Reference document 2008

Euler Hermes helps companies manage
their trade risks anywhere in the world.

EULER HERMES
Business insured. Success ensured.

A company of Allianz

Report of the Group Management Board
Chairman's Report
Consolidated Financial Statements
Financial Statements
General Information about a company

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Profil

The world's leading credit insurer with 36% market share, Euler Hermes helps businesses of all sizes and in every industry sector to secure and optimise their trade development. Euler Hermes' primary mission is to protect companies against the risk of customer insolvency both in their domestic and export markets.

€2,166.5
million consolidated turnover

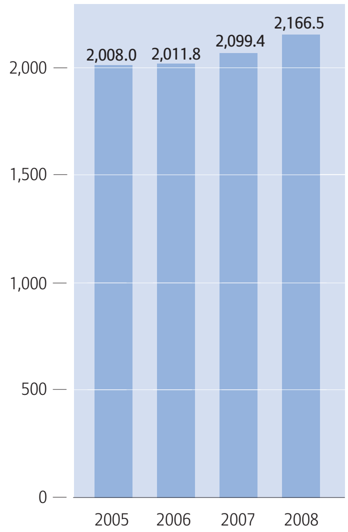
97.2%
net combined ratio

6,182
employees
wordwide

AA-
Standard & Poor's rating
(July 2008)

€800
billion of business
Transactions insured

Key figures 2008



Consolidated turnover

in € million

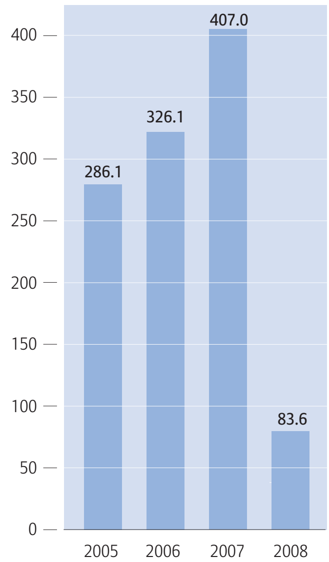
Growth in turnover remained strong in 2008 given the difficult economic background. Turnover came to €2,166.5 million, up by 3.2% (5.2% at constant consolidation scope and exchange rates). In the Euro zone and the United States turnover growth slowed due to a contraction in premiums linked to a drop in insured sales. The trend remained very positive, on the other hand, in the United Kingdom, Poland, Scandinavia and the new markets, sustained essentially by growth in demand.

Operating income

in € million

- Operating income before net investment income
- Net investment income

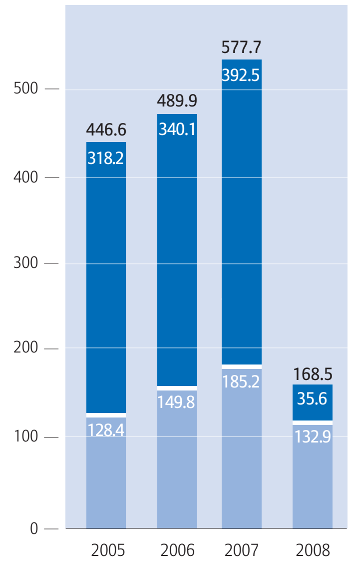
Euler Hermes' operating income was down by 70.8% to €168.5 million.
This is attributable to the strong increase in claims in 2008.



Consolidated net income

in € million

The group's net income came to €83.6 million, down by 79.5%. Earnings per share amounted to €1.92.



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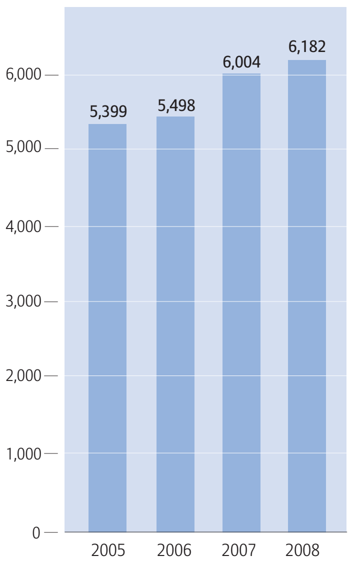
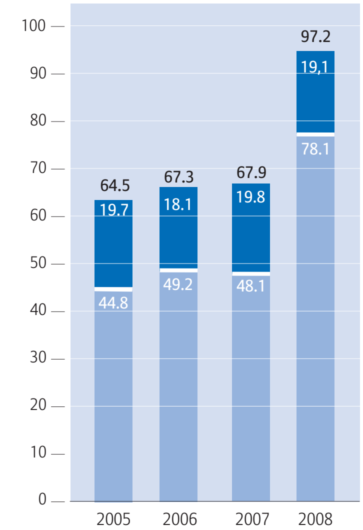
Key figures

Workforce

at December 31st, 2008

In 2008, Euler Hermes' workforce slightly increased to 6,182 employees. As an international, multicultural group present in over 50 countries, Euler Hermes' performance is based on the skills, diversity and commitment of its employees, all sharing the same values.



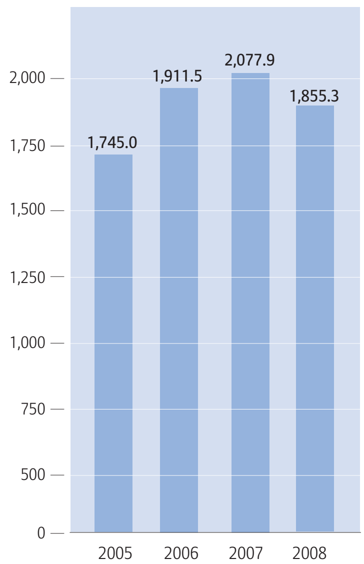


Net combined ratio

in %

- Expense ratio
- Loss ratio

The combined ratio went up by 29.3 points to 97.2%. Trends in the loss and expense ratios, the two components of the combined ratio, contrasted sharply in 2008. Whereas the net loss ratio deteriorated significantly, rising to 78.1%, the expense ratio continued to improve, down to 19.1% from 19.8% in 2007, reflecting the group's strict control of costs.



Consolidated shareholders' equity

in € million

The group's shareholders' equity came to €1,855.3 million, corresponding to a decrease of 10.7%. Return on equity equalled 4.3%.

Simplified organization

OUR MAIN OFFICES

THE AMERICAS

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

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

3 Mexico
Euler Hermes Seguros de Crédito SA
Mexico DF 100%

4 Canada
Euler Hermes Canada
Montreal Quebec

AFRICA

5 Morocco
Euler Hermes Acmar
Casablanca 55%

EUROPE

6 Germany
Euler Hermes Kreditversicherungs-AG
Hamburg 100%

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

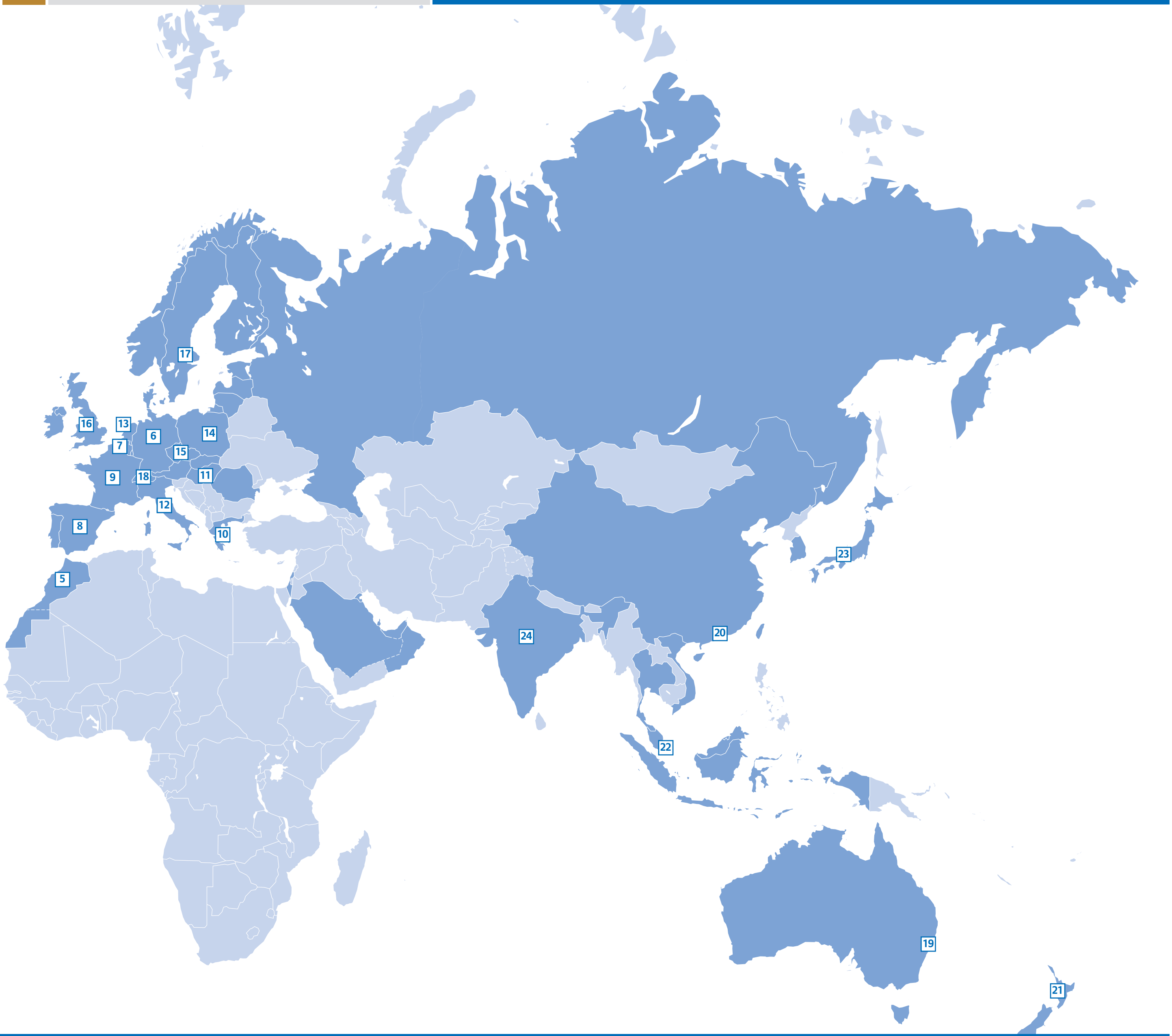
8 Spain
Euler Hermes Crédito Compañía de Seguros y Reaseguros SA
Madrid 100%

9 France
Euler Hermes SA Société mère Euler Hermes SFAC SA
Paris 100%

10 Greece
Euler Hermes Emporiki
Athens 60%

11 Hungary
Euler Hermes Magyar Hitelbiztosító Rt
Budapest 74.89%

Simplified organization



12 Italy
Euler Hermes SIAC
Rome 100%

13 The Netherlands
Euler Hermes Kredietverzekering NV
Hertogenbosch 100%

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

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

16 United-Kingdom
Euler Hermes UK Plc.
London 100%

17 Sweden
Euler Hermes Credit Insurance Nordic AB
Stockholm 100%

18 Switzerland
Euler Hermes Reinsurance AG
Zurich 100%

ASIA AND OCEANIA

19 Australia
Lumley Insurance
Sydney 100%

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

21 New Zealand
Lumley Insurance
Auckland 100%

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

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

24 India
Euler Hermes Services India Pvt. Ltd.
Mumbai

Report of the Group Management Board

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Review of 2008

Review of 2008: the start of an unprecedented crisis

2008 will undoubtedly go down in history as the year when, after years of dynamic growth, the world economy entered a severe and global crisis.

The shock to the world economy is exceptional in terms of both its intensity and rapidity.

The present situation combines both a crisis in the real economy and a financial crisis, which each sustains the other in a dangerous recessionary spiral. It is also global, having spread to all parts of the world (America, Europe, Asia, etc.) and to all economic agents (households, businesses, banks, local authorities and governments) thus affecting all components of demand (consumption, corporate investment and housing investment). The deterioration in economic conditions, which has accelerated since September with the dramatic events in the financial sector (collapse of Lehman Brothers, last minute rescue of AIG and Citigroup), has prompted most economic agents to revise their short and medium term outlook for both developed and emerging countries.

For developed countries, which account for around 70% of global GDP, the "strong slowdown" that had been forecast suddenly turned into a recession or quasi recession during 2008. The slowdown had begun at the end of 2007 with a downturn in property markets in several countries and the continuation of the financial crisis and was accentuated in the second quarter of 2008 by soaring food and energy prices. It accelerated in the third quarter with a 0.2% contraction in developed countries' aggregate output, the first since the third quarter of 2001. Several countries, such as Japan, Germany, Italy, Ireland and Sweden, slipped officially into recession. But the worst was by no means over at the end of September; October, November and then December featured a deluge of gloomy economic indicators that battered developed economies.

A significant contraction in the two main components of domestic demand – private consumption and corporate investment – is the principal reason for the break in developed countries, amplified by the fact that these countries are all trading partners.

At the same time, emerging countries, which account for 30% of world GDP and have been the largest contributors to global growth in recent years (55% of GDP growth in 2006/2007), have also begun to slow. The decoupling theory did not stand the test given the scale of the slowdown in developed countries and the spill-over of the financial crisis into emerging markets' real economies: local stock markets and foreign exchange markets plummeted while concerns about the external situation of many emerging countries grew rapidly. The crisis has spread through many channels: external trade, investment flows, commodity prices (for commodity-producing countries), external financing, etc.

Outlook for 2009: probably the most difficult year for the global economy in half a century

Economic activity will continue to slump significantly at the beginning of 2009, with almost all OECD countries technically in recession at the end of the first quarter of 2009 and some, including Japan, Ireland, Germany, Italy, United Kingdom and Sweden, even recording more than three successive quarters of negative growth.

The general economic crisis is being sustained by a negative wealth effect (linked to real estate and stock market trends), the worsening banking and financial crisis and signs of a deterioration in employment. Employment will once again become the top priority for households, standing in the way of any rebound in consumer confidence – which had reached record lows in most countries at the end of 2008, and probably resulting in a rise in the household savings rate despite significantly lower inflation. The contraction in private consumption will be accompanied by a decline in housing and productive investments in line with the drop in demand, destocking needs and lower earnings.

The end of the crisis looks uncertain in the short term: basically it depends on two growth levers, disinflation of energy prices and the exceptional fiscal and monetary measures taken, which may well not be as effective and rapid as hoped for. Recovery seems unlikely before the second half of 2009 and looks set to be difficult given the scale of the imbalances to be adjusted. All in all, it will not prevent 2009 from being significantly worse than 2008 which benefited from a more favourable environment in the first half. The OECD countries are expected to go into recession (-0.5%) and growth in emerging countries is expected to slow significantly (+3.6%).

Review of 2008

These conditions resulted in a spectacular rise in corporate failures in 2008, up by 25% on average worldwide. The simultaneous disappearance of all their trade outlets has resulted in series of business failures in export sectors in non-OECD countries, including in countries as dynamic as China. In many countries, the real estate and financial sectors have been the worst hit in terms of business failures: of the 10 largest corporate failures in the US in 2008, five related to the financial sector and three to the real estate sector. In Japan, the figures were respectively four and five. While globalisation can explain the spread of the crisis in the financial sector, that of the real estate market is a more difficult to understand. In Germany and France, as well as the industrial sector, the worst hit sectors in 2008 were consumer-related, notably the retail sector. Lastly, in the United Kingdom – probably the economy most destabilised by the present crisis – the wave of corporate failures has affected all sectors simultaneously.

Corporate failures of more than €100 million in 2008 (list established at end October)

Table of the largest business failures in 2008 as at end October 2008, identified by Euler Hermes' subsidiaries in the following countries: United States, Canada, Japan, Germany, France, Italy, Spain, Netherlands, Belgium, Finland, United Kingdom, Sweden, Denmark, Norway, Switzerland and Poland.

Country	Companies	Last turnover known in M€	Sector	Date of insolvency
Japan	Lehman Brothers Japan Inc.	25,418	Financial intermediation	09/08
USA	Washington Mutual Inc.	7,025	Financial intermediation	09/08
USA	SemGroup LP	6,899	Extraction of crude petroleum and natural gas	07/08
UK	Future Communications (UK) Ltd	4,096	Computer and related activities	03/08
Japan	Lehman Brothers Holdings Japan Inc.	3,822	Financial intermediation	09/08
Japan	Lehman Brothers Commercial Mortgage K.K.	2,848	Financial intermediation	09/08
Japan	Sunrise Finance Co.	2,696	Financial intermediation	09/08
USA	Lehman Brothers Holdings Inc.	2,269	Financial intermediation	09/08
UK	Innovative Global Business Group Ltd	2,258	Business services	03/08
USA	LandSource Communities Development LLC	2,101	Real estate activities	09/08
Japan	Urban Corporation	1,895	Real estate activities	08/08
USA	TOUSA, Inc.	1,725	Construction	01/08
USA	Quebecor World (USA) Inc.	1,590	Printing and service activities related to printing	01/08
Japan	KR Estate Co., Ltd	1,243	Real estate activities	04/08
France	groupe LERO	1,078	Sale, maintenance and repair of motor vehicles and motorcycles; retailing sale of automotive fuel	06/08
Spain	Martinsa-Fadesa Group	1,028	Real estate activities	07/08
Japan	Roppongi Kaihatsu K.K.	993	Real estate activities	01/08

Review of 2008

Country	Companies	Last turnover known in M€	Sector	Date of insolvency
UK	MFI Retail Ltd	840	retailing	10/08
UK	UDL Realisations Ltd (Unique Distribution Ltd)	825	Prod., collection and distribution of electricity	03/08
UK	XL Leisure Group Plc.	802	Air transport	09/08
Canada	Quebecor World Inc.	782	Publishing, printing and reProd. of recorded media	01/08
UK	Lehman Brothers Limited	722	Financial intermediation	09/08
Japan	Zephyr Co., Ltd	703	Real estate activities	07/08
Germany	Hertie GmbH	680	retailing	07/08
Italy	ALITALIA SERVIZI S.P.A.	652	Manuf. of transport equipment	09/08
France	groupe CAUVAL	650	Manuf. of furniture	09/08
USA	IndyMac Bancorp Inc.	641	Financial intermediation	07/08
UK	Merchant Holdco Limited	597	Financial intermediation	02/08
UK	Resource Partners Group Ltd	592	Financial intermediation	02/08
Japan	Kyodo Kosan K.K.	558	Real estate activities	08/08
Japan	Niiusu K.K.	542	Manufacturing	04/08
Canada	InterTan Canada (Circuit City)	472	retailing	02/08
Germany	Maxdata AG	470	Manuf. of office, accounting and computing machinery	06/08
UK	MK Airlines Ltd	451	Air transport	06/08
Germany	Sinn-Leffers GmbH	450	Textiles/Clothes (retailing)	08/08
Spain	Prometheus Group	446	Wholesaling	10/08
Spain	Seop Obras y Proyectos sl	434	Construction	04/08
Italy	"Kartogroup Societa 'a responsabilita 'limitata" Abbrevebile in "Kartogroup"	419	Manuf. of paper and paper products	09/08
France	ARES	412	Computer and related activities	07/08
Korea (South)	Taesan LCD Co., Ltd	384	Manuf. of radio, television and communication equipment and apparatus	09/08
USA	Fremont General Corporation	382	Financial intermediation	06/08
France	CAMIF Particuliers	360	retailing	10/08
Czech Republic	FIC CZ, s.r.o.	339	Manuf. of other electrical equipment	07/08
UK	Erinaceous Group Plc.	332	Real estate	04/08
Germany	Knaus Tabbert Group GmbH	329	Caravans & campmobiles	10/08
USA	WCI Communities Inc.	293	Construction	08/08
France	groupe MATUSSIERE ET FOREST	280	Manuf. of paper and paper products	04/08

Review of 2008

Country	Companies	Last turnover known in M€	Sector	Date of insolvency
Germany	Ricö Internationale Transporte und Logistik GmbH	280	Transport, storage and communications	03/08
UK	The Laurel Pub Group Company Limited	272	Restaurants, bars and canteens	03/08
UK	Dowelhurst (Holdings) Ltd	263	Wholesaling	02/08
Spain	Urazca Group	250	Construction	06/08
Germany	Scheufelen GmbH & Co. KG	230	Manuf. of paper and paper products	07/08
Korea (South)	Wooyoung Co., Ltd	220	Manuf. of radio, television and communication equipment and apparatus	02/08
France	Marie Brizard et Roger International	207	Wholesaling	07/08
France	groupe CELEOS	200	Real estate activities	09/08
Czech Republic	Bohemia Crystalex Trading, a.s.	199	Wholesaling	09/08
France	Lamberet Constructions Isothermes	198	Manuf. of motor vehicles, trailers and semi-trailers	10/08
Germany	Wehmeyer GmbH & Co. KG	189	Textiles (retailing)	07/08
France	Eurostyle France	180	Manuf. of plastics products	10/08
France	groupe DMC	180	Manuf. of textiles	05/08
Italy	Alitalia Airport S.P.A.	160	Air transport	09/08
Spain	Labaro Grupo Inmobiliario SA	150	Real estate activities	04/08
Canada	Bentley Leathers Inc	136	retailing	03/08
Germany	Lindenau GmbH	134	Building and repairing of ships and boats	09/08
Belgium	ERA-DATA	122	retailing (computers)	06/08
Spain	Cosmani Group	120	Real estate activities	05/08
Italy	C.P.L. IMPERIAL 2 S.P.A.	119	Wholesaling	08/08
Belgium	RALOS	116	Manufacture of carpet	08/08
Italy	Medi Max Electronics S.P.A.	116	Wholesaling	03/08
Austria	Dr. Karl Hofer (Notar), Wien	110	Business activities	07/08
Czech Republic	Spektrum CZ, a.s.	108	Wholesaling	08/08
Italy	Alpi Eagles S.P.A.	106	Air transport	05/08
Italy	Favini S.P.A.- in Liquidazione	105	Manuf. of paper and paper products	04/08
Danemark	Santech Micro Group Denmark A/S Under Konkurs	105	Wholesaling	2008
Germany	Donges Stahlbau GmbH	100	Manuf. of furniture	03/08

Euler Hermes' strategy

Euler Hermes' strategy can be divided into three axes designed to cope with the short, medium and long-term challenges.

1. Short-term strategy

Euler Hermes' short-term strategy focuses on protecting its capital base whatever the macroeconomic conditions may be. This is essential in the present situation, with most economies facing a sharp contraction in economic activity.

Protecting the capital base focuses on four areas:
- adequate management of the commercial and risk portfolios in order to keep the loss ratio below 80%;
- strict cost control designed to keep the combined ratio below 100%;
- a reinsurance policy that protects the capital base by offering adequate assignment of major risks to the reinsurance market, thus limiting the direct impact of a major claim to less than 5% of the group's shareholders' equity;
- prudent management of the financial portfolio by giving priority to low risk investments (government bonds, short-term deposits, etc.) with stable returns.

With this strategy, barring exceptional claims, Euler Hermes aims to achieve a net profit, even in a less favourable environment.

2. Medium-term strategy

Euler Hermes considers that its business is closely linked to global economic cycles consisting of alternating periods of growth and of contraction in activity that can vary in length. Over ten years, Euler Hermes aims to offer its shareholders a return on equity of around 15% based on an average combined ratio of 80% and an average return on its investment portfolio of 4%.

Euler Hermes also intends to reassure its policyholders as to its financial solidity by targeting an S&P rating of at least A+ throughout the cycle.

3. Long-term strategy

Euler Hermes' long-term strategy is to develop its core credit insurance business by focusing on four major axes:

a. Very strong leadership in the European market

Europe, including Eastern Europe, is Euler Hermes' core market. Euler Hermes is the market leader in most European countries and remains on the lookout for any opportunity to consolidate its position in the European market.

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

b. Significant new sources of growth, notably in North America and in emerging markets

The main source of new growth outside Europe is North America, where Euler Hermes implements a policy of long-term growth and continues to add to its geographic coverage and sales network.

Euler Hermes' strategy

At the same time, the group continues to expand into new markets. In 2008, it:
- strengthened its operations in Asia and Russia;
- developed its activities in Turkey and Israel and started operations in Dubai and Qatar;
- launched operations in Argentina and Colombia.

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

The IRP application (Information, Risk and Policy management), developed in-house, facilitates the extensive use of detailed information across the world and is now used by all subsidiaries.

Each group company is responsible for underwriting decisions for its own account in its geographical area of competence and for arbitrating underwriting requests from sister companies relating to credit risk in its area of regional competence.
Also, the sharing of Best Practices throughout the group provides essential support for increasing productivity at all subsidiaries. In this respect, since 2006 Euler Hermes has been harmonising debt collection methods at global level so as to extend local best practices throughout the group.

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

Euler Hermes has also launched a project to harmonise accounting software throughout the group by rolling out SAP at all its main operational entities. At end-2009, all its large European subsidiaries will have completed the migration to a shared platform.

d. Strong sales and marketing development thanks to ever-greater attention to clients' needs

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

These efforts continued in 2008 with the launch of an agency dedicated exclusively to international businesses. This new structure operates under the "Euler Hermes World Agency" name.

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

Key events of the period

In 2008, the entire economic world was affected by a deeper economic and financial crisis. The Euler Hermes group was mainly impacted through an increase in the frequency and the amounts of claims.
2008 featured the following significant events:

Changes in the share capital and in share ownership

The Shareholders' General Meeting of May 15th, 2008 decided to distribute a dividend of €5.00 per share. At December 31st, 2008, the Allianz group owned 30,744,048 shares out of a total of 45,082,230 shares, corresponding to 68.20% of the share capital of Euler Hermes.

During 2008, 29,717 new shares were created by the exercise of options under the 1998 and 2003 stock option plans. At December 31st, 2008, Euler Hermes' share capital was composed of 45,082,230 shares, including 1,540,644 shares held in treasury stock.

Ongoing international expansion

As at January 1st, 2008, the Euler Hermes Chinese subsidiary Euler Hermes Information Consulting Co., Ltd opened in Shanghai. Euler Hermes Information Consulting Co., Ltd took over all activities from Euler Hermes Services Shanghai Representative Office, assessing and signing credit limits for Chinese risks.

As at February 26th, 2008, Euler Hermes announced the opening of a subsidiary in Colombia located in Bogota. Euler Hermes Colombia will provide a host of accounts receivable management services to Colombian clients and give access to the Group's international network. In parallel, Euler Hermes clients worldwide will benefit from the new local risk underwriting presence in the region.

At the beginning of the 2nd quarter, Euler Hermes had strengthened its position in India with the creation of Euler Hermes Services India Private Limited. Euler Hermes began its activity in India in 2005 with a partnership signed with the local insurer Bajaj Allianz.

On April 7th, 2008 Euler Hermes announced the creation of Euler Hermes World Agency, a new subsidiary to serve multinational companies. Specifically created to meet the needs of multinational companies, Euler Hermes World Agency offers a dedicated team of experts and a unique portfolio of services to help them manage and secure their trade receivables.

On June 9th, 2008, Euler Hermes has signed a cooperation agreement with Qatar Insurance Company and its subsidiaries in Oman and Kuweit to provide credit insurance services in these three countries. Thanks to these cooperation and reinsurance agreements, companies based in Qatar, Oman and Kuwait now benefit from credit insurance, an efficient and flexible solution to mitigate trade credit risks. They can also rely on the expertise and knowledge of analysts who understand their local economic environment and culture to manage their trade receivables.

As at July 3rd, 2008, Euler Hermes and Rosno, both members of the Allianz group, have been co-operating in Russia since 2004. The two companies are now extending their partnership. Following the opening of a Euler Hermes Representative Office in Russia at Rosno's premises, the foundation of the company "OOO Euler Hermes Credit Management" represents a further step on the way to expanding private credit insurance cover both for Russian firms and for companies exporting to Russia.

Key events of the period

Changes in the consolidation scope

Changes in the consolidation scope in 2008 were as follows:

Companies joining the group

Euler Hermes Information Consulting (Shanghai) Co., Ltd, Euler Hermes Colombie, Euler Hermes World Agency, OOO Euler Hermes Credit Management (Russia) and Euler Hermes Services India Private Limited were fully consolidated with effect from January 1st, 2008.

In the third quarter of 2008, Euler Hermes acquired 49% of the capital of OeKB Beteiligungs- und Management A.G., owned by Österreichische Kontrollbank (ÖKB), whose credit insurance offer includes cover for political risk. This acquisition was financed by the transfer of the shares in Prisma Kreditversicherungs A.G. (49%) and a cash payment.

The impact on the consolidated financial statements of the transfer of the holding in Prisma Kreditversicherungs A.G. to this company is as follows:
- a gain on disposal of €12 million;
- goodwill amounting to €7 million.

Companies leaving the group

At the end of December 2008, the Lithuanian company, Lietuvos Draudimo Kreditu Draudimas, consolidated using the equity method, had been wound up.

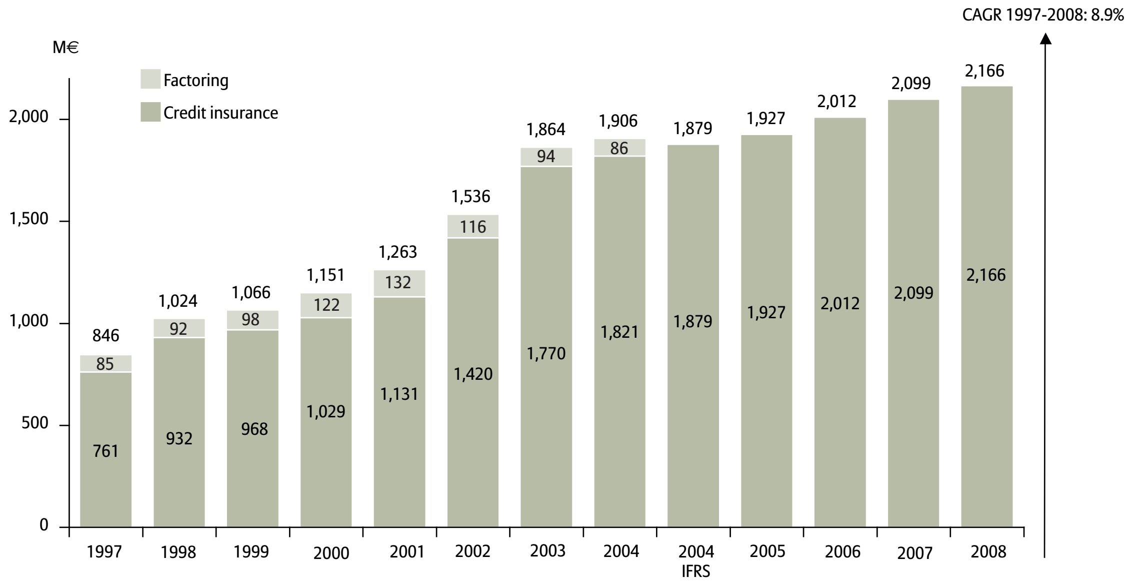
Increased retention rate

The premium retention rate is the ratio of premiums after reinsurance to premiums before reinsurance. This rate rose from 73.5% in 2007 to 77.4% at end-December 2008. Earned premiums net of reinsurance increased by 8.3% year on year, of which 5.6% is attributable to the higher retention rate.

Business activity

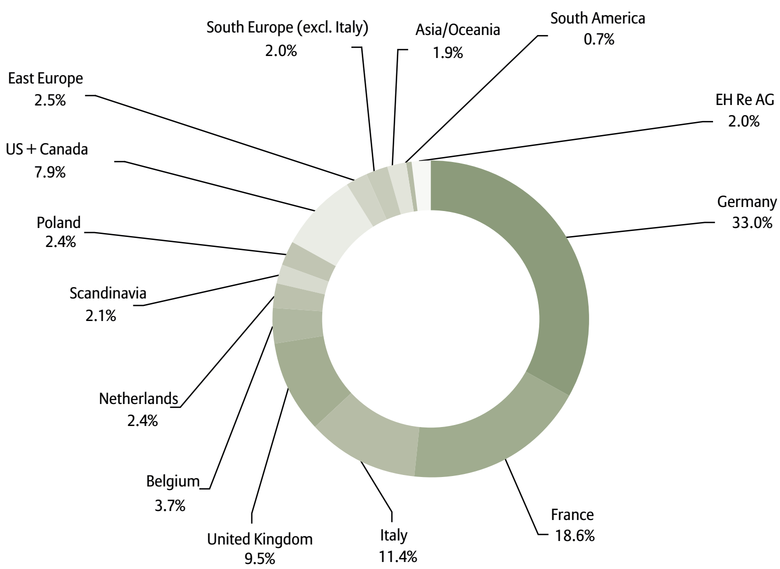
Turnover came to €2,166.5m in 2008, up by 3.2% compared with 2007 (€2,099.4m).
At constant consolidation scope and exchange rates, turnover increased by **5,2%.**

Consolidated turnover
(M€)



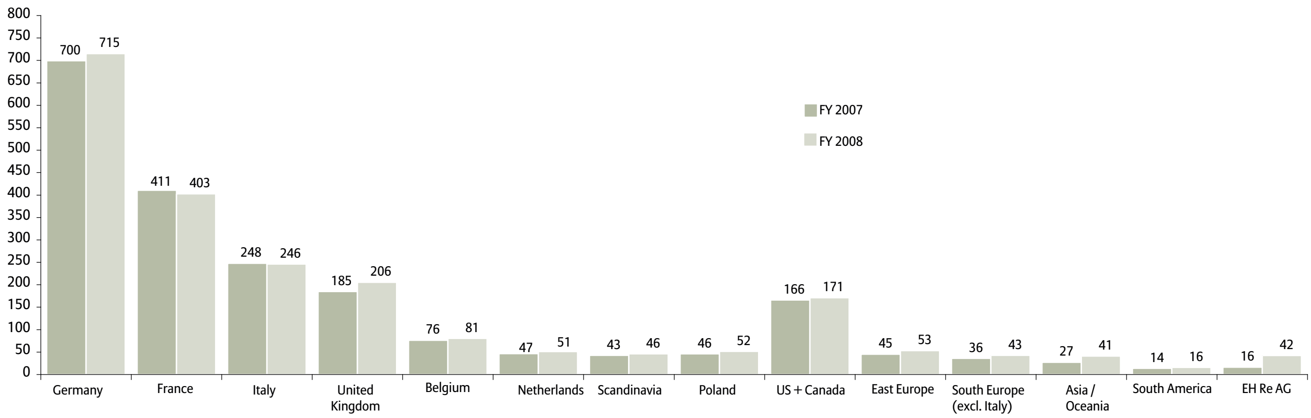
Historical data up to 2004, pro forma figures for 2005.
Turnover growth in 2008 is attributable to a sales momentum differentiated by geographic zone and type of activity.

Analysis of turnover by country



Business activity

Turnover



The chart above is based on 2007 turnover after adjusting for changes in consolidation scope and exchange rates and excluding accounting restatements.

Growth in turnover remained relatively strong in 2008 given the difficult backdrop described above. At constant consolidation scope and exchange rates, turnover grew by 5.2%, only slightly below the 2007 level (5.6%).

The limited growth in turnover in the euro zone (1%) reflects on the one hand, a drop in premiums due to the decrease in insured sales linked directly to the economic conditions and, on the other hand, the firm performance of the services businesses.

At constant exchange rates, turnover in the UK recorded a second consecutive year of strong growth, up by 11.1% compared with growth of 8.6% in 2007. This excellent performance is explained by very dynamic new production and reduced pressure on premium rates.

After several years of strong growth, turnover growth in the US slowed, dropping to 2.1% at constant exchange rates. The slower growth was due to a contraction in premiums linked to a decrease in insured sales due to the more difficult trading conditions facing policyholders.

The trend remained very positive in Poland and Scandinavia, with growth excluding the currency effect of, respectively, 12.5% and 8.2%.

Lastly, momentum remained strong in new markets, mainly in Asia and Eastern Europe, with growth of 35.1% (35.7% after adjusting for changes in the consolidation scope and in exchange rates).

Breakdown of turnover between premiums and service activities

(in thousand of euros)	2008	2007	Variation in amount	Variation %
Premium	1,773,959	1,726,703	47,257	2.7%
Other revenues	392,492	372,745	19,747	5.3%
Total credit insurance turnover	**2,166,451**	**2,099,448**	**67,003**	**3.2%**

Premiums grew at a slightly slower pace than overall turnover, which was boosted by growth in service revenues. Service revenues grew by 5.3%, benefiting in particular from growth in debt collection revenues.

Consolidated results

The **loss ratio** is defined as the cost of claims relative to earned premiums after deduction of policyholder refunds. The **expense ratio** is defined as the sum of the contract acquisition expense, administration expense, other underwriting income and expense after deduction of insurance related services, relative to earned premiums after deduction of refunds. Other non-technical income and expense is excluded from the expense ratio (with the exception of operating buildings).

Earned premiums

Gross earned premiums came to **€1,774.0 million**, **2.7%** more than in 2007.
The outward reinsurance rate continued to decrease, **down by 3.9** percentage points in 2008 as the result of Euler Hermes' strategy of increasing the retention rate.

(in thousand of euros)	2008	2007	Variation %
Gross earned premiums	1,773,959	1,726,703	2.7%
Ceded premiums	(400,740)	(458,243)	-12.5%
Net earned premiums	1,373,220	1,268,460	8.3%
Cession rate	**-22.6%**	**-26.5%**	

Net earned premiums increased by 8.3%, of which 5.6 points resulted directly from the higher retention rate.

Cost of claims

(in thousand of euros)	2008	2007	Variation %
Gross claims costs	(1,307,430)	(754,063)	73.4%
Ceded claims costs	234,636	144,207	62.7%
Net claim costs	**(1,072,794)**	**(609,856)**	75.9%
Gross Claims ratio	**73.7%**	**43.7%**	
Net Claims ratio	**78.1%**	**48.1%**	

The gross cost of claims rose strongly, by 73.4%, in 2008. This was due primarily to the severe economic and financial crisis which resulted in a significant rise in the frequency of claims, and to a lesser extent to the decrease in liquidation surpluses on prior years (down by 16.7% or €28.4 million).
Claims ceded to reinsurers increased by 62.7%. The slower growth rate compared with the gross cost of claims reflects a higher claims retention rate (negative impact of €15.4 million).
Consequently, 2008 featured a very sharp rise in the net cost of claims, up by **75.9%**, i.e. €463 million more than in 2007.
The loss ratio after reinsurance came to **78.1%**, up by **30 points** relative to 2007.

Consolidated results

Cost of claims for the current attachment year

(in thousand of euros)	2008	2007	Variation %
Gross claims costs current attachement year	(1,448,875)	(923,920)	56.8%
Ceded claims costs current attachement year	275,650	196,380	40.4%
Net claim costs current attachement year	**(1,173,225)**	**(727,540)**	61.3%
Cession rate current attachement year	**19%**	**21%**	

After two years of very positive trends in the cost of claims for the year, 2008 marked a very sharp deterioration.
The 56.8% increase in the gross cost of claims reflects mainly the sharp rise in claims frequency, both in terms of number and amount. It also reflects, to a lesser degree, a major claim (Woolworths) with a gross impact on the accounts of close to €59 million.
The claims cession rate decreased by **2.2 points** due to the higher retention rate. After taking reinsurance into account, the cost of claims for the year increased by 61.3% relative to 2007.

Liquidation surpluses

(In thousand of euros)	2008	2007	Variation %
Gross claims costs previous attachement year	141,445	169,857	-16.7%
Ceded claims costs previous attachement year	(41,014)	(52,173)	-21.4%
Net claims costs previous attachement year	**100,431**	**117,685**	**-14.7%**

Gross prior year liquidation surpluses decreased by 16.7% compared with 2007. This decrease is explained by the development in 2008 of 2007 loss curves closer to those estimated at the end of 2007. The ratio of gross liquidation surpluses to gross premiums was 8% at end-2008 compared with 9.8% at end-2007.
Liquidation surpluses ceded in 2008 decreased by 21.4%. This decline is explained by the geographic location of these surpluses, which were in countries where the retention rate is high as well as by the overall increase in the retention rate since 2002. At constant cession rates, liquidation surpluses would have come to €43 million in 2008 compared with their actual level of €41 million.

(in thousand of euros)	2008	2007	Variation %
Net claim costs current attachement year	(1,173,225)	(727,540)	61.3%
Net claims costs previous attachement year	100,431	117,685	-14.7%
Net claims costs	**(1,072,794)**	**(609,855)**	**75.9%**

Consolidated results

The strong rise in claims in 2008 and, to a lesser extent, the general increase in retention rates in recent years together with reduced prior year gross liquidation surpluses are the main reasons for the 75.9% increase in net cost of claims. The loss ratio, net of reinsurance, naturally deteriorated, rising to 78.1% compared with 48.1% the previous year.

Operating expenses

Despite the difficult environment in 2008, Euler Hermes managed to keep gross operating expenses in line with the 2007 level. Given the growth in gross premiums, this resulted in a decrease of around 1.7 points in the gross expense ratio.

Reinsurance commissions on proportional assignments fell by 15.4% while ceded premiums decreased by only 12.5%. Given the severe deterioration in claims, the variable portion of the commission rates granted by reinsurers on proportional assignments was revised downwards. The profit-sharing clauses contained in the group's reinsurance contracts only partly offset this decrease and the reduced volume of commissions resulting from the higher retention rate.

Strict control of gross expenses nonetheless limited the impact of the loss of commission revenues linked to higher retention rates and the reduction in commission rates. Net operating expenses rose by only 3.9%, bringing the net expense ratio down to 19.1% compared with 19.9% in 2007.

