912,259.58	€13,793,815.36	43,105,673	€0.32

(1) The Combined Ordinary and Extraordinary General Meeting of 7 April 2000 decided to convert the capital to euros and simultaneously increase it by 527,000 euros, taken from available reserves to raise the capital from 69,774,300 francs to 11,163,888 euros. The Combined Ordinary and Extraordinary General Meeting of 7 April 2000 then cancelled the par value of the shares. Lastly, the Combined Ordinary and Extraorinary General Meeting of 7 April 2000 multiplied the number of shares in existence by 50 to increase it from 697,743 shares to 34,887,150 shares.

(2) The General Meeting of 25 April 2001 allocated to a reserve a sum equal to the value of all the treasury shares held by deducting 78,970,000 euros from the additional paid-in capital account and 16,155,000 euros from the general reserve.

(3) Capital increase with pre-emptive subscription right maintained.

CAPITAL AND VOTING RIGHTS

Capital and voting rights as at 31 December 2004

As at 31 December 2004, the Company's share capital was made up of 43,105,673 shares majority-owned by the AGF group (68.2% of the capital representing 71.08% of the voting rights). The total number of voting rights amounted to 41,354,334. The other major shareholder is the Swiss reinsurance company, Swiss Re, which has declared that it holds 5.25% of the Company's capital and 5.47% of its voting rights. The portion owned by the public excluding Swiss Re represented 22.5% of the Company's capital, i.e. 23.46% of voting rights, and 4.06% of the Company's capital was held in treasury shares.

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 mail dated 22 May 2003, the companies FMR Corporation and Fidelity International Limited, acting on behalf of investment funds managed by its subsidiaries declared that , following sale of shares on the market on 21 March 2003 they have crossed the 5% threshold dawnwards of the capital of the company, and owned on behalf of those funds 2,002,270 shares on this date representing 4.97% of the capital. Since these dates, no further declarations concerning the crossing of thresholds have been made, and the Company is not aware of the number of shares still held by these companies as at 31 December 2004.

As far as the Company is aware, there are no other shareholders or groups of shareholders who hold or are likely to hold, directly or indirectly, alone, jointly or in concert, 5% or more of the capital and voting rights.

The table below shows changes to the capital and voting rights of the Company in the last three years.

Capital and voting rights as at 31 December 2004

	As at 31 December 2002				As at 31 December 2003				As at 31 December 2004			
	Shares		Voting rights		Shares		Voting rights		Shares		Voting rights	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
AGF Group	27,154,000	67.4%	27,154,000	70.5%	28,135,120	67.7%	28,135,120	70.7%	29,393,252	68.2%	29,393,252	71.1%
Swiss Re	2,889,162	7.2%	2,889,162	7.5%	2,889,162	7.0%	2,889,162	7.3%	2,261,162	5.2%	2,261,162	5.5%
Euler Hermes (treasury stock)	1,751,339	4.3%		0.0%	1,751,339	4.2%		0.0%	1,751,339	4.1%		0.0%
Public	8,479,212	21.0%	8,479,212	22.0%	8,756,723	21.1%	8,756,723	22.0%	9,681,040	22.5%	9,681,040	23.4%
Misc. (1)	15,217	0.0%	15,217	0.0%	17,408	0.0%	17,408	0.0%	17,605	0.0%	17,605	0.0%
Directors (2)	922	0.0%	922	0.0%	2,049	0.0%	2,049	0.0%	1,275	0.0%	1,275	0.0%
Total	**40,289,852**	**100.0%**	**38,538,513**	**100.0%**	**41,551,801**	**100.0%**	**39,800,462**	**100.0%**	**43,105,673**	**100.0%**	**41,354,334**	**100.0%**

(1) Shares held by individuals, none of whom are employee of the group.

(2) As at 31 December 2004, 1,275 shares were owned in registered form by directors.

CAPITAL AND VOTING RIGHTS

The AGF group, which is one of the leading French insurance companies, posted turnover of 17.3 billion euros in 2004.

Standard and Poor's financial strength rating of AA-. AGF is 58.9%-owned by Allianz, one of the world's largest insurance companies with 57 billion euros of premiums earned in 2004.

Swiss Re is one of the principal reinsurance companies in the world, with 29 billion euros of premium income in 2004.

Until it was privatised in May 1996, AGF was one of the Company's principal shareholders, alongside SAFR, 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.

During the last five years, the following events have altered the capital structure and voting rights:

• In April 1999, the sale of 34,874 shares, representing 5% of the capital, owned by COFINPAR, a subsidiary of Coface, to SCOR taking SCOR's holding from 6.8% to 11.8% of the capital and voting rights.

• 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.

• 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 an identical decision by the General Meeting on 28 April 2004, the distribution of a dividend gave rise to the creation of 1,502,151 new shares. AGF chose to receive all dividends paid in shares, and held 68.2% of the Company as at 31 December 2004.

There is no clause in the Articles of Association providing for shareholders in the Company to have double voting rights.

Relations with shareholders

As far as the Company is aware, there is no shareholders' agreement currently in existence between shareholders of the Company.

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 2004, treasury shares represented a total of 4.06% of the Company's capital, i.e. 1,751,339 shares. During the year, no purchases or sales were made within the framework of the share buyback programmes authorised by the General Meetings on 17 April 2003 and 28 April 2004. The 376,340 shares initially assigned explicitly for stock option plans were reclassified as non-transferable shares as at 31 December 2002 following the decision of the Group Management Board on 19 December 2002.

Other persons or entities exercising control over the Company

Companies in the AGF group own, directly and indirectly, a total of 68.2% of the capital and 71.1% of the voting rights in the Company. AGF group is itself 58.9%-owned by Allianz Aktiengesellschaft ("Allianz"), a company under German law.

In accordance with the law and the Articles of Association, every member of the Supervisory Board must own at least five shares.

Currently, as far as the Company is aware, the members of the Supervisory Board and the Chairman of the Group Management Board hold 1,275 shares in registered form.

CAPITAL AND VOTING RIGHTS

In addition, the members of the Group Management Board as at 31 December 2004 held a total of 16,863 purchase options allocated under the stock option plan implemented when the Company was floated on the stock market in 2000. In 2002, no new options were allocated, apart from those following the Company's capital increase, pursuant to legal and regulatory provisions (cf. Securities giving access to capital).

The General Meeting of 23 April 2003 decided to implement a new stock subscription or purchase option plan, which ended the unused part of the option plan set up in 2000. In the context of this new plan, 38,500 stock subscription options were granted to members of the Group Management Board, as it existed as at 31 December 2004, in 2003, and 32,000 subscription options were granted in 2004.

Employee shareholdings

As at 31 December 2004, the Group's employees held 43,000 shares through a company savings plan, representing 0.1% of the capital.

In addition, since the Company's flotation on the stock market on 27 April 2000, the Group's employees have been granted stock options. As at 31 December 2004, the number of outstanding options still to be exercised under these plans was 427,378.

RISK MANAGEMENT

In respect of their credit insurance activities, Group companies are exposed to a technical risk of losses arising from their portfolio of insurance policies, and a financial risk of losses due to unfavourable changes in interest rates, exchange rates or the market value of investments.

The technical risk has an impact on the underwriting result, which is the total of income from credit insurance net of reinsurance, plus allocated investment income, less claims costs and operating expenses net of reinsurance and after any transfers to or write-backs from equalisation reserves.

Financial risk potentially impacts net investment income, an element of financial income.

Additionally, the factoring business, which was sold in the second half of 2004, involved a counter-party risk arising from its financial commitments.

TECHNICAL RISKS

The Company's risk management policy is based on the application throughout the Group of a model based on best practice followed by each of its subsidiaries. This is deployed by each subsidiary and monitored by a Group risks committee, which also supervises the Group's exposure. This model is based on the following items:

(I) separation of duties between policy subscriptions, risk underwriting and risk control;

(II) the development of proprietary or exclusive information;

(III) added value from risk underwriting;

(IV) risk control;

(V) improved debt collection.

The Group's risk management policy is designed to control the development of the claim experience in each subsidiary with the overall aim of maintaining a positive underwriting result.

Diversification of risk

The Group maintains a diversified portfolio of risks in order to limit the effects of a single end-customer's insolvency, an economic crisis in a given sector of activity or in a particular geographic zone, or a catastrophic event in a country.

The commitments stated below represent the sum of guarantees given and do not take into account various elements that can affect the actual liabilities of the Group, notably:

• The calculation of the non-insured part of a claim, which leaves a proportion of losses to be borne by the policy holder,

• The fact that the Group's clients generally only use one part of the coverage granted at any one time depending on the development of their commercial activities with their own customers,

• However, the amounts given do not take into account commitments linked to unidentified coverage, i.e. low-value transactions which do not oblige the policyholder to inform one of the Group's companies in advance.

On the basis of past experience and an analysis of sales reported by clients, Euler Hermes estimates that its actual liability represents on average some 30% of the total of cover granted.

The consolidated data given below is stated after adjusting for the consolidations of the external "quota-shares" of reinsurance treaties taken out by the subsidiaries. However, the figures do not take into account "excess" reinsurance taken out by the subsidiaries (see below "Reinsurance").

The tables below refer to data as of 31 December 2004 showing the theoretical commitments of all credit insurance policies including those contracted between Group companies and Eurofactor to cover the risk of default by buyers for which Eurofactor provides financing or guarantees payment (see point 2.2).