(in thousand of euros)	2008	2007	Variation %
Contract acquisition expenses	(311,506)	(302,514)	3.0%
Administration expenses (recurrent items)	(220,563)	(214,270)	2.9%
Other ordinary income and charges	(276,947)	(290,930)	-4.8%
Service fees	392,492	372,745	5.3%
Gross operating charges	**(416,525)**	**(434,968)**	**-4.2%**
Reinsurance commission	154,740	182,925	-15.4%
Net operating expenses	**(261,785)**	**(252,043)**	**3.9%**
Gross operating expenses ratio	-23.5%	-25.2%	
Net operating expenses ratio	-19.1%	-19.9%	

Consolidated results

Ordinary operating income before financial income

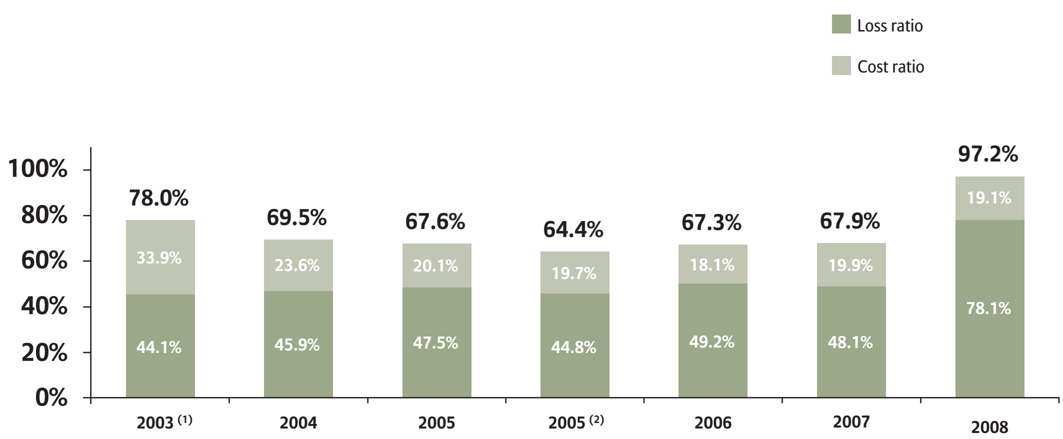
Ordinary operating income before financial income fell by 90.9% to €35.6 million. The significant decrease is the direct result of the sharp rise in claims in 2008 linked to the severe global economic and financial crisis.

(in thousand of euros)	2008	2007	Variation %
Net earned premium	1,373,220	1,268,460	8.3%
Net claims costs	(1,072,794)	(609,856)	75.9%
Net operating expenses	(261,785)	(252,043)	3.9%
Other non techincal charges	(3,081)	(14,030)	-78.0%
Ordinary operating income excluding financial income	**35,560**	**392,532**	**-90.9%**
Combined ratio	**-97.2%**	**-67.9%**	

Net combined ratio

The net combined ratio after reinsurance came to **97.2%** for 2008, up by **29.3 points** compared with 2007.
This increase reflects the following:
- a strong rise in the loss ratio;
- lower reinsurance commissions resulting from the increased retention rate.

Net combined ratio after reinsurance
in % of net earned premium



(1) Historical datas.
(2) New definition (rebates deducted from premium, non technical expense excluded).

Consolidated results

Financial market trends

2008 was the worst year since 1931 for the financial markets.

Continuing on from the situation in 2007, the ongoing crisis in the US real estate market and the substantial losses accumulated in the financial sector frightened investors, prompting them to sell on a wide scale.

The downward spiral was halted in the spring by the Federal Reserve's rescue of Bear Stearns and the interest rate cuts implemented by the US and UK central banks. These moves enabled the market to rebound during the summer.

Economic indicators revealing the deterioration spreading outside the US and the collapse of the Lehman Brothers investment bank in September led to a severe slump in the markets.

For the year as a whole, the equity markets fell by, respectively, 31.3% (London); 38.5% (New York); 40.4% (Frankfurt) and 42.7% (Paris). In response to the unprecedented confidence crisis, governments on both sides of the Atlantic rolled out bank rescue packages: AIG; Freddie Mac and Fannie Mae in the United States and Dexia, Fortis, HBOS and Northern Rock in Europe.

These measures were accompanied by very substantial stimulus packages (€1,700 billion in Europe), massive injections of liquidity and central bank rate cuts:

- the Federal Reserve began to cut key rates in January, bringing them down from 4.25% to 3.5% and ending the year at 0%;
- the ECB, after an ill judged hike in key rates to 4.25% in July prompted by fears of inflation, followed the general movement, ending the year at 2.5%;
- the Bank of England also cut its rates significantly, bringing them down from 5.5% in January to 2% in December.

The anxiety spread to the credit markets, where spreads widened - revealing investor apprehension – and to short-term interest rates. The 3-month Euribor rose to 5.40% in October, i.e. corresponding to a record spread (120bp) against the overnight rate. It ended the year at 2.89%.

Government bonds, on the other hand, played their role as a refuge stock. Within the euro zone, the German 10-year rate went from 4.31% at the beginning of the year to 2.95% at December 31st. In the United States, the 10-year rate went from 4.45% to 2.68% over the same period. The foreign exchange markets were very volatile. After appreciating by 22% against the dollar (1.60) in the first half, the euro ended the year down by 5% (1.39) against the dollar.

The commodity markets were also very volatile. Fears of inflation pushed indices up sharply in the first part of the year, and the price of oil per barrel rose to $147. The trend reversed drastically in the second half with oil ending the year at $44.6 per barrel, down by 53% over the year.

Financial income

Financial income came to **€132.9** million, consisting of investment income and capital gains net of changes in impairment. Against a backdrop of sharp falls in financial markets, Euler Hermes continued to generate capital gains net of changes in impairment of€16.5 million while avoiding excessive impairment of its investment portfolio, contrary to many other players.

Investment income, which continued to perform well with a growth of 9.7%, reflects Euler Hermes' investment policy which favoured low-risk investments (government bonds and short-term deposits) rather than equities and corporate bonds. This prudent allocation strategy led the group to sell equity positions in 2007 and the first half of 2008 so as to bring exposure to the equity markets to below 5% of the investment portfolio, ending 2008 with exposure of 4.6% of the portfolio including cash.

These disposals generated capital gains in the first half and limited the negative change in impairment in the second half when the markets deteriorated even further.

Consolidated results

(in thousand of euros)	2008	2007	Variation %
Income from investment property	7,159	7,460	-4.0%
Income from securities	86,940	82,063	5.9%
Other financial income	37,805	30,697	23.2%
Investments income	131,905	120,220	9.7%
Investment expenses	(10,936)	(8,635)	26.6%
Net FX result	(4,549)	808	-663.0%
Net gains and losses on sales of investments less impairment and amortisation	16,521	72,763	-77.3%
Net financial income (excluding financing expense)	132,940	185,159	-28.2%

At end-December 2008, the market value of the group's investment portfolio was €2,725.1 million, down by 12.6% relative to December 31st, 2007. Including cash, however, investments came to €3,339.1 million at end-December 2008, down by only 4.5% from €3,497.6 million at end-December 2007.

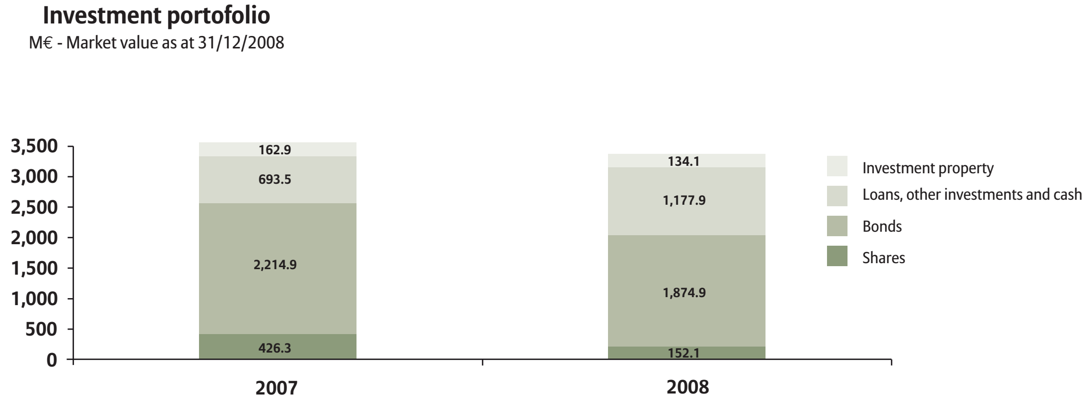
The decrease in the portfolio is due partly to lower cash flow from operating activities, directly attributable to the increase in claims, and partly to a dividend payout of €218 million, the highest ever distributed by Euler Hermes, ensuring shareholders a return of close to 10% based on the share price at end-May 2008.

Taking into account the capital gains realised (€39.9 million) and the negative market trends, unrealised capital gains and revaluation reserves fell significantly, down €69.9 million to €141 million, corresponding to 4.2% of the investment portfolio.
Despite these difficult conditions, the economic performance net of investment portfolio expense for 2008 came to 4.0%.

(in thousand of euros)	31/12/2008					31/12/2007				
	Amortised cost	Unrealised gain reserv	Net book value	Market value	unrealised gains and losses	Amortised cost	Unrealised gain reserv	Net book value	Market value	unrealised gains and losses
- Shares:	136,083	16,064	152,147	152,147	-	297,844	128,498	426,342	426,342	-
- Bonds:	1,812,265	62,584	1,874,849	1,874,903	54	2,209,150	5,749	2,214,899	2,214,884	(15)
- Loans and other investments:	563,990	-	563,990	563,990	-	315,349	-	315,349	315,349	-
Total financial investments	2,512,338	78,648	2,590,986	2,591,040	54	2,822,343	134,247	2,956,590	2,956,575	(15)
Build third party use			71,834	134,139	62,305			86,247	162,931	76,684
Cash			613,907	613,907	-			378,103	378,103	-
Total			3,276,727	3,339,086	62,359			3,420,940	3,497,609	76,669

Consolidated results

Investment portfolio



Ordinary operating income

After including net financial income, ordinary operating income from the credit insurance business amounted to **€168.5** million in 2008 compared with **€577.7** million in 2007.

(in thousand of euros)	2008	2007	Variation%
Technical result	35,561	392,530	-90.9%
Financial income net of expenses	132,940	185,159	-28.2%
Ordinary operating income	**168,501**	**577,689**	**-70.8%**

Net income, group share

Net income, group share was down by 79.5% relative to 2007.

(in thousand of euros)	2008	2007	Variation %
Ordinary operating income	**168,500**	**577,690**	**-70.8%**
Financing expenses	(16,089)	(12,918)	24.5%
Income from companies accounted for by equity method	7,875	8,277	-4.9%
Corporation tax	(72,196)	(162,085)	-55.5%
Minority interest	(4,498)	(4,006)	12.3%
Consolidated net income	**83,592**	**406,958**	**-79.5%**
Tax rate	**-45.0%**	**-28.3%**	

Performance of the group's main geographic segments

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

Germany

This segment comprises the direct insurance and reinsurance activities carried out by the German companies in their home market.

(in thousand of euros)	2008	2007	Variation %
Earned premiums	631,949	635,239	-0.5%
Premium-related revenues	175,950	162,584	8.2%
Turnover	**807,899**	**797,823**	**1.3%**
Net financial income	60,782	93,354	-34.9%
Total revenues from ordinary activities	**868,681**	**891,177**	**-2.5%**
Insurance services expense	(370,867)	(229,159)	61.8%
Reinsurance and retrocession expense	(376)	(93,870)	-99.6%
Other expenses	(306,931)	(329,608)	-6.9%
Total other expenses	**(678,174)**	**(652,637)**	**3.9%**
Ordinary operating income	**190,507**	**238,540**	**-20.1%**
Net combined ratio	52.8%	45.7%	

At 1.3% in 2008, growth in turnover at the German subsidiaries remained lower than for the rest of the group. This reflects mainly a slight decrease in premiums resulting from strong pressure on premium rates on contract renewal in 2008 due to the exceptionally low claims ratio from 2005 to 2007. The services business continued to do well, with an 8.2% increase in turnover, mainly from increased debt collection and surveillance fees.

The drop in financial income is due essentially to the sale of the equities portfolio in 2007 and non-recurrent sales of shareholdings within the group in 2007, which are subsequently eliminated in the consolidated financial statements.

Insurance service expense increased by 61.8% in 2008. This growth reflects the sharp rise in claims for the year, both in terms of number and amount, resulting from the downturn in the global economy, and a 6.9% fall in liquidation surpluses.

The reinsurance charge declined due to a significant increase in assignment of claims for the year.

Operating expense decreased by 6.9%. 2007 had been affected by exceptional charges arising from the reorganisation of the sales organisation and financing of early retirement schemes, and to accelerated depreciation of the head office in Hamburg. Excluding exceptional items, operating expense remained virtually stable thanks to tight cost control and a slight reduction in staff numbers.

Ordinary operating income fell sharply due to the rise in claims for the year. Germany nonetheless continues to make the largest contribution to group operating income.

Performance of the group's main geographic segments

Eastern and Northern Europe IDC (International Development Centre)

This segment comprises the direct insurance and reinsurance activities carried out in Eastern European (Hungary, Poland, Czech Republic, Romania and Slovakia) and North European countries (Baltic countries, Finland, Sweden, Denmark and Norway).

(in thousand of euros)	2008	2007	Variation %
Earned premiums	99,109	88,631	11.8%
Premium-related revenues	53,055	39,562	34.1%
Turnover	**152,164**	**128,193**	**18.7%**
Net financial income	3,891	2,834	37.3%
Total revenues from ordinary activities	**156,055**	**131,027**	**19.1%**
Insurance services expense	(81,509)	(37,268)	118.7%
Reinsurance and retrocession expense	17,640	(13,038)	-235.3%
Other expenses	(65,078)	(54,355)	19.7%
Total other expenses	**(128,947)**	**(104,661)**	**23.2%**
Ordinary operating income	**27,108**	**26,366**	**2.8%**

Turnover grew by 18.7% despite some local currencies' depreciation against the euro. Turnover from insurance-related services grew very strongly, up by 34.1%, thanks notably to strong growth in the debt collection business in Poland.
However, the present crisis has not spared the region and claims levels are high, particularly in Poland and the Czech Republic.

The segment generated net reinsurance income thanks to significant assignment of claims.

The increase in other income and expense reflects the strong business growth in these countries.

All in all, ordinary operating income grew by 2.8%.

Performance of the group's main geographic segments

Asia/Pacific IDC

This segment comprises the services activities carried out by branches based in Asia, Australia and New Zealand

(in thousand of euros)	2008	2007	Variation %
Earned premiums	-	-	
Premium-related revenues	16,921	13,035	29.8%
Turnover	**16,921**	**13,035**	**29.8%**
Net financial income	-	4	
Total revenues from ordinary activities	**16,921**	**13,039**	**29.8%**
Insurance services expense	-	-	
Reinsurance and retrocession expense	-	-	
Other expenses	(17,392)	(11,797)	47.4%
Total other expenses	**(17,392)**	**(11,797)**	**47.4%**
Ordinary operating income	**(471)**	**1,242**	**-137.9%**

Turnover from premium-related services continued to grow very strongly, up 29.8%.

Premiums, and more generally the insurance business, in Asia are underwritten directly by EH KV AG and are therefore included in the Germany segment. Earned premiums corresponding to the Asia zone amounted to €27.3 million in 2008, corresponding to an increase of 37.2%. The gross loss ratio was 139.9% in the Asia zone in 2008.

The increase in operating expenses exceeded the growth in turnover, reflecting the investments made by Euler Hermes to develop its activity in this region.

Performance of the group’s main geographic segments

France & IDC

This segment comprises all the activities carried out by the French companies in their home market as well as those carried out in Spain, Morocco and Greece.

(in thousand of euros)	2008	2007	Variation %
Earned premiums	363,651	367,524	-1.1%
Premium-related revenues	93,497	91,386	2.3%
Turnover	**457,148**	**458,910**	**-0.4%**
Net financial income	72,060	70,531	2.2%
Total revenues from ordinary activities	**529,208**	**529,441**	**0.0%**
Insurance services expense	(237,245)	(152,587)	55.5%
Reinsurance and retrocession expense	14,014	(15,261)	-191.8%
Other expenses	(176,156)	(171,433)	2.8%
Total other expenses	**(399,387)**	**(339,281)**	**17.7%**
Ordinary operating income	**129,821**	**190,160**	**-31.7%**
Net combined ratio	76.6%	53.0%	

Turnover stagnated in 2008, reflecting a very competitive market in France and high levels of cancellations whereas trends remained strong in Spain, Greece and Morocco.

The loss ratio increased significantly relative to 2007 in line with the growth in claims for the year. The increase in the size and frequency of claims – the direct result of the deterioration in the global economy – was particularly evident in Spain and Greece and, to a lesser extent in France. The loss ratio reached 143.8% in Spain and rose to 120.4% in Greece and 93.7% in Morocco whereas in France it remained at 57.9%.

The segment generated net reinsurance income thanks to significant assignment of claims, notably in Spain and Greece.

The slight increase in operating expense reflects strict cost control in France and investments to develop the activities in Spain, Greece and Morocco.

The decrease in ordinary operating income despite stable financial income is attributable mainly to the strong increase in claims.

Performance of the group's main geographic segments

Italy

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

(in thousand of euros)	2008	2007	Variation %
Earned premiums	202,353	207,369	-2.4%
Premium-related revenues	49,161	46,110	6.6%
Turnover	**251,514**	**253,479**	**-0.8%**
Net financial income	9,158	15,561	-41.1%
Total revenues from ordinary activities	**260,672**	**269,040**	**-3.1%**
Insurance services expense	(203,640)	(108,006)	88.5%
Reinsurance and retrocession expense	22,332	(16,785)	-233.0%
Other expenses	(107,851)	(106,494)	1.3%
Total other expenses	**(289,159)**	**(231,285)**	**25.0%**
Ordinary operating income	**(28,487)**	**37,755**	**-175.5%**
Net combined ratio	131.7%	81.9%	

Earned premiums fell by 2.4% due to the decrease in policyholders' insured sales and a high cancellation rate. Premium-related services continued to perform well, with growth of 6.6%, thanks notably to 16.6% growth in debt collection revenues, which partly offset the decrease in premiums. All in all, turnover was down slightly, by 0.8%.

The 41.1% drop in financial income mainly reflects the sale of the equities portfolio in 2007.

The sharp deterioration in global economic conditions has pushed up the frequency and amounts of claims in both export and domestic markets, resulting in a sharp increase in insurance services expense.

The segment generated net reinsurance income due to significant assignment of claims.

Operating expenses remained under control, increasing by just 1.3%.

The deterioration in the loss ratio pushed up the combined ratio considerably, despite tight control of operating expenses.

Performance of the group's main geographic segments

United Kingdom

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

(in thousand of euros)	2008	2007	Variation %
Earned premiums	192,466	202,987	-5.2%
Premium-related revenues	22,173	23,293	-4.8%
Turnover	**214,639**	**226,280**	**-5.1%**
Net financial income	9,519	23,923	-60.2%
Total revenues from ordinary activities	**224,158**	**250,203**	**-10.4%**
Insurance services expense	(182,359)	(80,753)	125.8%
Reinsurance and retrocession expense	29,700	(20,543)	-244.6%
Other expenses	(85,176)	(97,847)	-12.9%
Total other expenses	**(237,835)**	**(199,143)**	**19.4%**
Ordinary operating income	**(13,677)**	**51,060**	**-126.8%**
Net combined ratio	119.8%	77.8%	

Turnover declined by 5.1% in the United Kingdom. At constant exchange rates, however, turnover grew by 10.8% thanks to strong growth in premiums (+10.7%) and in premium related services (+11.2%)

Premium growth reflects particularly dynamic new production in the UK and Ireland as well as higher premium rates. The growth in premium-related services was derived mainly from the appreciation of the euro and strong growth in the debt collection business.

The drop in financial income mainly reflects the sale of the equities portfolio in 2007.

Insurance services expense increased very substantially due to the sharp rise in claims for the year, both in terms of number and amount, resulting from the downturn in the global economy. Note that in the United Kingdom Euler Hermes was affected by a major claim (Woolworths) with a negative impact of more than €41 million.

The trend in reinsurance and retrocession charges is in line with the strong increase in assignment in 2008.

Other income and expense was down by 12.9%. At constant exchange rates, this item recorded a 1.7% increase, reflecting the efforts made in terms of cost control.

The decrease in financial income combined with the sharp increase in claims explains the fall in ordinary operating income.

Performance of the group's main geographic segments

United States and IDC

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

(in thousand of euros)	2008	2007	Variation %
Earned premiums	163,454	163,367	0.1%
Premium-related revenues	29,562	32,995	-10.4%
Turnover	**193,016**	**196,362**	**-1.7%**
Net financial income	5,695	15,393	-63.0%
Total revenues from ordinary activities	**198,711**	**211,755**	**-6.2%**
Insurance services expense	(133,814)	(81,706)	63.8%
Reinsurance and retrocession expense	14,934	(11,199)	-233.4%
Other expenses	(72,811)	(72,768)	0.1%
Total other expenses	**(191,691)**	**(165,673)**	**15.7%**
Ordinary operating income	**7,020**	**46,082**	**-84.8%**
Net combined ratio	98.4%	62.8%	

This segment recorded a 1.7% fall in turnover relative to 2007. The North America zone posted turnover of €171 million, down by 3.5% relative to 2007. For the segment as a whole, turnover was up by 3.0% at constant exchange rates.

The South America zone posted a 12.5% increase in turnover to €16.1 million, corresponding to an increase of 17.3% at constant exchange rates.

The 63% decrease in financial income is attributable mainly to capital losses recorded in 2008 whereas 2007 had benefited from capital gains on the disposal of the entire equities portfolio in the United States.

Insurance service charges increased very sharply (63.8%) in both North and South America due to the rise in the number and amounts of claims linked to the global downturn.

There was a significant difference, however, in the loss ratios of the different zones. The loss ratio in North America came to 79.3%, up by 28.2 points compared with 2007, whereas its came to 121.8% in South America, due mainly to Brazil where the loss ratio stood at 178.4% at end-2008.

The segment generated net reinsurance and retrocession income, reflecting the strong increase in assignment of claims in 2008.

Other income and charges remained stable, reflecting the efforts made in terms of cost control.

Ordinary operating income was down by 84.8%, reflecting a strong increase in claims combined with lower financial income.

Performance of the group's main geographic segments

Belgium

This segment comprises the activities of the Belgian subsidiaries.

(in thousand of euros)	2008	2007	Variation %
Earned premiums	66,363	64,931	2.2%
Premium-related revenues	17,052	14,633	16.5%
Turnover	**83,415**	**79,564**	**4.8%**
Net financial income	3,580	10,631	-66.3%
Total revenues from ordinary activities	**86,995**	**90,195**	**-3.5%**
Insurance services expense	(62,722)	(41,296)	51.9%
Reinsurance and retrocession expense	4,644	(8,145)	-157.0%
Other expenses	(23,772)	(18,430)	29.0%
Total other expenses	**(81,850)**	**(67,871)**	**20.6%**
Ordinary operating income	**5,145**	**22,324**	**-77.0%**
Net combined ratio	96.3%	69.8%	

Belgian turnover grew by 4.8%, reflecting a 2.2% increase in premiums and 16.5% growth in services revenues. The strong growth in services revenues resulted from growth in demand for information and from the development of the debt collection business.

The lower financial income resulted mainly from the sale of the equities portfolio in 2007.

Insurance service charges increased significantly due to the rise in the amounts of claims, and to a lesser degree in the number of claims, linked to the global downturn.

The segment generated net reinsurance and retrocession income, reflecting the significant increase in claims assigned in 2008.

The increase in net other charges, despite tightly controlled operating costs, is attributable to the decrease in interest on arrears in the Retail activity as well as higher costs of buying information.

Performance of the group's main geographic segments

Netherlands

This segment comprises the activities of the Dutch subsidiaries.

(in thousand of euros)	2008	2007	Variation %
Earned premiums	39,634	38,747	2.3%
Premium-related revenues	14,847	11,684	27.1%
Turnover	**54,481**	**50,431**	**8.0%**
Net financial income	1,308	3,228	-59.5%
Total revenues from ordinary activities	**55,789**	**53,659**	**4.0%**
Insurance services expense	(20,194)	(17,546)	15.1%
Reinsurance and retrocession expense	(3,076)	(3,844)	-20.0%
Other expenses	(26,523)	(22,989)	15.4%
Total other expenses	**(49,793)**	**(44,379)**	**12.2%**
Ordinary operating income	**5,996**	**9,280**	**-35.4%**
Net combined ratio	76.3%	67.9%	

The 8.0% increase in turnover came from a 2.3% increase in premiums combined with a 27.1% increase in services revenues. The growth in services revenues reflects strong growth in debt collection (38%) and a 20% increase in sales of information.

The fall in financial income reflects mainly a decrease in capital gains following the sale of the entire equities portfolio in 2007.

The higher cost of claims reflects the increased frequency of claims as well as a 20% increase in the average claim amount compared with 2007.

Operating expenses rose by 15.4% due to the strong development of services activities.

All these factors combined to push the combined ratio up by 8.4 points compared with 2007.

Performance of the group's main geographic segments

Group reinsurance

This segment comprises the group reinsurance activities in Luxembourg and Switzerland.

(in thousand of euros)	2008	2007	Variation %
Earned premiums	609,434	348,466	74.9%
Premium-related revenues	-	4	-100.0%
Turnover	**609,434**	**348,470**	**74.9%**
Net financial income	(3,432)	5,073	-167.7%
Total revenues from ordinary activities	**606,002**	**353,543**	**71.4%**
Insurance services expense	(519,771)	(167,468)	210.4%
Reinsurance and retrocession expense	41,420	(26,454)	-256.6%
Other expenses	(230,821)	(140,845)	63.9%
Total other expenses	**(709,172)**	**(334,767)**	**111.8%**
Ordinary operating income	**(103,170)**	**18,776**	**-649.5%**
Net combined ratio	124.9%	96.0%	

Turnover grew by 74.9%, reflecting the centralisation, since 2008, at the Luxembourg and Swiss subsidiaries of all assignments by group subsidiaries. The greater part of this turnover is subsequently eliminated at group level in the consolidated financial statements.

The cost of claims grew strongly in 2008, due in part to the new reinsurance structure set up at group level in 2008 (the greater part of these charges are subsequently eliminated in the consolidated financial statements) and in part to the increase in claims experienced by nearly all the group's subsidiaries due to the very strong global economic downturn.

The segment generated net reinsurance and retrocession income, reflecting the significant increase in claims assigned in 2008.

The strong increase in net other expenses is linked to the new reinsurance structure set up at group level in 2008 (the greater part of these charges are subsequently eliminated in the consolidated financial statements).

Consolidated shareholders' equity and adjusted capital

Consolidated shareholders' equity

At December 31st, 2008, consolidated shareholders' equity amounted to €1,835.0 million compared with €2,058.7 million at the end of 2007. The table below describes the main changes in shareholders' equity during the year.

(in thousands of euros)	Capital stock	Additional paid-in capital	Retained earnings	Revaluation reserve	Other			Shareholders' equity, group share	Minority interests	Total shareholders' equity
					Translation reserve	Treasury shares	Total other			
Shareholders' equity as at December 31st, 2007 - IFRS	**14,417**	**451,332**	**1,607,947**	**90,438**	**(29,821)**	**(75,572)**	**(105,393)**	**2,058,741**	**19,179**	**2,077,920**
Revaluation impact							-	-		-
Before defered *tax impact*							-	-		-
Available-for-sale assets (AFS)							-	-		-
Measurement gain / (loss) taken to shareholders' equity				(18,336)			-	(18,336)	(71)	(18,407)
Impact of transferring realised gains and losses to income statement				(21,823)			-	(21,823)		(21,823)
Cash flow hedges							-	-		-
Gain/(loss) taken to shareholders' equity							-	-		-
Impact of transferring realised profits and losses in the year to income statement							-	-		-
Impact of transfers on the initial amount of hedges							-	-		-
Impact of translation differences					(43,370)		(43,370)	(43,370)	(109)	(43,479)
Current and deferred tax taken directly to or transferred to shareholders' equity										
Net income recognised in shareholders' equity	**-**	**-**	**-**	**(40,159)**	**(43,370)**	**-**	**(43,370)**	**(83,529)**	**(180)**	**(83,709)**
Net income for the year			83,592				-	83,592	4,498	88,090
Total revenues and losses recognised for the period	**-**	**-**	**83,592**	**(40,159)**	**(43,370)**	**-**	**(43,370)**	**63**	**4,318**	**4,381**
Capital movements	9	592				(9,125)	(9,125)	(8,524)	-	(8,524)
Dividend distributions			(218,255)				-	(218,255)	(2,876)	(221,131)
Shareholders' equity component of share-based payment plans			1,489				-	1,489		1,489
Cancellation of gains/losses on treasury shares			(298)				-	(298)		(298)
Other movements			1,741				-	1,741	(293)	1,448
Shareholders' equity as at December 31st, 2008 - IFRS	**14,426**	**451,924**	**1,476,216**	**50,279**	**(73,191)**	**(84,697)**	**(157,888)**	**1,834,957**	**20,328**	**1,855,285**

Consolidated shareholders' equity and adjusted capital

Available for sale securities have been revalued at fair value through the revaluation reserve without any impact on the income statement. The revaluation reserve remained positive despite the sharp fall in the financial markets in 2008. The decrease in the revaluation reserve was €40.1 million, i.e. less than 2% of financial investments.

The change in translation differences for the year relates mainly to the US dollar, for a positive impact of nearly €7.9 million, and sterling, which depreciated strongly against the euro in the last quarter of 2008, for a negative impact of €48.4 million.

29,717 new shares were created as the result of the exercise of stock options in 2008. As a result, the capital and issue premium of Euler Hermes SA increased by respectively €9 thousand and €592 thousand.

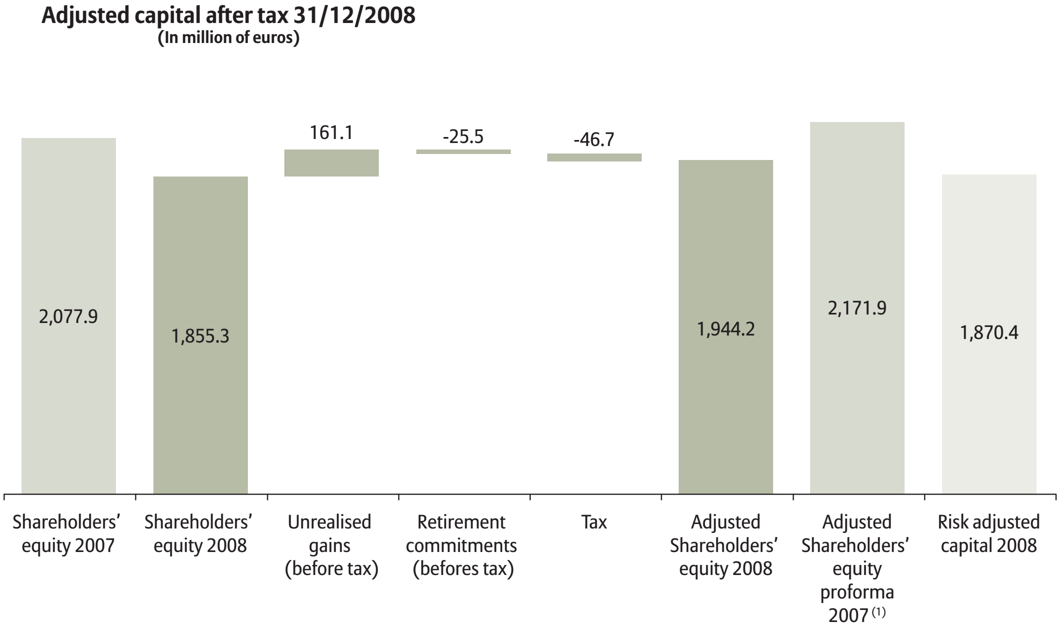
The movement of €1,489 thousand corresponds to personnel expense relating to stock option plans following the application of IFRS 2.

Adjusted capital

The group's adjusted capital after tax corresponds to its consolidated shareholders' equity after adjusting for the following:
- unrealised gains on assets not recognised at fair value (mainly investment property and property used in the group's operations);
- retirement commitments (IAS 19 corridor);
- tax effect on unrealised capital gains and retirement commitments.

Adjusted capital after tax amounted to **€1,944.2** million versus **€2,171.9** million pro-forma[1] at end-2007, corresponding to a drop of 10.5%. This was the result of:
- a decrease in shareholders' equity resulting from 2008 net income, group share being lower than dividends distributed;
- a 9% decrease in unrealised capital gains following the market turmoil in 2008;
- a 28.6% decrease in non-amortised actuarial differences on retirement commitments.

Adjusted capital after tax



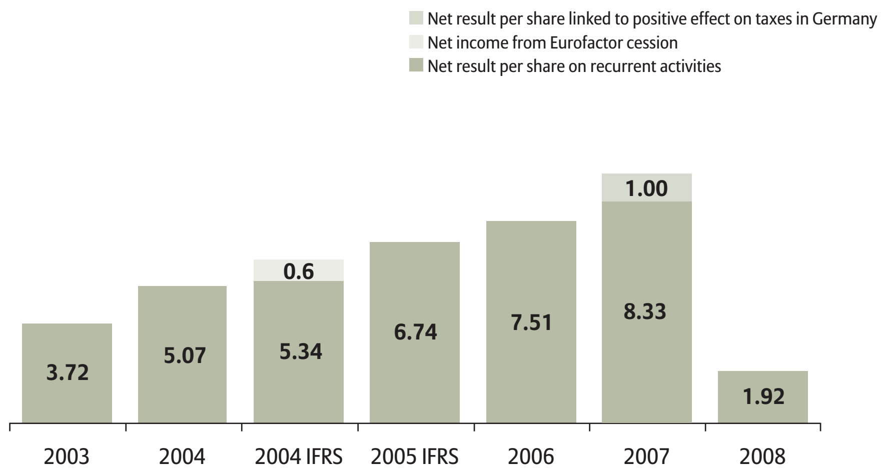
(1) In the adjusted capital published in 2007, goodwill were deducted.

Creation of value for the shareholder

Earnings per share

Earnings per share before dilution came to €1.92 in 2008 compared with €9.33 in 2007.

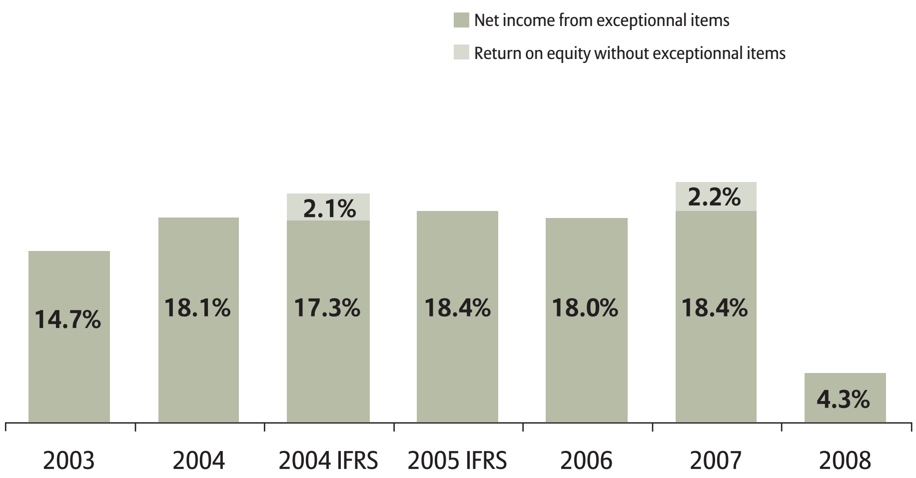
Net result per Euler Hermes share
(in euros)



Return on equity

The return on equity in accounting terms[1] came to **4.3%**, down by 14.1 points relative to 2007 at comparable scope and excluding non-recurrent items.

Return on equity
(in %)



(1) Calculated on the basis of net income, group share relative to the average of shareholders' equity (excluding minority interests) at December 31st, 2007 and December 31st, 2008.

Creation of value for the shareholder

Return on allocated capital

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

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

Total capital allocated to the business amounted to **€1,966.4** million in 2008. The return on allocated capital was **4.8%**, corresponding to a sharp fall of 14.5 points relative to 2007 due to the lower contribution from operating activities. This change resulted from:
- the sharp fall in net income, group share before tax and financial income or expense;
- the relative stability of standardised financial income;
- an increase in the effective tax rate.

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

(in thousand of euros)	2008	2007	Variation%
Net income, Group share	83,593	406,958	-79.5%
Cancellation of actual financial income	(132,940)	(185,159)	-28.2%
Standardised financial income	155,533	153,125	1.6%
Opportunity cost of surplus capital	(7,164)	(8,869)	-19.2%
Cancellation of actual tax	72,196	162,085	-55.5%
Standardised tax	(77,117)	(151,576)	-49.1%
Operating contribution of activity	**94,101**	**376,564**	**-75.0%**
Allocated capital (based on S&Ps quotation A and not AA)	1,966,433	1,947,600	1.0%
Return on allocated capital	**4.8%**	**19.3%**	

Activity of Euler Hermes SA

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

Subsidiaries and participating interests

En 2008, Euler Hermes subscribed the totality of Euler Hermes Reinsurance AG's capital increase in an amount of **€10,38** thousand.

Comments on the results

Net income for the year came to **€193.5** million compared with **€135.6** million in 2007. The table below shows the main components of the company's income:

(in thousand of euros)	2008	2007	Variation%
Income from participating interests (1)	233,531	145,271	60.8%
Other net financial expenses (2)	(24,822)	(9,642)	157.4%
Net operating expenses (3)	(8,641)	(9,846)	-12.2%
Provision for (-) or writeback of (+) depreciation of treasury shares	(30,359)	(574)	5,189.3%
Ordinary Income	**169,708**	**125,210**	**35.5%**
Exceptional items (4)	(51)	4,528	-101.1%
Corporation tax (5)	23,800	5,860	306.2%
Net Income	**193,457**	**135,597**	**42.7%**

*(1) Revenue from participating interests rose by **€88.3** million.*
*(2) This heading comprised mainly interest expense on loans and financial debt, for **€22.9** million.*
At end-2007, the main items in this heading comprised a writeback of provisions for impairment of Euler Hermes UK shares (€2.5 million out of a balance sheet provision of €8.6 million) and a writeback of provisions for impairment of Euler Hermes Credit Insurance Belgium shares (€3.1 million), and interest on loans and financial debt, for €16.5 million of which €16.1 million to associated companies.
*The increase in 2008 relative to 2007 is attributable essentially to writebacks of provisions on equity interests for **€5.6** million in 2007 and to an increase in interest expense on loans and financial debt following the new loans in an amount of €35.3 million subscribed in 2008 from Euler Hermes subsidiaries. It should be noted that all the loans maturing in 2009 are in the process of being renewed with the objective of extending their maturity date to the end of 2010.*
*(3) The **€1.2** million decrease in net operating expense relative to 2007 reflects an increase of **€0.5** million in other income, linked mainly to the billing of royalties for the IRP system, a drop in personnel expense.*
(4) In 2007, this heading comprised mainly the premium on the buyback of own shares in an
*(5) Euler Hermes SA also heads the tax group for French companies that are more than 95%-owned. In 2008, the tax group resulted in a surplus of **€19.6** million compared with €5.7 million in 2007.*

Activity of Euler Hermes SA

Dividends

As recommended by the Group Management Board, the Supervisory Board proposes to the General Meeting that a dividend of €1.50 per share be paid in cash.

The total dividend proposed in respect of 2008 thus comes to €67.6 million. After deducting the number of treasury shares held at December 31st, 2008, the dividend to be paid in respect of 2008 would be €65.3 million.

(in thousand of euros) **Proposed allocation of income**	**2008**
Source	
Retained earning from previous year	45,622
Net income for the year	193,457
	239,079
Allocation	
Allocation to reserves	
Legal reserve	1
Special reserve for long-term capital gains	0
Proposed dividend : 1.50 euro per action (1)	67,623
Retained earnings	171,455
	239,079

(1) The dividend paid corresponds to the dividend per share multiplied by the number of shares but excluding treasury shares, which are not entitled to any dividends. The number of treasury shares at December 31st, 2008 stood at 1,540,644. The dividend proposed for the approval of the General Meeting takes into account the treasury shares.

The table below shows the dividend per share paid for the past five years.

	2008 (1)	2007 (2)	2006 (2)	2005 (2)	2004 (2)
Global amount (in thousands of euros)	67,623	225,263	174,193	151,824	103,621
Amount per share before tax credit (3)	€1.50	€5.00	€4.00	€3.50	€2.50
Amount per share after tax	€1.50	€5.00	€4.00	€3.50	€2.50

(1) Dividend proposed to the shareholders at General Meeting.
(2) Dividend for the year, paid the following year.
(3) The dividend per share is calculated based on the number of shares in issue.

Outlook (1)

The global economy has experienced a sharp slowdown in growth in all parts of the world since the beginning of 2008 and economic activity is expected to contract in North America and Europe in 2009.
The contraction in the world economy is likely to heighten businesses' awareness of risk and prompt them to contemplate subscribing credit insurance. The more difficult economic conditions are also likely to favour retention of policyholders and better remuneration of risk through higher premium rates.
However, Euler Hermes' premiums are directly linked to policyholders' sales which tend to stagnate or even decline during recessions. At this stage, it is hard to assess what impact the economic slowdown will have on clients' sales and, consequently, on the group's premiums. At the moment, Euler Hermes is not expecting any decrease in its commercial portfolio.
The very difficult economic environment in which Euler Hermes is conducting its business requires a risk underwriting policy adapted to the circumstances. The group has put in place a permanent risk monitoring programme for its portfolio, with specific monitoring plans for large and small risks. Euler Hermes' objective is to avoid any deterioration in the quality of its portfolio so as to limit the negative impact of the sharp rise in corporate failures in all the major economies.