RISK MANAGEMENT

Commitments by business sector (*)

Sector	Commitments in millions of euros	In %
Metallurgy	43,312	19.3%
Food & retail	37,134	16.7%
Construction	36,772	16.5%
Textiles/leather	13,236	5.9%
Electronics	19,749	8.9%
Services	26,466	11.9%
Timber - Paper	14,256	6.4%
Chemicals	14,084	6.3%
Miscellaneous	17,991	8.1%
Total	**223,000**	**100.0%**

(*) Commitments by sector of activity are the sum of the domestic commitments for each company in the Euler Hermes group. The commitments of Euler Hermes Emporiki were included in 2004.

Commitments by geographic region (*)

Geographic zone	Commitments in millions of euros	In %
Total Europe	**254,754**	**90.2%**
of which:		
France	139,370	49.3%
United Kingdom	32,681	11.6%
Germany	29,656	10,5%
Italy	23,581	8.3%
Belgium - Luxembourg	6,582	2.3%
Netherlands	6,116	2.2%
Spain	4,607	1.6%
Eastern Europe	2,353	0.7%
Scandinavia	2,651	0.9%
Other Europe	7,157	2.5%
Total America	**21,520**	**7.6%**
of which:		
United States	16,878	6.0%
Canada	2,618	0.9%
Other America	2,024	0.7%
Asia-Pacific	**4,182**	**1.5%**
Near/Middle East	**1,386**	**0.5%**
Africa	**573**	**0.2%**
Total	**282,414**	**100.0%**

(*) Commitments by geographic region consist of the sum of the domestic and export commitments for most of the companies in the Euler Hermes Group.

RISK MANAGEMENT

The average outstanding total per buyer totalled 116,974 euros as at 31 December 2004 with none representing more than 1% of the Group's commitments before reinsurance.

Commitments by duration

The credit insurance business relates to commercial credit between companies. The duration of the risks covered therefore reflects supplier credit terms adopted in each country. The average term of the risks for the whole Group is 95 days and 98% of the Group's commitments relate to risks of less than six months.

Risk prevention, sharing risks with clients

The credit insurance business not only covers payment in the event of claims but also support for clients in the profitable growth of their business.

For this reason, active risk assessment is crucial both for the insurer and the client.

In an effort to minimise losses, the insurer can reduce or even terminate coverage in respect of any new sales made by the client at any time during the term of each policy.

PFurthermore, approximately 10% to 15% of the risk is borne by the client in order to encourage prudence in his selection of customers and ensure their quality. Some policies also provide for an excess per claim or overall.

A larger share of the risk, some 20% to 30%, is borne by the client for unspecified cover in respect of low-value transactions.

Provisions

Each credit insurance company of the Group establishes technical reserves calculated in accordance with applicable regulations. These technical reserves are designed to cover the following:

(I) – Claims reported but unpaid as at the end of the year,

(II) – Claims "incurred but not reported" (IBNR), i.e. claims that occurred during the year but which are reported after the year end and claims for receivables originating before the year-end and covered by a guarantee at that date, but which will fall due and be reported in a subsequent year. These claims are estimated using actuarial models based on the rate of claims incurred during past years.

Estimated amounts that will be recovered in respect of these claims are also taken into account and deducted from the gross amount of the claim. Provisions for these claims amounted to 1,227.4 million euros as at 31 December 2004 (see note 18 to the consolidated financial statements).

In addition, an estimate is made of the bonuses and profit-sharing to be paid to clients in the event of a low claims level; this amounted to 110.6 million euros as at 31 December 2004 (see note 18 to the consolidated financial statements)..

Lastly, Group companies resident in the European Union are obliged to set aside equalisation reserves designed to mitigate the effects of major fluctuations in claims on company results. These provisions are built up by deducting amounts from the underwriting profit of the credit insurance business and are used to reduce or eliminate losses in subsequent years. The method of calculation of this reserve is described in note 4.5.3 to the consolidated financial statements. As at 31 December 2004, this reserve totalled 534.2 million euros.

Pursuant to applicable regulations, the Group ensures that each subsidiary follows a policy of constituting sufficient provisions. Information relating to the methods for calculating these provisions and their amounts are given in the consolidated financial statements and in note 4 of those statements.

Reinsurance

Reinsurance concerns all transactions by which an insurance company insures itself with third parties (reinsurance companies) for a portion of the risks that it has assumed, and for which it pays a premium.

The Group's reinsurance policy is designed to optimise the use of its shareholders' equity while ensuring that in the event of a major increase in frequency of claims or if one or more significant claims occur, the Group will not be significantly affected. To this end, stress scenarios are performed every year to ensure that the reinsurance structure is adequate and meets the needs of the Group.

Proportional reinsurance (quota-share): protection against frequency risk

The frequency risk is the risk of default by a large number of buyers. The Group transfers a proportion of the risks that it has written to the reinsurer in consideration for an identical proportion of premiums received. The reinsurer pays to the Group a reinsurance commission designed to cover its commercial and administrative costs. The proportions transferred by each of the subsidiaries are determined according to their financial capacity. In 2004, they ranged from less than 20% to around 65% depending on the subsidiary.

Excess of loss reinsurance: protection against major risks

A major risk is the risk of unusually high losses resulting from default by a single customer of a client (or group of customers) or a single country (political risk). Excess of loss reinsurance protects the Group against any claims exceeding a deductible agreed in advance and up to an indemnification ceiling defined in the con-

RISK MANAGEMENT

tract after allowing for proportional reinsurance. The reinsurer is paid a premium.

The deductibles in excess of loss reinsurance contracts vary between the different companies in the Group, depending on their shareholders' equity. The Group determines the deductible in such a way that the maximum single loss cannot exceed approximately 5% of the shareholders' equity of the company in question. The highest deductible in 2004 amounted to 1.67% of the Group's consolidated shareholders' equity at 1 January 2004. The Group sets the excess of loss reinsurance ceilings at amounts higher than its estimate of the maximum potential loss from a major risk and has never been faced with a claim that exceeded the ceiling.

Quality of reinsurers

In 2004 the Group signed reinsurance contracts with 20 top-level reinsurers. Almost 88% of the premiums and risks were transferred to reinsurers with a Standard & Poor's rating of at least A+. It should be noted that the ratings of the majority of reinsurance companies have been downgraded over the past two financial years. Two of these reinsurers, Swiss Re and Allianz are also, directly or indirectly, shareholders of the Company, and they account for a total of 38% of the Group's external reinsurance. Only one other reinsurer, Munich Re, has a share of consolidated reinsurance cessions of over 20%.

FINANCIAL RISKS

Credit insurance

Group companies are not engaged in any financial market activity other than in connection with the ongoing management of their investment portfolios. Each insurance company complies with the Group policy and asset/liability matching rules for risks related to changes in exchange rates for currencies in which its commitments are transacted.

The Group's asset management policy aims to optimise the balance of risk and return, complying with applicable legal regulations. Each subsidiary manages its asset portfolio in accordance with policies established for the entire Group.

In managing its investment portfolio, the Group is exposed to three main risks: market risk, counter-party risk and liquidity risk.

Generally, Euler Hermes does not issue nor use credit derivative. The only financial tools used are exchange contracts of interests' rates to prevent against interest rates risks (Swaps) and exchange options to prevent against exchange rates risks. These instruments are described in the following chapters.

Market risk

Market risk is primarily addressed by the diversification of the portfolio assets and markets in which Euler Hermes is involved. There are also two further methods:

(I) – A major portion of the portfolio is invested in fixed-income assets, which generate a minimum income regardless of market trends. As at 31 December 2004, fixed-income assets accounted for 54.4% of the portfolio (see management report, chapter entitled "Financial income" and note 7 to the consolidated financial statements).

(II) – The Group holds a balance of unrealised capital gains and adopts a prudent policy with regard to realising these gains. The Company benefited from the upturn in the stock markets in 2004 and the continued improvement in the real estate market in France. Total unrealised capital gains in the Group's portfolio amounted to 215 million euros as at 31 December 2004 (see note 7 to the consolidated financial statements).

As at 31 December 2004, technical reserves net of reinsurance and equalisation reserves, totalling 1,452 million euros, were covered in full (111%) by fixed-income securities. The Group continually monitors the volatility of its equity investments in order to minimise the impact of a market decline. Similarly, Euler Hermes continually monitors the sensitivity of its bond portfolios so that its exposure to interest rate risks can be assessed at any time.

RISK MANAGEMENT

Further, the following chart shows for both, the interest rate risks and the exchange rate risks, the amount of the risks' basis and the measurement of the potential losses in case of significant evolution of the rates. For the equity risk, the chart gives the amount of the risks' basis as well as the measurement of the portfolio sensitivity to a 10% decrease of the equity markets.

Market risk of the investment portfolio as per 31 December 2004

Amount in million of euros	Market value as per 31/12/2004	Impact of 100 bps' rate increase*	Impact of 10% drop of equity markets	Impact of 10% USD exchange rate drop	Impact of 10% GBP exchange rate drop
Bonds	1,618	(53)	–	(13)	(19)
Equity	375	–	(38)	(1)	(2)
Liquidity	363	–	–	(2)	(6)
Total	**2,356**	**(53)**	**(38)**	**(16)**	**(27)**

* 3.3% average sensitivity calculated on the main BU's representing more than 90% of the bonds portfolio.

Counterparty risk

As at 31 December 2004, in market value terms, the Group's bond portfolio was almost entirely invested in government bonds. The portion relating to private issuers rated A or higher was not significant. In addition, its assets are spread across a number of major banking institutions whose ratings are subject to regular scrutiny. No portfolio securities have been loaned to any external institutions.

Liquidity risk

As at 31 December 2004, almost 80% of the Group's assets consisted of listed securities or cash, the balance being primarily (13%) composed of property investments. Equities are held in major market capitalisations listed on the main world markets (Europe, USA and Japan). Similarly, Group companies select bonds from major public or private issuers.