The retention policy implemented by the group over the past few years was aimed at optimising return on equity. However, in the present situation characterised by a higher-than-normal claims rate Euler Hermes considers it appropriate to increase external assignment.
As the impact of the crisis on the real economy has been more severe than initially expected, the group will keep a particularly close watch on trends in corporate financing conditions. Companies are likely to face higher financing costs and more difficult access to credit following the liquidity problems in the financial markets. In the framework of its reinsurance agreements, Euler Hermes has therefore decided to lower the retention rate from 78% to 70% in 2009. The group has also decided to improve its major claims risk cover by reducing the impact of a major claim to a maximum of between €80 million and €90 million of its net technical result compared with €110 million in 2008.
Increased reinsurance cover will nonetheless be accompanied by increased premiums for major claims risk insurance and systematic implementation of variable reinsurance commissions.
The new reinsurance cover will bring requirements in terms of risk capital to €1,700 million in 2009 thus enabling the group to recover some leeway with regard to adjusted capital, which came to €1,944 million at the end of 2008.

The group intends to continue to harmonise applications so as to improve service quality, maintain its competitive edge and keep costs under control.
Euler Hermes will pursue its prudent investment portfolio management policy. It significantly reduced its exposure to equities in 2007 and 2008 and does not intend to increase exposure to equities in the short term. However, the group expects the bond portfolio to sustain its financial income in 2009 and remains confident that financial income will continue to make a substantial contribution to pre-tax income.
Euler Hermes intends to pursue its international expansion by continuing to invest in new economic powers (China and India, but also Russia) and in regional leaders, such as Turkey, Israel, Brazil and Argentina, in order to accompany its clients' development.

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

The group has confidence in its strategy. This, together with a strong financial structure and efficient management tools puts it a strong position to cope with the crisis and significantly limit its negative impact. The uncertain macroeconomic outlook makes it difficult to set precise financial targets, but Euler Hermes' internal goal is to keep the combined ratio below 100%, providing it does not experience a major claim with an impact of more than €100 million.

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

Sustainable development

Generating sustainable performances

Involving group employees in coherent and efficient actions to win clients' trust is the role of the leadership values adopted by all the staff. Since 2001, Euler Hermes has focused on promoting the five values that are shared throughout the Allianz group. These values must guide the actions of each employee to enable the group to achieve its objectives, satisfy its clients and strengthen its foundations a little more each day.

Align strategy and communication

By ensuring the coherence of its actions, strategy, communications and commitments, Euler Hermes offers clients and the business world in general a clear and transparent view.
Its staff can therefore commit to assisting clients' business development and insure their trade risk. The transparency of Euler Hermes' approach, its organisation, the interaction between entities and its methods and tools are further proof of coherency and reliability.

Promote a high performance culture

Euler Hermes sees performance as the principal factor of excellence and sustainable growth. Seeking to achieve excellence is a constant motor for progress so as meet the challenges of economic globalisation.
All the group's staff share and contribute to achieving a same goal: be the preferred partner for trade receivables management worldwide. Each employee has a role in achieving this goal. Euler Hermes promotes initiative and encourages each employee to take a part in achieving improved performances.

Focus on clients

The group has taken numerous steps to adapt its organisation to its environment: information systems, sharing of best practices, training, mobility, etc. All these initiatives place the client as the focal point of reflection. How to improve service? How to respond better to clients' needs? These are the questions that must be asked each day so that the group's strategy can progress.

Develop employees

Euler Hermes exists thanks only to its clients and employees. The employees, with their skills, knowhow and commitment, are the group's driving force. Euler Hermes therefore undertakes to provide ongoing training and encourage mobility and diversity so as to create a climate of excellence, trust and commitment to better serve clients.

Build on mutual trust and feedback

The global leader in credit insurance must be a trusted partner. To develop this trust and ensure its lasting growth, Euler Hermes bases its relations with all its staff and partners on the same basis of mutual trust and commitment.

Developing talent to encourage performance

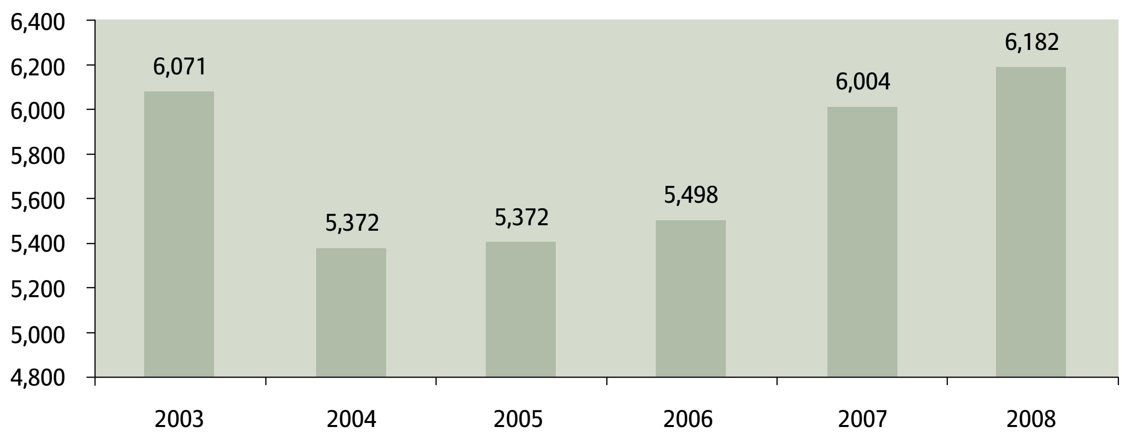
The skills, knowhow and daily commitment of Euler Hermes' employees at the service of its clients are the bases of the group's performance. Its human resources policy is designed to develop talent and encourage cultural diversity to meet the challenges of a globalised economy.
The essence of the Euler Hermes group consists of its 6,182 employees spread throughout more than 50 countries. They work together on a daily basis to help clients develop their businesses throughout the world by insuring their trade risk. Each employee works as part of a network with correspondents everywhere in the world so as to respond to the needs of local businesses. All their talents are used to achieve this goal.

Sustainable development

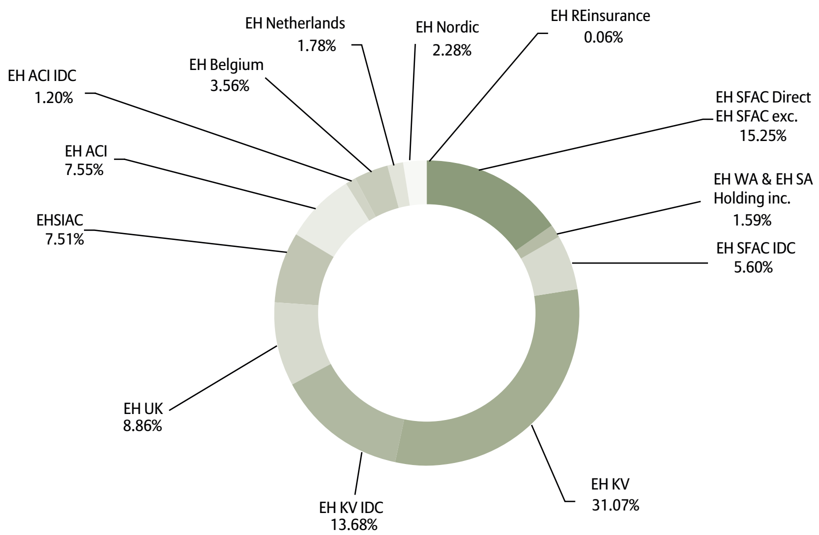
Workforce at December 31st, 2008

In 2008, 704 new employees were recruited, an increase of 19% compared with 2007, and 638 people left the group. The use of outside labour remains minimal and is limited to non-strategic functions. The average age of employees is 40 and the average length of service is 11 years. In each country in which Euler Hermes operates, work organisation and working hours conform strictly to local regulations and labour agreements.

Changes in the workforce



Breakdown of workforce by geographical region



A global training policy

Euler Hermes has built its reputation and position as global leader on its professionalism and an experience acquired over more than a century. All the group's employees share the same values, methods and tools. It is essential to recruit the best talent and integrate it into a strong corporate culture to ensure consistency at group level and the same quality of service throughout the world. Training is a means of developing employees.

Sustainable development

All the group's credit analysts attend seminars on Euler Hermes' Risk Business Model to learn to use the same methods and the single global risk assessment system. This guarantees consistency in the grading of companies and facilitates mobility between the various group entities.
Other training is provided to respond to employees' needs, such as the Management Development Seminar for high-potential staff.
Trust, consistency and shared objectives are the necessary bases for working in an international and decentralised group. They are the determinant factors of the success of Euler Hermes' business model.
In 2008 a budget of €4.4 million was allocated to training, up by 7% relative to 2007. This budget represented 1.6% of total payroll expense.

Encouraging diversity

Both at local and international levels, Euler Hermes' success relies on the talent and cultural diversity of its staff. Euler Hermes' recruitment and career management policies are designed to foster diversity so as to gain a better understanding of the mechanisms of world trade and provide businesses with services adapted to their needs. For this reason the group launched the Diversity project in 2008 to coordinate and harmonise human resources policies at all group entities. This project is based on essential concepts such as gender balance and equal treatment: access to employment and training, pay, career progress, etc. Diversity Awareness Workshops have been organised to heighten managers' awareness of these issues and help them respond.

Contributing to sustainable development

Euler Hermes contributes to sustainable and harmonious development of the world economy by helping its clients build and secure their business. Alongside its clients, the group's strategy is guided by its values and sense of corporate social responsibility.

Environmental responsibility

The impact of any 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.
The group's activities, by their nature, have very little impact on the environment. The group's commitment to sustainable development is more particularly reflected in its relations with partners and clients. However, the group has taken steps to increase awareness and responsibility and the many cost saving efforts implemented involve more efficient use of human resources, equipment and natural resources.
In our business of credit insurance, direct consumption of water and non-renewable energy resources is limited. Accordingly, a specific organisation has not been set up within the group to handle accidental pollution that could have consequences outside the company. However, electrical and heating equipment is regularly reviewed and replaced so that it complies with the required standards in terms of safety, consumption and comfort.
In view of the activity carried out by the group, utilisation of the ground or the production of waste that could contaminate the water, air or ground is minimal or non-existent. The group's choice of suppliers takes into account their commitment to collecting and recycling end-of-life equipment. In many subsidiaries, waste is systematically sorted for recycling.
Consumption of paper is a major concern for the company. Group companies send several million items of mail and millions of computer printouts are made each year. Over the past few years, the group has developed direct or Internet-based computer links (Eolis among others) with its clients thus enabling rapid, precise and inexpensive daily communication.
For internal consumption, the policy is to use recycled paper; furthermore, the configuration and development of micro-computing has increased electronic storage capacity, enabling filing space to be saved and limiting the use of "paper" files.

Lastly, a central function in each group entity – usually the General Resources department – is responsible for drafting operating guidelines to ensure that the technical maintenance and management of property conforms to local regulations. Regular checks are effected to detect the presence of bacteria or asbestos. Other checks, equivalent to Veritas checks, are carried out on electrical installations.

Corporate governance

Insuring trade credit: a responsible role

Insurance plays a fundamental role in the sustainable development of any company by preventing risks and limiting the impact of claims. As the world leader in credit insurance, Euler Hermes contributes to the development of business activity in a globalised economy with its attendant increased risks. In highly contrasted economic environments, Euler Hermes helps its clients to control their customer risk, consolidate their growth and ensure their future.

The Group Management Board is the group's main executive body. It is overseen by a Supervisory Board, which has set up two board committees, the Audit Committee and the Remuneration and Appointments Committee.

Group Management Board

The Group Management Board is the group's decision-taking body. Its function is to manage, co-ordinate and control the group. All of the powers of the Group Management Board are exercised collectively although individual Board members are assigned responsibility for supervising cross-company functions for the group and its subsidiaries. The Group Management Board meets as often as required in the company's interest. In 2008 it met twice a month.
At December 31st, 2008 the members of the Group Management Board were:

- Clemens von Weichs (Chairman), Gerd-Uwe Baden, Nicolas Hein, Michel Mollard and Michael Hörr.

The Supervisory Board meeting of February 17th, 2009 approved the proposal by the Remuneration and Appointments Committee to appoint Mr Wilfried Verstraete as Chairman of the Group Management Board with effect from April 1st, 2009 to replace Mr Clemens von Weichs, who is taking up other positions within the Allianz group.

Supervisory Board

The Supervisory Board exercises permanent control over the Group Management Board's management of the company and provides it with the necessary authorisations as required by law or the Articles of Association. The Supervisory Board also appoints the members of the Group Management Board as well as its chairman. In 2008 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. In accordance with the principles of corporate governance, the Supervisory Board has three independent members.

The independent members are considered as such within the sense of the AFEP/MEDEF recommendations, to which the group adheres. They have no relationship of any kind whatsoever with the company, its group, its management or any shareholder with more than 10% of the capital, that could compromise their freedom of judgement.
The members of the Supervisory Board comply with the provisions of the French law on New Economic Regulations (NRE) No. 2001-420 of May 15th, 2001, covering the number of directorships they hold. This constitutes an important guarantee of their commitment and availability to the group.

At December 31st, 2008 the members of the Supervisory Board were Jean-Philippe Thierry (Chairman), François Thomazeau (Vice-Chairman), John Coomber, Charles de Croisset, Robert Hudry, Jean-Hervé Lorenzi and Yves Mansion.

Corporate governance

Audit Committee

The Audit Committee is responsible for supervising procedures for external and internal audits of group companies. Specifically, it is reported to by:

- the head of group audit on the planning and outcome of audit assignments in the group and its subsidiaries;
- accounting and financial managers on the company financial statements;
- the independent auditors on their findings.

The Audit Committee met four times in 2008.
The members of the committee are Robert Hudry (Chairman), Yves Mansion and François Thomazeau.

Remuneration and Appointments Committee

The Remuneration and Appointments Committee is composed of three members of the Supervisory Board. Its task is to make recommendations to the Supervisory Board concerning the remuneration of members of the Group Management Board and the attribution of share options to employees of the group. It met three times in 2008.
The members of the committee are François Thomazeau (Chairman), Charles de Croisset and Jean-Hervé Lorenzi.

Management of cross-company functions

Euler Hermes has a matrix-type management organisation, of which the cross-functional managers on the one hand, and managers of subsidiaries, on the other, are the cornerstones. Cross-functional managers and managers of subsidiaries implement the strategy determined by the Group Management Board and report to its members on their specific responsibilities.

In 2008, cross-company functions were managed by:

Philippe Bastié	Risks
Benoît des Cressonnières	Reinsurance
Jean-François Decroocq	Risk Management
Raphaële Hamel	Communications
Nicolas Hein(1)	Finance and Accounting
Ralf Hillgner	Sales and Marketing
Michael Hörr(1)	Operations
Francis Lallemant	Audit and Support
Jorg-Uwe Lerch	Strategy
Arnaud Roger	General Secretariat
Élisabeth Sfez	Career Management and International Mobility

(1) Member of the Group Management Board.

Directors' remuneration

Management of the main subsidiaries

Each local entity is managed by a Chief Executive Officer (CEO) who is responsible for implementing the group's strategy, its business model and for determining local strategies.
The Chief Executive Officers of the main subsidiaries are as follows:

Germany	Euler Hermes Kreditversicherung	Dr Gerd-Uwe Baden(1)
Belgium	Euler Hermes Credit Insurance	Jean Luc Louis
United States	Euler Hermes ACI	Paul Overeem
France	Euler Hermes SFAC	Michel Mollard(1)
Italy	Euler Hermes SIAC	Michele Pignotti
Netherlands	Euler Hermes Kredietverzekering	Gerard van Kaathoven
Scandinavia	Euler Hermes Nordic	Lars Gustafsson
Poland	Euler Hermes Towarzystwo	Eckhard Horst
United Kingdom	Euler Hermes UK	Fabrice Desnos
Switzerland	Euler Hermes Reinsurance	Benoît des Cressonnières
World Agency	Euler Hermes World Agency	Roland van Malderghem

(1) Member of the Group Management Board.

Group Management Board

Remuneration for members of the Group Management Board is set by the Remuneration and Appointments Committee and approved by the Supervisory Board. The gross remuneration and benefits of all kinds paid to members of the Group Management Board in 2008 amounted to €4,081.4 thousand.
The fixed portion of remuneration for members of the Group Management Board is determined by the analysis of comparable market data. The principles of the performance-related or variable portion of remuneration of members of the Group Management Board are described in "General Information".

The variable portion of remuneration for company officers is based on three criteria:
- reported consolidated net income;
- the achievement of operating objectives;
- the achievement of personal qualitative objectives.

Members of the Group Management Board are also eligible for the Mid-Term Bonus (MTB) system, which was introduced by Allianz to improve the loyalty of its senior management. The system is based on a three-year period: if the objectives are achieved over the three-year period, an additional bonus will be paid at the end of the period.

The potential bonus is a set amount plus a possible 20% upside. It is divided into two parts, each equally weighted and based on the EVA and strategic objectives, respectively. If an average rate of between 70% and 120% is achieved for both parts, the bonus will be calculated proportionally to the degree of achievement of the objectives. As Messrs Nicolas Hein and Michel Mollard were not eligible for the preceding 2005-2007 Mid-Term Bonus plan, they were included in a specific bonus plan, also based for 50% on the EVA and for 50% on achievement of strategic objectives, in 2007.

Directors' remuneration

Group Management Board (in thousand of euros)	Period	Fixed remuneration paid in 2008	Specific allowances	Variable remuneration paid in 2008 in respect of 2007	Mid-Term Bonus Plan (2005-2007) Payout 2008	Special Bonus 2007 Payout 2008	Mid-Term Bonus Plan (2008-2010)	RSUs exercised in 2008	Benefit-in-kind (car)	Total 2008
Clemens Von Weichs	01/01/08 to 31/12/08	430.0	50,0 (1)	340.4	396.0		-	56.1	7.0	1,279.5
Dr Gerd-Uwe Baden	01/01/08 to 31/12/08	400.0	-	297.8	336.0		-	201.6	22.9	1,258.2
Nicolas Hein	01/01/08 to 31/12/08	340.0	-	262.1		60.0	-		4.6	666.6
Michel Mollard	01/01/08 to 31/12/08	293.3	-	267.9		60.0	-		1.7	622.9
Michael Hörr	01/01/08 to 31/12/08	230.0	-	20.8(2)			-		3.4	254.2
Total		1,693.3	50.0	1,188.9	732.0	120.0	-	257.7	39.5	4,081.4

(1) M. Clemens von Weichs housing allowance.
(2) M. Michael Hörr is member of the Management Board since January 1st, 2008.

Members of the Group Management Board were also allocated Euler Hermes stock purchase options in 2008.
Lastly, under the global incentive plan for Allianz group management, the members of the Group Management Board were allocated SAR (Stock Appreciation Rights) and RSU (Restricted Stock Units). The value of these incentives is linked to changes in the Allianz share price over seven years in the case of SAR and over five years in the case of RSU.

Euler Hermes stock options and Allianz SAR and RSU were allocated as follows:

Stock options and other equity-based incentives in 2008 (in units)

	Euler Hermes options allocated in 2008	Options exercised in 2008	RSUs allocated in 2008	SARs allocated in 2008	SARs exercised in 2008
Clemens von Weichs	9,500	0	1,116	2,299	429
Gerd-Uwe Baden	7,000	0	993	2,047	1,541
Nicolas Hein	6,300	0	841	1,732	
Michel Mollard	6,300	0	764	1,575	
Michael Hörr	3,400	0	487	1,003	
Total	32,500	0	4,201	8,656	1,970

Some members of the Group Management Board who are solely corporate officers and are not employees are protected by special agreements in the event they are removed from office. These agreements are intended to replace the statutory provisions protecting salaried employees in the event of dismissal. These specific measures concern Messrs Clemens von Weichs and Gerd-Uwe Baden and provide for the payment of gross compensation of 200% and 50%, respectively, of the amount of their last annual remuneration. In accordance with the law, the payment of such compensation is subject to the achievement of performance conditions.

Messrs Clemens von Weichs and Gerd-Uwe Baden also benefit from an Allianz group supplementary defined contribution pension plan.

Directors' remuneration

Supervisory Board

Attendance fees paid to members of the Supervisory Board amounted to €360 thousand gross in 2008 and break down as follows:

(in thousands of euro)	2008
Jean-Philippe THIERRY	53.4
Diethart BREIPOHL	12.9
John COOMBER	26.7
Charles de CROISSET	53.4
Robert HUDRY	53.4
Yves MANSION	53.4
François THOMAZEAU	53.4
Jean-Hervé LORENZI	53.4
TOTAL	360.00

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

■ Mr Jean-Philippe THIERRY: €2,486.7 thousand, as follows:
– set annual gross salary paid in 2008 of €700 thousand;
– performance-related remuneration paid in 2008 in respect of 2007 of €1,245 thousand;
– temporary arrangement for time-savings account payments of €281.3 thousand;
– attendance fees of €53.4 thousand;
– benefits-in-kind of €207 thousand.

In addition, he received 9,884 SARs (Stock Appreciation Rights) and 4,797 RSUs (Restricted Stock Units).
Mr Jean-Philippe THIERRY did not exercise any SARs or RSUs in 2008.

■ Mr François THOMAZEAU: €1,587.5 thousand, as follows:
– set annual gross salary paid in 2008 of €472.7 thousand;
– performance-related remuneration paid in 2008 in respect of 2007 of €762.4 thousand, including €24.6 thousand in respect of incentive bonuses and profit-sharing;
– temporary arrangement for time-savings account payments of €260.9 thousand;
– attendance fees of €53.4 thousand.
Mr François THOMAZEAU exercised 1,000 SARs corresponding to 2004 for a total of €32.7 thousand.
In addition, he received 4,796 SARs (Stock Appreciation Rights) and 2,327 RSUs (Restricted Stock Units).
Mr François THOMAZEAU also has a company car, corresponding to an estimated gross annual benefit of €5.4 thousand.

■ Mr Diethart BREIPOHL (member of the Supervisory Board to May 15th, 2008): €12.9 thousand, as follows:
– attendance fees of €12.9 thousand.

List of posts and offices held by directors

Name	Company	Country	Post/Function	First nomination	End of the mandate
Group Management Board					
Clemens von Weichs	Euler Hermes SA	France	Chairman of the Group Management Board	25/05/04	31/03/09
	Euler Hermes Services	France	Chairman	01/09/06	
	Euler Hermes Kreditvesicherungs-AG	Germany	Chairman of the Supervisory Board	01/01/06	2013
	Euler Hermes UK Plc	United Kingdom	Director	27/05/04	2010
	Euler Hermes Holdings UK Plc	United Kingdom	Director	28/05/04	2010
	Euler Hermes ACI	United States	Chairman of the Board of Directors	18/06/04	27/05/09
	Euler Hermes ACI Holding	United States	Chairman of the Board of Directors	19/06/04	27/05/09
	Euler Hermes SFAC	France	Chairman of the Supervisory Board	18/05/04	31/12/10
	Euler Hermes SIAC	Italy	Chairman of the Board of Directors	23/04/04	Shareholders Meeting 2010
	Beraterkreis IKB, Düsseldorf	Germany	Advisor	2002	-
	Hamburger Gesellschaft zur Förderung des Versicherungswesens	Germany	Director	June 2003	No mandate limit
	ICISA	Netherlands	Vice-Chairman	09/06/08	30/05/08
	Euler Hermes Kreditverzekering NV	Netherlands	Chairman of the Supervisory Board		-
	Euler Hermes Credit Insurance Belgium	Belgium	Chairman of the Board of Director	05/02/07	Shareholders Meeting 2009
Gerd-Uwe Baden	Euler Hermes SA	France	Member of the Management Board	25/05/04	31/12/10
	Euler Hermes Kreditversicherungs-AG	Germany	Chairman of the Management Board	01/06/04	31/12/12
	Prisma Kreditversicherungs-AG	Austria	Vice-chairman of the Supervisory Board	28/05/04	Shareholders Meeting 2011
	Euler Hermes Kreditförsakring Norden AB	Sweden	Chairman of the Supervisory Board	18/05/05	Shareholders Meeting 2008
	Euler Hermes Towarzystwo Ubezpieczeniowe SA	Poland	Chairman of the Supervisory Board	18/05/05	Shareholders Meeting 2008
Nicolas Hein	Euler Hermes SA	France	Member of the Management Board	25/05/04	31/12/10
	Euler Hermes ACI	United States	Director	31/03/04	No mandat limite
	Euler Hermes ACI Holding Inc	United States	Director	18/03/04	No mandat limite
	Euler Hermes Credit Insurance Belgium	Belgium	Director	10/05/06	13/05/09
	Euler Hermes Kredietverzekering NV	Netherlands	Director	26/11/04	
	Euler Hermes Kreditversicherungs-AG	Germany	Member of the Supervisory Board	01/01/06	2013
	Euler Hermes SFAC	France	Vice-Chairman of the Supervisory Board	18/05/04	Shareholders Meeting 2011
	Euler Hermes SIAC	Italy	Vice-Chairman	23/04/04	Shareholders Meeting 2010
	Euler Hermes UK Plc	United Kingdom	Director	08/12/04	2010

List of posts and offices held by directors

Name	Company	Country	Post/Function	First nomination	End of the mandate
Group Management Board					
Nicolas Hein	Euler Hermes Holdings UK Plc	United Kingdom	Director	27/05/04	2010
	Euler Hermes Reinsurance AG	Swizerland	Member of the Supervisory Board	22/11/05	No mandat limit
	Euler Hermes Credit Insurance Belgium	Belgium	Director	10/05/06	
Michel Mollard	Euler Hermes SA	France	Member of the Management Board	25/05/04	31/12/10
	Euler Hermes SFAC	France	Chairman of the Management Board	13/05/08	12/05/10
	Euler Hermes UK Plc	United Kingdom	Director	17/06/02	20/02/09
	Euler Hermes Holdings UK Plc	United Kingdom	Director	17/06/02	20/02/09
	Euler Hermes ACI	United States	Vice-Chairman of the Supervisory Board	19/12/02	
	Perfectis Private Equity	France	Chairman of the Management Board	28/09/06	31/12/08
	COSEC	Portugal	Director	27/03/08	26/03/10
	Euler Hermes Acmar	Morocco	Chairman of the Board of Directors	09/11/06	30/06/13
Michael Hörr	Euler Hermes SA	France	Member of the Management Board	01/01/08	31/12/10
	Euler Hermes Tech SAS	France	Chairman	05/02/08	No mandate limit
	S.3.R. (société de réassurance des risques relatifs aux applications spatiales)	France	Member of the Board of Directors		
Supervisory Board					
Jean-Philippe Thierry	AGF SA	France	Chairman of the Board of Directors	05/06/01	Shareholders Meeting 2009
	Tocqueville Finance Holding SAS	France	Chairman		
	Tocqueville Finance SA	France	Chairman of the Board of Directors	04/09/07	Shareholders Meeting 2012
	Allianz Holding France SAS	France	Chairman	03/09/07	Shareholders Meeting 2009
	Euler Hermes SA	France	Chairman of the Supervisory Board	27/02/01	Shareholders Meeting 2011
	Mondial Assistance AG	Swizerland	Chairman of the Supervisory Board	16/12/05	Shareholders Meeting 2009
	Allianz SE	Germany	Member of the Management Board	01/01/06	Shareholders Meeting 2009
	AGF International	France	Director	23/05/01	Shareholders Meeting 2009
	Société Financière Foncière et de Participations (FFP)	France	Director	15/09/05	Shareholders Meeting 2011
	PPR	France	Director	05/09/06	Shareholders Meeting 2008
	Baron Philippe de Rotshild SA	France	Censor	01/06/02	Shareholders Meeting 2013
	Eurazeo	France	Censor	31/05/04	Shareholders Meeting 2013
	Paris Orléans	France	Censor	29/10/04	Shareholders Meeting 2013
	Atos Origin	France	Chairman of the Supervisory Board	12/06/08	Shareholders Meeting 2008

List of posts and offices held by directors

Name	Company	Country	Post/Function	First nomination	End of the mandate
Supervisory Board					
François Thomazeau	AGF Afrique	France	Chairman of the Board of Directors	28/11/01	31/12/08
	Allianz Global Investors France (Previosly AGF Asset Management)	France	Director	02/02/06	31/12/08
	AGF SA	France	General Manager Director	01/01/06 18/09/03	31/12/11 31/12/09
	AGF Holding	France	General Manager Director	18/09/03 03/06/98	31/12/09 31/12/09
	AGF IART	France	Director	03/06/98	31/12/09
	AGF International	France	Chief Executive Officer	07/06/01	31/12/08
	AGF Private Equity	France	Chairman of the Supervisory Board	18/05/06	31/12/10
	AGF Vie	France	Director	03/06/98	31/12/09
	Banque AGF	France	Permanent representative of AGF, Director	05/03/03	31/12/10
	GIE AGF Informatique	France	Member of the Supervisory Board	22/05/03	31/12/08
	Allianz Holding France SAS	France	General Manager	03/09/07	31/12/08
	GIE Allianz Investment Management Paris	France	Director	19/12/07	31/12/10
	AAAM (Allianz Alternative Asset Management)	France	Director	30/05/96	31/12/13
	ACAR	France	Chairman of the Board of Directors	27/06/02	31/12/08
	Bolloré	France	Permanent representative of AGF, Director	01/02/06 22/03/07	Resignation 22/03/2007 31/12/13
	Carene	France	Director	07/04/06	31/12/07
	Château Larose Trintaudon	France	Chairman of the Board of Directors	30/05/07	31/12/08
	Cofitem Cofimur	France	Director	24/05/00	31/12/11
	Euler Hermes SA	France	Vice-chairman of the Supervisory Board	25/04/01	31/12/09
	Foncière des 6e et 7e arrondissements	France	Director	20/02/06	31/12/11
	Locindus	France	Member of the Supervisory Board	03/06/05	31/12/08
	Noam Europe Expansion Sicav	France	Censor	19/12/03	30/09/09
	PHRV Paris Hôtel Roissy Vaugirard	France	Director	10/04/03	31/12/08
	Protexia France	France	Director	21/02/06	31/12/09
	Allianz Belgium (Before AGF Belgium Insurance)	Belgium	Chairman of the Board of Directors	06/06/01	31/12/12
	Allianz Mena Holding (Bermuda) Ltd	Bermuda	Director	06/06/07	Resignation 07/10/2008
	AGF Brasil seguros	Brazil	Chairman of the Board of Directors	23/03/05	31/12/08
	Allianz Seguros y reaseguros	Spain	Director	23/05/01	31/12/08
	Allianz Nederland Groep	Netherlands	Member of the Supervisory Board	29/08/01	31/12/08
	AGF Ras Holding	Netherlands	Vice-chairman of the Board of Directors	06/06/01	
	AGF Holding UK	United Kingdom	Chairman of the Board of Directors	11/06/01	
	AGF Insurance	United Kingdom	Chairman of the Board of Directors	11/06/01	

List of posts and offices held by directors

Name	Company	Country	Post/Function	First nomination	End of the mandate
Supervisory Board					
François Thomazeau	Thompson Clive (Jersey n°3) Ltd	United Kingdom	Director	15/04/97	30/06/09
	Mondial Assistance AG	Swizerland	Vice-chairman	24/03/03	31/12/08
	Compania colombiana de inversion colseguros	Colombia	Chairman of the Board of Directors	31/03/04	31/12/08
	IDI SCA	France	Member of the Supervisory Board	30/06/08	31/12/10
Yves Mansion	Société Foncière Lyonnaise	France	Chairman of the Board	22/03/02	Shareholders Meeting 2011
	Autorité des Marchés Financiers	France	Membre du Collège	01/11/03	29/05/11
	Euler Hermes SA	France	Member of the Supervisory Board	01/01/92	Shareholders Meeting 2009
	Mansions SAS	France	Chairman	13/06/07	No mandate limit
	Aviva France	France	Member of the Supervisory Board	01/10/08	31/12/12
	Aviva Participations	France	Director		
	AG Pasteur	France			
Diethart Breipohl	Euler Hermes SA	France	Member of the Supervisory Board	17/04/02	15/05/08
John Coomber	Swiss Re GB Plc	United Kingdom	Director	May-92	May-08
	Euler Hermes SA	France	Member of the Supervisory Board	23/04/03	Shareholders Meeting 2008
	Swiss Reinsurance Company	Swizerland	Director	February 2006	01/02/09
	The Climate Group	United Kingdom	Chairman of the Trustees	February 2006	No mandate limit
	Pension Insurance Corporation Holdings	United Kingdom	Member of the Board of Directors	August 2006	No mandate limit
	MH (GB) Limited	United Kingdom	Director	May 2007	No mandate limit
	Parhelion Capital Ltd	United Kingdom	Director	June 2007	No mandate limit
	Telent plc	United Kingdom	Director	November 2007	No mandate limit
	Parhelion Underwriting Ltd	United Kingdom	Director	March 2008	No mandate limit
	Qatar Insurance Platform	Qatar	Director	September 2008	No mandate limit
Jean-Hervé Lorenzi	Compagnie Financière Saint-Honoré SA	France	Member of the Supervisory Board	25/06/04	Shareholders Meeting 2009
	Edmond de Rotschild Private Equity Partners SAS	France	Chairman of the Supervisory Board	12/12/06	Shareholders Meeting 2008
	Edmond de Rotschild Capital Partners SAS	France	Chairman of the Supervisory Board	12/12/06	Shareholders Meeting 2008

List of posts and offices held by directors

Name	Company	Country	Post/Function	First nomination	End of the mandate
Supervisory Board					
Jean-Hervé Lorenzi	Edmond de Rotschild Investment Partners SAS	France	Chairman of the Supervisory Board	12/12/06	Shareholders Meeting 2008
	Newstone Courtage SA	France	Member of the Supervisory Board	13/04/07	Shareholders Meeting 2009
	SIACI SA	France	Member of the Supervisory Board	13/04/07	Shareholders Meeting 2009
	Assurances & Conseils Saint-Honoré SA	France	Member of the Supervisory Board	13/04/07	Shareholders Meeting 2009
	Novespace SA	France	Permanent representative ot the Compagnie Edmond de Rotschild Banque au Conseil d'Administration		
	Associés en Finance SA	France	Censor		
	BNP Paribas Assurances SA	France	Director	14/05/07	Shareholders Meeting 2009
	Crédit Foncier de France SA	France	Censor		
	Editis	France	Member of the Supervisory Board	02/07/08	17/12/08
	Editis	France	Director	17/12/08	Shareholders Meeting 2009
	Euler Hermes SA	France	Member of the Supervisory Board	19/11/04	Shareholders Meeting 2009
	GFI SA	France	Director	14/12/07	Shareholders Meeting 2013
Robert Hudry	Euler Hermes SA	France	Member of the Supervisory Board	07/04/00	Shareholders Meeting 2009
	Dofasco Steel Strategic Stitching	France	Member of the Supervisory Board		
Charles de Croisset	Goldman Sachs International	United Kingdom	International Advisor		
	Fondation du Patrimoine	France	Chairman	2006	
	Bouygues	France	Director	September 2003	Shareholders Meeting 2010
	Renault	France	Director	April 2004	Shareholders Meeting 2012
	Thalès	France	Director	May 2004	Shareholders Meeting 2010
	Galeries Lafayette	France	Membre du collège des Censeurs	May 2004	Shareholders Meeting 2012
	Thalès Holdings plc UK	United Kingdom	Director	2006	No mandate limit
	Euler Hermes	France	Member of the Supervisory Board		Shareholders Meeting 2009
	LVMH	France	Director	01/05/08	Shareholders Meeting 2011

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

The Group Management Board has presented you with its report on Euler Hermes' situation and on its activities during the year ended December 31st, 2008.

The economic slowdown that has affected all the world's economies and the solvency problems encountered by a growing number of financial players have added to uncertainty and triggered a temporary loss of confidence in the world economic order that had existed up to then.

The recession that affected all OECD countries for several quarters deepened in the last quarter of 2008, in terms of both its intensity and its range. Economic studies and indicators covering a range of scenarios seemed to augur the worst recession since the Second World War, and US, European and Japanese GDP contracted sharply in late 2008 to enter 2009 in negative territory
For the emerging nations, globalisation and the impact of the financial crisis made the economic slowdown in the fourth quarter of 2008 even more severe. It was particularly marked in Asian industrialised countries with a heavy reliance on exports, but especially in commodity producing countries.

The spectacular increase in corporate failures – on average, around 25% worldwide – was a direct consequence of this situation.

In this difficult and unprecedented environment, Euler Hermes was faced with a significant increase in claims and a sharp deterioration in the financial markets.
Nevertheless, the Supervisory Board is pleased to note that the group rapidly took adequate measures to limit the negative impact of the rise in corporate failures while at the same time continuing to develop its business lines. Appropriate risk management action plans were rolled out in each subsidiary to increase selectivity in underwriting decisions, enhance the monitoring of larger risks and to reduce exposures to debtors facing financial difficulties. On the sales and marketing side, the actions taken concerned in particular increasing policy rates to take into account the deterioration in the economic environment.

The Supervisory Board approves the group's strategy of ensuring the appropriate management of its client and risk portfolios combined with rigorous cost control, and its reinsurance policy aimed at protecting the group's capital base through the appropriate reinsurance of major risks in particular. It also approves the group's prudent financial portfolio management, which gives preference to low-risk investments providing stable returns.

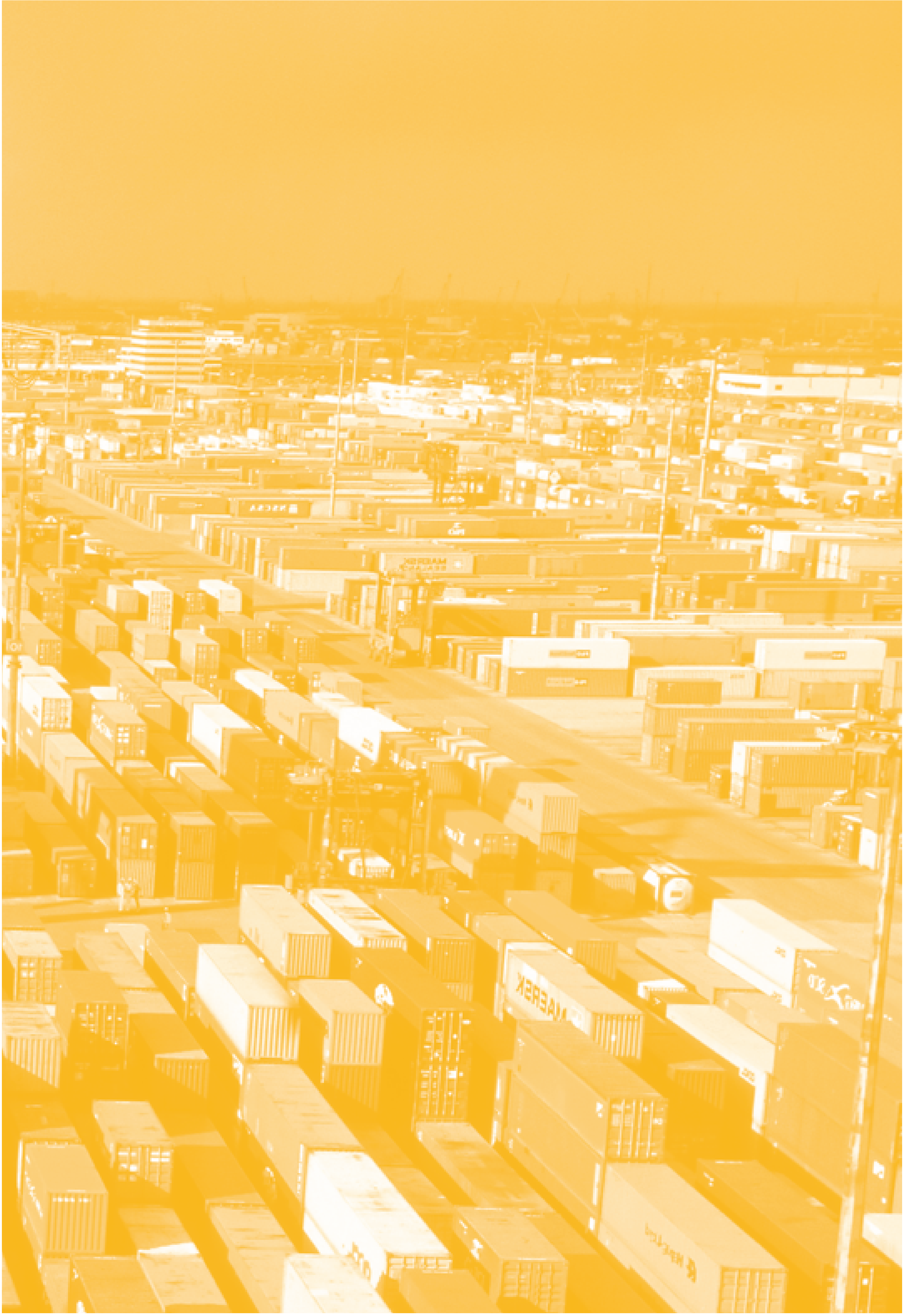
More generally, the Supervisory Board approves, without exception, all the Group Management Board's strategic choices and initiatives.