Foreign exchange risk

The Group is also exposed to currency risk, albeit to a lower degree. Consequently, Group companies comply with asset/liability matching rules pursuant to applicable regulations and the vast majority of the investment portfolio is currently denominated in euros, the balance being principally in US dollars and pounds sterling. Applying a disinvestment strategy, exchange options valued for 834,000 euros as per 31/12/2004 have been acquired during the year in order to cover the exchange rate result on the USD equity portfolio. (see note 35 to the consolidated financial statements).

Interest rate risk

The Group uses financial instruments to manage its exposure to interest rate risks arising from its activity. The Group's policy is not to deal on the market for speculative purposes. These financial instruments are mainly swaps (see note 35 to the consolidated financial statements).

Interest rate risks are covered by interest rate swaps for a nominal sum totalling 345 million euros. This amount mainly consists of four swaps. The first backs the 50 million euro variable-rate loan contracted by Euler Hermes with HSBC-CCF maturing on 20 December 2005. This interest-rate swap (floating rate payable against fixed rate receivable) is for an identical sum and term. An amount of 25 million euros was repaid on this loan on 20 December 2003 and another 25 million euros on 20 December 2004. The swap was adjusted by the same amount. The second swap backs a loan from Deutsche Bank for 185 million euros. A provision has been made in the Company's financial statements to cover the unrealised capital loss of 5.2 million euros. This interest-rate swap (floating rate payable against fixed rate receivable) is for an identical sum and term. The third and fourth are two interest rate swaps with the same term backing two loans of 55 million euros, one from CIC and the other from Crédit Agricole (CADIF).

Three other interest rate swaps, contracted by Euler Hermes Credit Insurance Belgium, represent a total sum of 10.5 million euros and are intended to cover the financing of its retail credit business in Belgium. They are underpinned by medium-term floating rate contracts for the same amount and maturity.

Liquidity and funds

A company's liquidity is its capacity to generate sufficient funds from its business and

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its portfolio management activities to meet its contractual liabilities and financial commitments to policyholders.

Funds are generated mainly from premiums paid by policyholders, net investment income and capital gains. Funds are principally applied to pay claims to policyholders, operating expenses and make loan repayments.

Insurance companies' liquidity is measured against standards which evaluate their capacity to meet their liabilities. The minimum regulatory standards vary from one country to another and are generally expressed in terms of:

– solvency margins, being the level of shareholders' equity required given the insurance business. Each Group company satisfies and significantly exceeds the minimum solvency margins established by the regulations in their respective countries,

– excess of assets representative of regulated liabilities comprising mainly technical reserves. Assets must meet regulatory requirements in terms of quality, liquidity and diversification.

Individually, Group companies comply with the rules applicable in their respective countries.

As at 31 December 2004, the total consolidated excess of portfolio assets over technical reserves, net of reinsurance and equalisation reserves, amounted to 1,521 million euros, i.e. the difference between total assets in the portfolio of 2,974 million euros (see section entitled "Financial Income" in the management report) and total net technical reserves of 1,453 million euros (note 18.1 to the consolidated financial statements).

Factoring

The factoring business was sold in the second half of 2004.

It involves two types of risk.

- Risk of default by debtors on receivables financed by or guaranteed by the factoring company. Euler Hermes hedges this risk by means of a bonding contract under market terms and conditions. In common with all clients of the Group's credit insurance business, Eurofactor seeks the Group's approval before guaranteeing any debt.
- "Adherent risk" is the risk arising from the existence and validity of financed receivables, which is entirely borne by the factoring company. Over the last 15 years, claims incurred in this respect have accounted for an average of 0.3% of average outstanding factored debts.

LEGAL RISKS

European regulations governing the credit insurance business

Euler Hermes' credit insurance activities are subject to the specific regulations of each of the Member States in which the Company is present and to European Directives: Directive No. 92-49 dated 18 June 1992 on non-life insurance and Directive No. 87-343 on credit insurance and bonding insurance.

Directive No. 92-49 dated 18 June 1992 on non-life insurance authorises insurance companies approved by their original Member State to pursue their insurance activities in other Member States without having to resubmit to further approvals. This Directive thus illustrates the principle of single state approval, by which the original Member State is fully authorised to approve insurance activities performed within the entire European Union. This Directive also empowers the original Member State to monitor and control compliance with financial and accounting rules applicable to insurance companies.

Furthermore, European regulations oblige insurance companies whose registered office is located in the EU to set aside technical reserves designed to cover payment of their liabilities to insured clients and customers.

Directive No. 87-343 dated 22 June 1987 also obliges credit insurance companies to set aside equalisation reserves (or "balancing reserves"). These provisions are built up by deducting amounts from technical income and are used to offset cyclical losses. The method of calculation of this provision must comply with the rules of the original Member State in accordance with methods laid down under the aforementioned Directive (see note 4.5.3 to the consolidated financial statements).

As at 31 December 2004, all Group companies complied with this regulation.

In France, the independent administrative authority, Commission de Contrôle des Assurances des Mutuelles et des Insitutions de Prévoyance (CCAMIP), monitors compliance by insurance companies with legislation and regulations applicable to insurance. It also ensures that insurance companies are permanently in a position to meet their liabilities to customers and can demonstrate the required solvency margin.

In accordance with the provisions of the Code des Assurances, the CCAMIP regularly examines the financial situation and operating procedures of Euler Hermes Sfac and Euler Hermes and receives the Independent Auditors' reports together with all accounting documentation.

The CCAMIP also ensures compliance by insurance companies with specific rules of prudence laid down under the Code des Assurances. Pursuant to European regulations, these require that liabilities must be represented by assets, a complete list of which is set by decree. In addition to these qualitative criteria, the Code des

RISK MANAGEMENT

Assurances obliges compliance with quantitative criteria in terms of allocation and dispersion.

As at 31 December 2004, the Company complied with all points regarding these rules and criteria.

French banking regulations

Euler Hermes Sfac Crédit, a wholly-owned subsidiary of Euler Hermes Sfac, has been authorised by the Comité des Etablissements de Crédit et des Entreprises d'Investissement (CECEI) as a financial company. It is therefore subject to law No. 84-46 dated 24 January 1984 relating to the business and control of credit institutions and to the regulations of the Comité de la Réglementation Bancaire et Financière.

Furthermore, the regulations require compliance with minimum solvency ratios, to which this company adheres.

French regulations governing debt collection

Euler Hermes Sfac Recouvrement, a wholly-owned subsidiary of Euler Hermes Sfac, is subject to decree No. 96-1112 of 18 December 1996 covering the regulation of parties engaged in the amicable collection of debts on behalf of third parties. This decree obliges parties engaged in this activity to:

- take out insurance for professional liability,
- have a bank account exclusively used for the receipt of funds on behalf of clients.

Proof of compliance with the conditions required to pursue this activity is provided by a written statement from Euler Hermes Sfac Recouvrement to the public prosecutor at the County Court in Paris.

"Informatiques et libertés" (French Data Protection Act)

Owing to the nature of their business, certain Group companies are subject to regulations relating to the security of personal data. In France, the law Informatiques et Libertés No. 78-17 dated 6 January 1978 obliges regular disclosure of all computer files to the Commission Nationale de l'Informatique et des Libertés (CNIL). European Directive No. 95-46 of 24 October 1995 includes provisions similar to French law.

It should be noted, however, that Group companies are not affected in general by the French Data Protection Act because they are not engaged in collecting confidential personal data.

Group companies comply with the relevant legislation.

INSURANCE AND COVER AGAINST POTENTIAL RISKS

The Group's policy is to take out insurance for its non-financial assets with reputable insurance companies under market terms and conditions.

Accordingly, all non-financial risks are adequately protected such that the Company does not incur any major operating risks.

To the best knowledge of the Company, none of the identified risk is not covered.

Each subsidiary underwrites independently insurance contracts to cover the risks locally identified. This implies that the level of the cover for a similar risk could be different from one company to the other. Nevertheless, the nature of the covered risks is rather similar within the Group subsidiaries and is made of 4 types:

- *civil liability:* operation, employers, etc.
- *individual:* service risks, individual accident, health insurance, group insurance, retirement indemnity,
- *properties:* cars, offices, IT,
- *casualty:* professional civil liability.

The coverage levels depend on the nature of the contracts, the scopes of the insurance and the value of the goods insured. A cautious management is achieved by each Group subsidiary in order to optimize its deductibles and cover limits according to the identified operational risks and to enable the business continuity in the event of a major claim.

The main insurance contracts are issued by the well-known insurance companies.

Each subsidiary has developed its own disaster recovery plan to ensure continuous operations in the event of a major catastrophe such as fire, destruction of buildings and/or computer rooms, which would otherwise force the closure or interruption of normal business. These plans, which are audited by the internal audit departments of the subsidiaries under the supervision of the Company's internal audit department, are designed to ensure that business can be resumed under normal conditions as quickly as possible and that important computer data is secured so that the impact of such a catastrophe would be minor.

The Company's Audit and Support department has prepared and implemented a new disaster recovery plan which ensures that procedures and rules comply with the standards required by Allianz and are identical for all companies in the Group. This plan was implemented throughout the Group in 2004.

Particular attention is paid to ensure the security of systems and computer data. Each Group company follows procedures to back up computer data at least every week and to keep the cassettes of backed-up data off site with specialised external companies offering appropriate standards of quality and physical protection. It should be noted that there are data links between Group companies as part of a secure network enabling companies to access each other's data.

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Furthermore, there are access controls as follows:

- Data is stored on servers that can be accessed via each company's local network.
- Access to information is controlled by means of individual user identity codes and passwords. These codes must be input prior to accessing applications and they enable individual user authorisation based on functional profiles.
- Technical administration of the access capabilities is assured by the operating systems' functional specification and the databases used. There is also a further IT control limiting personnel access to confidential data.
- The allocation of access profiles is subject to a procedure under the responsibility of systems' directors and Group staff responsible for security.
- Access to the Euler Hermes Group information system via a public network or the Internet is possible via "firewalls" which protect against unauthorised access by requiring a further authorisation stage to enter the network, in addition to controls to access applications.

The physical security of the hardware is ensured as follows:

- Hardware used for storing applications is located in protected computer rooms. Entry and exit points to these rooms are restricted via badges. The issue of badges is subject to a particular authorisation procedure and only IT staff are authorised into these rooms.
- Computer rooms are protected against fire.
- The electricity supply is secured and protected against power cuts and fluctuations.

Lastly, applications are equipped with audit files that record user activity. The Company's Audit and Support department has access to these files and periodically reviews the consistency of the application profiles with the activities of the staff. All these measures are designed to ensure rapid resumption of business in the event of a major catastrophe, to avoid the loss or destruction of core data for operations and, in consequence, any major impact in terms of client service and operating performance of the Company.

CORPORATE GOVERNANCE

Composition and operation of the Supervisory Board

On 1 March 2005, the composition of Euler Hermes' Supervisory Board was as follows:

Mr Jean-Philippe Thierry, *Chairman*, Chairman and CEO of AGF, appointed on 27 February 2001. Mr Thierry is also Chairman and CEO of AGF Holding, Chairman of the Board of Directors of AGF IART, AGF Vie and Château Larose-Trintaudon, Chairman of SC Holding SAS, director of AGF International, AGF RAS Holding (Netherlands) and Allianz Seguros y Reaseguros (Spain), a member of the Supervisory Boards of Compagnie Financière Saint-Honoré and groupe Taittinger, and non-voting member (censeur) of the companies Baron Philippe de Rothschild, Rue Impériale de Lyon and Paris Orléans.

Mr Laurent Mignon, *Vice Chairman* since 26 February 2003, General Manager of AGF, appointed on 7 April 2000. Mr Mignon is also Chairman and CEO of Banque AGF, Chairman of the Boards of Directors of AGF Assurances Financières and GIE Placements d'Assurance, Chairman of the Supervisory Board of AGF Asset Management, Vice Chairman of the Supervisory Boards of AGF Private Equity and W Finance, director and deputy general manager of AGF Holding, director of AGF International, Dresdner Gestion Privée, Entenial and Gécina, member of the Supervisory Boards of Oddo et Cie SCA and AGF Informatique, permanent representative of AGF International on the Board of AGF IART, permanent representative of AGF Holding on the Boards of Génération Vie, Métropole SA, Bolloré Investissement and AGF Private Equity, permanent representative of AGF on the Board of Worms et Cie, permanent representative of AGF Vie on the Board of Bolloré.

Mr Jacques Blondeau, who is also a Director of Coface and La Parisienne, was appointed on 20 March 1995.

Mr Diethart Breipohl, member of the Supervisory Board of Allianz AG (Germany), appointed on 17 April 2002. Mr Breipohl is also a member of the Supervisory Boards of the following German companies: Beiersdorf AG, Continental AG, KarstadtQuelle AG and KME AG. He is also a director of Banco Popular Espagnol (Spain), Banco Portugues de Investimento (Portugal), Crédit Lyonnais and AGF in France.

Mr John Coomber, Chairman and CEO of Swiss Re (Switzerland), appointed on 23 April 2003. Mr Coomber is also a director of Reassure United Kingdom, Swiss Re America Holding Corp. (United States), Swiss Re Financial Services Corp. (United States), Swiss Re Financial Services Ltd. (United Kingdom), Swiss Re GB Plc.(United Kingdom), Swiss Re Life & Health America Holding Company (United States), Swiss Re Life & Health Ltd. (United Kingdom), Swiss Re Properties Ltd. (United Kingdom), Swiss Re America Corp.(United States), Swiss Re Reinsurance Company United Kingdom Ltd. (United Kingdom), and The Mercantile & General Reinsurance Company Ltd. (United Kingdom).

Mr Charles de Croisset, appointed on 7 April 2000. Mr de Croisset is also a director of Bouygues (France), Renault and Thalès and a member of the Supervisory Board of SA des Galeries Lafayette.

Mr Reiner Hagemann, member of the Management Board of Allianz AG, appointed on 29 September 1998. Mr Hagemann is also Chairman of Allianz Versicherungs AG and Chairman of the Supervisory Boards of the following German companies: Allianz Private Krankenversicherungs-AG, Bayerische Versicherungsbank AG, Frankfurter Versicherungs AG, Hermes Kreditversicherungs AG. He is a member of the Supervisory Boards of the following German companies: Allianz Global Risks Rüchversicherungs AG, E.ON Energie AG, Steag AG and Schering AG. In addition, Mr Hagemann is Chairman of the Supervisory Board of Allianz Elementar Versicherungs AG (Austria), Vice-Chairman of the Supervisory Board of Allianz Elementar Lebensversicherungs AG (Austria), member of the Supervisory Board of Allianz Investmentbank AG (Austria) and RAS International NV (Netherlands) and of the Boards of Directors of Cornhill Insurance PLC (United Kingdom), Allianz Irish Life (Ireland), Allianz Suisse Versicherungs AG (Switzerland) and Allianz Suisse Lebensversicherungs AG (Switzerland).

Mr Robert Hudry, appointed on 7 April 2000. Mr Hudry is also a director of IMS and non-voting member of the Board (censeur) of AGF.

Mr Yves Mansion, Chairman and CEO of Société Foncière Lyonnaise, appointed on 12 May 1992. Mr Mansion is also a director of Alcan (Canada), alternate director of ERAP and member of the special board (collège) of AMF.

Mr François Thomazeau, General Manager of AGF, appointed on 25 April 2001. Mr Thomazeau is also Chairman and CEO of AGF International, Chairman of the Boards of Directors of AGF Belgium Holding (Belgium), AGF Belgium Insurance (Belgium), AGF Benelux (Luxembourg), AGF Afrique, ACAR, AGF Holding United Kingdom and AGF Insurance (United Kingdom), Vice Chairman of the Board of Directors of AGF RAS Holding (Netherlands), Assistant Vice Chairman of the Board of Elmonda (Switzerland), director and General Manager of AGF IART, director of AGF Holding, AGF Assurances Financières, AGF Vie, AAAM (AGF Alternative Asset Management), PHRV, Cofitem-Cofimur, Allianz

CORPORATE GOVERNANCE

Seguros y Reaseguros (Spain), Thomson Clive Ltd. (United Kingdom) and Immobanque, member of the Supervisory Board of W Finance, ARSA bv (Netherlands), Allianz Nederland Groep (Netherlands) and GIE AGF Informatique and AGF's permanent representative on the Board of Enténial (up to February 2004) and non-voting member (censeur) of Europe Expensive (SICAV).

Mr Jean-Hervé Lorenzi, appointed as a non-voting member (censeur) with effect from 1 January 2005 by the Supervisory Board meeting held on 19 November 2004. Mr Lorenzi is also Advisor of the Management Board of Compagnie Financière Edmond de Rothschild, member of the Board of economic studies (Conseil d'analyse économique) and Chairman of Cercle des Économistes.

At the Ordinary General Meeting on 22 April 2005, shareholders will be asked to, renew the terms of office of Messrs Jean-Philippe Thierry and Dietart Breipohl as members of the Supervisory Board for three years, i.e. until the General Meeting called to approve the financial statements for the year ending 31 December 2006 . The term of office of Mr Jacques Blondeau, which has also expired, will not be renewed.

Based on information provided by each member of the Supervisory Board, the number of offices held by the members of the Supervisory Board complies with Article 110 of the NRE 2001 420 Act of 15 May 2001.

In accordance with the law and the terms of Article 11 of the Articles of Association, the Supervisory Board exercises permanent control over the Group Management Board's management of the company. It is composed of a minimum of three and a maximum of twelve members, appointed by the Ordinary General Meeting; there are no internal regulations for the Supervisory Board.

The number of members of the Supervisory Board over the age of 70 must be less than one-third of all the members. Whenever this level is exceeded, the eldest member must resign.

The Supervisory Board elects its Chairman and a Vice Chairman, who must be individuals, from among its members. The Chairman, and in his absence, the Vice-Chairman, is responsible for convening the Board meetings and chairing its deliberations.

The Supervisory Board may appoint non-voting members (censeurs) if it considers this would be useful. They may be individual persons or corporate entities, proposed by the Chairman, and may or may not be from among the shareholders. Their term of office is at the Board's discretion and the Board also sets their remuneration. This remuneration is taken from the annual amount for Supervisory Board members' fees allocated by the Ordinary General Meeting. Following the death of Mr Roger Papaz, appointed as a non-voting member of the Board (censeur) on 26 February 2003, the Supervisory Board at its meeting on 19 November 2004 appointed a new non-voting member, Mr Jean-Hervé Lorenzi, with effect from 1 January 2005.

The non-voting members of the Board may be called to and may attend all the Supervisory Board meetings but with a right of discussion only.

Each member of the Supervisory Board must own at least five shares during their term of office.

Members of the Supervisory Board serve a three-year term, although there are particular provisions for the first appointments to ensure the regular renewal of members.

The members of the Supervisory Board may be re-elected.