The Supervisory Board's Audit Committee paid particular attention to the adequacy of the group's technical reserves in relation to its commitments and to the correct application of accounting standards. It is satisfied as to the degree of prudence with which the group has constituted its provisions.

The Supervisory Board has examined the Group Management Board's report and the financial statements for the year ended December 31st, 2008. It recommends that you approve the resolutions submitted to the Annual General Meeting by the Group Management Board.

Given the current poor visibility, in 2009 the Group Management Board's objectives are to avoid any deterioration in the risk quality of the group's portfolio and to limit the adverse impact of the sharp rise in corporate failures in the world's main economies. It will continue to harmonise the group's applications in order to further improve the quality of services and to retain its competitive edge while exercising rigorous cost control.

The Supervisory Board confirms its confidence in the Group Management Board, which has been chaired since April 1st, 2008 by Mr Wilfried Verstraete. It would like to thank all staff members for the professionalism and commitment they have shown in these difficult times. The Supervisory Board will continue to encourage them to achieve the ambitious goals set for the group in 2009.



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

To the shareholders,

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

REGULATORY OBLIGATIONS

The French financial security act *(loi de sécurité financière, or LSF)* was promulgated on August 1st, 2003, and has since been completed by the act to improve confidence and modernise the economy *(loi pour la confiance et la modernisation de l'économie)* and by the act adapting French company law to community law of July 3rd, 2008 *(loi d'adaptation du droit des societies au droit communautaire)*. It requires the Chairman of the Board of Directors or the Supervisory Board of a French public limited company *(société anonyme)* to disclose, in a report attached to the management report:

- the conditions under which the Board's work is prepared and organised;
- the limits on the powers of the Chief Executive Officer;
- the internal control procedures.

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

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

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

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

There are three parts to this report:

- conditions under which the Supervisory Board's work is prepared and organised:
  - the role of the Supervisory Board and how it is organised,
  - the role of the Group Management Board and how it is organised,
  - the conditions on which shareholders participate in General Meetings;
- internal control procedures with regard to accounting and financial information;
- internal control procedures and the control environment.

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.
In terms of corporate governance, Euler Hermes adheres to the recommendations constituting the AFEP-MEDEF (the French association of private businesses and the French business confederation) code, which may be consulted at its registered office, 1 rue Euler, 75008 Paris.

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The role of the Supervisory Board and how it is organised

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

Composition of the Supervisory Board

In accordance with the company's Articles of Association, the Supervisory Board has at least three and no more than twelve members who are appointed by Ordinary General Meetings of the shareholders. The number of members of the Supervisory Board aged 70 years or older may not exceed one-third of the members in office. If this limit is exceeded, the oldest member must automatically resign. As at December 31st, 2008, the Supervisory Board had seven members.

If the Supervisory Board considers it useful, it may, when so proposed by its Chairman, appoint non-voting members of the Board (censors), for a term that it chooses. These non-voting members may be individuals or legal entities and may but need not be shareholders. The Board determines the responsibilities and terms and conditions of their remuneration. This remuneration is taken from the annual amount allocated to the Supervisory Board for members' fees by the Ordinary General Meeting. These non-voting members may be called to attend and participate in all Supervisory Board meetings but solely in a consultative capacity.

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

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

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

In accordance with the principles of the corporate governance code, the Supervisory Board includes a number of independent members (members are considered independent when they do not have any relationship with the company, its group or its general management that may compromise their freedom of opinion). There were three independent members of the Supervisory Board at December 31st, 2008. Furthermore, the members of the Supervisory Board comply with the provisions of the French law on New Economic Regulations (NRE) No. 2001-420 of May 15th, 2001, covering the number of directorships they may hold. This constitutes an important guarantee of their commitment and availability to the group.

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

The functions of the Supervisory Board

Throughout the year, the Supervisory Board carries out the checks and controls it considers appropriate and can publish any documents that it considers useful for the completion of its mission. At least once a quarter, the Group Management Board presents a report to the Supervisory Board. The Supervisory Board can call shareholders' meetings and set the agenda. The Supervisory Board can decide to create committees and it sets their composition and assignments. They conduct their activity 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.

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In addition, the following decisions of the Group Management Board are subject to prior authorisation from the Supervisory Board:
- the sale of property and the total or partial sale of shareholdings and the constitution of sureties on company assets where the transaction exceeds €30,000,000;
- direct transactions or equity holdings that might significantly affect the group's strategy and materially modify its financial structure or scope of activity where these exceed €5,000,000;
- the issue of securities, of any kind, that may result in a modification of the registered capital regardless of the amount involved;
- transactions aimed at granting or contracting any borrowings or loans, credits or advances where these exceed €75,000,000;
- transactions aimed at constituting sureties, guarantees, deposits or bonding where these exceed €30,000,000.

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

The Supervisory Board met four times in 2008. The average attendance rate was 81%.

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

The Board's Audit Committee

The Board's Audit Committee consists of three members of the Supervisory Board and is responsible for supervising the methods used for the internal and external control of group companies. Its task is to be kept informed by:
- the group head of audit on the activities and forecast planning of audit assignments of the group and its subsidiaries;
- accounting and financial managers on the company and consolidated financial statements;
- the independent auditors on their findings.

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

It meets prior to each meeting of the Supervisory Board at which the company's activities and results are to be discussed. The Audit Committee met four times in 2008. Its Chairman reports to the Board on the work of the Committee.

The Remuneration and Appointments Committee

The Remuneration and Appointments Committee consists of three members of the Supervisory Board. Its task is to submit recommendations to the Supervisory Board regarding remuneration of the members of the Group Management Board and the granting of share subscription or purchase options to group employees. It also ratifies decisions taken by the Group Management Board regarding the remuneration of the directors of the group's main subsidiaries. Its Chairman reports to the Board on the Committee's work. It met three times in 2008.

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

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

Members of the Group Management Board may also be allocated share purchase and/or subscription options. These are intended to give senior managers an interest in the company's long-term development and profitability and are submitted by the Remuneration and Appointments Committee to the Supervisory Board for approval. In compliance with the Act of December 30th, 2006, members of the Group Management Board are required to hold in registered form a certain percentage of shares derived from share options until their term of office expires. On the recommendation of the Remuneration and Appointments Committee, on May 15th, 2008 the Supervisory Board set the percentage of shares that must be held in registered form by each member of the Group Management Board at 10%.

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As part of the worldwide incentive plan for senior managers of the Allianz group, members of the Group Management Board may be allocated SAR (Stock Appreciation Rights) and RSU (Restricted Stock Units), the amounts of which are linked to changes in the Allianz share price over maximum periods of 7 and 5 years, respectively. The SAR and RSU allocations are also submitted by the Remuneration and Appointments Committee to the Supervisory Board for approval.

The members of the Group Management Board are also members of a Mid-Term Bonus (MTB) system, which was introduced by Allianz to improve the loyalty of its senior management. The system is based on a three-year period: if the objectives are achieved over the three-year period, an additional bonus will be paid at the end of the period.
The potential bonus is a set amount plus a possible 20% upside. It is divided into 2 parts, each equally weighted and based on the EVA and the strategic objectives, respectively. If an average rate of between 70% and 120% is achieved for both parts, a proportional calculation will be made to reflect the degree of achievement of the objectives. The Mid-Term Bonus is subject to the same approval rules as share options, SAR and RSU.

In addition, some members of the Group Management Board who are solely corporate officers and are not employees are protected by special agreements in the event they are removed from office. These agreements are intended to replace the statutory provisions protecting salaried employees in the event of dismissal. They provide for the payment of gross compensation of between 50% and 200% of the amount of their last annual remuneration. In compliance with Article L. 225-90-1 of the French Commercial Code, payment of such compensation is subject to meeting a performance criterion.
Concerning supplementary retirement plans, only Messrs Clemens von Weichs and Gerd-Uwe Baden are beneficiaries under an Allianz group supplementary retirement plan.

Assessment of the Supervisory Board

In accordance with good practice, the Supervisory Board assesses its capacity to respond to the needs of the shareholders, by which they are appointed to administer the company, through periodic reviews of its composition, organisation and functioning. Regular reviews are carried out to see whether its functioning and organisation are appropriate to its role, and to verify that important issues are properly prepared and debated.
The Supervisory Board's agenda for the meeting to be held in July 2009 will include a formal debate on its functioning.

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

In accordance with the law and under the terms of Article 15 of the Articles of Association, the Group Management Board is the group's collective decision-making body. The function of the Group Management Board is to manage, organise and control the group. All the Group Management Board's powers are exercised collectively although Board members are assigned specific responsibility for supervising cross-company functions for the group and its subsidiaries. The Group Management Board consists of at least two and no more than six members appointed by the Supervisory Board; a member of the Supervisory Board cannot be a member of the Group Management Board. Since January 1st, 2008 the Group Management Board has comprised five members.
The number of offices held by the members of the Group Management Board complies with Article 11 of NRE law 2001-420 of May 15th, 2001.
Members of the Group Management Board must be individuals under the age of 65, effective from the completion of the nearest General Meeting of shareholders. However, when a member of the Group Management Board reaches this age, the Supervisory Board can, on one or more occasions, extend his functions for a total term that may not exceed three years.

The Group Management Board is appointed for a period of three years and its members may be re-elected. They can be removed from office by the Supervisory Board or by the General Meeting of shareholders on the recommendation of the Supervisory Board. The Supervisory Board sets the method and amount of remuneration for each of the members of the Group Management Board when they are appointed.
In accordance with the law and under the terms of Article 16 of the company's Articles of Association, the Supervisory Board appoints one of the members of the Group Management Board as Chairman (CEO). The Chairman exercises his functions for the period of his office as a member of the Group Management Board. He represents the company in its relations with third parties.
Agreements concerning the company and any commitments undertaken in its name are signed by the Chairman of the Group Management Board or, if the Chairman of the Group Management Board is absent or unable to sign, by any member of the Group Management Board who has been appointed General Manager by the Supervisory Board or by any member especially empowered for this purpose.

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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 the limits defined by the corporate purpose, subject to those expressly allocated to the Supervisory Board and to General Meetings by the law and the Articles of Association.

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

The Group Management Board operates according to "internal regulations" which are designed to complement the operating principles stipulated in the Articles of Association, while respecting the collective principle of the Group Management Board and facilitating the work of the Supervisory Board. In addition, the regulations define the practical procedures for holding meetings and recording minutes. These regulations are regularly updated as a function of the company's requirements and the assignments the Group Management Board sets itself and its members.
The Group Management Board can set up committees. It decides on their composition and attributes, and they carry out their activity under its responsibility, but it cannot delegate its powers.
The Group Management Board meets as often as required in the interests of the company, usually twice a month. It met 29 times in 2008.
The members of the Group Management Board divide among themselves the supervision of the business of the Euler Hermes group and the group functions. The Chairman of the Group Management Board (CEO) alone represents the company in its relations with third parties.
In addition, the Chairman (CEO) is in charge of organising and coordinating the business of all group companies. Currently, he supervises at group level the areas of strategy and international development, internal audit, career management for senior managers, communications, risk management, the activities of other members of the Group Management Board and relations with shareholders.

The four other members of the Group Management Board share supervision of the remaining cross-company functions, i.e. risks and commitments, sales and marketing, finance and accounting, reinsurance and operations, which includes in particular supervision of the information technology function.
The person responsible for each cross-company function sets the limits of powers granted to the managers of subsidiaries in each of the areas in question.
In addition, each member of the Group Management Board acts as the representative of the shareholder in respect of certain group companies.

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

More generally, the Group Management Board deals with all actions related to the implementation of the group's general strategy, in accordance with the procedure set out in the Group Management Board's internal regulations.
These regulations may be changed or added to by the Supervisory Board on the proposal of its Chairman.

These structures are completed by an operational management structure.

Organisation of Euler Hermes' cross-company functions

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

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

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

The conditions on which shareholders participate in General Meetings

In accordance with Article 20 of the company's Articles of Association, shareholders' General Meetings are convened and deliberate in the conditions provided for by law.

General Meetings are held either at the registered office or at any other location specified in the notice convening the meeting.

Ordinary General Meetings are open to all shareholders who, in accordance with the conditions set out below, hold at least one share. Extraordinary General Meetings are open to all shareholders who, in accordance with the conditions set out below, hold at least one share. Special General Meetings are open to all holders of the class of share concerned who, in accordance with the conditions set out below, hold at least one share of that class.

The right of admission to General Meetings of shareholders is withdrawn in respect of any shares on which amounts called up have not been paid, which are ignored when calculating the quorum.

Each shareholder has the right, on proof of identity, to participate in General Meetings either in person or by returning the postal voting form or designating a proxy (a spouse or another shareholder), subject to the above provisions and to registration of the shares in the shareholder's name or in the name of an intermediary registered on the shareholder's behalf:

- in the share register kept by the company for the holders of registered shares, or;
- in the share register kept by the intermediary account holder for the holders of bearer shares.

The above formalities must be completed by 00:00 hours Paris time on the third business day preceding the General Meeting.

General Meetings are chaired by the Chairman of the Supervisory Board or, in his absence, by the Vice-Chairman or a member of the Supervisory Board specifically delegated for that purpose by the Supervisory Board. In default of the preceding, the General Meeting elects its own Chairman.

The two members of the General Meeting holding the largest number of votes act as scrutineers, provided they are willing to do so.

The officers of the General Meeting appoint the secretary, who need not be a shareholder.

Each member of the General Meeting has one vote for each share held or represented.

In all General Meetings the voting right is held by the usufructuary.

The first time an Ordinary General Meeting is convened it may deliberate validly only if the shareholders present, represented or having voted by post, hold at least one quarter of the shares carrying voting rights; a quorum is not required on second convocation of the Ordinary General Meeting.

An Extraordinary General Meeting may deliberate validly only if the shareholders present, represented or having voted by post, hold at least one third of the shares carrying voting rights vote on first convocation or one quarter of the shares carrying voting rights on second convocation.

A Special General Meeting may deliberate validly only if the shareholders present, represented or having voted by post, hold at least one half of the shares carrying voting rights vote on first convocation or one quarter of the shares carrying voting rights on second convocation.

Votes at an Ordinary General Meeting are carried by a simple majority of the votes of shareholders present, represented or having voted by post.

Votes at an Extraordinary General Meeting or a Special General Meeting are carried by a two thirds majority of the votes of shareholders present, represented or having voted by post.

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In calculating the quorum and the majority, shareholders participating in a General Meeting by videoconference or by telecommunications methods that enable shareholders to be identified, and the type and conditions of which have been determined by decree issued by the French Conseil d'Etat, are deemed to be present.

Minutes of General Meetings are prepared and copies are certified and delivered in accordance with the law.

INTERNAL CONTROL PROCEDURES AND THE CONTROL ENVIRONMENT

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

Existing regulatory obligations

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

Internal control

On January 22nd, 2007, the *Autorité des Marchés Financiers*, the French securities regulator, published its internal control reference guidelines, defined as follows:
Internal control forms part of a company's systems and is defined and implemented under its responsibility with a view to ensuring:
- compliance with laws and regulations;
- the application of instructions and strategies set by the General Management or by the Management Board;
- the correct functioning of the company's internal procedures, notably those intended to safeguard its assets;
- the reliability of financial information;

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

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

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

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

Internal control is designed to provide reasonable assurance regarding the achievement of the following objectives:
- financial performance, by the efficient and appropriate use of the group's assets and resources and protection against the risk of losses within the company;

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- precise and regular knowledge of the data required for decision-making and risk management;
- adherence to internal and external rules;
- prevention and detection of fraud and mistakes;
- accuracy and completeness of accounting records and preparation of reliable accounting and financial information in a timely manner.

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

The control environment

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

The principles of corporate governance

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

Governance structures

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

Management structures

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

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

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

Action as regards compliance

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

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

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

A priority for the compliance function in 2008 was to improve employees' knowledge of compliance standards. Training sessions have been organised and a presentation kit has been developed.

A Group policy on fraud has been implemented. The basis of the Euler Hermes group anti-fraud strategy was documented in January 2006 when the anti-fraud policy was disseminated. The policy is based on the practices within Group subsidiaries and establishes the mandatory principles cited below that must be put into place in all of the Group's major companies:

- a local anti-fraud manager is responsible for local implementation of the anti-fraud standards;
- the risk of fraud must be assessed locally;
- each employee must be given a copy of the Code of Conduct, and must confirm that he or she has made due note of its contents;
- standard recruitment procedures must be established, including the requirement for each new employee to provide a character reference;
- implementation of a whistle-blowing system;
- standard procedures must be in place to ensure that new brokers or agents have the necessary official authorisations or professional experience;
- standard rules, including the roles, responsibilities and powers of the staff concerned, must be defined for the purchasing of goods and services;
- basic principles, such as clearly defined powers, division of duties or the requirement for dual verification are mandatory for processes such as contracts, purchasing, claims and other payments;
- reporting principles must be clearly defined (with Internal Audit and the Board's Audit Committee) as regards cases of fraud or suspected fraud.

Since distribution of the Group policy, its local implementation has been closely and continuously monitored by the Group. The exchange of best practices between entities has been promoted and various aids have been made available, including:

- fraud risk assessment models;
- an action plan to be implemented in the event of actual or suspected fraud;
- standard scenarios and indicators of fraudulent behaviour or suspected fraud, whether internal (employees) or external (policyholders);
- an IT application developed to detect potential fraud.

In addition, as part of the anti-fraud strategy implemented by Allianz, an anti-fraud audit was conducted throughout the Euler Hermes group in 2007, with satisfactory overall results. Following this audit, in 2008 Allianz issued guidelines for tackling fraud based on which Euler Hermes, like all other Allianz group entities, can assess and develop its own fraud prevention standards. Euler Hermes has conducted an analysis of deviations from these guidelines; no material differences were identified.
In 2008, a study was conducted with the aim of improving the fraud prevention standards. Part of the study focused on the Group's smaller entities (SBUs), and included in particular a risk assessment.

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Definition of functions and control of individual objectives

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

Risk assessment

Risk mapping

Risks were first mapped in 2002, by listing the operational risks with the managers of the subsidiaries. Business activity is divided into nine main functions:

- four operational functions: sales and marketing, risk management, indemnification and litigation and debt collection;
- five functions for support activities: management, human resources, finance and accounting, procurement and information technology.

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

These risks are assessed for each sub-function in terms of probability of occurrence, significance in the event of occurrence and control as regards audit. A level of risk is thus determined for each function and each sub-function.
The results of risk mapping are submitted to management audit committees and the Board's Audit Committee. This review takes place systematically when audit programmes are defined. The risk map was updated in 2008, on the basis of audit reports validated in collaboration with the managers of the subsidiaries.

The risk control function

The group has set up a risk control function with a view not only to monitoring risks but also to quantifying risks. Recent and prospective changes in the regulatory framework influenced the implementation of such a structure, which also addresses management's need to optimise the allocation of financial resources as a function of the risk and to strengthen this aspect of internal control and transparency.
The role of the risk management function is to analyse and quantify all types of risk, including financial, credit, premium-related and operational risks, using appropriate applications and methods, as part of an ongoing interaction with all cross-company functions and in liaison with all group entities. Control procedures reinforce this structure. They enable information at all levels of the Group to be harmonised and reported in order to establish risk objectives in line with the implementation of limits on the various types of risk.
The decisions underlying this function are taken by the group risk committee, which also approves the measures required for the pro-active management of risks, in relation with the committees of other cross-company functions or in conjunction with the Group Management Board. This closer management of risks is carried out as a complement to and in collaboration with the existing control structures under the independent review of the risk control function. Risk management actions are relayed to the entities by their corresponding structures, which interact with the group's structures. The various committees and information flows within the group's structures and at group level provide for the management and control of the changing risk environment and of any exceptional risk event that may require the implementation of specific measures.
This function uses risk capital to measure quantitative risks, and procedures and ad-hoc reports to measure qualitative risks.
The role of the group actuarial function is to coordinate and control reserves held by the entities and to oversee the application of methods for estimating reserves. This role is carried out mainly through dedicated committees formed between the group function and the local entities responsible for maintaining the reserves. The committees review the calculation assumptions, the methods applied and the key events that could affect reserves. Changes in reserves over time and their adequacy, as well as any excess reserves, are analysed in detail. This approach ensures consistency in the methods and practices used to determine consolidated amounts and provides an explanation of variances while also providing support and a framework for local entities, which remain responsible for maintaining their reserves.

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Organisation of internal control activities

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

Implementation of rules by management

Euler Hermes' rules and general principles were defined in 1999 by the group's cross-functional managers, in agreement with the Group Management Board, in the areas of risk, litigation, collections, sales and marketing, finance, accounting, reinsurance, information technology, audit, communication and human resources.
In the area of risks and sales and marketing, these rules were updated in 2003, 2004 and again in 2008. They have been implemented in the main entities as procedures that include in particular the thresholds of individual responsibility and the organisation of specific risk and sales and marketing committees.

It should be noted that the following models have been introduced in all the main subsidiaries:
- a risk business model and quality standards in terms of the management of debtor risk;
- a collection business model and quality standards in terms of collection of receivables.

First level of control, cross-company functions

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

For example, the risk (credit) cross-company function monitors all the credit risk business. To do this, it uses the monthly group reports drawn up by Group Management Control and monthly reports on sensitive risks. Corrective action is coordinated with a Group Risk Committee whose members include subsidiaries' risk managers. This committee, chaired by the head of the cross-company risk function, meets every 2 months. Each subsidiary's risk manager reports to this committee. Local risk business is supervised by a local risk committee, of which the CEO is generally a member, and by a system of delegation of powers.

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

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

Second level of control, internal audit

The internal audit structure is decentralised. The group has a central audit function and audit structures within the largest units. The group had 29 internal auditors in 2008. 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 global audits of subsidiaries, and audits of cross-functional processes carried out simultaneously in the main subsidiaries. It is drawn up in accordance with a structured procedure in the second half of the year. It is the subject of a procedure of discussion, communication and validation with operational staff, general management and audit committees. The last stage of the validation process is the presentation of the programme to the Euler Hermes Audit Committee for approval in November. The audit programme is adapted to obtain

coverage of risk over five years in accordance with Allianz's directives while ensuring more frequent coverage of the most sensitive risks. The 2008 group programme included nine independent audits (audit of subsidiaries), six cross-functional audits, including one on the monitoring of credit risks, two audits of cross-company functions (human resources, and litigation), and five information system audits.
Group audit also carries out quality control assignments on one or two local audit structures each year. In 2008, the audit structures in France and Italy were reviewed; no material shortcomings were identified.

The audit activity is based on an audit charter. The version validated in April 2001 was updated in 2008 and validated by the Audit Committee and the Supervisory Board in October 2008. It precisely defines the assignment, the organisation of the various levels of control within the Euler Hermes group and its subsidiaries and the terms and conditions of intervention by group and local audit departments. It is completed by the development of audit standards and procedures at local and group levels.

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

AGF conducted a quality audit of the Euler Hermes Internal Audit function in 2008, the main results of which were that the Euler Hermes Internal Audit function did not reveal any significant deviations from general audit principles and confirmed the positive perception within Euler Hermes of the Group Audit Department. Some areas for improvement, however, were identified. These included, in particular, updating the Audit Manual and formalising the process for drafting the pluriannual audit plan. These improvements had been made by December 31st, 2008.

In addition, and at the request of Allianz's internal audit function, the Euler Hermes group's entities and internal audit function carried out a self-assessment of their audit practices. The results of the self-assessment were satisfactory.

Specific procedures for information systems

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

Security

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

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

Security of information systems

The group information system security manager in the group's Information Technology management team is in charge of coordinating action relating to security with the security managers in the subsidiaries, in particular as regards the introduction of information system security technical standards and more specifically the Allianz group's standards. Allianz standards cover the following:
- data classification;
- e-mail security;
- data encryption;
- incident management;
- internet access;
- network access;
- increasing awareness of security issues;

- physical security;
- protecting systems against viruses and unauthorised entry;
- security of applications;
- secure access to systems/applications.

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

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

Consolidation and harmonisation of systems
The Euler Hermes group's IT systems are undergoing consolidation. Subsidiaries are inter-connected by means of a long-distance network, which was available 99.96% of the time in 2008.
The resources (data, equipment) required to manage the group's credit insurance commitments are centralised at one site. There is a back-up site in the event of any problem and data recovery tests are carried out regularly (four technical tests and a user test were carried out in 2007).

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

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

In accordance with Allianz's policy, in 2008 Euler Hermes updated and tested the business continuity plans introduced throughout the group in 2004.

The group's internal audit structure and group subsidiaries' audit teams work together on reviews of IT projects or reviews of recently implemented applications.

Procedures for the assessment of financial internal controls by the group

At the request of Allianz, from 2004 the Euler Hermes group had to comply with the requirements of sections 302 and 404 of the Sarbanes-Oxley Act which consist, especially for section 404, in identifying, documenting and evaluating all process risks and controls that contribute significantly to financial and accounting reports.
In 2004, 2005, 2006, 2007 and 2008, the Sarbanes-Oxley (SOX) project concerned five subsidiaries, Euler Hermes SFAC, Euler Hermes Kreditversicherung, Euler Hermes UK, Euler Hermes ACI and Euler Hermes SIAC. The project basically consisted in identifying the five COSO internal control areas in each of the subsidiaries, identifying for operational reasons those control activities that are performed throughout the production process.
This work was coordinated by the group's Chief Financial Officer, on the basis of Allianz directives. After the scope of the project was identified, work was undertaken locally within the scope of the SOX project to document the procedures and internal controls providing a reasonable assurance of the accuracy of the financial statements and documents, to test the design and effectiveness of existing controls, and lastly, implement measures to reinforce existing controls when necessary.
The process did not identify any major shortcomings.

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

ACCOUNTING AND FINANCIAL INTERNAL CONTROL PROCEDURES

The organisation of controls

Accounting and financial controls are carried out by the Group Finance function. This is organised in three departments:
- the Consolidation department;
- the Management Control department;
- the Assets/Liabilities Management department.

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

The Consolidation department

Euler Hermes is consolidated by the Allianz group, which has prepared its consolidated financial statements under IAS and IFRS since 1998.
Euler Hermes has presented its consolidated financial statements in IFRS format since 2005.
All the principles and rules that apply to companies in the Euler Hermes group are described in a consolidation manual that is provided to all entities.

The IFRS accounting and measurement rules are described in section 2 of the notes to the 2008 consolidated financial statements presented under IFRS.

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

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

The Euler Hermes group's consolidated financial statements are drawn up on a quarterly basis. They are prepared by the Euler Hermes' Group Management Board and submitted to the Group Audit Committee and then to the Supervisory Board.

They are published four times a year on the basis of quarterly and annual reports in accordance with AMF regulations. At June 30th they are subject to a limited review by the Independent Auditors while the annual financial statements are subject to an audit at the level of the individual accounts of the consolidated entities and the consolidated financial statements themselves.

In addition, a certificate of compliance signed by the subsidiary's chairman and financial manager is used with regard to quarterly accounts drawn up by group companies and sent to the Consolidation department.
An identical certificate signed by the Chairman of the Group Management Board and the group's Chief Financial Officer is sent to the principal shareholders.

The consistency and uniformity of the consolidated data are ensured by the use of standard consolidation packages, the regular updating of group instructions and controls to ensure these are applied.
A standard chart of accounts enabling the upstreaming of relevant information compliant with the principal shareholders' own regulations has been put in place in all group companies.

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

Consolidation package

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

Instruction manual

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

The Management Control department

Three levels of internal organisation

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

Direct dependence on corporate governance bodies

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

Management control tasks

The main responsibilities of management control are as follows:
- drawing up budgets and adjusting annual forecasts;
- analysing changes in business each month using operational and financial indicators;

and, in addition, at group level:
- consolidating operating data and reports sent by subsidiaries;
- drawing up budgets and adjusting annual forecasts for the holding company and central entities;
- making comparisons between subsidiaries;
- preparing reports for shareholders;
- checking the consistency of data contained in consolidation packages.

Tools that are harmonised within the group

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

A data analysis process that covers the entire business

Regardless of the event in question (monthly analysis, quarterly closing, updating of forecasts or preparation of the budget), controls are carried out mainly on the following data:
- exogenous data: reinsurance conditions, financial assumptions, rate of tax in particular;

- endogenous data: commercial production (premiums, premium rates, etc.), changes in loss ratios and overheads, headcount in particular;
- adherence to accounting rules: reserves booked for premiums, reserves booked for claims, monitoring the liquidation of reserves;
- analysis of the economic added value contributed by subsidiaries and consolidation of the group's economic added value.

This analysis is by business line.

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

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

Full and detailed annual forecasts are updated annually, in September. They are used to adjust the budgets in accordance with the most recent changes in business. This is a formal procedure, giving rise to the issuance of guidelines and the transmission of a budgetary package to the group in return, which is subject to in-depth discussions between the subsidiaries and the group.
A "flash forecast" procedure implemented monthly provides for the rapid identification of any developments in the subsidiaries that may have an impact on the group's results.

The Assets/Liabilities Management department

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

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

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

CONCLUSION

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

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

Date: March 17th, 2009

Jean-Philippe THIERRY
Chairman of Euler Hermes' Supervisory Board

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

YEAR ENDED DECEMBER 31ST, 2008

To the shareholders,

In our capacity as independent auditors of Euler Hermes SA and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we hereby present our report on the report prepared by your company's Chairman in accordance with the provisions of Article L. 225-68 of the French Commercial Code for the year ended December 31st, 2008.
The Chairman is required to establish and submit for the approval of the Supervisory Board a report on the internal control and risk management procedures put in place within the Company, and which contains the other information required by Article L. 225-68 of the French Commercial Code relating in particular to corporate governance procedures.
It is our responsibility:
- to inform you of our observations on the information contained in the Chairman's report on internal control procedures relating to the preparation and processing of accounting and financial information; and
- to certify that the report contains the other information required by Article L. 225-68 of the French Commercial Code, it being specified that it is not our responsibility to verify the accuracy of such other information.

We have conducted our work in accordance with the professional standards applicable in France.

Information on internal control procedures relating to the preparation and processing of accounting and financial information

Those professional standards require us to perform tests designed to verify the accuracy of the information contained in the Chairman's report on internal control procedures relating to the preparation and processing of accounting and financial information. In particular, these tests involve:
- reviewing the internal control procedures relating to the preparation and processing of accounting and financial information forming the basis for the information presented in the Chairman's report and the existing documentation;
- reviewing the work that forms the basis for the preparation of this information and the existing documentation;
- determining if any major internal control weaknesses relating to the preparation and processing of accounting and financial information that we may have identified during our assignment are appropriately disclosed in the Chairman's report.

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

Other information

We certify that the report of the Chairman of the Supervisory Board contains the other information required pursuant to Article L. 225-68 of the French Commercial Code.

Paris La Défense, March 31st, 2009

KPMG Audit
A division of KPMG SA
Xavier Dupuy
Partner

Paris, March 31st, 2009

ACE – Auditeurs et Conseils d'Entreprise

Alain Auvray
Partner

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Consolidated statement of financial position

(in thousands of euros)	Notes	31/12/2008	31/12/2007
Goodwill	1	102,678	115,577
Other intangible assets	2	83,235	58,278
Intangible assets		**185,913**	**173,855**
Investment property	3	71,834	86,247
Financial investments	4	2,590,986	2,956,590
Derivatives		3,052	6,247
Investments - insurance businesses		**2,665,872**	**3,049,084**
Investments accounted for by the equity method	**5**	**93,550**	**52,206**
Share of assignees and reinsurers in the technical reserves and financial liabilities	**16**	**417,978**	**365,455**
Operating property and other property and equipment	6	162,426	158,442
Acquisition costs capitalised		46,798	32,872
Deferred tax assets	7	31,942	14,559
Inwards insurance and reinsurance receivables	8	498,208	429,507
Outwards reinsurance receivables	8	96,225	65,649
Corporation tax receivables		94,890	24,165
Other receivables	9	149,386	143,649
Other assets		**1,079,875**	**868,843**
Cash	**10**	**613,907**	**378,103**
TOTAL ASSETS		**5,057,095**	**4,887,546**

(in thousands of euros)	Notes	31/12/2008	31/12/2007
Capital stock		14,426	14,417
Additional paid-in capital		451,924	451,332
Reserves		1,307,927	1,125,417
Net income, group share		83,592	406,958
Revaluation reserve	11	50,279	90,438
Translation reserve		(73,191)	(29,821)
Shareholders' equity, group share		**1,834,957**	**2,058,741**
Minority interests	12	20,328	19,179
Total shareholders' equity		**1,855,285**	**2,077,920**
Provisions for risks and charges	**13**	**141,648**	**127,174**
Bank borrowings		2,313	-
Other borrowings		295,433	295,746
Borrowings	**15**	**297,746**	**295,746**
Gross non-life technical reserves	16	1,853,698	1,426,141
Liabilities related to contracts		**1,853,698**	**1,426,141**
Deferred tax liabilities	7	354,367	365,948
Inwards insurance and reinsurance liabilities	17	195,172	164,805
Outwards reinsurance liabilities	17	96,697	92,016
Corporation tax payables		30,222	71,942
Other	18	232,260	265,854
Other liabilities		**908,718**	**960,565**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**5,057,095**	**4,887,546**

Consolidated income statement

(in thousands of euros)	Notes	31/12/2008	31/12/2007
Premiums written		*1,878,779*	*1,829,672*
Premiums refunded		*(78,383)*	*(74,780)*
Change in unearned premiums		*(26,437)*	*(28,189)*
Earned premiums		1,773,959	1,726,703
Premium-related revenues		392,492	372,745
Turnover	**19**	**2,166,451**	**2,099,448**
Investment income		136,419	124,961
Investment management charges		(19,999)	(12,330)
Net gain (loss) on sales of investments less impairment and depreciation writebacks		39,944	78,644
Change in fair value of investments recognised at fair value through profit or loss		-	(2,190)
Change in investment impairment provisions		(23,424)	(3,926)
Net investment income	**20**	**132,940**	**185,159**
Insurance services expense		**(1,307,430)**	**(754,063)**
Outwards reinsurance expense		(400,740)	(458,243)
Outwards reinsurance income		389,376	327,132
Net outwards reinsurance income or expense	**19**	**(11,364)**	**(131,111)**
Contract acquisition expense		**(311,506)**	**(302,514)**
Administration expense		**(220,563)**	**(214,270)**
Other ordinary operating income and expense	**22**	**(280,028)**	**(304,959)**
ORDINARY OPERATING INCOME		**168,500**	**577,690**
Other operating income and expense		-	-
OPERATING INCOME	**19**	**168,500**	**577,690**
Financing expense		(16,089)	(12,918)
Income from companies accounted for by the equity method	5	7,875	8,277
Corporation tax	23	(72,196)	(162,085)
CONSOLIDATED NET INCOME		**88,090**	**410,964**
o/w			
NET INCOME, GROUP SHARE		**83,592**	**406,958**
Minority interests	12	4,498	4,006
Earnings per share (€)	**24**	**1.92**	**9.33**
Diluted earnings per share (€)	**24**	**1.92**	**9.30**
Earnings per share of continuing activities (€)		**1.92**	**9.33**
Diluted earnings per share of continuing acitivies (€)		**1.92**	**9.30**

Consolidated statement of cash flows

(in thousands of euros)	31/12/2008	31/12/2007
Net income, group share	**83,592**	**406,958**
Corporation tax	72,196	162,085
Financing expense	16,090	12,918
OPERATING INCOME BEFORE TAX	**171,878**	**581,961**
Minority interests	4,498	4,006
Allocation to and writebacks of depreciation, amortisation and reserves	51,855	67,480
Change in technical reserves	423,495	48,077
Change in deferred acquisition costs	(21,242)	(1,864)
Change in fair value of financial instruments recognised at fair value through the income statement (excluding cash and cash equivalents)	-	2,190
Realised capital gains/(losses) net of writebacks	(39,822)	(78,855)
Unrealised foreign exchange gain (loss) in company accounts	(3,048)	1,610
Revenues and expenses linked to stock options and similar	(659)	2,234
Interest revenues received	(118,023)	(101,870)
Interest revenues cashed	73,654	83,886
Adjustment for elements included in operating income that do not correspond to cash flows and reclassification of financing and investment flows	**370,708**	**26,894**
Income (loss) of companies accounted for by the equity method	(7,875)	(8,277)
Dividends received from companies accounted for by the equity method	6,970	5,452
Change in liabilities and receivables relating to insurance and reinsurance transactions	(49,611)	(41,578)
Change in inventories	(1)	42
Change in operating receivables and liabilities	(36,080)	22,246
Change in other assets and liabilities	(10,531)	(11,075)
Corporation tax	(179,188)	(165,579)
Cash flow related to operating activities	**(276,316)**	**(198,769)**
CASH FLOW FROM OPERATING ACTIVITIES	**266,270**	**410,086**
Acquisitions of subsidiaries and joint ventures, net of acquired cash	(980)	(2,593)
Disposals of subsidiaries and joint ventures, net of acquired cash	-	1
Acquisition of equity interests in companies accounted for by the equity method	(32,980)	(11,905)
Merger	-	(1)
Others	-	-
Cash flow linked to changes in the consolidation scope	**(33,960)**	**(14,498)**
Disposals of AFS securities	1,518,000	1,443,569
Matured HTM securities	8,661	7,561
Disposals of investment properties	25,828	1,453
Disposals of securities held for trading	446	1,288

Consolidated statement of cash flows

(in thousands of euros)		31/12/2008	31/12/2007
Cash flow linked to disposals and redemptions of investments		**1,552,935**	**1,453,871**
Acquisitions of AFS securities		(1,024,678)	(1,457,058)
Acquisitions of HTM securities		-	-
Acquisitions of investment properties		(922)	(14,197)
Acquisitions of trading securities		(1,255)	(6,820)
Cash flow linked to acquisitions of investments		**(1,026,855)**	**(1,478,075)**
Disposals of other investments and intangible assets		172,683	54,585
Acquisitions of other investments and intangible assets		(468,750)	(192,043)
Cash flow linked to acquisitions and disposals of other investments and intangible assets		**(296,067)**	**(137,458)**
CASH FLOW FROM INVESTING ACTIVITIES		**196,053**	**(176,160)**
Increases and decreases in capital		555	3,329
Increases in capital		*575*	*3,333*
Decreases in capital		*(20)*	*(4)*
Change in treasury stock		(9,423)	3,612
Dividends paid		(221,130)	(177,225)
Cash flow linked to transactions with the shareholders		**(229,998)**	**(170,284)**
Changes in loans and subordinated securities		(814)	(772)
Issue		*87*	*458*
Repayment		*(901)*	*(1,230)*
Interest paid		(16,352)	(14,722)
Cash flow from group financing		**(17,166)**	**(15,494)**
CASH FLOW FROM FINANCING ACTIVITIES		**(247,164)**	**(185,778)**
Impact of foreign exchange differences on cash and cash equivalents		18,511	(2,732)
Reclassification (1)		(9,768)	(59,413)
Other cash flows linked to restructuring operations		-	-
OTHER NET CHANGES IN CASH		**8,743**	**(62,145)**
Change in cash flows		**223,902**	**(13,997)**
Change in cash and cash equivalents		**223,902**	**(13,997)**
Cash and cash equivalents at start of period	**Note 10**	**388,421**	**402,418**
Cash and cash equivalents at end of period	**Note 10**	**612,323**	**388,421**

(1) As at December 31st, 2007, the reclassification of €(59,4) million corresponds mainly to cash equivalents in available for sale securities not taken into account in the cash position as at December 31st, 2006 for €(66) million. The balance of €6 million corresponds to the recognition under cash equivalents of short-term deposits not taken into account in the cash position at the start of the year.
As at December 31st, 2008, the reclassification of €(10) million corresponds mainly to cash wrongly booked in the opening for €(9) million. The balance of €(1) million corresponds to bank overdraft not taken into account in the cash position at the start of the year.

Consolidated statement of changes in equity

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

Consolidated statement of changes in equity

(in thousands of euros)	Capital stock	Additional paid-in capital	Retained earnings	Revaluation reserve	Autres			Share-holders' equity, group share	Minority interests	Total share-holders' equity
					Trans-lation reserve	Treasury shares	Total other			
Available-for-sale assets (AFS)							-	-		-
- Measurement gain/(loss) taken to shareholders' equity				(18,336)			-	(18,336)	(71)	(18,407)
- Impact of transferring realised gains and losses to income statement				(21,823)			-	(21,823)		(21,823)
Cash flow hedges							-	-		-
- Gain/(loss) taken to shareholders' equity							-	-		-
-Impact of transferring realised profits and losses in the year to income statement							-	-		-
- Impact of transfers on the initial amount of hedges							-	-		-
Impact of translation differences					(43,370)		(43,370)	(43,370)	(109)	(43,479)
Current and deferred tax taken directly to or transferred to shareholders' equity										
Net income recognised in shareholders' equity	**-**	**-**	**-**	**(40,159)**	**(43,370)**	**-**	**(43,370)**	**(83,529)**	**(180)**	**(83,709)**
Net income for the year			83,592				-	83,592	4,498	88,090
Total revenues and losses recognised for the period	**-**	**-**	**83,592**	**(40,159)**	**(43,370)**	**-**	**(43,370)**	**63**	**4,318**	**4,381**
Capital movements	9	592				(9,125)	(9,125)	(8,524)	-	(8,524)
Dividend distributions			(218,255)				-	(218,255)	(2,876)	(221,131)
Shareholders' equity component of share-based payment plans			1,489				-	1,489		1,489
Cancellation of gains/losses on treasury shares			(298)				-	(298)		(298)
Other movements			1,741				-	1,741	(293)	1,448
Shareholders ' equity as at December 31st, 2008 - IFRS	**14,426**	**451,924**	**1,476,216**	**50,279**	**(73,191)**	**(84,697)**	**(157,888)**	**1,834,957**	**20,328**	**1,855,285**

At December 31st, 2008, the capital stock of Euler Hermes consisted of 45,082,230 fully paid-up shares, including 1,540,644 treasury shares.