The Supervisory Board is partially renewed every year at the Ordinary General Meeting, according to the number of members in office, so that renewal is an ongoing process and complete within each three-year period.

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

The members of the Supervisory Board may receive remuneration in the form of Supervisory Board members' fees, the amount of which is fixed by the Ordinary General Meeting, and exceptional remuneration under the conditions provided for by law.

In addition, the Chairman and the Vice Chairman may receive special remuneration, the amount of which is set by the Supervisory Board.

In accordance with the law and under the terms of Article 12 of the Articles of Association, the Supervisory Board exercises permanent control over the management of the Company through the Group Management Board and gives the Group Management Board the preliminary authorisations required by law or the Articles of Association.

The Supervisory Board appoints the members of the Group Management Board, decides on their number, and appoints their Chairman, and General Managers where appropriate. It also sets their remuneration. It may remove from office or recommend to the Ordinary General Meeting the removal from office of one or more members of the Group Management Board.

CORPORATE GOVERNANCE

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 financial statements to the Supervisory Board for verification and control within three months of the year-end, and must submit its recommendations for allocation of the year's profits for preliminary approval.

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 the said assignments 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, chaired by Mr Laurent Mignon, and also composed of Mr Yves Mansion and Mr Robert Hudry.

The Audit Committee is responsible for supervising procedures for external and internal audits of Group companies.

In particular, its mission is to oversee:

– those responsible for the internal audit of subsidiaries with regard to their activity report and provisional assignment planning,

– those responsible for accounting and finance as regards the financial statements,

– the independent auditors and their assignments.

The Audit Committee met four times in 2004.

• The Remuneration and Appointments Committee chaired by Mr François Thomazeau and also composed of Mr Charles de Croisset and Mr Reiner Hagemann.

The purpose of the Remuneration and Appointments Committee is to recommend to the Supervisory Board the appointment and remuneration for Company Directors and the general rules for remuneration of the Group's main executives, including stock 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 twice in 2004.

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

– the sale of property and the total or partial sale of shareholdings and the constitution of sureties on company assets,

– direct transactions or equity holdings that might significantly affect the Group's strategy and materially modify its financial structure or scope of activity,

– the issue of securities, of any kind, that may result in a modification of the registered capital,

– transactions aimed at granting or contracting any borrowings or loans, credits or advances, or constituting sureties, guarantees, deposits or bonding.

The Supervisory Board authorises the Group Management Board to carry out the above-specified transactions, up to a ceiling that it fixes for each one. When a transaction exceeds the specified amount, the approval of the Supervisory Board is required in each case.

The Supervisory Board met four times in 2004.

In 2004, an average of 90% of all members of the Supervisory Board attended its meetings.

Composition and operation of the Group Management Board

The Group Management Board is the Company's decision-making body.

At 1 January 2005, the Group Management Board of Euler Hermes had the following members:

Mr Clemens Freiherr von Weichs, *Chairman*, joined the Group Management Board on 19 February 2002 and was appointed Chairman of the Group Management Board on 25 May 2004. He has special responsibility for coordinating the work of the members of the Group Management Board, is responsible for the organisation and coordination of all group company businesses and represents the Company vis-à-vis third parties. He also supervises the following cross-company functions in the Group: Information Technology, Strategy, Communications, Audit and Careers and international mobility.

Mr Clemens Freiherr von Weichs is also Chairman of the Board of Directors of Euler Hermes ACI Co. (USA) and Euler Hermes Siac (Italy), Chairman of the Supervisory Board of Euler Hermes Sfac, member of the Supervisory Board of Euler Hermes Kreditversicherung AG (Germany) and director of Euler Hermes United Kingdom Plc., Euler Hermes Holding United Kingdom Plc., Hamburger Gesellschaft zur Förderung des Versicherungswesens (Germany) and Beraterkreis IKB, Düsseldorf (Germany).

Mr Jean-Marc Pillu, *General Manager*, joined the Group Management Board on 1 November 2000, and was appointed General Manager on 25 May 2004. He is responsible for the Group's "Commercial" cross-company functions. Mr Pillu is also Chairman of the Management Board of

CORPORATE GOVERNANCE

Euler Hermes Sfac, Chairman of the Supervisory Board of Euler Hermes Sfac Crédit and of Perfectis Private Equity (France), Chairman of Euler Hermes Credito Compania de Seguros y Reaseguros (Spain), Euler Hermes Servicios de Credito (Spain), Euler Hermes ACMAR (Morocco) and Euler Hermes Services SASU, Vice Chairman of Euler Hermes Emporiki (Greece), and a director of Euler Hermes United Kingdom and Euler Hermes Holding United Kingdom Plc.

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 functions. Mr Gerd-Uwe Baden is also Chairman of the Management Board of Euler Hermes Kreditversicherungs-AG (Germany), Director of Euler Hermes Versicherungsbeteiligungen GmbH (Germany) and Euler Hermes Beteiligungen GmbH (Germany) and permanent representative of Euler Hermes Kreditversicherungs-AG on the Board of Prisma Kreditversicherungs-AG (Austria).

Mr Nicolas Hein, appointed member of the Group Management Board on 25 May 2004. As the Group's Chief Finance Officer, he is responsible for the Group's "Finance and Accounting" and "Reinsurance" cross-company functions. Mr Nicolas Hein is also Vice Chairman of the Supervisory Board of Euler Hermes Sfac and director of Euler Hermes ACI (USA), Euler Hermes Siac (Italy), Euler Hermes United Kingdom and Euler Hermes Kreditverzekering Neederland (Netherlands).

Mr Michel Mollard, appointed member of the Group Management Board on 25 May 2004. He is the Group Chief Strategy Officer, and is also responsible for supervising the operational entities in the United Kingdom, Belgium, the Netherlands, Italy and the United States. Mr Michel Mollard is also Chairman of the Board of Directors of Euler Hermes Credit Insurance Belgium (Belgium), Vice Chairman of the Board of Directors of Euler Hermes Siac (Italy), director of Euler Hermes United Kingdom, Euler Hermes ACI (United States), Euler Hermes Sfac and Chairman and Chief Executive Officer of Kepler.

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-elected. 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 allocate the same power of representation to one or more other members of the Group Management Board who then bear the title of General Manager.

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 member especially empowered for this purpose.

In accordance with the law and under the terms of Article 17 of the Articles of Association, the Group Management Board is 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 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 subdelegation, 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.

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These regulations specify the powers and allocation of responsibilities between members of the Group Management Board and, in accordance with Article 12 of the Articles of Association, the decisions that require prior authorisation from the Supervisory Board.

In addition, the regulations define the practical procedures for holding meetings and recording minutes.

The Group Management Board can set up new committees. It decides on their composition and attributes, and they carry out their activity under its responsibility, but it cannot delegate its powers. No committee has yet been established.

The Group Management Board met nearly twice a month in 2004.

The Group Man-agement Board was appointed in its current form on 25 May 2004. Prior to this date, its members were Jean Lanier, Chairman, Clemens Freiherr von Weichs and Jean-Marc Pillu.

DIRECTORS' REMUNERATION AND INTERESTS IN THE COMPANY'S CAPITAL

Remuneration and benefits in kind received by the Company's directors

A. The Group Management Board

In 2004, 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 2,814,000 euros and breaks down as follows:

Directors' remuneration

In thousands of euros	Fixed remuneration paid in 2003	Variable remuneration (in respect of 2003)	Attendance fees 2003	Benefits in kind 2003	Total (in respect of 2003)	Fixed remuneration paid in 2004	Variable remuneration (in respect of 2004)	Specific indemnification (3)	Attendance fees 2004	Benefits in kind 2004	Total (in respect of 2004)
Jean Lanier (1)	317.5	119.8		3.2	440.5	150.0	285.8	701.5		1.3	1,138.5
Clemens von Weichs	360.0	132.2	7.9	6.3	506.4	360.0	123.7	96.3	7.2	11.1	598.3
Jean-Marc Pillu	305.0	86.2		2.2	393.4	360.0	224.6			2.9	587.5
Gerd-Uwe Baden (2)					0.0	210.0				7.5	217.5
Nicolas Hein (2)					0.0	151.7				2.3	154.0
Michel Mollard (2)					0.0	116.7				1.8	118.5
Total	**982.5**	**338.2**	**7.9**	**11.7**	**1,340.3**	**1,348.3**	**634.1**	**797.7**	**7.2**	**26.9**	**2,814.2**

(1) Management Board member until 31 May 2004; the period from 1 January 2004 until 31 May 2004 has been taken into account regarding the remuneration of the year 2004.
(2) Management Board member since 1 June 2004; the period from 1 June 2004 until 31 December 2004 has been taken into account regarding the remuneration of the year 2004.
(3) The specific indemnification is the indemnification paid when Mr Jean Lanier left his duties and the accomodation indemnification of Mr Clemens von Weichs.

CORPORATE GOVERNANCE

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 2004 amounted to 2,989,000 euros and breaks down as follows:

In thousands of euros	Fixed remuneration paid in 2003	Variable remuneration (in respect of 2003)	Attendance fees 2003	Benefits in kind 2003	Total (in respect of 2003)	Fixed remuneration paid in 2004	Variable remuneration (in respect of 2004)	Specific indemnification (3)	Attendance fees 2004	Benefits in kind 2004	Total (in respect of 2004)
Jean Lanier (1)	317.5	285.8		3.2	606.5	150.0	80.5	621.0		1.3	852.7
Clemens von Weichs	360.0	123.7	7.9	6.3	497.9	360.0	293.1	96.3	7.2	11.1	767.6
Jean-Marc Pillu	305.0	224.6		2.2	531.8	360.0	252.5			2.9	615.4
Gerd-Uwe Baden (2)					0.0	210.0	134.7			7.5	352.2
Nicolas Hein (2)					0.0	151.7	90.0			2.3	243.9
Michel Mollard (2)					0.0	116.7	38.1			1.8	156.6
Total	**982.5**	**634.1**	**7.9**	**11.7**	**1,636.2**	**1,348.3**	**888.9**	**717.2**	**7.2**	**26.9**	**2,988.6**

(1) Management Board member until 31 May 2004; the period from 1 January 2004 until 31 May 2004 has been taken into account regarding the remuneration of the year 2004.
(2) Management Board member since 1 June 2004; the period from 1 June 2004 until 31 December 2004 has been taken into account regarding the remuneration of the year 2004.
(3) The specific indemnification is the indemnification paid when Mr Jean Lanier left his duties and the accomodation indemnification of Mr Clemens von Weichs.

Attendance fees received by members of the Group Management Board are generally repaid to the Company, except for an amount of 7,200 euros in 2004.

The benefits in kind consist only of company cars.

The principles governing the remuneration of members of the Group Management Board and the amount thereof are set by the Remuneration and Appointments Committee and approved by the Supervisory Board. Remuneration consists of a fixed part and a variable part. The variable part is based on three criteria: the first is linked to consolidated net income, Group share, the second is linked to the attainment of objectives relating to economic value added and the third to the achievement of qualitative personal objectives. The objectives are proposed by the Remuneration and Appointments Committee and approved by the Supervisory Board.

At the end of each year, the Committee assesses the extent to which the various objectives have been reached and reports to the Supervisory Board. The Supervisory Board decides on the amount of the variable part of the remuneration calculated in this way.

In addition, some corporate officers may be members of an additional pension scheme. The maximum allocated under the scheme may not exceed 20% of the average fixed and variable remuneration received over the last three years before the retirement from the company. The maximum a corporate officer may be allocated under various pension schemes may not exceed 50% of total average remuneration received over the last three years.

The corporate officers, members of the Group Management Board, who are eligible for the additional pension scheme are:

Messrs Clemens von Weichs, Jean-Marc Pillu, Nicolas Hein and Michel Mollard.

Mr Claude Guyard, General Manager of the Company's French subsidiary, Euler Hermes Sfac, is also eligible for this additional pension scheme.

In addition, Messrs Clemens von Weichs and Gerd-Uwe Baden, members of the Group Management Board, are members of the Allianz Group's additional pension scheme.

B. The Supervisory Board

Attendance fees paid to members of the Supervisory Board amounted to 260,000 euros. Every member of the Supervisory Board is paid a fee. The Chairman of the Board receives a double fee for performing that role. Each member of the Supervisory Board who is also a member of the Audit Committee and/or the Remuneration and Appointments Committee is paid an additional fee. No member can be paid more than a double fee in total, apart from the Chairman of the Supervisory Board.

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In 2004, the following fees were paid:

(In thousands of euros)

Supervisory Board	Attendance fees
Jean-Philippe Thierry, *Chairman*	28.1
Laurent Mignon, *Vice-Chairman*	28.1
Jacques Blondeau	14.1
Diethart Breipohl	14.1
John Coomber	7.0
Charles de Croisset	28.1
Reiner Hagemann	28.1
Robert Hudry	28.1
Yves Mansion	28.1
François Thomazeau	28.1
Roger Papaz (†), *non-voting member, or censeur*	28.1
Total	**260.0**

The members of the Supervisory Board do not earn other remuneration except rhe attendance fees paid by Euler Hermes from Euler Hermes itself or from the subsidiaries controlled according to the article L.233-16 of the Code de Commerce.
Euler Hermes decided not to mention the remuneration received by its Supervisory Board members from the companies controlling Euler Hermes because their activities within these companies are not directly related with their fonction as Supervisory Board member of Euler Hermes.

C. Stock subscription or purchase options granted to corporate officers in office on 31 December 2004 and options exercised

Year	2001	2003	2004	Total
Plan	2000 2nd attribution	2003	2003	
Expiry date	27/03/09	08/07/11	08/07/12	
Exercise price	€50.11	€27.35	€44.41	
Clemens von Weichs				
Options granted		17,000	7,000	24,000
Options exercised		none	none	none
Jean-Marc Pillu				
Options granted	16,863	17,000	7,000	40,863
Options exercised	none	none	none	none
Gerd-Uwe Baden				
Options granted			7,000	7,000
Options exercised			none	none
Nicolas Hein				
Options granted			7,000	7,000
Options exercised			none	none
Michel Mollard				
Options granted		4,500	4,000	8,500
Options exercised		none	none	none
Total options granted	**16,863**	**38,500**	**32,000**	**87,363**

CORPORATE GOVERNANCE

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

Incentives

On 7 December 1994, Euler Hermes Sfac, Euler Hermes Sfac Crédit and Euler Hermes Sfac Recouvrement agreed an incentive plan that benefits all employees of these companies after six months' service. This agreement is for an unlimited period. The agreement was amended on 27 January 1998 to include Euler Hermes Services.

Profit-sharing

On 25 May 1999, Euler Hermes Sfac, Euler Hermes Sfac Crédit, Euler Hermes Sfac Recouvrement and Euler Hermes Services agreed a profit-sharing 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. It is a continuation of the profit-sharing agreements dated 18 June 1991, 27 June 1994 and 17 June 1996.

Following the publication of various regulations (the first being order No. 86-1134 dated 21 October 1986) relating to the establishment of profit-sharing agreements, SFF made triennial profit-sharing agreements that have been renewed regularly. Following the SFF/SLIFAC merger, a new agreement was signed on 30 June 2000 covering all Eurofactor staff.

For information, the amounts paid under the incentive and profit-sharing schemes for the years ended 31 December for the years from 1995 to 2003 were as follows:

(In thousands of euros)

	Incentives		Profit-sharing	
	EH-Sfac	SFF/ Eurofactor	EH-Sfac	SFF/ Eurofactor
1995	1,921	563	568	581
1996	1,689	1,009	1,327	690
1997	2,135	756	1,138	619
1998	3,294	938	1,990	722
1999	3,994	401	2,338	621
2000	3,610	569	2,432	424
2001	4,960	526	2,515	801
2002	3,484	0	2,005	0
2003	4,435	0	2,495	967

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 Services. The scheme benefits all employees of these companies after six months' service. It was set up for an initial period of one year, continued by tacit renewal.

It can be supplemented by funds from incentive plans and all or part of the profit-share, 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 incentive plans after a five-year lock-in period.

OTHER ITEMS OF GENERAL INFORMATION

Disputes and other exceptional events

Apart from the dispute referred to below, neither the Company nor any of its subsidiaries are or have been party to judicial proceedings or arbitration likely to have or to have had, in the recent past, a material impact on the financial position of the Company, its business and its profits. The Company has no knowledge that any such proceedings are envisaged against it by government authorities or third parties.

California Holocaust Victim Insurance Relief Act

As a member of the Allianz group, Euler ACI is subject to the 1999 California Holocaust Victim Insurance Relief Act, which requires Allianz to reach agreement with the California Department of Insurance relating to compensation for victims of the Holocaust. If the parties fail to reach agreement, there is a risk that the California Department of Insurance, on the basis of the California Holocaust Victim Insurance Relief Act, will institute proceedings for the revocation of authorisations to conduct insurance activities in California, from which the insurance companies in the Allianz group and, in the case in point, Euler Hermes ACI, benefit.

On 21 March 2000, taking over proceedings started by another insurance company, the American Insurance Association, of which Euler Hermes ACI is not a member, instituted proceedings before the US Federal Tribunal aimed at contesting the constitutional basis of the California Holocaust Victim Insurance Relief Act.

On 10 June 2000, the court found in favour of the American Insurance Association.

In the first instance, the court judged the Holocaust Victim Insurance Relief Act to be anti-constitutional, given that it infringed the exclusive jurisdiction of the USA federal government in matters of foreign policy and external trade regulation.

An appeal is currently in process. This appeal suspends the application of the California Holocaust Victim Insurance Relief Act. Euler Hermes ACI is a beneficiary of this favourable judgement and considers there is little likelihood of the judgement being overturned by the appeal proceedings. However, there is no certainty in this regard. Euler Hermes ACI's turnover in California represents a minimal proportion of the turnover of the Group's credit insurance business.

No significant court decisions were made in 2001 or 2002 that could affect the decisions of 2000 and, on 23 June 2003, the USA Supreme Court confirmed the judgment of the lower court, ruling that the California Holocaust Victim Insurance Relief Act was unconstitutional. No appeal may be made against this decision. Following the decision, there is now virtually no risk that Euler Hermes ACI will have its license to run insurance businesses in California withdrawn.

Employees

Since the Company does not employ any staff, there is no report on employment matters.

Name and title of the person responsible for this document

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

Declaration by the person responsiblee

"To the best of my knowledge, the information contained in this reference document is correct and includes all the information required to enable investors to reach an informed opinion concerning the Company's assets and liabilities, business, financial position, results and outlook. No information has been omitted that would be likely to alter the scope hereof".

Paris, 12 April 2005
Clemens Freiherr von Weichs
Chairman of the Group Management Board

Name, address and appointment of independent auditors

Independent auditors

In accordance with company law, the independent auditors named below have examined the annual financial statements for the last three years:

- Mr Alain Auvray
  5, avenue Franklin-Roosevelt, 75008 Paris.
- PricewaterhouseCoopers Audit
  32, rue Guersant, 75883 Paris Cedex 17.
  Represented by Mrs Christine Bouvry.
- KPMG SA.
  1, cours Valmy, 92923 Paris La Défense Cedex
  Represented by Mr Xavier Dupuy.