In accordance with IAS 39, available-for-sale (AFS) investments were remeasured at market value with the resulting gain or loss being taken directly to the revaluation reserve with no impact on the income statement. During the year, the reduction in the revaluation reserve totalled €(40,159) thousand net of taxes.

Variances in translation differences during the year concerned mainly the US dollar (€7,883 thousand) and the British pound (€(48,363) thousand).

Consolidated statement of changes in equity

29,717 new shares were created as a result of the exercise of stock options during 2008. Following these transactions, the share capital and additional paid-in capital of Euler Hermes SA increased by €9 thousand and €592 thousand respectively.

The variance of €1,489 thousand corresponds to an expense in respect of stock option plans in accordance with the application of IFRS 2.

The variance in minority interests is due mainly to the purchase of additional shares of Euler Hermes Guarantee Plc.

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

The other movements mainly correspond to the adjustments of the IFRS value of COSEC for €1.8 million.

Notes to the consolidated financial statements

1. SIGNIFICANT EVENTS

The following significant events occurred in 2008:
In 2008, the entire economic world was affected by a deeper economic and financial crisis.
The Euler Hermes group was impacted through an increase in the frequency and the amounts of claims.

Changes in the share capital and in share ownership

The Shareholders' General Meeting of May 15th, 2008 decided to distribute a dividend of €5.00 per share.
At December 31st, 2008, the Allianz group owned 30,744,048 shares out of a total of 45,082,230 shares, corresponding to 68.20% of the share capital of Euler Hermes.

During 2008, 29,717 new shares were created by the exercise of options under the 1998 and 2003 stock option plans. At December 31st, 2008, Euler Hermes' share capital was composed of 45,082,230 shares, including 1,540,644 shares held in treasury stock.

Ongoing international expansion

As at January 1st, 2008, the Euler Hermes Chinese subsidiary Euler Hermes Information Consulting Co., Ltd opened in Shanghai. Euler Hermes Information Consulting Co., Ltd took over all activities from Euler Hermes Services Shanghai Representative Office, assessing and signing credit limits for Chinese risks.

As at February 26th, 2008, Euler Hermes announced the opening of a subsidiary in Colombia located in Bogota. Euler Hermes Colombia will provide a host of accounts receivable management services to Colombian clients and give access to the Group's international network. In parallel, Euler Hermes clients worldwide will benefit from the new local risk underwriting presence in the region.

At the beginning of the 2nd quarter, Euler Hermes had strengthened its position in India with the creation of Euler Hermes Services India Private Limited. Euler Hermes began its activity in India in 2005 with a partnership signed with the local insurer Bajaj Allianz.

On April 7th, 2008 Euler Hermes announced the creation of Euler Hermes World Agency, a new subsidiary to serve multinational companies. Specifically created to meet the needs of multinational companies, Euler Hermes World Agency offers a dedicated team of experts and a unique portfolio of services to help them manage and secure their trade receivables.

On September 9th, 2008, Euler Hermes has signed a cooperation agreement with Qatar Insurance Company and its subsidiaries in Oman and Kuweit to provide credit insurance services in these three countries. Thanks to these cooperation and reinsurance agreements, companies based in Qatar, Oman and Kuwait now benefit from credit insurance, an efficient and flexible solution to mitigate trade credit risks. They can also rely on the expertise and knowledge of analysts who understand their local economic environment and culture to manage their trade receivables.

As at July 3rd, 2008, Euler Hermes and Rosno, both members of the Allianz group, have been co-operating in Russia since 2004. The two companies are now extending their partnership. Following the opening of a Euler Hermes Representative Office in Russia at Rosno's premises, the foundation of the company "OOO Euler Hermes Credit Management" represents a further step on the way to expanding private credit insurance cover both for Russian firms and for companies exporting to Russia.

Increased retention rate

The premium retention rate is the ratio of premiums after reinsurance to premiums before reinsurance. This rate rose from 73% in 2007 to 77% at end-December 2008. Earned premiums net of reinsurance increased by 8.26% year on year, of which 5.6% is attributable to the higher retention rate.

Notes to the consolidated financial statements

2. IFRS ACCOUNTING AND VALUATION RULES

The financial statements of the Euler Hermes group as at December 31st, 2008 were approved by the Board of Director's of February 17th, 2009. They will be submitted to validation to the Shareholders' General Meeting of May 15th, 2009.

2.1 General principles

In accordance with European regulation No. 1606/2002 of July 19th, 2002, the interim consolidated financial statements published at December 31st, 2008 were prepared in accordance with IFRS as adopted by the European Union. International accounting standards comprise IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), together with their interpretative texts.

The standards and interpretations applied stem essentially from:

- IAS/IFRS and their interpretative texts whose application is mandatory at December 31st, 2008 as adopted by the European Union;

- guidance provided in CNC recommendation No. 2006-R01 relating to the format of financial statements prepared by insurance firms under international accounting guidelines.

Euler Hermes didn't apply, by anticipation in 2008, IAS 19 – IFRIC 14 related to the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Voluntary prepaid contributions under a minimum funding requirement). The application of IFRIC 14 didn't impact the consolidated financial statements.

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

As at December 31st, 2008, Euler Hermes didn't apply the standards published by IASB that are not mandatory in 2008:

- IAS 1 revised – Presentation of financial statements;

- IAS 23 – Update related to the costs of borrowings;

- IFRS 8 – Operational segments;

- IFRS 2 update – Vesting conditions and cancellations;

- IAS 32 and IAS 1 update – Puttable financial instruments and obligations arising on liquidation;

- IFRS 1 and IAS 27 update – Cost of a investment in a subsidiary, jointly controlled entity or associate;

- IFRS 3 and IAS 27 update – Business combination;

- IAS 39 – Financial instruments – Hedge accounting recognition;

- IFRIC 12 – Service concession arrangements;

- IFRIC 13 – Customer Loyalty Programmes;

Notes to the consolidated financial statements

- IFRIC 15 – Agreements for the Construction of Real Estate;
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation;
- IFRIC 17 – Distribution to the stakeholders of non-monetary assets;
- IFRIC 18 – Transfers of Assets from Customers.

The Group will apply these standards and mandatory updates in 2009. The impacts are not yet finalised.

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

2.2 Consolidation scope

2.2.1 Changes in consolidation scope

Changes in the consolidation scope in 2008 were as follows:

Companies joining the group

Euler Hermes Information Consulting (Shanghai) Co., Ltd, Euler Hermes Colombie, Euler Hermes World Agency, OOO Euler Hermes Credit Management (Russia) and Euler Hermes Services India Private Limited were fully consolidated with effect from January 1st, 2008.

In the third quarter of 2008, Euler Hermes acquired 49% of the capital of OeKB Beteiligungs- und Management A.G., owned by Österreichische Kontrollbank (ÖKB), whose credit insurance offer includes cover for political risk. This acquisition was financed by the transfer of the shares in Prisma Kreditversicherungs A.G. (49%) and a cash payment. The impact on the consolidated financial statements of the transfer of the holding in Prisma Kreditversicherungs A.G. to this company is as follows:

- a gain on disposal of €12 million;
- goodwill amounting to €7 million.

Notes to the consolidated financial statements

Companies leaving the group

At the end of December 2008, the Lithuanian company, Lietuvos Draudimo Kreditu Draudimas, consolidated using the equity method, had been wound up.

2.2.2 List of consolidated companies

French companies	Consolidation Method	31/12/2008		31/12/2007	
		% control	% interest	% control	% interest
Euler Hermes SA (1) 1, rue Euler - 75008 Paris N°Siren: 552 040 594	Held by AGF: 68.20%	Parent company	Parent company	Parent company	Parent company
Bilan Services SNC 25, boulevard des Bouvets - 92000 Nanterre N°Siren: 333 192 631	Full	50.00	50.00	50.00	50.00
Codinf Services SA 29, rue de Délizy - 93500 Pantin N°Siren: 341 693 778	Full	100.00	100.00	100.00	100.00
Euler Hermes Asset Management SA 1, rue Euler - 75008 Paris N°Siren: 422 728 956	Full	100.00	100.00	100.00	100.00
Euler Hermes Services SAS 1, rue Euler - 75008 Paris N°Siren: 414 960 377	Full	100.00	100.00	100.00	100.00
Euler Hermes SFAC SA 1-3-5, rue Euler - 75008 Paris N°Siren : 348 920 596	Full	100.00	100.00	100.00	100.00
Euler Hermes SFAC Crédit SAS 1, rue Euler - 75008 Paris N°Siren: 388 236 853	Full	100.00	100.00	100.00	100.00
Euler Hermes SFAC Recouvrement SAS 1, rue Euler - 75008 Paris N°Siren: 388 238 026	Full	100.00	100.00	100.00	100.00
Euler Hermes Tech SAS 1, rue Euler - 75008 Paris N°Siren: 388 237 091	Full	100.00	100.00	100.00	100.00
Euro Gestion EURO VL - Immeuble Colline Sud - 10, passage de l'Arche 92034 Paris La Défense FR0007047568	Full	100.00	100.00	100.00	100.00
Euler Gestion CIC Asset Management - 4, rue Gaillon - 75002 Paris FR0007434980	Full	100.00	100.00	100.00	100.00
Euler Hermes World Agency 8, Rue Euler - 75008 Paris N°Siren: 487 550 907	Full	100.00	100.00	0.00	0.00

(1) Proportion held is based on a total of 45,082,230 shares (before restatement of treasury shares).

Notes to the consolidated financial statements

Foreign companies	Country	Consolidation Method	31/12/2008		31/12/2007	
			% control	% interest	% control	% interest
Bürgel Wirtschaftsinformationen GmbH & Co. K.G. Gasstraße 18 - Hambourg	Germany	Full	50.10	50.10	50.10	50.10
Bürgel Wirtschaftsinformationen Verwaltungs-GmbH Gasstr.18 D-22761 Hambourg	Germany	Full	50.40	50.40	50.40	50.40
Euler Hermes Forderungsmanagement GmbH 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 Argentina San Martin 550- C1004AAL Buenos Aires	Argentina	Full	100.00	100.00	100.00	100.00
Euler Hermes Trade Credit Underwriting Agents Suite 1403, Level 14, 14 Martin Place - NSW 2000 -Sydney	Australia	Full	100.00	100.00	100.00	100.00
Prisma Kreditversicherungs-AG Heiligenstadter Strasse 201 - Vienne	Austria	Equity	49.00	49.00	49.00	49.00
OeKB EH Beteiligungs- u. Manag Strauchgasse 1-3 - 1010 - Vienne	Austria	Equity	49.00	49.00	0.00	0.00
Euler Hermes Credit Insurance Belgium SA (NV) 15, rue Montoyer - 1000 Bruxelles - RC Bruxelles: 31 955	Belgium	Full	100.00	100.00	100.00	100.00
Euler Hermes Services Belgium SA (NV) 15, rue Montoyer - 1000 Bruxelles - RC Bruxelles: 45 8033	Belgium	Full	100.00	100.00	100.00	100.00
Graydon Belgium (NV) Uibreidingstraat 84 Bus 1 - 2500 Berchem	Belgium	Equity	27.50	27.50	27.50	27.50
Euler Hermes Seguros de Crédito SA Alameda Santos 2335 Conj. 51 - Cerqueira César 01419-002 - São Paulo	Brazil	Full	100.00	100.00	100.00	100.00
Euler Hermes Serviços Ltda Alameda Santos 2335 Conj. 51 - Cerqueira César 01419-002 - São Paulo	Brazil	Full	100.00	100.00	100.00	100.00
Euler Hermes Do Brasil Exportaçao Alameda Santos 2335 Conj. 51 - Cerqueira César 01419-002 - São Paulo	Brazil	Full	100.00	100.00	100.00	100.00
Euler Hermes Information Consulting (Shanghai) Co. Ltd Unit F, 7th Floor - Mirae Asset Tower - 166 Lujiazui Ring Road – Pudong - Shanghai, 200120	China	Full	100.00	100.00	0.00	0.00
Euler Hermes Colombie Carrera 13A No. 29-24, Torre Colseguros - Bogota	Colombia	Full	100.00	100.00	0.00	0.00
Euler Hermes Crédito Compaña de Seguros y Reaseguros S.A. Paseo de la Castellana, 95 - Edificio Torre Europa - Planta 14 - 28046 Madrid	Spain	Full	100.00	100.00	100.00	100.00
Euler Hermes Servicios SL Paseo de la Castellana, 95 - Edificio Torre Europa - Planta 14 - 28046 Madrid	Spain	Full	100.00	100.00	100.00	100.00
Euler Hermes Services Estonia OÜ Tallinn Tina str 9, 10126 Tallin	Estonia	Full	100.00	100.00	100.00	100.00

Notes to the consolidated financial statements

Foreign companies	Country	Consolidation Method	31/12/2008		31/12/2007	
			% control	% interest	% control	% interest
Euler Hermes ACI Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00
Euler Hermes ACI Collections Services Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00
Euler Hermes ACI Holding Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00
Euler Hermes ACI Services, LLC 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00
Euler Hermes Emporiki SA 109-111, Messogion Ave - Politia Business Center - 115 26 Athènes	Greece	Full	60.00	60.00	60.00	60.00
Euler Hermes Emporiki Services Limited 109-111, Messogion Ave - Politia Business Center - 115 26 Athènes	Greece	Full	60.00	60.00	60.00	60.00
Euler Hermes Credit Underwriters Hong Kong Ltd 09/F Int. Finance Centre - 01, Harbour View street - Hong Kong	Hong Kong	Full	100.00	100.00	100.00	100.00
Euler Hermes Services (HK) Ltd 09/F Int. Finance Centre - 01, Harbour View street - Hong Kong	Hong Kong	Full	100.00	100.00	100.00	100.00
Euler Hermes Magyar Követeléskezelö Kft Kiscelli u.104 - 1037 Budapest	Hungary	Full	74.90	74.90	74.90	74.90
Euler Hermes Magyar Hitelbiztosító Rt Kiscelli u.104 - 1037 Budapest	Hungary	Full	74.89	74.89	74.89	74.89
Euler Hermes Services India Private Limited 4th Floor, Voltas House - 23, J N Heredia Marg - Ballard Estate - Mumbai 400 001	India	Full	100.00	100.00	0,00	0,00
Euler Hermes Credit Management Service Ireland Ltd 15, Blanchardstown Corporate Park - Ballygowan - Dublin	Ireland	Full	100.00	100.00	100.00	100.00
Israel Credit Insurance Company Ltd (ICIC) 2, Shenkar Street - 68010 Israël - Tel Aviv	Israel	Equity	33.33	33.33	33.33	33.33
Euler Hermes SIAC Via Raffaello Matarazzo - 00139 Rome	Italy	Full	100.00	100.00	100.00	100.00
Euler Hermes SIAC Services S.R.L. Via Raffaello Matarazzo - 00139 Rome	Italy	Full	100.00	100.00	100.00	100.00
Logica S.R.L. Via Raffaello Matarazzo - 00139 Rome	Italy	Full	100.00	100.00	100.00	100.00
Euler Hermes Credit Services (Japan) Ltd 08-07, Kyobashi 1-chome, Chuo-Ku - Tokyo	Japan	Full	100.00	100.00	100.00	100.00
Euler Hermes Services Latvija S.I.A. Skolas 9-5, LV-1010 Riga	Latvia	Full	100.00	100.00	100.00	100.00
Lietuvos Draudimo Kreditu Draudimas Jasinskio 16, Vilnius	Lituania	Equity	0.00	0.00	51.00	51.00
UAB Euler Hermes Services Baltic Jasinskio 16, Vilnius	Lituania	Full	100.00	100.00	100.00	100.00
Euler Hermes Ré 6 B, Route de Trèves - 02633 Senningerberg	Luxembourg	Full	100.00	100.00	100.00	100.00

Notes to the consolidated financial statements

Foreign companies	Country	Consolidation Method	31/12/2008		31/12/2007	
			% control	% interest	% control	% interest
Euler Hermes Acmar 243, boulevard Mohammed V - 20000 Casablanca	Morocco	Full	55.00	55.00	55.00	55.00
Euler Hermes Acmar Services 243, boulevard Mohammed V - 20000 Casablanca	Morocco	Full	55.00	55.00	55.00	55.00
Euler Hermes Seguro de Crédito SA Blvd Manuel Avila Camacho #164, 8° piso - Col. Lomas de Barrilaco - Mexico, DF CP 11010	Mexico	Full	100.00	100.00	100.00	100.00
Euler Hermes Servicios SA Blvd Manuel Avila Camacho #164, 8° piso - Col. Lomas de Barrilaco - Mexico, DF CP 11010	Mexico	Full	100.00	100.00	100.00	100.00
Euler Hermes Trade Credit Ltd. Lumley Centre 88 Shortland Street - PO Box 3197 - Auckland	New Zealand	Full	100.00	100.00	100.00	100.00
Euler Hermes Interborg NV Hoogoorddreef 5 - Postbus/PO 1100 AL Amsterdam	Netherlands	Full	100.00	100.00	100.00	100.00
Euler Hermes Kredietverzekering NV Pettelaarpark 20 - Postbus 70571 - NL-5201 CZ's-Hertogenbosch	Netherlands	Full	100.00	100.00	100.00	100.00
Euler Hermes Services BV Pettelaarpark 20 - Postbus 70571 - NL-5201 CZ's-Hertogenbosch	Netherlands	Full	100.00	100.00	100.00	100.00
Graydon Creditfink BV Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Graydon Holding NV Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Graydon Nederland BV Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Kisys Krediet Informatie Systemen BV 270 - 1101 B.V. Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
MarkSelect BV Diemerhof 26 - Postbus 22969 - 1100 DL Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Interpolis Kredietverzekeringen NV Pettelaarpark 20 - 5216 PD's Hertogenbosch	Netherlands	Proportional	45.00	45.00	45.00	45.00
Euler Hermes Zarzadzanie Ryzykiem Sp. Z.o.o. ul. Chocimska, 17 - 00 791 Varsovie	Poland	Full	100.00	100.00	100.00	100.00
Towarzystwo Ubezpieczen Euler Hermes SA ul. Chocimska, 17 - 00 791 Varsovie	Poland	Full	100.00	100.00	100.00	100.00
Euler Hermes, Anna Kozinska-Kancelaria Prawna Sp.k ul. Chocimska, 17 - 00 791 Varsovie	Poland	Full	99.98	99.98	99.98	99.98
Companhia de Seguro de Creditos SA (COSEC) Avenida de Republica, n° 58 - 1069-057 Lisboa	Portugal	Equity	50.00	50.00	50.00	50.00
Euler Hermes Cescob, uverova pojist'ovna, a.s. Molakova 576/11, 186 00 Pragues 8	Czech Republic	Full	100.00	100.00	100.00	100.00
Euler Hermes Cescob Service, SRO Zahrebska 23-25 - 120 00 Pragues 2	Czech Republic	Full	100.00	100.00	100.00	100.00
Euler Hermes Servicii Financiare S.R.L. 6 Petru Maior street, Bucharest 011264	Romania	Full	79.92	79.92	79.92	79.92

Notes to the consolidated financial statements

Foreign companies	Country	Consoli-dation Method	31/12/2008		31/12/2007	
			% control	% interest	% control	% interest
Euler Hermes UK Plc 1, Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
Euler Hermes Collections UK Ltd 1, 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	100.00	100.00	98.72	98.72
Euler Hermes Holdings UK Plc 1, Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
Euler Hermes Risk Services UK Ltd 1, Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
Euler Hermes International Ltd 1, Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
Euler Hermes Management Services UK Ltd 1, Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
Graydon U.K. Limited Hyde House, Edgware road - Colindale - Londres NW9 6LW	United Kingdom	Equity	27.50	27.50	27.50	27.50
000 Euler Hermes Credit Management ul. Krymskij Val 3, Building 3, 2, Office 210 - 119049 - Moscou	Russia	IG	100.00	100.00	0.00	0.00
Euler Hermes Credit Insurance Agency (S) Pte. Ltd 3 Temasek Avenue - # 08-01 Centennial Tower - Singapore 039130	Singapore	Full	100.00	100.00	100.00	100.00
Euler Hermes Serwis SRO Bratislava Plynarenska 4659/1 821 09 Bratislava, Slovakia	Slovakia	Full	100.00	100.00	100.00	100.00
Euler Hermes Credit Insurance Nordic AB Klara Norra Kyrkogata 29 - SE 101 34 Stockholm	Sweden	Full	100.00	100.00	100.00	100.00
Euler Hermes Service AB Klara Norra Kyrkogata 29 - SE 101 34 Stockholm	Sweden	Full	100.00	100.00	0.00	0.00
Euler Hermes Services AG General Wille strasse 10 - 8002 Zurich	Switzerland	Full	99.50	99.50	99.50	99.50
Euler Hermes Reinsurance AG Tödistrasse 65 - 8002 Zurich	Switzerland	Full	100.00	100.00	100.00	100.00
Euler Hermes Risk Yönetimi Dereboyu Sokak, Sun Plaza, Plaza Cubes, Maslak - 34398 Istanbul	Turkey	Full	100.00	100.00	100.00	100.00
Euler Hermes Sigorta Anonim Sirketi Dereboyou Sokak - Sun Plaza, Floor 13, Plaza Cubes, Off. N°24, Maslak - 34398 - Istanbul	Turkey	Full	100.00	100.00	0.00	0.00

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

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

Notes to the consolidated financial statements

2.3 Consolidation principles and methods

2.3.1 Consolidation policies

Euler Hermes consolidates entities within its scope using the consolidation method that must be applied according to the type of control that it exercises over the entity.
The group uses the acquisition method for recognising purchases of subsidiaries. The acquisition cost is measured as the fair value of the assets received, of shareholders' equity instruments issued and of liabilities incurred or committed (included contingent liabilities) to as at the transaction date plus any costs that are directly attributable to the acquisition. Any excess of the acquisition cost over the fair value of the group's share of the identified net assets acquired is recorded as goodwill. For companies accounted for by the equity method, this goodwill is not recognised separately, but instead is included in the amount of investments accounted for by the equity method. If the acquisition cost is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Subsidiaries

Subsidiaries are entities that are controlled by Euler Hermes. Control is the power, direct or indirect, to direct the financial and operational policies of an entity in order to obtain benefits from its activities. In assessing whether or not control exists, potential voting rights and conversion options that can be exercised during the period in question are taken into account. The financial statements of a subsidiary are incorporated into the group's consolidated financial statements from the date on which the parent company acquires control of the subsidiary until the date on which its ceases to exercise such control.
The group currently has holdings of less than 20% in certain mutual funds that are not consolidated. Controlling of more than 50% in other mutual funds is consolidated using the full consolidation method. This concerns the following mutual funds:
- Euler Gestion;
- Euro Gestion.

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

Companies accounted for by the equity method

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

Holdings in such companies are accounted for using the equity method. These companies are:
- Prisma OeKB EH Beteiligungs- u. Managment;
- Graydon Holding NV;
- Companhia de Seguro de Creditos SA (COSEC);
- Israel Credit Insurance Company Ltd (ICIC).

At present, Lietuvos Draudimo Kreditu Draudimas, accounted for using the equity method even though it is exclusively controlled, was wound up.

Notes to the consolidated financial statements

Entities under joint control (joint ventures)

Entities under joint control are those over whose economic activity the group exercises joint control by virtue of a contractual agreement. The financial statements of a joint venture are incorporated into the consolidated financial statements using the proportional consolidation method, by means of which the group's share of each of the assets, liabilities, income and expenses of the jointly controlled entity is combined, line by line, with the corresponding items in the group financial statements, from the date on which the parent company acquires joint control until it ceases to have such control.
NV Interpolis Kredietverzekeringen is controlled jointly by Euler Hermes Kredietverzekering NV, which owns 3,742 shares out of a total of 8,315 shares, and Interpolis Verzekeringen NV, which owns 4,573 shares out of a total of 8,315 shares. Each share represents one voting right. An executive director is appointed by each party and all decisions are subject to agreement.
COSEC and OeKB are jointly controlled but accounted by equity method (see § 2.3.1). There are no other jointly controlled companies accounted by equity method.

2.3.2 Eliminations on consolidation

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

2.3.3 Financial year and year-end dates

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

2.3.4 Appeal to estimates

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

The estimates concerning technical provisions are also detailed in the part Risk Management.

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

	Estimates	Communicated Information
Note 1	Impairment of goodwill	An impairment of goodwill is recognised when the higher of the Cash Generating Unit's value in use (present value of future cash flows) and fair value less any selling costs is less than its carrying amount (share of net assets and goodwill). The fair value of the Cash Generating Unit's is based on assumptions of capital costs, growth rate to infinity and loss ratio & standard retention rates used in the calculation of the final values.
Note 3	Fair value of real estate held for investments & for use	The fair value of buildings is estimated based on market prices, adjusted, where applicable, to take into account the nature, location or other specific features of the building concerned.
Note 16	Earned but not recorded premiums reserves	This reserve is established based on the estimate of the amount of premiums expected on the period less the amount of premiums recorded on the period.
Note 16	Provisions for salvages & recoveries	This reserve represents the estimate of potential recoveries on settled claims by a statistical calculation based on the evolution of salvages & recoveries by year of attachment on previous exercises. They take into consideration a provision for administration charges determined in accordance with actual observed expenses.

Notes to the consolidated financial statements

Note 16	Bonus & profit commission reserve	This reserve is intended to cover the future cost corresponding to premium rebates to be granted to policyholders under the terms of policies giving policyholders a share in their technical positive results.
Note 16	Reserves for claims payable	This reserve corresponds to a statistical estimate of the cost of all outstanding claims, that is to say claims reported but not yet settled.
Note 16	IBNR reserve	In credit-insurance, the IBNR are calculated to cover: - the claims which occurred before the closing and will be known only on the next period; - the claims related to commercial receivables accounted before the closing and covered by a warranty which will occur and be known only on the next period. They are determined based on statistical models integrating historical data as well as future developments based on estimates. Considering the current economic crisis and the methods of assessment of credit-insurance, the IBNR might be different from the ones calculated on statistical basis. Indeed, non anticipated assessments might occur and modify the assumptions previously retained for the determination of IBNR.
Note 19	Employee benefits	The related commitments are measured in accordance with IAS 19, by independent actuaries. The commitment is recognised in the balance sheet using the projected unit credit method, based on the group actuarial assumptions, which are reviewed each year
Note 29	Stock options plans	The fair value of the liabilities resulting from the SAR (Stock Appreciation Rights) and RSU (Restricted Stocks Units) plans is reassessed at each balance sheet date based on the Allianz share price, until expiry of the obligation, and is calculated using the Cox-Ross-Rubinstein binomial valuation model.

2.3.5 Translation

2.3.5.1 Translation of transactions denominated in a foreign currency

In accordance with IAS 21, transactions denominated in foreign currencies (currencies other than the operating currency) are translated into the currency used by the group for operating at the transaction rate; the subsidiaries use average rates (average of monthly closing rates) which are considered as the closest rate at the transaction date.

At each closing, the entity must translate balance sheet items denominated in a foreign currency into its operating currency by means of the following procedures:

- monetary items (notably bond investments, receivables and liabilities and technical insurance reserves) are translated at the closing exchange rate and any resulting gains and losses are recognised in the net income for the year;
- non-monetary items that are measured at historical cost (notably property investments) are translated at the exchange rate prevailing on the transaction date; and,
- non-monetary items that are measured at fair value (notably equity investments) are translated at the exchange rate prevailing on the fair-value valuation date.

Notes to the consolidated financial statements

2.3.5.2 Translation of the financial statements of foreign companies

The financial statements of foreign subsidiaries are prepared in their operating currency. At each closing, the income statement and the balance sheet of each entity are translated into euros to facilitate the presentation of the consolidated financial statements, using the following procedure:

- the assets and liabilities of each balance sheet presented are translated at the closing rate;

- the income and expense of each income statement (including comparatives) are translated at the exchange rates prevailing on the individual transaction dates (in practice, an average exchange rate is used, which is equal to the average of the monthly closing rates for the period, except on the case of significant fluctuations in the exchange rate).

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

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

in euros vs currency	31/12/2008		31/12/2007	
	closing	average	closing	average
Pound sterling	0.9525	0.802554	0.7334	0.6873
US dollar	1.3917	1.47259	1.4721	1.3797
Swedish krona	10.87	9.68326	9.4415	9.2647
Brazilian real	3.2436	2.6774	2.6018	2.6549
Hong Kong dollar	10.7858	11.46265	11.48	10.761
Swiss franc	1.485	1.57863	1.6547	1.6459

2.3.6 Sectoral data

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

2.3.7 Goodwill and other intangible assets

2.3.7.1 Goodwill

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

For business combinations made prior to March 31st, 1998, goodwill is recognised on the basis of the presumed cost, which corresponds to the carrying amount calculated by reference to the accounting rules used prior to the date of transition to IFRS.
Goodwill is recognised at acquisition cost less any accumulated impairment write-downs.
With effect from January 1st, 2004, goodwill is no longer amortised in accordance with IFRS 3, but instead is subject to impairment testing, either annually or more frequently if events or changes in circumstances suggest that impairment may have occurred (see § 2.3.7.3).
If the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination (i.e. negative goodwill), a further review is undertaken of the identification and measurement of the identifiable assets, liabilities and contingent liabilities and of the assessment of the cost of the combination. Any excess identified after this review is recognised immediately in the income statement.

For the purposes of impairment testing, goodwill is allocated to Cash Generating Units or to groups of Cash Generating Units (see § 2.3.7.3 for the impairment test procedures).
At each closing, the carrying amount of the Cash Generating Unit (or groups of Cash Generating Units) to which the goodwill relates is compared with its recoverable value, which represents the higher of the fair value of the Cash Generating Unit less any selling costs and its value in use. The value in use is defined as the present value of future cash flows as identified in the business plans of the subsidiary concerned. Details of the method used to calculate the value in use are presented in note 1 Goodwill.
Goodwill arising from the acquisition of a holding in equity-accounted companies is not presented separately, but is included within the amount of the investments in companies accounted for by the equity method.

2.3.7.2 Other intangible assets

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

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

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

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

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

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

Notes to the consolidated financial statements

2.3.7.3 Impairment

Goodwill

In accordance with IFRS 3, goodwill is not amortised but is subject to an annual impairment test, or if an evidence of decrease in value is established, for each Cash Generating Unit (CGU) or group of CGUs to which the goodwill relates. The CGUs correspond to the main subsidiaries presented in the sectoral analyses. An impairment of goodwill is recognised when the higher of the Cash Generating Unit's value in use (present value of future cash flows) and fair value less any selling costs is less than its carrying amount (share of net assets and goodwill).
The main assumptions used to determine the value in use are as follows: indefinite renewal of policies, growth rate to infinity of between 0.5% and 2% depending on the CGU concerned, and a discount rate between 7.24% and 9.41% depending on the company. With effect from 2006, the discount rate used is determined by geographic region. The model is based on the projected 3-year budget prepared by management with a final year based on normalised management ratios (combined ratios and target retention rates) using a minimum rate of 83% for the combined ratio. Furthermore, as part of the setting up of a captive reinsurance company, the scope of the Cash Generating Units has been extended to include reinsurance assignments made to this new company as well as the share of related shareholders' equity. Lastly, the valuation model has been fine-tuned to incorporate specific treatment of capital surpluses actually available for distribution.

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

Other intangible assets

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

2.3.8 Property assets

2.3.8.1 Distinction between investment property and operating property

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

2.3.8.2 Recognition and measurement

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

Notes to the consolidated financial statements

The depreciable balance sheet amount corresponds to the acquisition cost (including expenditure that can be capitalised) less any residual value, where applicable, and any impairment. When the historical acquisition cost determined in this manner exceeds the residual value, a depreciation charge is recognised. The residual value corresponds to the amount that the business would currently obtain by selling an asset that has already reached the age and condition of the asset at the end of its useful life, net of any costs relating to its disposal.
For each category of property assets, the group has identified six significant components, in addition to land, each of which has a different useful life and must therefore be subject to a depreciation schedule according to their respective useful lives. The table below shows, for each category of property assets, the general allocation rules for each component, and the depreciation period and the residual value, where applicable. Acquisition expenses of properties are allocated to the components and depreciated over the same period.

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

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

2.3.8.3 Impairment

Investment property

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

Notes to the consolidated financial statements

Property for own use

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

2.3.9 Other property and equipment

Other property and equipment are recognised at cost less accumulated depreciation and impairment write-downs. The depreciation methods and useful lives are generally as follows:

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

2.3.10 Financial instruments

2.3.10.1 Financial investments

In accordance with IFRS, financial investments are analysed between the following categories: financial instruments at fair value through the income statement, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. The classification is determined on initial recognition of the instrument according to its nature and/or the group's ownership intention.
Euler Hermes' financial investments are mainly classified as available-for-sale investments. The group has not elected for the option enabling it to value its financial investments at fair value through the income statement.

Available-for-sale assets (AFS)

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

Initial recognition

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

Measurement

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

Impairment

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

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

The amount of the accumulated loss removed from shareholders' equity and recognised in the income statement is equal to the difference between the acquisition cost (net of any capital repayment and any write-downs) and the current fair value, less any impairment of this financial asset previously recognised in the income statement.
Any relevant decrease in the fair value of a stock already impaired is complementary accounted through the income statement.
Impairment recognised on a shareholders' equity instrument is never written back to the income statement prior to de-recognition of the instrument.

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

Disposal

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

Held-to-maturity assets (HTM)

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

Initial recognition

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

Measurement

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

Assets held for trading purposes

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

Initial recognition

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

Measurement

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

Loans and receivables

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

Recognition and measurement

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

Impairment

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

2.3.10.2 Derivatives

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

All derivatives are classified at fair value through the income statement except when it concerns a designated and effective hedging instrument. In the latter case, the instrument is still measured at fair value but the recognition of the gain or loss follows the procedures applicable to the hedging relationship to which it relates.
Within the Euler Hermes group, derivatives correspond mainly to interest rate swaps. Interest rate swaps are hedging agreements that concern underlyings of the same amount and same maturity.

Derivatives eligible for fair value hedge accounting (i.e. those used to hedge changes in the fair value of an asset or liability) are recognised as follows:

- the hedging instrument is recognised at fair value and any changes are recognised through the income statement;
- the carrying amount of the hedged item is adjusted for any gain or loss on the hedged item attributable to the risk hedged, the change being recognised through the income statement;
- the hedged item is remeasured at market value in respect of the component relating to the risk hedged.

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

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

Notes to the consolidated financial statements

2.3.11 Insurance and reinsurance receivables and liabilities

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

2.3.12 Acquisition costs capitalised

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

2.3.13 Current and deferred tax

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

2.3.14 Other receivables and operating liabilities

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

2.3.15 Other assets and other liabilities

These essentially comprise prepaid expense accounts.

2.3.16 Cash and cash equivalents

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

2.3.17 Provisions for risks and charges

2.3.17.1 Provisions

Provisions for risks and charges essentially comprise provisions for retirement commitments (see § 2.3.18). Other provisions are measured using the rules set out in IAS 37, which require the existence of a present obligation arising from a past event, the probability that an outflow of resources representing economic benefits will be necessary to settle the obligation, and a reliable estimate of the amount of the obligation. They are discounted in the event that the impact proves to be significant.

2.3.17.2 Contingent liabilities and contingent assets

A contingent liability is a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or otherwise of one or more uncertain future events, that are not under the full control of the business, or a present obligation arising from past events but which is not recognised, either because an outflow of resources is unlikely or because the amount of the obligation cannot be measured with sufficient reliability.
A contingent asset is a possible asset arising from past events and whose existence will be confirmed only by the occurrence or otherwise of one or more uncertain future events that are not under the full control of the business.
The group has not identified any contingent assets or liabilities corresponding to the above-mentioned definitions and requiring presentation in the notes to the financial statements.
Group companies may be concerned by disputes inherent in the exercise of their normal business. However, no exceptional events, disputes or arbitration procedures currently exist that are likely to have a material impact on the group's activity, results or financial situation.

2.3.18 Employee benefits

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

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

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

The related commitments are measured in accordance with IAS 19, by independent actuaries. The commitment is recognised in the balance sheet using the projected unit credit method, based on the group actuarial assumptions, which are reviewed each year. This method involves assigning an additional unit of rights to benefits for each period of service, with each of these units being measured separately to calculate the final commitment.
The group has put in place specific assets to cover certain plans. In this case, the commitment is reduced by the amount of the fair value of these assets. The commitment amount recognised as a liability is also adjusted for any actuarial variances and the past service cost.
Actuarial variances correspond to the change in the discounted value of the commitment or in the fair value of the assets, as a result of differences between the demographic and financial assumptions used in the calculations and the actual level of demographic and financial variables for the period (experience effect) and due to changes in the actuarial assumptions (IAS 19.7). These variances are recognised in the income statement using the corridor method. When the variances reach or exceed 10% of the higher (IAS 19.92) of the discounted value of the commitment or of the market value of the plan assets (the "corridor"), the amount by which these variances exceed 10% of the higher of these two values is spread over the expected average residual length of service of the plan beneficiaries.

Past service cost denotes the increase or decrease in the present value of the commitment in respect of defined benefits for services rendered during prior years, arising as a result of the introduction of a new retirement benefits plan or changes to plan arrangements during the current year. For benefit rights that have already been earned, the corresponding amount must be expensed immediately. For benefit rights that are not yet earned, the charge or income is spread on a straight-line basis over the average remaining length of service to be completed for the rights to be earned.
The Euler Hermes group also accrues commitments relating to other long-term benefits (long-service awards, etc.) granted to employees. The provision corresponds to the present value of the commitment and is calculated annually by the group.

As at January 1st, 2008, the Euler Hermes group applied by anticipation the interpretation of IAS19 standard – IFRIC 14 related to the capping of the asset, the mandatory minimal financing and their interaction. This application didn't impact the consolidated financial statements.

2.3.19 Share-based payments

IFRS 2 is applied to all measures concerned that are granted after November 7th, 2002.
Benefits granted to group employees involving the delivery of instruments representing shareholders' equity in group companies on preferential terms are now considered as additional remuneration and are recognised as an expense at their fair value on the allocation date with a corresponding entry to reserves. Where appropriate, this charge is spread over the vesting period. These benefits notably include discounts granted on the issue price of shares under capital increases reserved for employees as well as the fair value of stock purchase or subscription options granted to group employees.
Allianz has put in place stock option plans for the benefit of executives of the Euler Hermes group. On exercising their rights, these executives receive a cash amount corresponding to the difference between the market value and the subscription price (Stock Appreciation Rights plans - SAR), or shareholders' equity instruments (this action is possible under Restricted Stock Units plans - RSU).
The fair value of options granted is calculated using the Cox Ross Rubinstein valuation model.

2.3.20 Insurance and reinsurance contracts

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

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

2.3.20.1 Definition of insurance contracts

Insurance contracts are contracts under which the insurer accepts significant insurance risk. Insurance risk is a risk, other than a financial risk, that is transferred by the policyholder to the policy issuer (a financial risk is the risk of a future variation of one or several followed components: specified interest rate, price of financial instrument, price of a good, exchange rate, price or rate index, credit rating or credit index or other flexible component (if it concerns a non-financial component, the component must not be specific to one of the part of the contract).

Credit insurance contracts are included in IFRS 4 (paragraph B18 (g) of the standard), this standard being applied pending the standard on "Financial Guarantee Contracts and Credit Insurance".

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

2.3.20.2 Measurement of insurance contracts

Other than in the case of the specific exceptions defined in the standard, IFRS 4 permits the continued use of previous accounting principles for the recognition of insurance and reinsurance contracts. Euler Hermes has thus continued to apply the standards defined by CRC 2000-05 related to the consolidation and combination rules regulated by the Insurance Regulations taking into account the following points, which are covered by specific provisions introduced by IFRS 4:

- Removal of provisions for equalisation;
- Performance of a test for the adequacy of liabilities;
- Impairment testing of reinsurance assets;
- Identification and separation of embedded derivatives.

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

Analysis by function of expenses relating to contracts

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

Premiums

Premiums correspond to premiums written excluding taxes, before reinsurance and net of cancellations. They are recognised on the date on which the guarantee takes effect and include an estimate of premiums still to be written for the portion earned during the financial year and an estimate of premiums that will be cancelled after the balance sheet date.
Premiums recognised in turnover stem from the guarantees given to policyholders to cover their trade receivables that arise in the same period as that for which the premium is paid. Given settlement delays, the lag between the triggering event, i.e. bankruptcy of the debtor, and notification of the claim, there is also a lag between recording the premiums and the related claims. This lag is taken into account through the recognition of provisions for claims Incurred But Not Reported (IBNR).
Premium refunds granted to policyholders are now presented on a separate line as a deduction from earned premiums. Up to December 31st, 2005, they were recognised in insurance service expense.

Provisions for unearned premiums

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

Claims

Claims comprise the following items:

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

Reserves for claims payable

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

- claims reported but not yet settled at the balance sheet date;
- claims occurring during the period but reported after the balance sheet date and, in respect of trade receivables existing at the balance sheet date and covered by a policy on such date, claims that will occur and will be reported during subsequent periods. These so-called "unknown"

or "incurred but not reported" claims are estimated using statistical models that are essentially based on the level of claims observed during prior years.
Claims reserves are increased by a provision for administration charges.