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 ending 31 December 1998, for six financial years, i.e., until the General Meeting called to approve the financial statements for the year ending 31 December 2004.

The General Meeting of 22 April 2005 will be asked to appoint ACE, Auditeurs et Conseils d'Entreprises, represented by Mr Alain Auvray, as the auditor for six financial years, i.e. until the General Meeting called to approve the financial statements for the year ending 31 December 2010.

Coopers & Lybrand Audit was appointed by a resolution of the Ordinary General Meeting of 17 May 1995 convened to

OTHER ITEMS OF GENERAL INFORMATION

approve the financial statements for the year ending 31 December 1994, for six financial years. The firm's term of office was renewed at the General Meeting of 25 April 2001 called to approve the financial statements for the year ending 31 December 2000, for six financial years, i.e. until the General Meeting called to approve the financial statements for the year ending 31 December 2006. The General Meeting of 22 April 2005 will be asked to record the absorption of Coopers & Lybrand Audit by PricewaterhouseCoopers Audit and accordingly its assumption of the office of auditor.

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 ending 31 December 1998, for six financial years. Its term of office will expire at the General Meeting called to approve the financial statements for the year ending 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 will be asked to renew the appoint of KPMG SA as auditor for six financial years, i.e. until the General Meeting called to approve the financial statements for the year ending 31 December 2010.

Alternate auditors

• Mr Pierre-Bernard Anglade, alternate auditor for Coopers & Lybrand Audit,

• Mr Gérard Rivière 1, cours Valmy, 92923 Paris La Défense Cedex, alternate auditor for KPMG SA, and

• Auditeurs et Conseils d'Entreprise (ACE) located at 5, avenue Franklin-Roosevelt, 75008 Paris, represented by Mr Christian Fevre, alternate auditor for Mr Alain Auvray.

Auditeurs et Conseils d'Entreprise (ACE) was appointed by a resolution of the Ordinary General Meeting of 25 May 1993, and its mandate was renewed by a resolution of the Ordinary General Meeting of 27 April 1999 convened to approve the financial statements for the year ending 31 December 1998, for six financial years. Its term of office will expire at the General Meeting convened to approve the financial statements for the year ending 31 December 2004.

The General Meeting of 22 April 2005 will be asked to appoint Mr. Emmanuel Charnier as alternate auditor for the Company ACE, Auditeurs et Conseils d'Entreprises, for six financial years, i.e. until the General Meeting called to approve the financial statement for the year ending 31 December 2010.

La Fiduciaire de France was appointed by a resolution of the Ordinary General Meeting of 27 April 1999 called to approve the financial statements for the year ending 31 December 1998, for six financial years. Its term of office will expire at the General Meeting convened to approve the financial statements for the year ending 31 December 2004. La Fiduciaire de France changed its name to KPMG SA at its General Meeting of 17 March 2000. Following the merger in which Cauvin Angleys Saint-Pierre Révifrance (SA) transferred its business to KPMG SA, whose registered office is at 2 bis, rue de Villiers, Levallois Perret (92300), the appointment of KPMG SA expired early and the General Meeting of 25 April 2001 approved the appointment of Mr Gérard Rivière domiciled at Paris la Défense (92923) as alternate auditor until the expiry of his predecessor's term of office, i.e. until the General Meeting called to approve the financial statements for the year ending 31 December 2004. The General Meeting of 22 April 2005 will be asked to appoint SCP Jean-Claude André & autres as alternate auditor for KPMG SA, for six financial year, i.e. until the General Meeting called to approve the financial statements for the year ending 31 December 2010.

The Ordinary General Meeting of 25 April 2001 appointed Mr Pierre-Bernard Anglade as alternate auditor for a term of six years, i.e. until the General Meeting called to approve the financial statements for the year ending 31 December 2006. The General Meeting of 23 April 2003 was notified of the resignation as of that date of Mr Pierre-Bernard Anglade, alternate auditor. The Meeting was asked to appoint in his place as alternate auditors PricewaterhouseCoopers Audit, a société anonyme with share capital of 1,255,230 euros, whose registered office is at 32 rue Guersant 75017 Paris, and which is registered in the Paris Trade and Companies' Registry under number 672 006 483 for the remaining term of office of its predecessor, i.e. until 31 December 2006. The General Meeting of 22 April 2005 will be asked to record the absorption of Coopers & Lybrand Audit by PricewaterhouseCoopers Audit and accordingly its assumption of the office of auditor. As a result, the General Meeting will also be asked to appoint Mr Yves Nicolas as alternate auditor for Pricewaterhouse Coopers Audit until his predecessor's term of office expires, i.e., until the General Meeting called to approve the financial statements for the year ending 31 December 2006.

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Fees of the independent auditors

Total fees paid to the independent auditors and other members of their worldwide network amounted to 5.8 million euros. This remuneration takes into account the fees paid for acting as independent auditors, the review and certification of individual financial and single statements, i.e. 3,789 thousand euros, and ancillary audit-related assignments, i.e. 1,058 thousand euros. In addition, fees in a total amount of 913 thousand euros were paid for other services performed by the independent auditors.

The details of all these fees are set out below:

(In thousand of euros)

	PricewaterhouseCoopers				KPMG Audit				ACE			
	Amount (1)		%		Amount (1)		%		Amount (1)		%	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Audit fees												
– Attest (statutory, consolidation)(2)	2,105	1,235	68%	63%	1,441	1,319	61%	69%	243	244	100%	100%
– Other assignement linked with attest (reports other than the annual audit opinion…)	356	309	11%	16%	702	421	28%	22%			0%	
Sub total	2,461	1,544	79%	79%	2,143	1,740	89%	91%	243	244	100%	100%
Other fees												
– Legal, Tax, Corporate	408	370	13%	19%	37	77	2%	4%			0%	0%
– Information technology											0%	
– Internal audit	0										0%	
– Other	233	37	7%	2%	235	101	9%	5%			0%	0%
Sub total	641	407	21%	21%	272	178	11%	9%	0	0	0%	0%
Total	**3,102**	**1,951**	**100%**	**100%**	**2,415**	**1,918**	**100%**	**100%**	**243**	**244**	**100%**	**100%**

(1) The amount corresponds to the fee expense recorded in the year.
(2) Includes fees from PricewaterhouseCoopers/KPMG experts (or outside experts) required to work on certain areas (actuarial work…) in the context of the annual or half-year audit.

OTHER ITEMS OF GENERAL INFORMATION

Persons responsible for information

Nicolas Hein

Group Chief Finance Officer, member of the Group Management Board.

Benoît des Cressonnières

Head of Group Reinsurance and Investor Relations – General Secretary

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75715 Paris Cedex 08

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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.

In addition, each of the Company's subsidiaries is responsible for communication on its own market, under the supervision of Euler Hermes' Group-wide Communications function. All information of a financial nature is strictly controlled and must be authorised by the Company.

In general, Euler Hermes provides regular information about its activities through analysts' meetings, conferences and press releases. The provisional schedule for the Company's financial announcements in 2005 is as follows:

– **Annual results for 2004:**
8 March 2005 in Paris
9 March 2005 in London

– **Dividend declaration:**
8 March 2005

– **General Meeting:**
22 April 2005

– **Impact of IFRS standards**
26 May 2005

– **Quarterly turnover**
Q1: 10 May 2005
Q2: 9 August 2005
Q3: 4 November 2005
TQ4: February 2006

– **Results for first half of 2005:**
6 September 2005 in Paris
7 September 2005 in London

– **Annual results for 2005:**
March 2006, 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 BY THE AUDITORS ON REGULATED AGREEMENTS

YEAR ENDED 31 DECEMBER 2004

To the Shareholders,

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

Agreements authorised during the year

Pursuant to Article L.225-88 of the Commercial Code, we have been advised of the agreements 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 but to inform you, based on the information given to us, of the principal terms and characteristics of the agreements of which we have been informed, without giving a judgement on their usefulness or validity. It is your responsibility, under the terms of Article 117 of the Decree of 23 March 1967, to evaluate the potential benefit of such agreements in order for you to approve them.

We have carried out our work in accordance with 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. Supplementary pension scheme for members of the Group Management Board

Persons involved: Messrs Clemens VON Weichs; Jean-Marc Pillu, Nicolas Hein and Michel Mollard

Supervisory Board meeting of 19 November 2004

At its meeting on 23 November 1998, Euler Hermes's Group Management Board adopted a supplementary pension scheme for the corporate officers of Euler Hermes and Euler Hermes Sfac.

In accordance with the conditions of this scheme, the corporate officers eligible to benefit from the scheme are, as of the date hereof, Messrs Clemens Von Weichs; Nicolas Hein and Michel Mollard from the date of their appointment as members of the Group Management Board of Euler Hermes and Mr Jean-Marc Pillu as from his appointment as Chairman of Euler Hermes Sfac.

The total amount (including tax of 6%) paid in 2004 was 866,020 euros.

Agreements authorised in previous years and continued during the year

In addition, pursuant to the Decree of 23 March 1967, we have been informed that the execution of the following agreements approved in previous years continued during the last year.

1. Seller's guarantee in favour of Eurofactor

At its meeting on 29 November 1999, the Supervisory Board authorised the signing of a 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 covered 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 euros) with a cumulative total of FRF 20,000,000 (3,048,980.35 euros). This guarantee was due to expire at the end of the prescribed period plus three months for tax and employee-related liabilities and at 30 June 2001 for all other cases.

This seller's guarantee is still in effect for an amount of 879,000 euros.

This seller's guarantee shall end finally at the close of legal proceedings under way.

2. Pledging of a portfolio of treasury bonds

The Board of Directors' meeting of 10 April 2001 authorised the Chairman of Euler Hermes Sfac to pledge a treasury bond portfolio for a maximum aggregate amount of 30.49 million euros (FRF 200 million) as security for a line of credit taken out by Euler Hermes with Société Générale or any other approved credit institution in France, this authorisation being valid for a period of one year, i.e. until 10 April 2002.

The Board of Directors' meeting of 5 March 2002 authorised the Chairman of Euler Hermes Sfac to extend this pledge for a maximum aggregate amount of 40 million euros. This extension was given for a period of one year, i.e. until 5 March 2003.

At its meeting on 25 February 2003, the Supervisory Board of Euler Hermes Sfac (the change in legal form to a limited company governed by a Supervisory Board and Group Management Board was approved by the General Meeting of Shareholders on 7 November 2002) authorised the Chairman of the Group Management Board of Euler Hermes Sfac to extend this pledge for a further period of one year, i.e. until 24 February 2004.

At its meeting on 19 December 2003, the Supervisory Board of Euler Hermes Sfac authorised the Chairman of the Group Management Board to extend this pledge for the same amount. This extension was given for a period of one year, i.e. until 19 December 2004.

SPECIAL REPORT BY THE AUDITORS ON REGULATED AGREEMENTS

At its meeting on 23 November 2004, the Board authorised the Chairman of the Group Management Board of Euler Hermes Sfac to extend this pledge for a period of one year, i.e. until 23 November 2005.

The pledging of treasury bonds is governed by Article L.225-38 of the Commercial Code.

3. 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.

For 2004, for Euler Hermes, at a hedge price of 30.71 euros per SAR (Stock Appreciation Rights), this incentive plan represented a cost of 374,969 euros.

At the Supervisory Board meeting of 25 May 2004, the Remuneration Committee specified that it would allocate 21,840 SAR to the Group Management Board at a price of 83.47 euros per share. These required a hedging contract, the cost of which (374,969 euros) was booked by Euler Hermes or its subsidiaries.

4. Subordinated loan agreement between Euler Hermes and AGF Vie

At its meeting on 28 May 2002, the Supervisory Board authorised the Group Management Board to contract a senior loan of 100 million euros with AGF Vie. The loan agreement was signed on 17 July 2002 under the following terms and conditions:

Term: 20 years with option to repay early after 10 years

Maturity: annual repayment corresponding to the proceeds of any capital increase resulting from shareholders exercising an option to receive their dividend in shares

Base rate: fixed rate for 10 years at the 10-year Euribor swap rate, then at an annual Euribor 3-month variable rate

Margin: 90 basis points for the first 10 years and 190 basis points thereafter

Interest: annual for ten years and quarterly thereafter.

Following early repayments that have been made, the balance remaining as at 31 December 2004 amounted to 12,880,000 euros.

5. Loan agreement between Euler Hermes and AGF Holding

At its meeting on 28 May 2002, the Supervisory Board authorised the Group Management Board to contract a senior loan of 185 million euros with AGF Holding. The loan agreement was signed on 17 July 2002 under the following terms and conditions:

Term:	5 years finite
Maturity:	28 June 2007
Base rate:	Euribor 3-month variable
Margin:	20 basis points
Interest:	quarterly

This loan was repaid early on 21 December 2004.

6. Loan agreement between Euler Hermes and AGF Holding

At its meeting on 28 May 2002, the Supervisory Board authorised the Group Management Board to contact a bridging loan of 260 million euros with AGF Holding, with the sum of 170 million euros being payable on 31 July 2002 and the remainder on 31 July 2003.

This loan agreement was renewed on 17 July 2003, for an amount of 89.1 million euros and for three months, under the following terms and conditions:

Term:	3 months
Maturity:	17 October 2003
Base rate:	Euribor 3-month variable
Margin:	20 basis points
Interest:	quarterly

This loan agreement was extended until 2 December 2003, under the following terms and conditions:

Maturity:	3 December 2003
Base rate:	Euribor 1-month variable
Margin:	20 basis points
Interest:	quarterly

Subsequently, a five-year loan of an amount of 90 million euros was set up, under the following terms and conditions:

Three drawdowns of 30 million euros each, spread between the end of 2003 and 2004

Maturity:	19 December 2008
Base rate:	Euribor 3-month variable
Margin:	30 basis points
Interest:	quarterly

The first tranche of 30 million euros was drawn down on 19 December 2003.

The second tranche of 30 million euros was drawn down on 1 June 2004.

The third tranche of 30 million euros was drawn down on 20 December 2004.

7. Counter guarantee granted by Euler Hermes to Euler Hermes Sfac

In the context of the rating of Euler Hermes by Standard & Poor's, Euler Hermes Sfac agreed to guarantee the commitments of Euler Hermes UK via a Deed of Guarantee dated 20 May 2003. The guarantee was set up to enable the English company to benefit from a rating similar to that of other Group companies.

At its meeting of 20 May 2003, the Supervisory Board authorised Euler Hermes to counter guarantee Euler Hermes Sfac and to reimburse said company for all payments made in connection with its guarantee.

SPECIAL REPORT BY THE AUDITORS ON REGULATED AGREEMENTS

8. Cessation of Mr Lanier's duties

The Supervisory Board meeting of 26 November 2003 authorised the Group Management Board to come to an agreement with Mr Jean Lanier under which an amount corresponding to one year's remuneration will be paid to him when he ceases to perform his duties as Chairman of the Group Management Board. This agreement was signed by the members of the Group Management Board in December 2003 and was effective, in a, amount of 620,958 euros, in 2004.

Paris and Paris La Défense, 4 March 2005
The Auditors

PricewaterhouseCoopers Audit	KPMG Audit A division of KPMG SA	Alain AUVRAY
Christine Bouvry	Xavier Dupuy	

REPORT ON THE REFERENCE DOCUMENT BY THE AUDITORS

YEAR ENDED 31 DECEMBER 2004

In our capacity as auditors of Euler Hermes SA and pursuant to articles 211-1 to 211-42 of Book II of the General Regulations of the AMF , we have examined the information given in this Reference Document relating to the company's financial position and historical financial statements in accordance with French professional standards.

This Reference Document has been drawn up under the responsibility of the Chairman of the Group Management Board. We are required to express an opinion on the fairness of the information contained herein relating to the company's financial position and financial statements.

In accordance with French professional standards, our procedures consisted of assessing the fairness of the accounting and financial information presented and of verifying that such information agrees with the audited financial statements. We also reviewed the other information included in the Reference Document in order to identify any significant discrepancies with the financial and accounting information and report any clearly erroneous information that came to our attention on the basis of our general knowledge of the company acquired during our engagement. The Reference Document does not include any individual forecast information prepared on the basis of a structured calculation procedure.

The annual financial statements of the Company for the years ended 31 December 2002, 2003 and 2004, as approved by the Group Management Board, were audited by us in accordance with French professional standards. Our reports on these financial statements were free of any qualifications or observations.

The consolidated financial statements for the year ended 31 December 2002, as approved by the Group Management Board, were audited by us in accordance with French professional standards. Our report on these financial statements was free of any qualifications. Our sole observation related to the harmonisation of the methods of calculating the equalisation reserves.

The consolidated financial statements for the year ended 31 December 2003, as approved by the Group Management Board, were audited by us in accordance with French professional standards. Our report on these financial statements was free of any qualifications or observations.

The consolidated financial statements for the year ended 31 December 2004 as approved by the Group Management Board, were audited by us in accordance with French professional standards. Our report on these financial statements was free of any qualifications but had the following observation:

– As regards information required under International Financial Reporting Standards (IFRS), we draw your attention to the chapter of the management report entitled "Euler Hermes and the IFRS", which sets out the various methods used and assumptions made to determine the Euler Hermes Group's consolidated shareholders' equity under IFRS as at 1 January 2004.

Based on the procedures described above, we have no observations to make concerning the fairness of the information relating to the company's financial position and financial statements contained in the Reference Document.

Paris, 12 April 2005
The Auditors

PricewaterhouseCoopers Audit	KPMG Audit A division of KPMG SA	Alain AUVRAY
Christine Bouvry	Xavier Dupuy	

Related information

The Reference Document also includes:

• The general report on the company's annual financial statements and the report on the Group's consolidated financial statements as at 31 December 2004 by the auditors (page **128** and page **111** of the Reference Document respectively) containing the substantiation of the auditor's assessments drawn up pursuant to the provisions of article L. 225-235 of the Commercial Code;

• The report by the auditors (page **57**, of this Reference Document) drawn up pursuant to the last paragraph of article L.225-235 of the Commercial Code, on the report by the Chairman of the Supervisory Board of Euler Hermes S.A, describing the internal control procedures for preparing and processing accounting and financial information.

CROSS REFERENCES TO THE REFERENCE DOCUMENT

In order to facilitate the reading of this Reference document which was filed with the Autorités des Marchés Financiers (AMF), the following cross-references chart enables to identify the main information requested by AMF in accordance with its application rules.

CROSS REFERENCES TO THE REFERENCE DOCUMENT

This English-language version of the Reference Document is a free translation of the original French text. It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text. The auditors' reports apply to the French version of the Management Report, consolidated financial statements, financial statements and Reference Document.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

SUBSEQUENT CHECKS

This reference document was filed with the Autorités des Marchés Financiers (AMF) on 12 April 2005, in accordance with articles 211-1 to 211-42 of its General Regulation. 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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Euler Hermes

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