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

Estimated recoveries

Recoveries are the result of actions taken by the company against defaulting debtors in order to fully or partially recover claims paid to policyholders.
Estimated recoveries are a prudent estimate of potential recoveries on settled claims and are recognised as a reduction in the amount of the reserves for claims payable. They take into consideration a provision for administration charges determined in accordance with actual observed expenses.

Other technical reserves

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

Test for the adequacy of liabilities

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

2.3.20.3 Reinsurance contracts

Acceptances

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

Assignments

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

Cash deposits received from reinsurers are recognised in liabilities arising on assigned reinsurance transactions. Receivables due from reinsurers are subject to impairment write-downs only if one of the following relevant evidence is noticed:
- the ceded company won't receive the entire amount due at the end of the contract;
- an event with an assessable impact occurs.

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2.3.21 Borrowings

Borrowings are contractual obligations that require the group to transfer cash or a financial asset to another entity, or to exchange with another entity a financial asset on potentially unfavourable terms.
The measurement and recognition of borrowings are defined by IAS 39. With the exception of derivatives (see §2.3.10.2), borrowings and other financial liabilities are recognised at fair value less any related transaction costs, and are subsequently measured at amortised cost calculated using the effective interest rate.
Borrowings include, within the meaning of IAS 39, borrowings, other financing and bank overdrafts, derivatives and amounts due to suppliers and social security liabilities included in "operating liabilities".

2.3.22 Income from ordinary activities

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

2.3.22.1 Premiums

Credit insurance premiums included in turnover correspond to written premiums excluding taxes, less premiums cancelled during the period and an estimate of written premiums that will be cancelled after the balance sheet date. They are increased by an estimate of the portion of premiums to be written that are earned during the period and adjusted by the movement in provisions for unearned premiums, which correspond to the share of written premiums covering the period after the balance sheet date. As from 2006, premium refunds granted to policyholders are now presented on a separate line as a deduction from turnover.
Premium-related revenues comprise enquiry and monitoring charges invoiced in respect of risk management and prevention on behalf of policyholders, and fees for the collection of disputed receivables. They also include income relating to the export guarantee activity managed on behalf of the German State and other technical income.

2.3.22.2 Investment income

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

Investment income net of management expense

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

Capital gains and losses on disposals of investments

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

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

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

Change in investment impairment charges

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

2.3.23 Insurance services expense

Insurance services expense includes the net cost of claims, i.e. claims settled during the period less recoveries received, the movement in claims reserves net of projected recoveries, expenses incurred or to be incurred for the management of claims payments and collections. The recognition principles applied to these items are those set out in IFRS 4 and are described in section 2.3.20.2 (Measurement of insurance contracts).

2.3.24 Net outwards reinsurance income or expense

This heading comprises the share of assignments and retrocessions of earned premiums, claims paid, changes in claims reserves, bonuses and commissions received from reinsurers. The recognition principles applied to these items are those set out in IFRS 4 and are described in section 2.3.20.3.

2.3.25 Administration expense

Administration expense mainly comprises salary costs and costs relating to the IT systems, affected to the administration of the contracts.

2.3.26 Other ordinary operating income and expense

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

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

2.3.27 Other operating income and expense

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

2.3.28 Financing expense

The recognition principles applied to this item are those set out in IAS 39.
Financing expense consists of expenses relating to the following items:
- long-term financial liabilities: capital borrowings from the general public, e.g. in the form of bonds, or from banks or financial institutions (medium- or long-term loans, leases, etc.);
- short-term financial liabilities of the same type as above including issues of short-term negotiable debt securities to investors;
- fair-value hedging instruments recorded in the balance sheet and relating to liabilities representing the gross borrowings described above;
- accrued interest on balance sheet items representing gross borrowings.

2.3.29 Earnings per share

Earnings per share are calculated by dividing the group share of the net income or loss by the weighted average number of ordinary shares in issue during the year. An ordinary share is a shareholders’ equity instrument that is subordinated to all other categories of shareholders’ equity instruments.
Dilution implies a reduction in the earnings per share as a result of the assumption that convertible instruments are converted, equity options and subscription warrants are exercised, and ordinary shares are issued if certain specific conditions are met.

3. RISK MANAGEMENT

Through its activities, the Euler Hermes group is exposed to various types of risks with among them insurance risks, market risks (exchange risk, interest rate risk and equity market risk), credit risk and liquidity risk.
In addition to the other function monitoring all Risks, Euler Hermes group has implemented a risk control function that aims to control and monitor the main risks to which the group is exposed.

3.1 The risk control function

3.1.1 Objective and principles of risk control

In a rapidly changing environment, the perception of risk, as well as the realisation of certain major risks, has heightened risk awareness among all companies in the insurance market. Risk control and measurement have become a major component of the Euler Hermes group’s strategy. The priorities of the risk control function are to protect the company’s creditworthiness and to optimise the balance between risk and return. Therefore, in optimising this component, the objective is to reduce earnings volatility and facilitate the optimum allocation of capital, a source of lasting and steady growth. This approach forms part of an overall mechanism that is in keeping with the requirements of the key shareholders.
Responsibility for risk management lies with the various group companies. The group risk control function coordinate the risk management across the group and monitors, in conjunction with the control structures of each subsidiary, changes in risk and risk measurement. The latter measures any changes or build up in risk that is likely to impact the group’s results.
In order to properly fulfil its mission, risk control applies a principle of independence and does not manage any operational function.

3.1.2 Risk control activity

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

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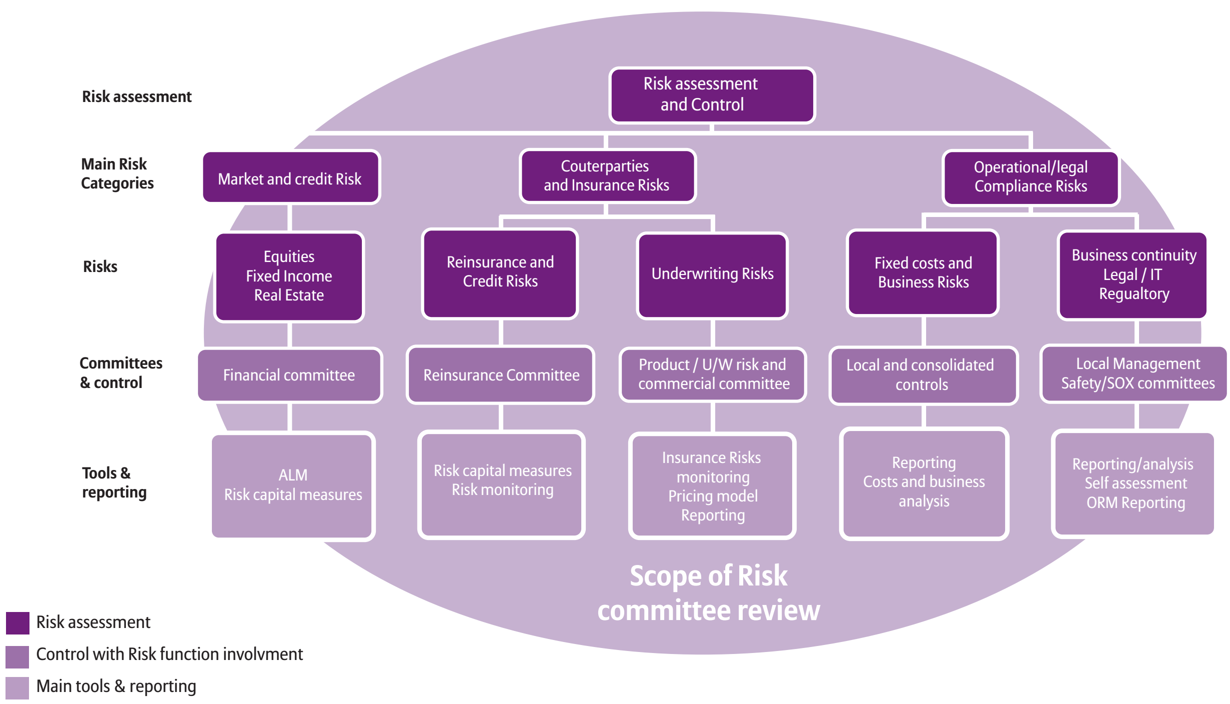
This enables the group's management to optimise the allocation of resources. As such, the investment policy may be heavily influenced by these measures in an environment of uncertain financial returns. The underwriting policy, in terms of both its commercial and risk aspects, may guide certain choices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

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

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

Main Risk control flow



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

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

3.2 Insurance risk

3.2.1 Insurance risk

This is the main risk that Euler Hermes is facing, and even further in the current economic crisis. The management of technical risk arising on credit insurance is based on a highly developed risk culture associated with the management of contracts and client service. As well as the management of contract underwriting, the group provides a service to policyholders to reduce the risks associated with their trade receivables.

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

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

3.2.2 Credit insurance contracts

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

The credit insurance contract specifies the management conditions and the parameters (excess, maximum liability, etc.) that vary according to the risk profile of each policyholder. Euler Hermes is reviewing some of the policy terms to adjust the conditions of the policies to the current crisis where necessary. The review and the new products setting are local. The contract also requires that the policyholder declares payment defaults within a given timeframe. During the policy period, there is ongoing collaboration with the policyholder, notably through the provision of the necessary cover for his customers. The principle of providing global coverage for policyholders' turnover is an important element in increasing risk diversification but also in limiting the effects of non-selection. The Euler Hermes group also offers a debt collection service that enables it to check the amounts to be collected from debtors and to act as quickly as possible to collect these amounts. If the main risks of Euler Hermes is based on the credit coverage granted on trade operations, it must also be mentioned that in

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less extend the policyholders portfolio are also affected by the crisis with decrease of their turn over basis of the premium or their bankruptcies. This effect is, however, compensated by the portfolio dynamic and the current demand for credit insurance during this period.

3.2.3 Insurance portfolio and diversification

Through its position as leader in its main markets, Euler Hermes' exposure is spread across many debtors. In addition, the Euler Hermes group's geographical coverage provides diversification of risk across many countries, bearing in mind that the group incorporates into its underwriting the notion of country risk. This diversification takes into account not only the location of the policyholders but more especially that of their customers.
The theoretical gross exposures in credit insurance correspond to the maximum amount of commitments that the group agrees to cover on its policyholders' applications. The actual amounts of policyholders' transactions that are covered are much less, in line with the actual turnover recorded by the policyholder at a given date. Like transfers of reinsurance risk, excesses and liability limits also reduce the group's final exposure.
The table below sets out the theoretical exposures not by country of the group entities, rather, in order to present a truer picture of the geographic split of risks, by country of the debtor (i.e. the policyholders' customers).

Gross theoretical exposures by the debtor's country at December 31st, 2008

€''000, 000	2008	%	2007	%
Total Europe	**574,646**	**86.0%**	**579,392**	**87.6%**
of which:				
France	203,833	30.5%	207,882	31.4%
United Kingdom	53,469	8.0%	68,096	10.3%
Germany	120,073	18.0%	110,200	16.7%
Italy	64,977	9.7%	68,478	10.4%
Belgium and Luxembourg	14,928	2.2%	29,454	4.5%
Netherlands	18,519	2.8%	20,777	3.1%
Spain	17,702	2.7%	18,719	2.8%
Eastern Europe	32,896	4.9%	16,735	2.5%
Scandinavia	20,723	3.1%	13,722	2.1%
Rest of Europe	27,526	4.1%	25,330	3.8%
Total Americas	**54,928**	**8.2%**	**52,880**	**8.0%**
of which:				
United States	37,907	5.7%	35,914	5.4%
Canada	5,504	0.8%	5,933	0.9%
Other American Countries	11,517	1.7%	11,032	1.7%
Asia/ -Pacific	**26,619**	**4.0%**	**20,158**	**3.0%**
Near and Middle East	**7,004**	**1.0%**	**5,312**	**0.8%**
Africa	**4,624**	**0.7%**	**3,499**	**0.5%**
Total	**667,822**	**100.0%**	**661,241**	**100.0%**

As illustrated in this table of the geographical split of gross exposures, the debtors of a given policyholder may be located in very different geographical locations and this split contributes to risk diversification, which, at the group portfolio level, limits the effects of bankruptcy of individual companies or clearly defined groups of companies or even of sectors of activity. This table shows also that the growth of exposure is overall limited for some areas. These changes can be attributed to the evolution of the needs of policyholders and, as a consequence of the current crisis, to adverse evolution of the solvency of the debtors.

The second table shows the gross exposures by sector of activity. The sectoral breakdown presents another effect of diversification, i.e. a reduced impact of individual bankruptcies. Regular and individual sectoral analyses are prepared using group management information applications. Changes in exposure are reviewed at the most granular level by debtor and at portfolio level while ensuring that proper balance is maintained between premiums received and the actual risk represented by these exposures.

Gross exposures by the debtor's sector of activity at December 31st, 2008

€''000, 000	2008	%	2007	%
Metal Industry	132,882	19.9%	125,345	19.0%
Agrifood	87,046	13.0%	86,685	13.1%
Construction	79,189	11.9%	82,159	12.4%
Textiles - leather	28,821	4.3%	34,532	5.2%
Electronics	53,401	8.0%	56,014	8.5%
Services	108,694	16.3%	105,923	16.0%
Wood - Paper	37,198	5.6%	41,015	6.2%
Chemicals	56,159	8.4%	51,509	7.8%
Other	84,431	12.6%	78,059	11.8%
Total	**667,822**	**100.0%**	**661,241**	**100.0%**

3.2.4 Management of underwriting risk

In recent years, the Euler Hermes group has developed a specific organisational structure and IT applications to optimise its handling of insurance risk with a dedicated organisation in all group entities. The system holds policyholders' applications, stores details of cover underwritten together with debtor positions and controls all information received and sent.
Underwriting of cover draws on an optimised organisation based on a single IT system consisting of a database used specifically for underwriting of cover. Thanks to the risk rating system and its use by specialised staff, responses to applications for cover are assessed and submitted to clients very quickly. This tool facilitates the monitoring, either locally or centrally, of cover based on numerous criteria. Details of cover can thus be more readily analysed by sector of activity or by country.

While risks are underwritten locally, a central control is used to check the application of written underwriting rules and changes in exposure on a real-time basis. The central risk underwriting function thus has considerable resources available to monitor sensitive risks and risk concentrations and to limit these, both centrally and locally, according to changes in creditworthiness. The internal audit department has primary responsibility for regularly controlling the application of these rules.
All debtors, on which policyholders make applications for cover, are subject to a creditworthiness assessment accompanied by the issue of a rating (on a scale ranging from 1, for the most creditworthy, to 10, in cases of bankruptcy) on the capacity of the debtor to honour his commitments to suppliers.

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

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

Certain debtors, especially large groups, whose rating reflects a very high degree of creditworthiness, offer higher theoretical gross exposures. The 50 largest debtors or groups of debtors fall within the strongest rating categories. To assess the impact of this concentration, the solidity of these individual debtors must be taken into account, as well as the group's capacity to reduce insurance cover in the short term, the application of insurance contract parameters and the protection offered by reinsurance. As shown by internal stress tests, any potential claim net of reinsurance on these exposures should not exceed 6% of shareholders' equity. It should also be emphasised that the dynamic management of Euler Hermes' exposure during the bankruptcies of major groups with a significant theoretical gross exposure has enabled the group to avoid the impact resulting from the domino effects of bankruptcies. The failure of Woolworth occurred in a stressed situation on short notice. Despite clear actions the limpact of the loss remains around 59 million of Euros. As a consequence and to limit any possible new similar situation, review and guidelines have been reinforced and adjusted to the negative environment It is the permanent balance between the terms and conditions of the insurance policies and the management of cover or risk transfer that ensures a steady cash flow at group level. The policy terms and conditions are adapted according to the risk of each customer. Besides the service it provides, management of insurance cover means that the risks borne by the group can be modified according to individual cases but also to reflect changes in the environment. If there is an adverse change in the environment, cover is reduced on the least creditworthy debtors in order to maintain the ratio of claims to premiums paid. During the current crisis, the frequency of claims is sharply increasing directly linked to the growing number of insolvencies. To manage this negative evolution Euler Hermes group is using all its capabilities to assess more rapidly the solvency of the debtors and to adjust significantly the exposure when it is required ans keeping the coverage full on the debtors presenting a good level of solvency. It has to be noticed that the French entity has put in place a program covered by French State CCR, for the policyholders to extend partial coverage.

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

3.3 Market risk

Each group entity has a financial portfolio, investment of which is managed locally in accordance with the investment policies recommended by the group. Applied locally, these policies are controlled within each entity by a finance committee that reviews the portfolio results and approves any new investments.
At group level, governance is provided by an investment management function and a group finance committee that sets the short- and medium-term guidelines for management of the portfolio.
Market trends and ongoing management are the primary management criteria. However, in its strategic choices, the finance committee draws on measures of risk and asset/liability management to make the most appropriate decisions according to the resources available, while also taking into account constraints regarding the cover provided by technical reserves and long-term provisions.

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The risk control function fine-tunes asset/liability management tools to assess the impact of changes in investment policy. This approach is also supported by the calculation of what-if scenarios based on the choices envisaged.
This organisation allows Euler Hermes to proactively manage its investment portfolio across the crisis. In 2008, Euler Hermes has continued to cautiously secure its assets in the negative evolution of the market. The Equity portfolio already reduced in 2007 was further downsized beginning of the year and the Group was not exposed neither to subprimes or any toxic assets. At year end, the overall portfolio had only limited amount of impairments with a large part in Governments bonds and in cash.

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

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

3.3.1 Description of the portfolio

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

Financial portfolio at market value

	31/12/2008		31/12/2007	
	€'m	%	€'m	%
Bonds	1,875	56%	2,216	63%
Equities	152	5%	426	12%
Investment property	134	4%	163	5%
Loans, deposits and other financial investments	564	17%	315	9%
Total financial investments	**2,725**	**82%**	**3,120**	**89%**
Cash	614	18%	378	11%
Total financial investments + Cash	**3,339**	**100%**	**3,498**	**100%**

3.3.2 Equity market risk

The Euler Hermes group had invested around 5% of its financial portfolio in equities at the end of 2008. This policy stems from a cautious investment approach as well as a further reduction in the portfolio's equity exposure in 2008 and in a less extend to the negative market. Investments are concentrated in major securities of the main financial markets. In fact, equities are considered as a risky asset whose weighting follows the strict rules of the finance committee with regard to allocation. The simulation of a fall in the markets has a relatively limited impact on the earnings of the group as a whole and means that this type of investment can be considered as providing substantial additional returns for the portfolio as a whole.

3.3.3 Interest rate risk

Interest rate risk management, while recognising the short duration of the liabilities, also takes into account the continuity of activity in order to increase the duration of investments and thus achieve higher returns on investments in fixed-income products. The main interest rate

risk stems from a rise in interest rates, which, assuming that fixed-income bonds are maintained in the portfolio, corresponds to lower remuneration over the remaining term compared with the market interest rate.
Sensitivity analysis to interest rate risk is in §3.6.

Bonds by maturity

	31/12/2008		31/12/2007	
	€'m	%	€'m	%
Less than 1 year	538	29%	488	22%
1 to 3 years	359	19%	450	20%
3 to 5 years	460	25%	564	25%
5 to 7 years	299	16%	353	16%
7 to 10 years	142	8%	296	13%
More than 10 years	78	4%	64	3%
Total	**1,875**	**100%**	**2,215**	**100%**

The yield on the bond portfolio is highly dependent on changes in interest rates and the portfolio duration. The average bond yield for 2008 was 4%, close to the rate offered for the current duration of the bond portfolio, i.e. around 4 years. Amounts represented by securities reaching maturity were replaced by equivalent securities with maturities that are longer than the average portfolio duration or with very short-term maturity. This investment policy takes into account the yield offered by the market on these maturities with a controlled level of risk and optimisation of bond income.

Borrowings are entered into mainly by the holding company, Euler Hermes SA. The borrowings of Euler Hermes SA are primarily contracted with the core shareholder, AGF, and have maturities of less than three years.

3.3.4 Property risk

Investment property continues to represent a limited proportion of the group's investment portfolio and is held mainly by the French entity. In France, the investment consists of various residential properties, in Paris, with management of the property portfolio being outsourced. The turnover rate is limited with however on this period possible additional sales, and a portfolio properties being held for an average of 10 years.
As most of these investments are held in the portfolio for a relatively long time, they offer unrealised capital gains and profitability similar to that of the financial portfolio. Fluctuations in property prices, which may demonstrate significant correlation with interest rate and equity risk, cannot be ruled out, but their impact on the group's results would remain marginal.

3.3.5 Liquidity risk

In addition to the increase of cash position at December 31st, 2008, almost 70% of the group's assets consisted of listed marketable securities. Equity investments are made in large caps listed on the major markets, mainly in Europe. Similarly, group companies select bonds of major public or private issuers that are listed on highly liquid markets, thus enabling such investments to be traded at short notice.
Each entity monitors the main payments falling due and, on the other side, cash and cash equivalents, which offer an adequate safety margin. The local finance committee reviews the liquidity position on a regular basis.
In the event of an exceptional need, Euler Hermes could also consider making a call on the market or its core shareholder. Analysis of bonds portfolio by maturity is done in §3.3.3.
In view of the levels of short-term cash and cash equivalents and bonds maturing in less than one year, the Euler Hermes group considers its liquidity risk as being very low.

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3.3.6 Exchange risk

The group's exchange risk is practically limited to the location of entities in regions using currencies other than the euro. Each entity effectively underwrites contracts in its local currency and thus generates a liability in local currency. The congruence rules required by the local regulators are applied rigorously.
The assets of these companies are invested mainly in local investment assets. An analysis of the financial portfolio of each entity shows that amounts in a currency other than the euro represent less than 25% of the total. These assets are held mainly by group companies operating in the regions that use these currencies.

Group financial portfolio by currency

	31/12/2008		31/12/2007	
	€'m	%	€'m	%
EUR	2,079	76.3%	2,617	83.9%
GBP	158	5.8%	240	7.7%
USD	182	6.7%	196	6.3%
Other currencies	306	11.2%	67	2.1%
Total	**2,725**	**100%**	**3,120**	**100%**

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

€'m	2008			2007		
Foreign exchange risk	United States	United Kingdom	GROUP	United States	United Kingdom	GROUP
Net income, group share in €'000 000 - 2008	3.6	(10.5)	83.6	29.0	36.6	407.0
Closing exchange rate	0.7185	1.0499		0.6793	1.3636	
Net income, group share in local currency ('000)	**5.1**	**(10.0)**	**-**	**42.7**	**26.8**	
Impact of a 100 basis-point exchange rate movement (sign of net result)	0.7085	1.0599		0.6693	1.3536	
Net income, group share in €'000 after the exchange rate movement	**3.6**	**(10.6)**	**83.4**	**28.6**	**36.3**	**406.3**
Change relative to initial net income (%)	**-1.39%**	**0.95%**	**-0.18%**	**-1.47%**	**-0.73%**	**-0.17%**

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

3.4 Credit risk

Credit risk has become an essential component of risk management following the spectacular bankruptcies of certain major groups and the current crisis. It is thus vital that this type of concentration is monitored regularly nowadays.
Euler Hermes matches each bond portfolio line with the issuer's rating of the main rating agencies (S&P, Moodys, Fitch). The breakdown of the portfolio by rating, apart from providing control over the creditworthiness of securities held in the portfolio, demonstrates that securities with a AAA rating represent 70% of the portfolio, mainly in government securities, and less than 1% of securities have no rating at all or a rating below A.
Concentration risk is very limited as no corporate bond security held in the portfolio exceeds 0.6% of the total bond portfolio.

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Breakdown of bonds by rating

	31/12/2008		31/12/2007	
	€'m	%	€'m	%
AAA	1,299	69%	1,728	78%
AA+	220	12%	121	5%
AA	255	14%	234	11%
AA-	23	1%	49	2%
A+	4	0%	56	3%
A	58	3%	11	1%
Other ratings	16	1%	16	1%
Total	**1,875**	**100%**	**2,215**	**100%**

3.5 Reinsurance and reinsurance counterparty risk

3.5.1 Reinsurance: a risk management tool

Reinsurance is an essential part of risk management through which Euler Hermes transfers part of its commitments to reinsurers, in exchange for the payment of a premium or the assignment of a portion of its premiums. Through reinsurance, the group covers high-frequency risks and/or exceptionally large risks in order to limit the impact of an increase in the number of claims or the occurrence of specific large claims. The setting of parameters for these treaties is tested each year by the reinsurance and risk control functions using stress test scenarios. Dedicated tools, including internal capital allocation models, allow for the precise management of these parameters and optimisation of the reinsurance coverage. The parameters for reinsurance contracts entered into by the subsidiaries are estimated by the group to ensure a better balance between changes in the portfolio and coverage needs.

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

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

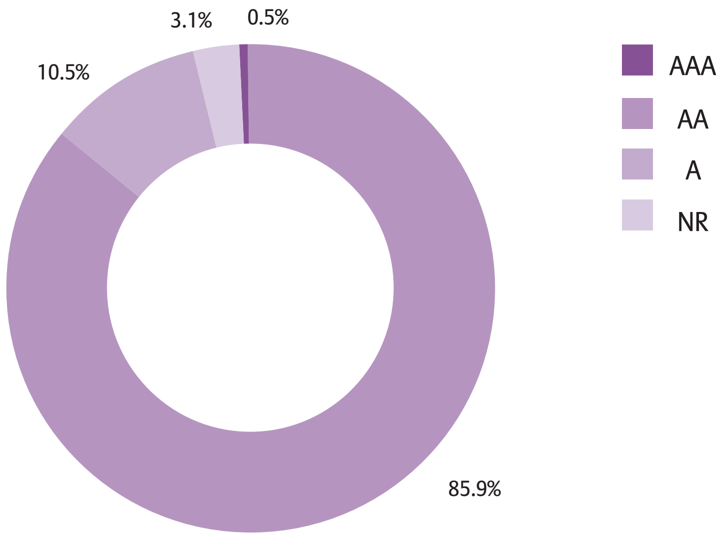
During the previous cycle, Euler Hermes has steadily increased its retention rate by reducing the share of the reinsurance proportional treaties. Note that, in order to increase protection of its Capital and especially in the current crisis environment, Euler Hermes has reversed this trend and the conditions of the proportional treaties for the year 2009 have been lowered with a reduction of the group's retention from 78% to 70% and an additional Stop Loss protection from EH Re AG.

These changes allow the strengthening of Euler Hermes financial position and the reduction of the S&P Capital requirements to around €1.73bn, on the basis of 2008 data and 2009 reinsurance conditions, against €1.96bn (see S&P §3.6).

3.5.2 Reinsurance counterparty risk

Group support for establishing the entities' treaties is provided through the selection of the best reinsurance counterparties, rated A or above. The highest exposures are placed with top-tier reinsurers. The "Others" category consists of reinsurers without a rating and mainly reinsurers with a BBB rating with run-off exposure.

Analysis of technical reserves assigned(1) by rating of the reinsurer
(the scope covered represents more than 99.7% of the reserves considered out of the group total at December 31st, 2008)



AAA	1,888
AA	357,791
A	44,155
NR	12,715
Total	**416,549**

(1) provisions for unearned premiums/claims reserves assigned.

3.6 Capital to cover the risk

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

The calculation of insurance risk is a prerequisite for the definition of an internal model for credit insurance. It is the trickiest calculation to implement as it must reflect all contract parameters, debtors and risk transfers. The classification of debtors by rating, together with a probability of bankruptcy, is used as the basis of a complex process aimed at simulating the actual insurance risk exposure based on theoretical credit insurance cover.
Each entity regularly performs a detailed calculation based on its own positions. The individual results must subsequently be aggregated and adjusted to reflect the impact of diversification (on the entities and the various risk categories). The calculation of the capital required to cover the quantifiable risks is based on an economic approach. Given the consistency provided by this model, it is likely to become a key instrument in risk management. This model measures all aspects of the credit insurance risk and comparison of the results over time ensures that the model is valid and robust. The current approach is somewhat conservative, both in the way that the parameters are defined and applied and the calculation method. It is a genuine management system as it delivers information at aggregate level in order to determine the capital needs by entity as well as detailed information at the most granular level for risk control purposes. It also serves as the basis for the development of models for the calculation of premium rates and of quantitative limits applied to all risk categories. All entities of the Euler Hermes group inform the risk control function of their regulatory solvency position. The regulatory constraints are generally below the current capital of the entities. When this is not the case, appropriate action on the activity or the capital would be undertaken.

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This new internal model being developed aims to improve the approach used up to now, which refers to the method applied by Standard & Poor's. The current reference model, based on the Standard & Poor's method, assigns risk factors to the various balance sheet items. Securities in the financial portfolio are thus classified by rating, as are the exposures to reinsurers. The insurance and reserve risk is deduced by directly applying factors to the amounts after reinsurance of net premiums and claims reserves respectively. Standard & Poor's has recently revised these factors, with a heavier weighting now being applied to the credit insurance activity. While some assumptions may be debatable, it remains a reference for a standard risk capital computation.

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

Risk Capital €'m	**2008**	**2007**
C1: Financial risk	199	336
C2: Counterparty risk	123	73
C4: Premium risk	1,313	1,315
C5: Reserve risk	332	237
S&P RAC simulation(1)	**1,966**	**1,960**

(1) Simulation using the new S&P modeling for an A rating.

The model shows that the creditworthiness level of the Euler Hermes group is stable and the slight increase observed is mainly due to an increase in reserve risks compensated by the decrease of financial risks. This simulation is based on an internal approach and certain adjustments by the rating agency analysts could slightly modify the results.
The Euler Hermes group operates in many countries and each entity is subject to local regulatory constraints. The amount consolidated resulting from local constraints is significantly less than the group's consolidated shareholders' equity.

Stress tests

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

Stress tests on assets

Equity and bond portfolio risk at December 31st, 2008 (€'m)	**Market value at December 31st, 2008**	**Impact of a 100bp(1) rise in interest rates**	**Impact of a 10% fall in the equity market**	**Market value at 31 December 2007**	**Impact of a 100bp(2) rise in interest rates**	**Impact of a 10% fall in the equity market**
Obligation	1,875	(82.8)	0.0	2,215	(86.4)	0.0
Actions	152	0.0	(13.4)	426	0.0	(42.6)
Total	**2,027**			**2,641**		

(1) Average sensitivity of 4.4% calculated based on the main subsidiaries, which represented more than 99% of the bond portfolio at December 31st, 2008.
(2) Average sensitivity of 3.9% calculated based on the main subsidiaries, which represented more than 99% of the bond portfolio at the end of 2007.

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At just above four years, the duration of the bond portfolio limits the impact of a 100 basis point rise in interest rates to €82.8 million before tax. Scenarios for other financial assets involve measuring the impact of a 10% change in the assets concerned.

Stress tests on equities and the impact on shareholders' equity

Equity portfolio risk at December 31st, 2008 (€'m)	Market value at 31/12/2008 / Impact scénario	Revaluation reserve / Shareholders' equity impact	Amortised cost / Economic cost impact
Total	**152**	**16**	**136**
Impact of a 10% fall in the equity market	(13)	(6)	(7)
Impact of a 30% fall in the equity market	(40)	(6)	(34)

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

A 30% decline in the value of the equities on the entire equity portfolio of each entity would have an impact of €34 million on pre-tax income at group level.

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

(€'m)	Net income group share 2008	10% reduction in premiums	10% increase in 2008 cost of claims	10% increase in claims handling expense	Net income group share 2007	10% reduction in premiums	10% increase in 2007 cost of claims	10% increase in claims handling expense
Change	84	(15)	(80)	(44)	407	(43)	(50)	(46)

Assumption: effective tax rate is constant in 2007 and 2008.

The first scenario of a decline in premiums involves applying constant claims-to-premiums ratios and overheads. The scenario of an increase in the cost of claims is based on a change in the amounts for the year, with no change in the amounts of claims for prior years. The 10% increase in costs covers all overheads excluding brokerage fees.
The scenarios showing the sensitivity of net income to fluctuations in the main aggregates of operating income are also a tool that can be used to ascertain the impact of an exceptional situation and the assumptions used are highly conservative to take into account sudden changes. For each scenario, the sensitivity measured refers to an amplitude that must, in an actual scenario, be combined with other changes that may partially or fully offset the effects.
The change in premiums is affecting the net result at constant loss ratio and its impact is therefore limited. For the same reason of high claims situation on current year, the scenario of a change of claims on this basis is affecting much more the result compared to last year when the level of claims was lower.

3.7 Operational risks

Financial and insurance risks are often the first risks identified in a risk management process that lies at the heart of the group's activity. Operational risks are inherent to any structure and their occurrence may have significant consequences for any structure that does not sufficiently recognise them. Operational risks may be the consequence of internal or external problems or malicious actions that result in losses for the business and may even include disruption of activity.
Through its geographical distribution, Euler Hermes has long applied a clear management approach to its operational situation in order to reduce related risks and further strengthen the assessment and analysis of this type of risk and to prepare for the transition to new European regulations.
Operational risks are very broad and permeate all echelons of the organisation. Identified risks include the risk of fraud, legal risks, commercial risks, IT risks, security and damage risks, etc.
Reputational risk monitoring is fully part of the operational management process.

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In anticipation of the constraints imposed by legislation, the group's subsidiaries that have major responsibility for monitoring these risks have, for some years now, implemented significant initiatives. The group has taken measures to ensure the continuity of activity in the event of major disasters. Each entity now has in place business continuity plans and back-up sites. Furthermore, internal control has been strengthened through the introduction of the Sarbanes Oxley Act, whose constraints apply to the group's main entities. All entities also collect their main operational losses with immediate remediation plan and to create historical data for future regulation.

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

3.7.1 Insurance of goods and persons

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

3.7.2 Regulatory framework

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

3.7.3 Legal risks

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

3.7.4 Environmental risks

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

3.8 Claims reserves

The purpose of claims reserves is to cover claims that have been notified or those that have not yet been notified but which relate to the financial year. They are estimated on a claim-by-claim basis or by the application of statistical methods based on historical data and claims trends. Claims reserves are not discounted.
As shown by the table below, the group's claims for the financial year are similar to those of previous years.

Net claims-to-premiums ratios

	2004	2005 pro forma	2006	2007	2008
Claims/Premiums Ratio(1)	45.9%	44.8%	49.2%	48.1%	78.1%

(1) In accordance with IFRS.

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Determining claims reserves

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

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

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

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

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

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

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

- The second parameter relates to the claims payment period.

At the time they are estimated, the reserves take account of the likelihood of claims occurring, the possible impact of local regulations and expected changes in the economic environment. Nevertheless, due to their nature, the reserves include a certain level of uncertainty and ongoing controls are performed to maintain the reserves already established at an adequate level. Specific technical reserve control committees have been set up in all subsidiaries to ensure the consistency and adequacy of the methods used to determine the reserves established in relation to the risk to be covered.
The main methods applied by group subsidiaries are Chain Ladder, Bornhuetter Ferguson, the so-called bootstrap method and, to a certain extent, simulation models for calculating expected losses. The Chain Ladder method is based on calculations of the development of claims triangles. The Bornhuetter Ferguson method draws on a projection of the claims-to-premiums ratio. The so-called bootstrap method is an

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extension of the Chain Ladder method, using multiple simulations to determine the margins of error. The simulation methods estimate the expected loss according to the exposure and probability of losses. This probability-based approach also allows for the calculation of a confidence interval.

As shown by the claims triangles, the initial estimates from historical data of the final cost include a certain margin that gradually decreases over the final financial years. To consider a reasonable estimate timeframe, apart from the uncertainties to be included at the time of the calculation, account must also be taken of a gradual improvement in experience and the position of reserves for previous years. As demonstrated by the development of claims, it should be noted that the uncertainty stems mainly from the first year of development when minimal information is available and additions to reserves for claims incurred but not yet reported are at their highest.
This uncertainty in the first year is due to the specific nature of IBNR provisions in credit insurance. In fact, claims relating to the financial year must be estimated when the debtor's bankruptcy has yet to occur. This is because claims are related to the premium for the period. The risk arising on the issue of the policyholder's invoice, which is also the basis for the premium, and the bankruptcy followed by notification of the claim may occur only some months later.
Recoveries also cover a long period of time and are more difficult to forecast beyond a certain horizon. They may thus have a positive impact on the development of claims when they are higher than the amounts projected in the reserves.

The approaches to calculate the claims reserve clearly cover the two specificities of risk bear by credit insurance reserving. The first aspect to assess the risk of reserve is the short term nature of credit insurance and the development of the reserve is almost completed at the end of the second year. The second aspect is linked to the fact that the liability for any claim is limited to the amount of invoices covered and therefore the deviation on reserve will be attached to adverse development of recoveries or of unknown claims compared to the reserve set up. As illustrated in the previous paragraph the assessment of the claims or of the salvages reserve is based on actuarial technics and their assumptions are reviewed by the reserve committee. All entities have assessed their reserves taking into account the negative trends of the current crisis covering the increase of frequency and medium size claims but not major claims not yet declared and attached to year 2008.

Cost of claims

	2008			2007		
(€'000)	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Cost of claims for the current period	**1,584,352**	**(297,550)**	**1,286,802**	**1,001,864**	**(212,185)**	**789,679**
of which, claims paid	388,147	(79,180)	308,967	278,505	(64,017)	214,488
of which, claims reserves	1,115,597	(209,989)	905,608	660,716	(146,115)	514,601
of which, claims handling expenses	80,608	(8,381)	72,227	62,643	(2,053)	60,590
Recoveries for the current period	**(135,477)**	**21,900**	**(113,577)**	**(77,944)**	**15,805**	**(62,139)**
Recoveries received	(17,222)	2,976	(14,246)	(14,349)	4,644	(9,705)
Change in reserves for recoveries	(118,255)	18,924	(99 331)	(63,595)	11,161	(52,434)
Cost of claims from prior periods	**(82,801)**	**34,941**	**(47,860)**	**(71,013)**	**41,396**	**(29,617)**
of which, claims paid	597,720	(120,980)	476,740	580,932	(146,083)	434,849
of which, claims reserves	(669,188)	155,481	(513,707)	(647,912)	177,292	(470,620)
of which, claims handling expenses	(11,333)	440	(10,893)	(4,033)	10,187	6,154
Recoveries from prior periods	**(58,644)**	**6,073**	**(52,571)**	**(98,844)**	**10,777**	**(88,067)**
Recoveries received	(147,352)	20,038	(127,314)	(155,996)	29,132	(126,864)
Change in reserves for recoveries	88,708	(13,965)	74,743	57,152	(18,355)	38,797
Cost of claims	**1,307,430**	**(234,636)**	**1,072,794**	**754,063**	**(144,207)**	**609,856**

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The cost of claims held steady over the year. By contrast, the development of prior years' claims was less favourable with the gross surplus on priors years reduced to €140 million (€170 million in 2007) following the improvement in the methods and approach used for the calculation of reserves, resulting in a decrease in uncertainty in respect of estimated reserves.

Claims reserves

	31/12/2008			31/12/2007		
(€'000)	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims reserves gross of recoveries	**1,650,693**	**(397,148)**	**1,253,545**	**1,216,617**	**(336,310)**	**880,307**
Current period	1,141,066	(227,411)	913,655	690,928	(151,787)	539,141
Prior periods	509,627	(169,737)	339,890	525,689	(184,523)	341,166
Recoveries to be received	**(228,084)**	**43,962**	**(184,122)**	**(171,053)**	**38,959**	**(132,094)**
Current period	(117,115)	19,360	(97,755)	(62,851)	11,050	(51,801)
Prior periods	(110,969)	24,602	(86,367)	(108,202)	27,909	(80,293)
Claims reserves	**1,422,609**	**(353,186)**	**1,069,423**	**1,045,564**	**(297,351)**	**748,213**

Breakdown by type of reserve

	31/12/2008			31/12/2007		
(€'000)	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reserves for unearned premiums	**314,691**	**(47,853)**	**266,838**	**260,291**	**(48,242)**	**212,049**
Claims reserves	**1,422,609**	**(353,186)**	**1,069,423**	**1,045,564**	**(297,351)**	**748,213**
of which, reserves for known claims	1,108,704	(384,528)	724,176	816,736	(332,457)	484,279
of which, reserves for late claims	440,723	44	440,767	290,895	46	290,941
of which, reserves for claims handling expenses	100,368	(12,620)	87,748	107,251	(991)	106,260
of which, other technical reserves	899	(44)	855	1,734	(2,908)	(1,174)
of which, recoveries to be received	(228,085)	43,962	(184,123)	(171,052)	38,959	(132,093)
No-claims bonuses and rebates	**116,398**	**(16,939)**	**99,459**	**120,286**	**(19,862)**	**100,424**
Technical reserves	**1,853,698**	**(417,978)**	**1,435,720**	**1,426,141**	**(365,455)**	**1,060,686**

Development of claims reserves

For a given year, claims for that year follow the process of notification and settlement, possibly followed by collection action.
Claims reserves and payments reflect the cost of claims and related cash flows, with a sharp reduction in reserves as from the second year and an increase in claims paid.

The initial estimate of the final cost of claims includes a degree of uncertainty, resulting in a surplus on prior years, reflecting not only a lack of information but also a margin of prudence that was gradually decreased over the final years. Large claims at the end of the year impacted

Notes to the consolidated financial statements

the development of claims reserves. Major claims such as Moulinex and KMart that occurred in 2001 and Parmalat in 2003 initially impacted the ultimate cost before reinsurance of a given year and represented up to 10% of the estimated final gross cost of claims even though the cost net of reinsurance could have been reduced further. The collection or cancellation of reserves on these large claims generated substantial surplus reserves during these years.
The information comprising the claims development triangles is provided by most of the group entities.

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

Accident\ development year	1	2	3	4	5	6	7	8	Difference(1)	% change
2001	1,239,641	1,211,285	1,164,652	1,134,111	1,102,277	1,081,799	1,072,002	1,062,625	177,016	14.3%
2002	1,110,715	937,070	907,266	878,121	868,787	862,674	852,122		258,593	23.3%
2003	1,014,841	804,390	732,663	726,700	718,374	712,141			302,699	29.8%
2004	838,004	707,205	655,182	646,124	639,116				198,888	23.7%
2005	858,434	788,128	746,227	736,048					122,386	14.3%
2006	837,703	787,380	726,909						110,794	13.2%
2007	852,849	816,878							35,971	4.2%
2008	1,302,512									

(1) Variance: surplus or shortfall of the initial reserve over the current estimate of the final cost for the year in question.

The aggregate tables of claims development, excluding elimination of cash flows between entities, cover more than 99% of the technical reserves of all group entities without including the run-off for years prior to 2001.
The initial estimate of the ultimate cost of claims is calculated using techniques based on past trends in the cost of claims. The uncertainty in the first year of development on claims not yet reported, a prudent estimate of the ultimate cost, recoveries, and the Parmalat claim in 2003 are some of the factors that explain the variance of 29.8% observed in the 2003 insurance year.

Development triangle for cumulative claims paid net of recourse for most of the group entities (before reinsurance) (€'m)

Accident\ development year	1	2	3	4	5	6	7	8
2001	286,023	950,182	1,049,660	1,073,670	1,070,238	1,066,862	1,056,318	1,052,255
2002	314,573	716,838	813,931	832,531	835,372	835,122	836,667	
2003	241,530	580,148	634,452	658,659	665,936	664,465		
2004	226,870	549,066	603,465	614,183	614,730			
2005	261,710	643,157	689,650	697,888				
2006	280,410	653,878	683,521					
2007	268,837	674,622						
2008	368,612							

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

Notes to the consolidated financial statements

4. NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Goodwill

In accordance with IFRS 3, goodwill is not amortized but instead is subject to annual impairment testing.
The parameters used to calculate the company valuations are presented below:

(in thousands of euros)	France	Italy	United Kingdom	United States	Benelux	Other countries	31/12/2008 Total	31/12/2007 Total
Balance as of December 31st, 2007								
Gross value	393	6,229	74,661	28,802	8,242	7,429	125,756	118,453
Impairment losses	-	(409)	(9,770)	-	-	-	(10,179)	(11,079)
Net carrying amount	**393**	**5,820**	**64,891**	**28,802**	**8,242**	**7,429**	**115,577**	**107,374**
Change during the year								
Net carrying amount as of December 31st, 2007	393	5,820	64,891	28,802	8,242	7,429	115,577	107,374
Changes in gross value	-	-	327	-	-	-	327	9,457
Other changes	-	-	-	-	-	139	139	-
Reclassifications	-	-	-	-	-	-	-	7,549
Changes in foreign currency translation adjustements	-	-	(15,005)	1,664	-	(24)	(13,365)	(8,803)
Impairment losses	-	-	-	-	-	-	-	-
Net carrying amount as of December 31, 2008	**393**	**5,820**	**50,213**	**30,466**	**8,242**	**7,544**	**102,678**	**115,577**
Balance as of December 31st, 2008								
Gross value	393	6,229	57,735	30,466	8,242	7,544	110,609	125,756
Impairment losses	-	(409)	(7,522)	-	-	-	(7,931)	(10,179)
Net carrying amount	**393**	**5,820**	**50,213**	**30,466**	**8,242**	**7,544**	**102,678**	**115,577**

The most sensible criteria provide the values in use of each Cash Generating Unit (The Cash Generating Unit are mainly the subsidiaries published in the segment analysis).

Sensibility analysis in plausible valorisation:

	EH ACI	EH SIAC	EH UK	EH BELGIUM	EH NL	EH KV
Parameters						
Cost of capital (net of tax)	6.78%	8.95%	7.59%	8.35%	8.12%	7.52%
of which: risk-free rate	2.21%	4.38%	3.02%	3.78%	3.55%	2.95%
of which: risk premium (bêta = 0.914)	4.57%	4.57%	4.57%	4.57%	4.57%	4.57%
Effective tax rate	35.0%	48.0%	28.0%	33.0%	25.5%	31.0%
Normalised return on financial portfolio	5.71%	3.44%	4.69%	4.47%	6.19%	5.03%
Net combined ratio	85.0%	83.0%	86.5%	83.0%	83.0%	85.0%
Target retention rate	55.0%	75.0%	70.0%	65.0%	60.0%	45.0%
Long-term growth	2.0%	2.0%	1.5%	2.0%	0.5%	0.5%
Long-term growth (upper and lower assumptions)	1.5% 2.5%	1.0% 3.0%	1.0% 2.0%	1.0% 3.0%	0.0% 1.0%	0.0% 1.0%
Average value in use (in thousands of euros)	**341,572**	**307,436**	**232,434**	**137,111**	**52,870**	**1,225,451**
Hypothesis - value in use = book value						
Cost of capital (net of tax)	10.72%	-	9.01%	-	-	-
Long-term growth	-	-11.38%	-	-3.62%	-8.30%	-4.84%

The values in use of Euler Hermes ACI Inc range from €309,558 thousand to €373,585 thousand, corresponding to an assumed cost of capital of 7.3% and 6.3% respectively. These valuations support the fact that no complementary goodwill impairment is recognised.

Notes to the consolidated financial statements

The values in use of Euler Hermes SIAC range from €263,085 thousand to €351,786 thousand, corresponding to assumed long-term growth rates ranging from 1% to 3%. These valuations support the fact that no complementary goodwill impairment is recognised.

The values in use of Euler Hermes UK Plc range from €213,918 thousand to €250,950 thousand, corresponding to assumed cost of capital of 8.1% to 7.1%. These valuations support the fact that no complementary goodwill impairment is recognised.

The values in use of Euler Hermes Belgium range from €119,885 thousand to €154,337 thousand, corresponding to assumed long-term growth rates ranging from 1% to 3%. These valuations support the fact that no complementary goodwill impairment is recognised.

The values in use of Euler Hermes Netherlands Inc range from €50,190 thousand to €55,550 thousand, corresponding to an assumed long-term growth rates ranging from 0% to 1% respectively. These valuations support the fact that no complementary goodwill impairment is recognised.

The values in use of Euler Hermes Germany range from €1,163,697 thousand to €1,287,206 thousand, corresponding to an assumed long-term growth rates ranging from 0% to 1% respectively. These valuations support the fact that no complementary goodwill impairment is recognised.

For the Euler Hermes group, the main evidence for an impairment test of goodwill will be a decrease in turnover of 15%.

Note 2 – Other intangible assets and contracts portfolio

	31/12/2008				31/12/2007			
(in thousands of euros)	Contracts portfolio	IT development and software	Other intangible assets	TOTAL	Contracts portfolio	IT development and software	Other intangible assets	TOTAL
Balance as of December 31st, 2007								
Gross value	5,191	104,623	18,398	128,212	14,112	75,294	18,440	107,846
Amortisation	(1,731)	(56,132)	(12,071)	(69,934)	(2,542)	(51,583)	(10,802)	(64,927)
Impairment	-	-	-	-	-	-	-	-
Net carrying amount	3,460	48,491	6,327	58,278	11,570	23,711	7,638	42,919
Change during the year								
Net carrying amount as of December 31st, 2007	3,460	48,491	6,327	58,278	11,570	23,711	7,638	42,919
Acquisitions	31	40,148	1,106	41,285	1,605	24,537	1,108	27,250
Expenses capitalised	-	-	-	-	-	-	-	-
Changes in consolidation scope	-	-	-	-	-	-	2	2
Disposals	-	(5,173)	-	(5,173)	(2,295)	(1,943)	(7)	(4,245)
Reclassifications (1)	-	358	-	358	(7,543)	(11)	(1,160)	(8,714)
Foreign exchange differences	(487)	(1,346)	-	(1,833)	(391)	(401)	-	(792)
Net amortisation	(1,600)	(6,854)	(1,226)	(9,680)	738	(5,472)	(1,254)	(5,988)
Net provisions for impairment	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	(224)	8,072	-	7,848
Net carrying amount at December 31st, 2008	1,404	75,624	6,207	83,235	3,460	48,493	6,327	58,280
Balance as of December 31st, 2008								
Gross value	4,506	132,935	19,462	156,903	5,191	104,623	18,398	128,212
Amortisation	(3,102)	(57,311)	(13,255)	(73,668)	(1,731)	(56,132)	(12,071)	(69,934)
Impairment	-	-	-	-	-	-	-	-
Net carrying amount	1,404	75,624	6,207	83,235	3,460	48,491	6,327	58,278

(1) The reclassification of GBP 5.2 million during 2007 corresponds to the goodwill previously accounted in portfolio assets. In accordance with IFRS, this goodwill is tested for impairment.

Notes to the consolidated financial statements

The acquisitions from 2008 correspond mainly to the IRP and Convergence application developed by the group.
The amortisation charge for the year is recognised in "Other ordinary operating income and expense".
For the Euler Hermes group, the main evidence for an impairment test of intangible assets will be a giving up of software.

Note 3 – Investment and operating property

	31/12/2008		31/12/2007	
(in thousands of euros)	Investment property	Operating property	Investment property	Operating property
Balance as of December 31st, 2007				
Gross value	105,915	194,273	105,196	180,908
Depreciation	(19,668)	(56,771)	(16,542)	(49,487)
Impairment losses	-	(10,014)	-	(10,014)
Net carrying amount	**86,247**	**127,488**	**88,654**	**121,407**
Change during the year				
Net carrying amount as of December 31st, 2007	86,247	127,488	88,654	121,407
Acquisitions	-	922	-	12,988
Change in consolidation scope	-	-	-	1,450
Disposals	(15,276)	-	(139)	(965)
Reclassifications	(80)	80	617	-
Changes in foreign currency translation adjustements	-	87	241	(105)
Net depreciation	943	(5,277)	(3,127)	(7,287)
Net provisions for impairment	-	9,460	-	-
Other changes	-	-	-	-
Net carrying amount at the end of the period	**71,834**	**132,760**	**86,246**	**127,488**
Balance at the end of the period				
Gross value	91,071	195,192	105,915	194,273
Depreciation	(19,237)	(61,878)	(19,668)	(56,771)
Impairment losses	-	(554)	-	(10,014)
Net carrying amount	**71,834**	**132,760**	**86,247**	**127,488**
Fair value	**134,139**	**231,460**	**162,931**	**229,952**

The net provisions for impairment for operating property are a write back of impairment for a real estate in Germany for €9,460 thousand.

Amounts recorded in the income statement	Investment property	Operating property	Investment property	Operating property
Rental revenues from investment property	7,159	-	7,460	-
Direct operating expenses relating to property	(2,506)	-	(2,408)	-

Note 4 – Financial investments

Classification by accounting method

For an instrument that is listed on an active market, the fair value is the bid price on the valuation date for an asset held or a liability to be issued and the offer price for an asset intended to be purchased or a liability intended to be held. If such prices are not available, the fair value is estimated based on the most recent transaction price.
If there is no active market for a given financial instrument, the group estimates the fair value using a valuation technique. Valuation techniques include the use of recent transactions under normal competitive conditions between informed and consenting parties, where available, reference to the current fair value of another instrument that is identical in substance, the analysis of discounted cash flows and option valuation models.

Classification by investment category

	31/12/2008					31/12/2007				
(in thousands of euros)	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Unrealized gain or loss	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Unrealized gain or loss
Held-to-maturity assets										
Bonds:	6,941	-	6,941	6,995	54	15,977	-	15,977	15,962	(15)
listed				*2,863*					*7,590*	
not listed				*4,132*					*8,372*	
Total held-to-maturity assets	**6,941**	**-**	**6,941**	**6,995**	**54**	**15,977**	**-**	**15,977**	**15,962**	**(15)**
Available-for-sale assets										
Equities:	136,083	16,064	152,147	152,147	-	295,013	128,498	423,511	423,511	-
Bonds:	1,805,324	62,584	1,867,908	1,867,908	-	2,193,173	5,749	2,198,922	2,198,922	-
listed				*1,911,193*					*2,477,305*	
not listed				*108,862*					*145,128*	
Total available-for-sale assets	**1,941,407**	**78,648**	**2,020,055**	**2,020,055**	**-**	**2,488,186**	**134,247**	**2,622,433**	**2,622,433**	**-**
Trading assets										
Equities:	-	-	-	-	-	2,831	-	2,831	2,831	-
Bonds:	-	-	-	-	-	-	-	-	-	-
Total trading assets	**-**	**-**	**-**	**-**	**-**	**2,831**	**-**	**2,831**	**2,831**	**-**
Loans, deposits and other financial investments	563,990		563,990	563,990	-	315,349		315,349	315,349	-
Total loans, deposits and other financial investments	**563,990**		**563,990**	**563,990**	**-**	**315,349**	**-**	**315,349**	**315,349**	**-**
Total financial investments	**2,512,338**	**78,648**	**2,590,986**	**2,591,040**	**54**	**2,822,343**	**134,247**	**2,956,590**	**2,956,575**	**(15)**

(in thousands of euros)	31/12/2008					31/12/2007				
	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Unrealized gain or loss	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Unrealized gain or loss
- Equities:	136,083	16,064	152,147	152,147	-	297,844	128,498	426,342	426,342	-
- Bonds:	1,812,265	62,584	1,874,849	1,874,903	54	2,209,150	5,749	2,214,899	2,214,884	(15)
- Loans and other investments	563,990	-	563,990	563,990	-	315,349	-	315,349	315,349	-
Total Financial Investments	**2,512,338**	**78,648**	**2,590,986**	**2,591,040**	**54**	**2,822,343**	**134,247**	**2,956,590**	**2,956,575**	**(15)**

Notes to the consolidated financial statements

Concerning the non listed investments, the group estimates the fair value using a valuation technique. Valuation techniques include the use of recent transactions under normal competitive conditions between informed and consenting parties, where available, reference to the current fair value of another instrument that is identical in substance, the analysis of discounted cash flows and option valuation models. The non listed investments are mainly German States bonds.
EH Group didn't account any impairment as of December 31st, 2008. EH Group hadn't any financial assets such as "dynamic treasury mutual funds" or "subprime investments".
The loans and other investments are mainly composed of cash at hand waiting for investments.

Classification by investment category

	31/12/2008					31/12/2007
(in thousands of euros)	Held-to-maturity investments	Available-for-sale investments	Trading investments	Loans, deposits and other financial investments	Total	Total
Net carrying amount as of December 31st, 2007	**15,977**	**2,622,433**	**2,831**	**315,349**	**2,956,590**	**2,879,178**
Increase in gross value	-	1,024,408	-	422,465	1,446,873	1,630,407
Decrease in gross value	(8,936)	(1,517,079)	-	(167,907)	(1,693,922)	(1,443,663)
Revaluatation	-	(55,599)	-	-	(55,599)	(52,662)
Impairment	(14)	(22,661)	-	(608)	(23,283)	(1,344)
Changes in foreign currency translation adjustements	(4)	(41,555)	-	(7,148)	(48,707)	(38,200)
Reclassifications	-	2,215	(2,831)	3,600	2,984	(26,084)
Other changes	(82)	7,893	-	(1,761)	6,050	8,958
Net carrying amount as of December 31st, 2008	**6,941**	**2,020,055**	**-**	**563,990**	**2,590,986**	**2,956,590**

The other movements in loans, deposits and other financial investments correspond to the reclassification of demand deposits under cash and cash equivalents on the balance sheet.
The reclassification of trading investments is related to the hedging of Allianz stock options plans which is now accounted in Derivatives.

Note 5 – Investments accounted for by the equity method

The equity method entity Lietuvos Draudimo Kreditu Draudimas has been sold out on the basis of an asset as at March 31st, 2008 of €2,529 thousand of which a loss of €506 thousand.
The shares in Prisma Kreditversicherungs A.G. have been transferred in OeKB Beteiligungs- und Management A.G. The operation has been completed with a cash payment in order that Euler Hermes Group held 49% of OeKB Beteiligungs- und Management A.G.

Notes to the consolidated financial statements

Information on equity-accounted investments

(in thousands of euros) Company	31/12/2008 Country	Assets [1]	Shareholders' equity [2]	Turnover	Net income	% of capital held
Prisma Kreditversicherungs-AG	Austria	-	-	34,266	996	49.00%
OeKB Beteiligungs- und Management AG	Austria	149,367	117,447	16,946	2,686	49.00%
Lietuvos Draudimo Kreditu Draudimas	Lithuania	-	-	1	351	0.00%
Graydon Holding NV	Nether-lands	56,120	23,949	73,172	13,367	27.50%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	98,657	39,606	18,791	2,418	50.00%
Israel Credit Insurance Company Ltd	Israel	52,467	28,839	16,718	3,021	33.33%
		356,611	209,841	159,894	22,839	

(1) Assets based on company financial statements as at September 30th, 2008.
(2) Shareholders' equity based on company financial statements as at September 30th, 2008 including goodwill.

(in thousands of euros) Company	31/12/2007 Country	Assets	Shareholders ' equity	Turnover	Net income	% of capital held
Prisma Kreditversicherungs-AG	Austria	51,843	25,429	43,910	3,284	49.00%
OeKB Beteiligungs- und Management AG	Austria	-	-	-	-	0.00%
Lietuvos Draudimo Kreditu Draudimas	Lithuania	4,376	4,608	4	553	51.00%
Graydon Holding NV	Nether-lands	54,800	23,582	71,081	15,073	27.50%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	103,074	45,064	17,130	3,050	50.00%
Israel Credit Insurance Company Ltd	Israel	43,449	25,140	13,719	2,148	33.33%
		257,542	123,823	145,844	24,108	

Notes to the consolidated financial statements

Movements during the period

(in thousands of euros)	31/12/2008	31/12/2007
Balance as of December 31st, 2007	**52,206**	**36,801**
Increases	32,980	11,905
Decreases	(2,529)	-
Reclassification	-	-
Share of income for the period	7,875	8,277
Dividends paid	(6,970)	(5,452)
Impairment	-	-
Foreign exchange differences	226	-
Other changes	9,762	675
Net book value as of December 31st, 2008	**93,550**	**52,206**

Contribution to shareholders' equity (without equity method income of 2008)

(in thousands of euros)		31/12/2008	31/12/2007
Prisma Kreditversicherungs-AG	Austria	(488)	10,851
OeKB Beteiligungs- und Management AG	Austria	56,233	-
Lietuvos Draudimo Kreditu Draudimas	Lithuania	(179)	2,068
Graydon Holding NV	Netherlands	2,910	2,340
Companhia de Seguro de Creditos SA (COSEC)	Portugal	18,594	21,007
Israel Credit Insurance Company Ltd	Israel	8,605	7,663
Share of shareholders' equity		**85,675**	**43,929**

Contribution to income

(in thousands of euros)		31/12/2008	31/12/2007
Prisma Kreditversicherungs-AG	Austria	488	1,609
OeKB Beteiligungs- und Management AG	Austria	1,316	-
Lietuvos Draudimo Kreditu Draudimas	Lithuania	179	282
Graydon Holding NV	Netherlands	3,676	4,145
Companhia de Seguro de Creditos SA (COSEC)	Portugal	1,209	1,525
Israel Credit Insurance Company Ltd	Israel	1,007	716
Share of total income		**7,875**	**8,277**

Notes to the consolidated financial statements

Note 6 – Operating property and other property and equipment

(in thousands of euros)	31/12/2008 Operating property	31/12/2008 Other property and equipment	31/12/2008 Total	31/12/2007 Operating property	31/12/2007 Other property and equipment	31/12/2007 Total
Balance as of December 31st, 2007						
Gross value	194,273	137,129	331,402	180,908	146,448	327,356
Amortisation	(56,771)	(106,175)	(162,946)	(49,487)	(116,499)	(165,986)
Impairment	(10,014)	-	(10,014)	(10,014)	-	(10,014)
Net carrying amount	**127,488**	**30,954**	**158,442**	**121,407**	**29,949**	**151,356**
Change during the year						
Net carrying amount as of December 31st, 2007	127,488	30,954	158,442	121,407	29,949	151,356
Acquisitions	922	11,567	12,489	14,438	13,079	27,517
Changes in consolidation scope	-	189	189	-	162	162
Disposal	-	(9,748)	(9,748)	(965)	(21,718)	(22,683)
Reclassifications	80	(145)	(65)	-	811	811
Foreign exchange differences	87	(1,000)	(913)	(105)	(305)	(410)
Net depreciation	(5,277)	(2,163)	(7,440)	(7,287)	8,324	1,037
Net provisions for impairment	9,460	-	9,460	-	-	-
Other changes	-	12	12	-	652	652
Net carrying amount at December 31st, 2008	**132,760**	**29,666**	**162,426**	**127,488**	**30,954**	**158,442**
Balance as of December 31st, 2008						
Gross value	195,192	141,134	336,326	194,273	137,129	331,402
Depreciation	(61,878)	(111,468)	(173,346)	(56,771)	(106,175)	(162,946)
Impairment	(554)	-	(554)	(10,014)	-	(10,014)
Net carrying amount	**132,760**	**29,666**	**162,426**	**127,488**	**30,954**	**158,442**

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

Notes to the consolidated financial statements

Note 7 – Deferred tax

Breakdown by type of tax

(in thousands of euros)	31/12/2008	31/12/2007
Deferred tax assets	123,343	118,487
Deferred tax liabilities	(445,768)	(469,876)
Net deferred tax	**(322,425)**	**(351,389)**
Deferred tax assets		
Tax losses	22,102	6
Deferred tax assets linked to revaluation of AFS investments	1,632	6,154
Deferred tax assets - provisions for retirement commitments	1,974	1,843
Deferred tax assets - technical reserves	50,828	50,843
Other deferred tax assets	46,807	59,641
Total	**123,343**	**118,487**
Deferred tax liabilities		
Deferred tax liabilities linked to revaluation of AFS investments	(26,274)	(51,052)
Deferred tax liabilities - provisions for retirement commitments	(13,238)	(13,253)
Deferred tax liabilities - technical reserves	(183,864)	(212,233)
Other deferred tax liabilities	(222,392)	(193,338)
Total	**(445,768)**	**(469,876)**
Net deferred tax	**(322,425)**	**(351,389)**
After offsetting deferred tax assets and liabilities by tax entity		
Deferred tax assets	31,942	14,559
Deferred tax liabilities	(354,367)	(365,948)

The tax losses for €21 million are mainly activated in the reinsurance subsidiaries (Switzerland and Luxemburg).
The non-activated tax losses are mainly due to the German Branches for €23 million. The result for tax purposes is not expected to be positive.

Movement in deferred tax by geographical region

(in thousands of euros)	31/12/2007	Foreign exchange difference	Change relating to revaluation of AFS inv.	Change through income statement	Other movements	31/12/2008
Germany	(169,377)	-	(3,816)	(18,834)	526	(191,501)
France	(153,283)	-	29,012	(7,857)	(3)	(132,131)
Italy	(3,834)	-	(1,699)	14,787	(2,147)	7,107
United Kingdom	(16,320)	2,214	(114)	9,957	(54)	(4,317)
United States	(670)	(67)	(1,548)	(671)	1,741	(1,215)
Benelux countries	(8,713)	-	(715)	3,754	75	(5,600)
Other countries	(449)	1,538	(864)	16,176	(1,379)	15,022
Group services / Holding companies	1,257	9	-	(11,056)	-	(9,790)
	(351,390)	**3,694**	**20,256**	**6,256**	**(1,241)**	**(322,425)**

With regard to Germany and France, the deferred tax liability was due mainly to the cancellation under IFRS of the equalisation reserve.

Notes to the consolidated financial statements

Change in standard tax rate

	31/12/2008	31/12/2007
Group rate	45.04%	28.70%
France	34.43%	34.43%
Germany	32.28%	40.38%
Italy	32.32%	38.25%
United Kingdom	28.00%	30.00%
United States	35.00%	35.00%
The Netherlands	25.50%	25.50%
Belgium	33.99%	33.99%
Switzerland	17.50%	17.50 %

The group tax rate corresponds to the effective tax rate, i.e. the tax charge recognised in the income statement compared with gross income before tax and adjusted for the profits of companies accounted for by the equity method.
A reconciliation between the tax rate of the parent company Euler Hermes SA and the effective tax rate in 2008 is provided in note 23.

Note 8 – Insurance and reinsurance receivables

Breakdown by type

	31/12/2008			31/12/2007
(in thousands of euros)	Gross	Provisions	Net	Net
Receivables from policyholders and agents	229,879	(18,663)	211,216	193,972
Earned premiums not yet written	158,402	-	158,402	117,446
Receivables from guaranteed debtors	93,856	-	93,856	84,883
Receivables from reinsurance transactions	133,062	(2,103)	130,959	98,855
Total credit insurance receivables	**615,199**	**(20,766)**	**594,433**	**495,156**

Breakdown of net receivables from guaranteed debtors

	31/12/2008			31/12/2007
(in thousands of euros)	Gross	Provisions	Net	Net
Gross receivables	93,856	-	93,856	84,883
Reinsurers' share	(1,110)	-	(1,110)	(4,616)
Net receivables from guaranteed debtors	**92,746**	**-**	**92,746**	**80,267**

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

Breakdown by maturity

(in thousands of euros)	31/12/2008 < 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Gross receivables	306,968	61,989	660	-	369,617
Reinsurers' share	121,997	8,963	-	-	130,960
Net receivables from guaranteed debtors	93,856	-	-	-	93,856
Total credit insurance receivables	**522,821**	**70,952**	**660**	**-**	**594,433**

Provisions for bad debts from policyholders and agents

(in thousands of euros)	31/12/2008	31/12/2007
Balance as of December 31st, 2007	(16,601)	(17,881)
Change in consolidation scope	-	-
Provision	(4,627)	(5,228)
Write back	908	6,444
Foreign exchange differences	4	-
Other changes	1,653	64
Balance as of December 31, 2008	**(18,663)**	**(16,601)**

Note 9 – Other receivables

Breakdown by type

(in thousands of euros)	31/12/2008 Gross	31/12/2008 Provisions	31/12/2008 Net	31/12/2007 Net
Current account receivables	17,914	-	17,914	5,541
Other taxes receivable	17,557	-	17,557	15,788
Other receivables	108,812	(4,761)	104,051	112,034
of which, accrued interest not due	*37,958*		*37,958*	*34,850*
Deferred charges	8,281	-	8,281	8,438
Other adjustment accounts	776	-	776	1,767
Other assets	807	-	807	81
Total other receivables	**154,147**	**(4,761)**	**149,386**	**143,649**

Breakdown by maturity

(in thousands of euros)	31/12/2008 < 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total other receivables net of provisions	**63,083**	**84,755**	**1,548**	**-**	**149,386**

Notes to the consolidated financial statements

Note 10 – Cash and cash equivalents

Balance sheet

(in thousands of euros)	31/12/2008	31/12/2007
Cash in bank and at hand	494,859	303,732
Cash pooling	*119,048*	*74,371*
Total cash	**613,907**	**378,103**

Reconciliation with the cash flow statement

(in thousands of euros)	31/12/2008	31/12/2007
Total cash per balance sheet	**613,907**	**378,103**
Cash equivalents reflected in the cash flow statement	-	11,330
Cash pooling creditor with Allianz	(1,584)	(1,012)
Total cash and cash equivalents	**612,323**	**388,421**

At the end of 2007, the amounts taken into account in the cash position in the cash flow statement correspond to cash equivalents. These are short-term investments (less than three months) that are highly liquid and can readily be converted into a predetermined amount of cash and which are subject to a negligible risk of change in value.
As at December 31st, 2008, the subsidiaries booked their cash equivalents into the treasury account.

Note 11 – Revaluation reserve

Available-for-sale investment and hedging derivatives are remeasured at fair value. The table below provides a reconciliation of the unrealised gains and losses, the tax amount and the impact on the revaluation reserve.

(in thousands of euros)	Investments	Hedges	Associated companies	Tax	Other	Foreign exchange difference	Minority interests	Revaluation reserve
Balance as of December 31st, 2007	134,246	-	2,661	(45,673)	(583)	(66)	(148)	90,437
Movement during the year	(55,598)	-	(3,323)	18,464	-	226	72	(40,159)
Balance as of December 31st, 2008	78,648	-	(662)	(27,209)	(583)	160	(76)	50,278

The impact of the revaluation of AFS investments of companies accounted for by the equity method is €(3,323) thousand and concerned Companhia de Seguro de Creditos SA (COSEC).

Note 12 – Minority interests

Movements during the year

(in thousands of euros)	31/12/2008	31/12/2007
Minority interests at start of period	**19,179**	**19,153**
Buy out of minority interests		
Buy out of minority interests in Euler Hermes Guarantee PLC	(306)	(775)
Buy out of minority interests in Euler Hermes Interborg N.V	-	(472)
Disposals		-
Change of consolidation method		
Movements on latent reserves (excluding currency translation impact)	**(71)**	**(159)**
Reserve movements		
Change of method		
Other movements		
Foreign currency translation differences	(109)	(97)
Dividends paid to minority shareholders	(2,876)	(3,044)
Capital increases and other movements	13	567
Minority shareholders' share of net income	4,498	4,006
Minority interests at end of period	**20,328**	**19,179**

Breakdown by country

(in thousands of euros)	31/12/2008	31/12/2007
France	845	722
Hungary	2,112	1,798
Romania	227	51
Germany	11,565	10,869
United Kingdom	-	309
Morocco	2,701	2,410
Greece	2,878	3,020
Minority interests	**20,328**	**19,179**

Notes to the consolidated financial statements

Note 13 – Provisions for risks and charges

The main provision items concern retirement plans, details of which are set out in note 14.

	31/12/2007	Provision	Writeback		Reclassification	Other	31/12/2008
			Provision used	Provision not used			
Retirement scheme							
Defined benefit retirement plans	52,520	8,499	(6,504)	(690)	(30)	(107)	53,688
Defined contribution retirement plans	1,470	215	-	-	-	98	1,783
Total	**53,990**	**8,714**	**(6,504)**	**(690)**	**(30)**	**(9)**	**55,471**
Other provisions for risks and charges							
Provision for tax liabilities	2,060	922	(2,246)	(201)	2,125	2,873	5,533
Provision for tax reassessment in Germany	9,926	-	(9,926)	-	-	-	-
Provision for various tax risks	22,091	18,318	(250)	(7,794)	-	319	32,684
Provisions for employee benefits	25,290	7,918	(5,629)	(5,098)	1,152	3,508	27,141
Provisions for reinsurer default	600	-	-	-	(600)	-	-
Provisions for policyholder disputes	2,388	-	-	-	(2,388)	-	-
Provisions for debtor disputes	3,225	1,725	-	(2,534)	(157)	-	2,259
Guarantee of liabilities	879	8	(720)	(159)	-	-	8
Provision for restructuring	4,210	-	(611)	-	(19)	-	3,580
Provisions for sundry disputes	2,515	1,997	(599)	(551)	11,567	43	14,972
Total	**73,184**	**30,888**	**(19,981)**	**(16,337)**	**11,680**	**6,743**	**86,177**
Global total	**127,174**	**39,602**	**(26,485)**	**(17,027)**	**11,650**	**6,734**	**141,648**

Note 14 – Employee benefits

Defined contribution plans

Defined contribution plans

- ***La Mondiale* (France):** insurance firms are required to pay 1% of their annual payroll into a capitalisation pension plan. The funds are managed by *La Mondiale*, an insurance firm.

- **Euler American Credit Indemnity Company Associates Retirement Savings Plan:** this is a defined contribution plan for full-time employees of Euler American Credit Indemnity. A provision must be raised pursuant to the Employee Retirement Income Security Act of 1974 (ERISA).

- **United Kingdom:** the company makes contributions on behalf of its employees amounting to 8% of salaries. The cash is invested in the names of the employees, who receive rights according to the return on investment generated.

- **Scandinavia:**

- Sweden: a multi-employer plan that is managed by SPP, one of the largest life insurance companies.
- Denmark: the plan is managed by Danica, a Danish life insurance company.
- Norway: a multi-employer plan that is managed by Vital, a Norwegian life insurance company.
- Finland: the plan is managed by Varma, a Finnish insurance company.

(in thousands of euros)	France	United States	United Kingdom	Scandinavia	Total
Provision at December 31st, 2008		**(1,783)**			**(1,783)**
Expense booked in 2008	(207)	(186)	(705)	(152)	(1,251)
Provision at December 31st, 2007	-	**(1,470)**	-	-	**(1,470)**
Expense booked in 2007	(391)	(230)	(1,020)	(146)	(1,787)
Provision at December 31st, 2006	-	**(1,402)**	-	-	**(1,402)**
Expense booked in 2006	(413)	(2,093)	(912)	(118)	(3,536)

Defined benefit plans

General description of the plans

- **Retirement indemnities (France):** the rights in respect of retirement indemnities are defined by the insurance companies' collective agreement. This plan is financed partly by a policy taken out with an insurance company.

- **PSAD (France):** this is a supplementary retirement benefit plan that was closed in 1978 and covers executives of Euler Hermes Sfac. Contributions are paid by the company to beneficiaries or their surviving spouse (reversion) until their death. The plan is managed by BCAC, which informs the company quarterly of the contributions to be paid. At the end of the year, there were 19 beneficiaries.

Notes to the consolidated financial statements

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

- **TFR (Italy):** Trattamento di Fine Rapporto is a pension plan established by Italian legislation that is similar to a defined benefit pension plan. It is valued in accordance with IAS 19 by an independent actuary.

The following items were taken into account when measuring the commitment at the year end:
- the retirement age has been taken as 60 years for women and 65 years for men;
- the probability of leaving the company within the next five years for employees under 40 years of age has been determined based on historical data;
- the average life expectancy has been determined based on current statistics;
- the probability of an early request for TFR has also been calculated using historical data available within the company.

The assets covering the actuarial liability are included along with the other assets of Euler Hermes SIAC and are not identified separately.

- **EHUK Defined Benefit plan:** Euler Hermes in the UK operates a defined benefit pension plan that covers all employees who had joined the company by December 31st, 2001. Under this plan, employees will be granted a pension on retirement (the normal age being 63 years), which will be a fraction of their salary upon retirement and based on their length of service within the company.

The company funds these rights through a dedicated fund. The retirement rights are revalued annually based on the constraints set by law, which provides for the mandatory application of different revaluation rates according to the vesting date of the rights.

The revaluation of certain rights, notably those earned prior to April 6th, 1997, is not covered by a legal obligation, but is discretionary. The assumptions used to calculate the commitment were reviewed in 2005 following the decision to no longer finance the revaluation of the discretionary increase in rights earned prior to 1997. This took into account the company's recent practice and the current position of the fund, factors that tend to reduce the probability of such discretionary revaluations being granted in the future. The commitment was reduced by £13.7 million at December 31st, 2005. In this regard, £8.4 million was treated as actuarial gains and £5.7 million was recognised in the 2006 income statement as past service costs.

At December 31st, 2008, the present value of pension commitments in respect of this plan came to £89.9 million, funded partly by the fund as the market value of the assets stood at £90.4 million.

- **AVK/APV EPV:** Euler Hermes Kreditversicherungs AG, Euler Hermes Forderungsmanagement GmbH, Euler Hermes Risk Management & Co.KG and Euler Hermes Rating Gmbh have implemented a defined benefit pension plan for all their employees. The beneficiaries will receive an annuity upon retirement at 65 years of age at the latest. This plan is managed in part by external companies, namely Pensionskasse AVK and Unterstûtzungskasse APV. Employees who leave the company prior to the date provided for may benefit from an annuity of a lower amount than that provided for initially.

Euler Hermes Credit Insurance Belgium has implemented a plan that covers the payment to employees of Euler Hermes Credit Insurance Belgium and Euler Hermes Services Belgium of a fixed capital sum, being a multiple of their salary at age 60. It also provides coverage in the event of the death, being a multiple of their salary based on the composition of their family, or invalidity of the employee.

Euler Hermes Kredietverzekeringen NV (the Netherlands) has implemented a defined benefit pension plan for its employees that is managed by Delta Lloyd.

Notes to the consolidated financial statements

31/12/2008	France			Italy	United Kingdom	Germany	Belgium	Netherlands	Total
	Retirement indemnities	PSAD	CARDIF						
Actuarial liability at start of period	**(4,933)**	**(4,497)**	**(2,792)**	**(9,791)**	**(131,573)**	**(311,943)**	**(14,824)**	**(3,146)**	**(483,499)**
Cost of services provided during the period	(277)		-	(431)	(2,462)	(8,322)	(721)	(238)	(12,451)
Interest expense	(228)	(226)	(145)	(420)	(5,810)	(16,858)	(785)	(163)	(24,635)
Employee contributions	-		-		-	(2,590)	(79)	(75)	(2,744)
Change of pension plan	-		-		-	-		-	-
Acquisitions/ disposals of subsidiaries	-		-		-	-		-	-
Reductions of pension plans	-		-		-	-		-	-
Disposals of pension plans	-		-		-	-		-	-
Exceptional events	-		-		-	-		(169)	(169)
Actuarial gains (losses) due to a change in assumptions	218	67	212		11,951	19,647	401	343	32,839
Actuarial gains (losses) due to a change in experience	(144)	(89)	74		803	2,985	(646)	-	2,983
Benefits paid	384	481	152	1,205	2,424	9,369	280	1	14,296
Translation differences	-		-		30,272	-		-	30,272
Other	43		-		18	(15)	333	(41)	338
Removal of the discretionary clause					-	-		-	-
Actuarial liability at end of period	**(4,937)**	**(4,264)**	**(2,499)**	**(9,437)**	**(94,377)**	**(307,727)**	**(16,041)**	**(3,488)**	**(442,770)**

Notes to the consolidated financial statements

31/12/2008	France – Retirement indemnities	France – PSAD	France – CARDIF	Italy	United Kingdom	Germany	Belgium	Netherlands	Total
Fair value of assets at start of period	**1,164**	**-**	**3,320**	**-**	**128,235**	**264,265**	**11,038**	**2,528**	**410,551**
Actual return on plan assets	68		88		(9,839)	13,765	549	109	4,740
Experience effect on returns from assets			-		-	(13,921)	(89)		(14,010)
Employee contributions	-		-		-	6,229	79	158	6,466
Employer contributions	692		-		8,576	2,590	1,193	533	13,584
Acquisitions/disposals of subsidiaries	-		-		-	1,258		-	1,258
Reductions of pension plans	-		(266)		-	(1,258)		-	(1,524)
Disposals of pension plans	-		-		-	-		-	-
Benefits paid	(384)		(152)		(2,424)	(6,126)	(280)	(1)	(9,367)
Translation differences	-		-		(29,504)	-		-	(29,504)
Other	-		-		(118)	(310)		21	(407)
Fair value of assets at end of period	**1,540**	**-**	**2,990**	**-**	**94,927**	**266,492**	**12,490**	**2,839**	**381,278**
Actuarial differences still to be amortised	**502**	**-**	**491**	**-**	**(17,150)**	**(9,801)**	**442**	**12**	**(25,504)**
Provision for defined benefit plan	**(3,899)**	**(4,264)**	**-**	**(9,437)**	**17,699**	**(31,434)**	**(3,993)**	**(661)**	**(35,988)**
Expenses for the period	**(437)**	**(247)**	**-**	**(851)**	**(3,172)**	**(11,606)**	**(957)**	**(461)**	**(17,731)**
Cost of services provided during the period	(277)			(431)	(2,922)	(8,322)	(721)	(238)	(12,911)
Financial cost (discounting effect)	(228)	(226)		(420)	(6,895)	(16,858)	(785)	(163)	(25,575)
Expected return on plan assets	59				7,222	13,765	549	139	21,734
Expected return on all other assets	-				-	-		-	-
Amortisation of actuarial gains and losses	9	(21)			(457)	(191)		-	(660)
Amortisation of past service costs	-				-	-		-	-
Amortisation of initial unrecognised liability	-				-	-		-	-
Profit or loss resulting from reduction or liquidation	-				-	-		-	-
Asset ceiling	-				-	-		40	40
Exceptional events	-				-	-		(193)	(193)
Other	-				(120)	-		(46)	(166)

31/12/2008	France			Italy	United Kingdom	Germany	Belgium	Netherlands
	Retirement indemni-ties	PSAD	CARDIF					
Actuarial assumptions								
Discount rate	6.00%	6.00%	4.00%	6.00%	5.80%	5.50%	6.00%	6.00%
Rate of inflation	2.50%	2.50%	-	3.60%	3.11%	1.85%	2.50%	2.00%
Expected rate of return on plan assets	4.75%	-	4.00%	-	6.20%	5.20%	5,00%	6.00%
Expected rate of return on all reimbursement rights	-	-	-	-	-	-	-	-
Expected rate of salary increases	3.50%	-	-	4.20%	4.15%	2.40%	4.00%	2.00%
Rate of increase in medical costs	-	-	-	-	-	-	1.50%	2.00%
Rate of increase in annuities	-	2.35%	-	-	-	1.85%	-	1.00%
Retirement age	60		60	60-65	63	63	60	65
Remaining length of service	10		5		20	15	11	28
Other major assumptions used (1)	-	60.00%	-	-	-	-	-	-

(1) The 60% on the PSAD plan corresponds to the reversion rate.

Structure of plan assets								
Equities	-	-	23.00%	-	40.00%	20.34%	-	-
Bonds	100.00%	-	27.00%	-	60.00%	77.21%	-	-
Property	-	-	-	-	-	2.43%	-	-
Other	-	-	50.00%	-	-	0.02%	100.00%	100.00%

The €53,688 thousand in note 13 corresponds to the provision for defined benefit plan at December 31st, 2008 (€35,988 thousand) adjusted for the positive net commitment of €17,699 thousand in the United Kingdom.

Notes to the consolidated financial statements

31/12/2007	France			Italy	United Kingdom	Germany	Belgium	Netherlands	Total
	Retirement indemnities	PSAD	CARDIF						
Actuarial liability at start of period	**(5,278)**	**(5,078)**	**(3,040)**	**(10,364)**	**(147,090)**	**(329,006)**	**(15,138)**	**(4,219)**	**(519,213)**
Cost of services provided during the period	(306)		-	(582)	(3,962)	(8,904)	(785)	(324)	(14,863)
Interest expense	(200)	(222)	(135)	(481)	(7,282)	(14,896)	(656)	(158)	(24,030)
Employee contributions	-		-		-	(2,552)	(74)	(55)	(2,681)
Change of pension plan	-		-		-	-		1,519	1,519
Acquisitions/disposals of subsidiaries	-		-		-	-		-	-
Reductions of pension plans	-		-	(147)	-	-		-	(147)
Disposals of pension plans	-		-		-	-		-	-
Exceptional events	-		-		-	-		-	-
Actuarial gains (losses) due to a change in assumptions	467	230	295		12,225	30,777	(275)	29	43,748
Actuarial gains (losses) due to a change in experience	88	88	(63)		(1,638)	1,494	1,124	(29)	1,064
Benefits paid	296	485	151	1,783	3,409	10,817	980	-	17,921
Translation differences	-		-		12,183	-		-	12,183
Other	-		-		582	327		91	1,000
Removal of the discretionary clause					-	-		-	-
Actuarial liability at end of period	**(4,933)**	**(4,497)**	**(2,792)**	**(9,791)**	**(131,573)**	**(311,943)**	**(14,824)**	**(3,146)**	**(483,499)**
Fair value of assets at start of period	**838**	**-**	**3,301**	**-**	**135,294**	**258,878**	**9,418**	**2,941**	**410,670**
Actual return on plan assets	35		221		5,960	13,048	419	(310)	19,373
Experience effect on returns from assets					-	(8,420)	69		(8,351)
Employee contributions	-				1	2,552	74	55	2,682
Employer contributions	664				2,691	5,885	2,038	149	11,427
Acquisitions/disposals of subsidiaries	-					-		-	-
Reductions of pension plans	-		(51)		-	-		-	(51)
Disposals of pension plans	-				-	-		(480)	(480)
Benefits paid	(296)		(151)		(3,409)	(7,678)	(980)	29	(12,485)
Translation differences	-				(11,720)	-		-	(11,720)
Other	(77)				(582)	-		(160)	(819)
Fair value of assets at end of period	**1,164**	**-**	**3,320**	**-**	**128,235**	**264,265**	**11,038**	**2,528**	**410,551**
Actuarial differences still to be amortised	**427**	**-**	**528**	**-**	**(18,657)**	**(18,703)**	**496**	**161**	**(35,748)**
Provision for defined benefit plan	**(4,196)**	**(4,497)**	**-**	**(9,791)**	**15,319**	**(28,975)**	**(4,282)**	**(779)**	**(37,201)**

Notes to the consolidated financial statements

31/12/2007	France			Italy	United Kingdom	Germany	Belgium	Netherlands	Total
	Retirement indemnities	PSAD	CARDIF						
Expenses for the period	**(475)**	**96**	**(135)**	**(1,210)**	**(4,259)**	**(11,523)**	**(1,021)**	**(668)**	**(19,195)**
Cost of services provided during the period	(306)			(582)	(3,962)	(8,904)	(785)	(324)	(14,863)
Financial cost (discounting effect)	(200)	(222)	(135)	(481)	(7,282)	(14,896)	(656)	(158)	(24,030)
Expected return on plan assets	34				8,360	13,048	420	(6)	21,856
Expected return on all other assets	-				-	-		(72)	(72)
Amortisation of actuarial gains and losses	(3)	318			(1,375)	(771)		-	(1,831)
Amortisation of past service costs	-				-	-		-	-
Amortisation of initial unrecognised liability	-				-	-		-	-
Profit or loss resulting from reduction or liquidation	-			(147)	-	-		-	(147)
Asset ceiling	-				-	-		-	-
Exceptional events	-				-	-		-	-
Other (see explanatory note above)	-		-		-	-		(108)	(108)

Actuarial assumptions								
Discount rate	5.10%	5.30%	4.00%	5.10%	5.10%	5.50%	4.50%	5.60%
Rate of inflation	2.00%	2.00%	-	2.00%	3.15%	1.85%	2.25%	2.00%
Expected rate of return on plan assets	4.50%	-	4.00%	-	6.40%	5.20%	4.85%	5.60%
Expected rate of return on all reimbursement rights	-	-	-	-	-	-	-	-
Expected rate of salary increases	3.00%	-	-	3.00%	4.15%	2.40%	3.75%	2.00%
Rate of increase in medical costs	-	-	-	-	-	-	-	2.00%
Rate of increase in annuities	-	1.90%	-	-	-	1.85%	-	-
Retirement age	60		60	60-65	63	63	60	65
Remaining length of service	10		5		20	15	12	28
Other major assumptions used (1)	-	60.00%	-	-	-	-	-	-

(1) the 60% on the PSAD plan corresponds to the reversion rate.

Structure of plan assets								
Equities	-	-	23.00%	-	40.00%	20.34%	-	-
Bonds	100.00%	-	27.00%	-	60.00%	77.21%	-	-
Property	-	-	-	-	-	2.43%	-	-
Other	-	-	50.00%	-	-	0.02%	100.00%	100.00%

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

Notes to the consolidated financial statements

31/12/2006	France			Italy	United Kingdom	Germany	Belgium	Netherlands	Total
	Retirement indemnities	PSAD	CARDIF						
Actuarial liability at start of period	**(5,132)**	**(5,036)**	**(4,672)**	**(10,608)**	**(138,042)**	**(332,607)**	**(14,719)**	**(2,280)**	**(513,096)**
Cost of services provided during the period	(345)	-	-	(978)	(3,970)	(9,761)	(761)	(416)	(16,231)
Interest expense	(198)	(192)	(185)	(267)	(6,585)	(13,525)	(573)	(171)	(21,696)
Employee contributions	-	-	-	-	-	(2,598)	(158)	-	(2,756)
Change of pension plan	-	-	-	-	-	1,925	-	-	1,925
Acquisitions/disposals of subsidiaries	66	(193)	-	-	-	(605)	-	-	(732)
Reductions of pension plans	-	-	1,473	-	-	-	-	8	1,481
Disposals of pension plans	-	-	-	-	-	-	-	-	-
Exceptional events	-	-	-	-	-	-	-	-	-
Actuarial gains (losses) due to a change in assumptions	-	-	-	-	(2,256)	26,082	412	447	24,685
Actuarial gains (losses) due to a change in experience	(46)	(145)	222	-	(389)	(6,256)	-	(437)	(7,051)
Benefits paid	377	488	122	1,489	3,156	8,505	200	1	14,338
Translation differences	-	-	-	-	(2,837)	-	-	-	(2,837)
Other	-	-	-	-	210	(166)	461	(1,817)	(1,312)
Removal of the discretionary clause	-	-	-	-	3,623	-	-	446	4,069
Actuarial liability at end of period	**(5,278)**	**(5,078)**	**(3,040)**	**(10,364)**	**(147,090)**	**(329,006)**	**(15,138)**	**(4,219)**	**(519,213)**

31/12/2006	France			Italy	United Kingdom	Germany	Belgium	Netherlands	Total
	Retirement indemnities	PSAD	CARDIF						
Fair value of assets at start of period	**858**	**-**	**4,672**	**-**	**125,154**	**245,321**	**8,093**	**1,664**	**385,762**
Actual return on plan assets	57		224	-	7,690	12,310	535	5	20,821
Experience effect on returns from assets					325	(2,032)			(1,707)
Employee contributions	-		-	-	-	2,598		-	2,598
Employer contributions	98		-	-	2,919	6,125	158	308	9,608
Acquisitions/disposals of subsidiaries	74		-	-	-	-	832	210	1,116
Reductions of pension plans	-		(1,473)	-	-	-	-	-	(1,473)
Disposals of pension plans	-		-	-	-	-	-	-	-
Benefits paid	(249)		(122)	-	(3,156)	(5,444)	(200)	(1)	(9,172)
Translation differences	-		-	-	2,572	-	-	-	2,572
Other	-		-	-	(210)	-	-	755	545
Fair value of assets at end of period	**838**	**-**	**3,301**	**-**	**135,294**	**258,878**	**9,418**	**2,941**	**410,670**
Actuarial differences still to be amortised	**(283)**	**-**	**261**	**-**	**(30,124)**	**(43,325)**	**(422)**	**(110)**	**(74,003)**
Provision for defined benefit plan	**(4,157)**	**(5,078)**	**-**	**(10,364)**	**18,328**	**(26,803)**	**(5,298)**	**(1,168)**	**(34,540)**
Expenses for the period	**(513)**	**(530)**	**1,473**	**(1,245)**	**4,255**	**(11,078)**	**(994)**	**(955)**	**(9,587)**
Cost of services provided during the period	(345)		-	(978)	(3,970)	(9,761)	(761)	(416)	(16,231)
Financial cost (discounting effect)	(198)	(192)	(185)	(267)	(6,585)	(13,525)	(573)	(171)	(21,696)
Expected return on plan assets	35		185	-	7,690	12,310	340	5	20,565
Expected return on all other assets	-		-	-	-	-	-	-	-
Amortisation of actuarial gains and losses	(2)		-	-	(1,324)	(2,027)	-	-	(3,353)
Amortisation of past service costs	-		-	-	-	1,925	-	200	2,125
Amortisation of initial unrecognised liability	-		-	-	-	-	-	-	-
Profit or loss resulting from reduction or liquidation	(3)		1,473	-	-	-	-	8	1,478
Asset ceiling	-		-	-	-	-	-	-	-
Exceptional events	-		-	-	-	-	-	-	-
Other (see explanatory note above)	-	(338)	-	-	8,444	-	-	(581)	7,525

Notes to the consolidated financial statements

31/12/2006	France – Retirement indemnities	France – PSAD	France – CARDIF	Italy	United Kingdom	Germany	Belgium	Netherlands
Actuarial assumptions								
Discount rate	4.00%	4.60%	4.00%	4.50%	5.10%	4.60%	4.50%	4.60%
Rate of inflation	2.00%	2.00%	-	2.00%	3.15%	1.50%	2.00%	2.00%
Expected rate of return on plan assets	4.00%	-	4.00%	-	6.40%	5.00%	4.50%	4.60%
Expected rate of return on all reimbursement rights	-	-	-	-	-	-	-	-
Expected rate of salary increases	3.00%	-	-	2.50%	4.15%	2.40%	3.50%	2.00%
Rate of increase in medical costs	-	-	-	-	-	-	-	2.00%
Rate of increase in annuities	-	1.90%	-	-	3.15%	1.50%	-	-
Retirement age	60		60	60-65	63	63	60	65
Remaining length of service	10		5		20	15	12	28
Other major assumptions used (1)	-	60.00%	-	-	-	-	-	

(1) The 60% on the PSAD plan corresponds to the reversion rate.

Structure of plan assets								
Equities	-	-	23.00%	-	49.00%	20.34%	-	-
Bonds	100.00%	-	27.00%	-	31.00%	77.21%	-	-
Property	-	-	-	-	-	2.43%	-	-
Other	-	-	50.00%	-	20.00%	0.02%	100.00%	100.00%

The €52,868 thousand in note 13 corresponds to the provision for defined benefit plan at December 31st, 2006 (€34,540 thousand) adjusted for the positive net commitment of €18,328 thousand in the United Kingdom.

Notes to the consolidated financial statements

Estimation of future contributions

The table below presents the estimated future benefit payments that will be met by the pension funds or by Euler Hermes Group:

(in thousands of euros)	Pension & Post-Retirement Benefits
2008	14,618
2009	14,341
2010	15,234
2011	15,954
2012	18,850
2013	18,979
2014-2018	115,523

Note 15 – Borrowings

Breakdown by type

(in thousands of euros)	31/12/2008	31/12/2007
Subordinated debt	-	-
Term loans and other term borrowings	2,313	-
Demand accounts	-	-
Borrowings from banking sector businesses	**2,313**	**-**
Other borrowings	**295,433**	**295,746**
Total borrowings	**297,746**	**295,746**

"Other borrowings" include three loans to Euler Hermes SA from AGF amounting to €292,321 thousand of which €321 thousand of accrued interests with a maturity of 3 months or less (€145 thousand) and between 3 months and 1 year (€176 thousand) (see note 26 Related parties). The balance represents mainly a borrowing by the Greek subsidiary from its shareholder Banque Emporiki (€1.2 million).
The loans to Euler Hermes SA from AGF have variable interest rates. The consequence is that their fair values are equal to their nominal values.
The borrowing from banking sector businesses is a credit roll-over contracted by the Belgian subsidiary toward Fortis and wrongly accounted in 2007 in other debts.

Breakdown by maturity

(in thousands of euros)	31/12/2008				
	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total borrowings	**5,570**	**157,176**	**135,000**	**-**	**297,746**

Notes to the consolidated financial statements

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

	Value	Rate	2009	2010
Loan 2009	90	Euribor 6m + 146.5 bp	2.0	
Loan 2010	135	Euribor 6m + 20 bp	4.3	2.1
Loan 2009	67	Euribor 6m + 144.3 bp	1.5	
		Total	7.8	2.1

Euribor	12/12/2008	31/12/2008
6m	3.369	2.971

Note 16 – Technical reserves

(in thousands of euros)	31/12/2007	Net provisions	Foreign exchange differences	Other changes	31/12/2008
Reserve for unearned premiums	260,291	28,170	(17,565)	43,795	314,691
Reserve for claims	1,045,565	422,500	(38,082)	(7,373)	1,422,610
Reserve for no-claims bonuses and refunds	120,285	(4,885)	(1,486)	2,483	116,397
Gross technical reserves	**1,426,141**	**445,785**	**(57,133)**	**38,905**	**1,853,698**
Reserve for unearned premiums	48,242	3,654	4,340	(8,383)	47,853
Reserve for claims	297,351	49,238	9,653	(3,056)	353,186
Reserve for no-claims bonuses and refunds	19,862	(3,775)	225	627	16,939
Reinsurers' share of technical reserves	**365,455**	**49,117**	**14,218**	**(10,812)**	**417,978**
Net technical reserves	**1,060,686**	**396,668**	**(71,351)**	**49,717**	**1,435,720**

The other variations are mainly coming from an adjustment on the unearned premium reserves in counterpart of the written premiums in the United-Kingdom and Italy.
The rule is now to account a premium based on the contractual life duration and not a premium related to the insured invoicing. An unearned premium reserve is booked which correspond to the portion of written premiums covering the period after the balance sheet date.
This change of accounting presentation has no impact on the group turnover since it is communicated after integration of unearned premium reserves.

Notes to the consolidated financial statements

Cost of claims

	31/12/2008			31/12/2007		
(in thousands of euros)	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Cost of claims for the current period	**1,584,352**	**(297,550)**	**1,286,802**	**1,001,864**	**(212,185)**	**789,679**
of which, claims paid	388,147	(79,180)	308,967	278,505	(64,017)	214,488
of which, claims reserves	1,115,597	(209,989)	905,608	660,716	(146,115)	514,601
of which, claims handling expenses	80,608	(8,381)	72,227	62,643	(2,053)	60,590
Recoveries for the current period	**(135,477)**	**21,900**	**(113,577)**	**(77,944)**	**15,805**	**(62,139)**
Recoveries received	(17,222)	2,976	(14,246)	(14,349)	4,644	(9,705)
Change in reserves for recoveries	(118,255)	18,924	(99,331)	(63,595)	11,161	(52,434)
Cost of claims from prior periods	**(82,801)**	**34,941**	**(47,860)**	**(71,013)**	**41,396**	**(29,617)**
of which, claims paid	597,720	(120,980)	476,740	580,932	(146,083)	434,849
of which, claims reserves	(669,188)	155,481	(513,707)	(647,912)	177,292	(470,620)
of which, claims handling expenses	(11,333)	440	(10,893)	(4,033)	10,187	6,154
Recoveries from prior periods	**(58,644)**	**6,073**	**(52,571)**	**(98,844)**	**10,777**	**(88,067)**
Recoveries received	(147,352)	20,038	(127,314)	(155,996)	29,132	(126,864)
Change in reserves for recoveries	88,708	(13,965)	74,743	57,152	(18,355)	38,797
Cost of claims	**1,307,430**	**(234,636)**	**1,072,794**	**754,063**	**(144,207)**	**609,856**

Claims reserves

	31/12/2008			31/12/2007		
(in thousands of euros)	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims reserves gross of recoveries	**1,650,693**	**(397,148)**	**1,253,545**	**1,216,617**	**(336,310)**	**880,307**
Current period	1,141,066	(227,411)	913,655	690,928	(151,787)	539,141
Prior periods	509,627	(169,737)	339,890	525,689	(184,523)	341,166
Recoveries to be received	**(228,084)**	**43,962**	**(184,122)**	**(171,053)**	**38,959**	**(132,094)**
Current period	(117,115)	19,360	(97,755)	(62,851)	11,050	(51,801)
Prior periods	(110,969)	24,602	(86,367)	(108,202)	27,909	(80,293)
Claims reserves	**1,422,609**	**(353,186)**	**1,069,423**	**1,045,564**	**(297,351)**	**748,213**

Notes to the consolidated financial statements

Breakdown by type of reserve

(in thousands of euros)	31/12/2008 Gross	31/12/2008 Reinsurance	31/12/2008 Net	31/12/2007 Gross	31/12/2007 Reinsurance	31/12/2007 Net
Reserves for unearned premiums	**314,691**	**(47,853)**	**266,838**	**260,291**	**(48,242)**	**212,049**
Claims reserves	**1,422,609**	**(353,186)**	**1,069,423**	**1,045,564**	**(297,351)**	**748,213**
of which, reserves for known claims	1,108,704	(384,528)	724,176	816,736	(332,457)	484,279
of which, reserves for late claims	440,723	44	440,767	290,895	46	290,941
of which, reserves for claims handling expenses	100,368	(12,620)	87,748	107,251	(991)	106,260
of which, other technical reserves	899	(44)	855	1,734	(2,908)	(1,174)
of which, recoveries to be received	(228,085)	43,962	(184,123)	(171,052)	38,959	(132,093)
No-claims bonuses and rebates	**116,398**	**(16,939)**	**99,459**	**120,286**	**(19,862)**	**100,424**
Technical reserves	**1,853,698**	**(417,978)**	**1,435,720**	**1,426,141**	**(365,455)**	**1,060,686**

Note 17 – Insurance and reinsurance receivables

Breakdown by type

(in thousands of euros)	31/12/2008	31/12/2007
Policyholders' guarantee deposits and miscellaneous	100,158	106,316
Due to policyholders and agents	95,014	58,489
Liabilities arising from inwards insurance and reinsurance transactions	**195,172**	**164,805**
Due to reinsurers and assignors	56,232	48,642
Deposits received from reinsurers	40,465	43,374
Outwards reinsurance liabilities	**96,697**	**92,016**
Total insurance and reinsurance liabilities	**291,869**	**256,821**

Breakdown by maturity

(in thousands of euros)	31/12/2008				
	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total insurance and reinsurance liabilities	**217,684**	**72,009**	**-**	**2,176**	**291,869**

Note 18 – Other liabilities

Breakdown by nature

(in thousands of euros)	31/12/2008	31/12/2007
Tax and social liabilities	95,249	96,179
Other operating liabilities	117,199	140,348
Deferred income	7,509	11,378
Other accrued expenses	4	3,850
Other liabilities	12,299	14,099
Total other liabilities	**232,260**	**265,854**

The other liabilities are mainly liabilities under service agreement for €12.1 million.

Notes to the consolidated financial statements

Breakdown by maturity

(in thousands of euros)	31/12/2008				
	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total other liabilities	**192,969**	**38,930**	**361**	**-**	**232,260**

Note 19 – Breakdown of income net of reinsurance

	31/12/2008			31/12/2007		
(in thousands of euros)	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Premiums and commissions	*1,878,779*	*(419,979)*	*1,458,800*	*1,829,672*	*(473,049)*	*1,356,623*
Premiums refunded	*(78,383)*	*12,667*	*(65,716)*	*(74,780)*	*18,372*	*(56,408)*
Gross premiums written - credit insurance	1,800,396	(407,312)	1,393,084	1,754,892	(454,677)	1,300,215
Change in unearned premiums	(26,437)	6,572	(19,865)	(28,189)	(3,566)	(31,755)
Earned premiums	1,773,959	(400,740)	1,373,219	1,726,703	(458,243)	1,268,460
Premium-related revenues	392,492	-	392,492	372,745	-	372,745
Turnover	**2,166,451**	**(400,740)**	**1,765,711**	**2,099,448**	**(458,243)**	**1,641,205**
Net investment income	**132,940**	**-**	**132,940**	**185,159**	**-**	**185,159**
Claims paid	*(821,293)*	*177,146*	*(644,147)*	*(689,092)*	*176,324*	*(512,768)*
Claims reserves expense	*(416,862)*	*49,549*	*(367,313)*	*(6,361)*	*(23,984)*	*(30,345)*
Claims handling expense	*(69,275)*	*7,941*	*(61,334)*	*(58,610)*	*(8,133)*	*(66,743)*
Insurance services expense	**(1,307,430)**	**234,636**	**(1,072,794)**	**(754,063)**	**144,207**	**(609,856)**
Brokerage commissions	*(225,983)*	*-*	*(225,983)*	*(203,003)*	*-*	*(203,003)*
Other acquisition costs	*(99,711)*	*-*	*(99,711)*	*(101,114)*	*-*	*(101,114)*
Change in acquisition costs capitalised	*14,188*	*-*	*14,188*	*1,603*	*-*	*1,603*
Contract acquisition expense	**(311,506)**	**-**	**(311,506)**	**(302,514)**	**-**	**(302,514)**
Impairment of portfolio securities and similar	**-**	**-**	**-**	**-**	**-**	**-**
Administration expense	**(220,563)**	**-**	**(220,563)**	**(214,270)**	**-**	**(214,270)**
Commissions received from reinsurers	**-**	**154,740**	**154,740**	**-**	**182,925**	**182,925**
Other ordinary operating income and expense	**(280,028)**	**-**	**(280,028)**	**(304,959)**	**-**	**(304,959)**
Ordinary operating income	**179,864**	**(11,364)**	**168,500**	**708,801**	**(131,111)**	**577,690**

Notes to the consolidated financial statements

Note 20 – Net financial income

(in thousands of euros)	31/12/2008	31/12/2007
Revenues from investment property	7,159	7,460
Revenues from securities	86,940	82,298
Available for sale assets through equity	*86,707*	*81,699*
Trading assets	-	*396*
Held to maturity	*233*	*203*
Revenues from loans, deposits and other financial investments	36,076	29,181
Other financial income	6,244	6,022
Investment income	**136,419**	**124,961**
Depreciation of investment property	(2,499)	(2,361)
Investment management expenses	(7,014)	(5,369)
Interest paid to reinsurers	(1,423)	(920)
Other financial expenses	(9,063)	(3,680)
Investment expense	**(19,999)**	**(12,330)**
Profits (losses) on sales of property	14,062	1,070
Profits (losses) on sales of securities	15,102	77,640
Available for sale assets through equity	*15,102*	*77,861*
Trading assets	-	*14*
Held to maturity	-	*(235)*
Profits (losses) on sales of participating interests	10,780	(66)
Net gain (loss) on sales of investments less impairment and depreciation writebacks	**39,944**	**78,644**
Change in fair value of derivatives	-	(1,891)
Change in fair value of trading assets	-	(299)
Change in fair value of investments recognised at fair value through the income statement	**-**	**(2,190)**
Reserve for impairment of investments	(23,424)	(3,926)
Change in impairment of investments	**(23,424)**	**(3,926)**
Net financial income (excluding financing expense)	**132,940**	**185,159**

Note 21 – Operating leases

	31/12/2008				
(in thousands of euros)	United Kingdom	United States	Netherlands	France	Scandinavia
Less than 1 year	139	1,510	0	0	352
1 to 5 years	2,722	4,512	415	0	454
More than 5 years	506	5,281	0	0	130
Total	**3,367**	**11,303**	**415**	**0**	**935**

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

Note 22 – Other ordinary operating revenues and expenses

(in thousands of euros)	31/12/2008	31/12/2007
Other technical income	54,482	21,749
Other technical expense	(331,429)	(334,834)
Other non-technical income	6,417	26,055
Other non-technical expense	(1,666)	(4,983)
Employee profit sharing and bonuses	(7,832)	(12,946)
Other ordinary operating income and expense	**(280,028)**	**(304,959)**

The other non-technical expenses are mainly personal costs linked to the granted of EH stock options of September 22nd, 2006 and June 22nd, 2008 for €1.5 million (compared to €2.2 million in 2007).
The decrease in other non-technical income (€(19.6) million) is due to the change in presentation (from other non-technical income to other technical income) of the income on assets from defined benefit plans in Germany (€11.5 million at the end of 2007) in the United Kingdom (€8.2 million at the end of 2007).
The rise of other technical income is mainly due to a foreign exchange gain of €20.2 million.

Note 23 – Corporation tax

Breakdown of tax charge

	2008
Tax payable:	
Corporation tax	78,978
Adjustments relating to prior years	(526)
Total	**78,452**
Deferred tax:	
Timing differences	17,998
Change in tax rate or new tax	-
Reclassification of tax payable as deferred tax	(2,431)
Tax benefits relating to prior years	(20,999)
Tax on dividends paid	-
Other	(824)
Total	**(6,256)**
Total tax charge in the income statement	**72,196**

Tax proof

	2008	% 2008
Income before tax	160,286	
Tax at theoretical tax rate	55,186	34.43%
Impact of differences between group and local tax rates	6,464	4.03%
Impact of permanent differences between taxable and accounting income	14,771	9.22%
Impact of specific tax situations	(4,816)	-3.00%
Impact of income taxed at reduced rates	591	0.37%
Impact of using the liability method	-	0.00%
Tax at effective tax rate	**72,196**	**45.04%**

The tax proof provides an explanation of items making up the difference between the tax charge at the theoretical tax rate of 34.43%, i.e. the parent company's tax rate, and the actual tax charge recorded in the income statement giving an effective tax rate of 45.04%.
The main variances are due to the difference between local tax rate of each entity and the Group tax rate, permanent differences reported by each entity, reduced rates and specific tax positions.

Note 24 – Earnings per share and dividend per share

Earnings per share

	31/12/2008	31/12/2007
Distributable net income (in thousands of euros)	83,592	406,958
Weighted average number of ordinary shares before dilution	43,614,387	43,601,953
Earnings per share (€)	**1.92**	**9.33**
Distributable net (in thousands of euros)	83,592	406,958
Weighted average number of ordinary shares after dilution	43,650,585	43,765,878
Diluted earnings per share (€)	**1.92**	**9.30**

The dilution impact takes into account the exercise of options. The average number of shares resulting from dilution is 36,198 in 2008 (163,925 in 2007). The group share of net income is used as the basis for this calculation.

Dividend per share

A dividend of €218,180 thousand was approved by the Ordinary General Meeting of 2008.

Note 25 – Segment data

Segment assets are operating assets that can be directly attributed or reasonably allocated to a given segment. Segment liabilities are liabilities arising from operations that can be directly attributed or reasonably allocated to a given segment.
Segment profit and loss comprises income and expense resulting from operating activities that are directly attributable to a given segment and the relevant portion of income and expense that can reasonably be assigned to the segment, notably income and expense relating to sales to external customers and income and expense relating to transactions with other segments of the same company.
For the Euler Hermes group the primary segment is the geographic segment as it corresponds to the information presented to the group's management bodies.

The eight main geographic segments correspond to the geographic regions covering the majority of the activity and which are therefore monitored in detail. These segments are Germany and its IDC, France & its IDC, Italy, the United Kingdom, North & South America, the Netherlands, Belgium and the Group reinsurance.

Notes to the consolidated financial statements

Primary segment data: geographic segments

Profit & loss by segment

(in thousands of euros)	31/12/2008												
	Germany	IDC Germany Europe	IDC Germany Asia	France & IDC	Italy	United Kingdom	North & South America	Belgium	Netherlands	Group Reinsurance	Group services	Inter-segment eliminations	GROUP
Premiums written	686,540	104,411	-	384,936	200,144	199,687	167,821	70,034	41,144	651,078	-	(627,016)	1,878,779
Premiums refunded	(44,054)	(4,715)	-	(22,611)	2,059	(3,110)	-	(2,978)	(1,391)	(31,985)	-	30,402	(78,383)
Net premiums written	642,486	99,696	-	362,325	202,203	196,577	167,821	67,056	39,753	619,093	-	(596,614)	1,800,396
Change in unearned premiums	(10,537)	(587)	-	1,326	150	(4,111)	(4,367)	(693)	(119)	(9,659)	-	2,160	(26,437)
Earned premiums - non-group	631,949	99,109	-	363,651	202,353	192,466	163,454	66,363	39,634	609,434	-	(594,454)	1,773,959
Premium-related revenues - non-group	175,950	53,055	16,921	93,497	49,161	22,173	29,562	17,052	14,847	-	-	(79,726)	392,492
Turnover - intra-sectoral	**807,899**	**152,164**	**16,921**	**457,148**	**251,514**	**214,639**	**193,016**	**83,415**	**54,481**	**609,434**	**-**	**(674,180)**	**2,166,451**
Investment income	60,782	3,891	-	72,060	9,158	9,519	5,695	3,580	1,308	(3,432)	235,385	(265,006)	132,940
Of which, dividends	*18,794*	-	-	-	-	-	-	-	-	-	*235,357*	*(254,151)*	-
Total ordinary income	**868,681**	**156,055**	**16,921**	**529,208**	**260,672**	**224,158**	**198,711**	**86,995**	**55,789**	**606,002**	**235,385**	**(939,186)**	**2,299,391**
Insurance services expense	(370,867)	(81,509)	-	(237,245)	(203,640)	(182,359)	(133,814)	(62,722)	(20,194)	(519,771)	-	504,691	(1,307,430)
Outwards reinsurance expense	356,959	97,669	-	107,193	105,895	105,137	93,285	29,142	16,773	253,424	-	(776,101)	389,376
Outwards reinsurance income	(357,335)	(80,029)	-	(93,179)	(83,563)	(75,437)	(78,351)	(24,498)	(19,849)	(212,004)	-	623,505	(400,740)
Other income and expense	(306,931)	(65,078)	(17,392)	(176,156)	(107,851)	(85,176)	(72,811)	(23,772)	(26,523)	(230,821)	(13,554)	313,968	(812,097)
Total other income and expense	**(678,174)**	**(128,947)**	**(17,392)**	**(399,387)**	**(289,159)**	**(237,835)**	**(191,691)**	**(81,850)**	**(49,793)**	**(709,172)**	**(13,554)**	**666,063**	**(2,130,891)**
Ordinary operating income	**190,507**	**27,108**	**(471)**	**129,821**	**(28,487)**	**(13,677)**	**7,020**	**5,145**	**5,996**	**(103,170)**	**221,831**	**(273,123)**	**168,500**
Financing expense	(17)	1	-	(101)	(194)	-	(13)	(570)	-	(3)	(22,878)	7,686	(16,089)
Income from companies accounted for by the equity method	5,659	-	-	2,216	-	-	-	-	-	-	-	-	7,875
Corporation tax	(56,566)	(5,488)	(258)	(48,013)	7,720	3,155	(3,362)	(588)	(1,547)	21,107	11,644	-	(72,196)
Consolidated net income	**139,583**	**21,621**	**(729)**	**83,923**	**(20,961)**	**(10,522)**	**3,645**	**3,987**	**4,449**	**(82,066)**	**210,597**	**(265,437)**	**88,090**
o/w													
Net income, group share	**136,411**	**20,847**	**(729)**	**83,371**	**(20,961)**	**(10,522)**	**3,645**	**3,987**	**4,449**	**(82,066)**	**210,597**	**(265,437)**	**83,592**
Minority interests	3,172	774	-	552	-	-	-	-	-	-	-	-	4,498

(in thousands of euros)	31/12/2007												
	Germany	IDC Germany Europe	IDC Germany Asia	France & IDC	Italy	United Kingdom	North & South America	Belgium	Netherlands	Group Reinsurance	Group services	Inter-segment eliminations	GROUP
Premiums written	696,948	96,279	-	382,162	210,207	214,516	167,341	70,706	39,430	376,569	-	(424,486)	1,829,672
Premiums refunded	(45,942)	(4,774)	-	(13,909)	(2,361)	(2,699)	-	(2,461)	(1,116)	(17,948)	-	16,430	(74,780)
Net premiums written	651,006	91,505	-	368,253	207,846	211,817	167,341	68,245	38,314	358,621	-	(408,056)	1,754,892
Change in unearned premiums	(15,767)	(2,874)	-	(729)	(477)	(8,830)	(3,974)	(3,314)	433	(10,155)	-	17,498	(28,189)
Earned premiums - non-group	635,239	88,631	-	367,524	207,369	202,987	163,367	64,931	38,747	348,466	-	(390,558)	1,726,703
Premium-related revenues - non-group	162,584	39,562	13,035	91,386	46,110	23,293	32,995	14,633	11,684	4	-	(62,541)	372,745
Turnover - intra-sectoral	**797,823**	**128,193**	**13,035**	**458,910**	**253,479**	**226,280**	**196,362**	**79,564**	**50,431**	**348,470**	**-**	**(453,099)**	**2,099,448**
Investment income	93,354	2,834	4	70,531	15,561	23,923	15,393	10,631	3,228	5,073	182,534	(237,907)	185,159
Of which, dividends	*18,494*	-	-	-	-	-	-	-	-	-	*145,247*	*(163,741)*	-
Total ordinary income	**891,177**	**131,027**	**13,039**	**529,441**	**269,040**	**250,203**	**211,755**	**90,195**	**53,659**	**353,543**	**182,534**	**(691,006)**	**2,284,607**
Insurance services expense	(229,159)	(37,268)	-	(152,587)	(108,006)	(80,753)	(81,706)	(41,296)	(17,546)	(167,468)	-	161,726	(754,063)
Outwards reinsurance expense	272,855	56,937	-	76,010	69,959	60,972	72,054	17,572	16,032	-	-	(315,259)	327,132
Outwards reinsurance income	(366,725)	(69,975)	-	(91,271)	(86,744)	(81,515)	(83,253)	(25,717)	(19,876)	(26,454)	-	393,287	(458,243)
Other income and expense	(329,608)	(54,355)	(11,797)	(171,433)	(106,494)	(97,847)	(72,768)	(18,430)	(22,989)	(140,845)	(10,485)	215,308	(821,743)
Total other income and expense	**(652,637)**	**(104,661)**	**(11,797)**	**(339,281)**	**(231,285)**	**(199,143)**	**(165,673)**	**(67,871)**	**(44,379)**	**(334,767)**	**(10,485)**	**455,062**	**(1,706,917)**
Ordinary operating income	**238,540**	**26,366**	**1,242**	**190,160**	**37,755**	**51,060**	**46,082**	**22,324**	**9,280**	**18,776**	**172,049**	**(235,944)**	**577,690**
Financing expense	(16)	-	(18)	(138)	-	-	(48)	-	(109)	(2)	(16,104)	3,517	(12,918)
Income from companies accounted for by the equity method	6,036	-	-	2,241	-	-	-	-	-	-	-	-	8,277
Corporation tax	(28,200)	(6,432)	(454)	(67,717)	(20,522)	(14,425)	(16,239)	(6,641)	(1,988)	(3,416)	3,949	-	(162,085)
Consolidated net income	**216,360**	**19,934**	**770**	**124,546**	**17,233**	**36,635**	**29,795**	**15,683**	**7,183**	**15,358**	**159,894**	**(232,427)**	**410,964**
o/w													
Net income, group share	**213,737**	**19,721**	**770**	**123,452**	**17,233**	**36,560**	**29,795**	**15,682**	**7,183**	**15,358**	**159,894**	**(232,427)**	**406,958**
Minority interests	2,623	213	-	1,094	-	75	-	1	-	-	-	-	4,006

Depreciation, amortisation and provisions by segment

(in thousands of euros)	31/12/2008												
	Germany	IDC Germany Europe	IDC Germany Asia	France & IDC	Italy	United Kingdom	North & South America	Belgium	Nether-lands	Group Reinsurance	Group services	Inter-segment eliminations	GROUP
Provisions for loans and receivables	(8,863)	-	-	(5,816)	(509)	(4)	(518)	(420)	(14)	-	(897)	-	(17,041)

(in thousands of euros)	31/12/2007												
	Germany	IDC Germany Europe	IDC Germany Asia	France & IDC	Italy	United Kingdom	North & South America	Belgium	Nether-lands	Group Reinsurance	Group services	Inter-segment eliminations	GROUP
Provisions for loans and receivables	(1,232)	-	-	(2,608)	(32)	(662)	-	-	(219)	-	(2,477)	-	(7,230)

Amortisation and impairment charges on non-current assets are now analysed by function. Consequently, the breakdown is no longer directly visible in the income statement in the 2007 and 2008 financial statements.

Balance sheet by segment

(in thousands of euros)	31/12/2008												
	Germany	IDC Germany Europe	IDC Germany Asia	France & IDC	Italy	United Kingdom	North & South America	Belgium	Nether-lands	Group Reinsurance	Group services	Inter-segment eliminations	GROUP
Goodwill	-	3,340	2,221	2,376	5,820	50,213	30,466	3,893	4,349	-	-	-	102,678
Other intangible assets	29,324	1,606	-	11,454	5,795	6,608	2,252	6,104	2,774	1,537	15,781	-	83,235
Investments - insurance businesses	464,765	14,913	(12,421)	685,547	144,064	(31,213)	56,774	37,244	27,487	143,371	1,401,061	(265,720)	2,665,872
Investments accounted for by the equity method	64,135	-	-	29,477	-	-	-	-	-	-	-	(62)	93,550
Share of assignees and reinsurers in the technical reserves and financial liabilities	253,674	56,030	-	87,001	176,396	62,972	46,352	28,020	11,991	169,566	-	(474,024)	417,978
Insurance and reinsurance receivables	93,345	37,798	-	133,605	80,912	76,349	52,734	104,566	3,041	111,201	-	(99,118)	594,433
Other assets	322,036	48,973	21,196	287,845	107,158	56,182	101,132	23,878	16,708	121,430	101,894	(109,083)	1,099,349
Total assets	**1,227,279**	**162,660**	**10,996**	**1,237,305**	**520,145**	**221,111**	**289,710**	**203,705**	**66,350**	**547,105**	**1,518,736**	**(948,007)**	**5,057,095**
Technical reserves	519,928	73,537	-	344,021	396,467	206,605	158,481	114,874	27,893	490,550	-	(478,658)	1,853,698
Liabilities related to inwards insurance and reinsurance transactions	53,092	82	-	90,199	26,456	17,972	3,445	2,385	383	29,289	-	(28,131)	195,172
Liabilities related to outwards reinsurance transactions	8,204	32,209	-	16,885	36,914	13,257	51,795	9,190	2,264	67,021	-	(141,042)	96,697
Other liabilities	316,039	20,334	15,475	258,569	62,996	24,131	26,916	26,067	12,188	19,798	527,541	(253,811)	1,056,243
Total liabilities	**897,263**	**126,162**	**15,475**	**709,674**	**522,833**	**261,965**	**240,637**	**152,516**	**42,728**	**606,658**	**527,541**	**(901,642)**	**3,201,810**

Notes to the consolidated financial statements

	31/12/2007												
(in thousands of euros)	Germany	IDC Germany Europe	IDC Germany Asia	France & IDC	Italy	United Kingdom	North & South America	Belgium	Netherlands	Group Reinsurance	Group services	Inter-segment eliminations	GROUP
Goodwill	-	3,373	2,073	2,376	5,820	64,891	28,802	3,893	4,349	-	-	-	115,577
Other intangible assets	23,669	955	-	7,718	6,147	7,046	984	2,221	1,642	819	7,077	-	58,278
Investments - insurance businesses	509,358	21,207	(8,199)	875,743	196,463	38,898	51,606	29,634	26,418	119,890	1,424,252	(236,186)	3,049,084
Investments accounted for by the equity method	21,295	-	-	30,973	-	-	-	-	-	-	-	(62)	52,206
Share of assignees and reinsurers in the technical reserves and financial liabilities	192,779	34,697	-	64,504	145,478	51,002	31,343	22,939	10,025	-	-	(187,312)	365,455
Insurance and reinsurance receivables	91,224	42,648	-	126,079	93,622	19,615	50,730	95,796	3,567	41,575	-	(69,700)	495,156
Other assets	243,837	46,987	15,385	191,818	66,708	53,713	46,153	36,267	25,241	50,419	69,127	(93,865)	751,790
Total assets	**1,082,162**	**149,867**	**9,259**	**1,299,211**	**514,238**	**235,165**	**209,618**	**190,750**	**71,242**	**212,703**	**1,500,456**	**(587,125)**	**4,887,546**
Technical reserves	414,432	48,913	-	300,091	316,438	130,850	121,078	91,512	23,697	171,087	-	(191,957)	1,426,141
Liabilities related to inwards insurance and reinsurance transactions	26,589	523	-	71,440	43,173	14,356	4,213	7,440	311	(684)	-	(2,556)	164,805
Liabilities related to outwards reinsurance transactions	25,595	41,559	-	39,679	53,207	8,974	23,367	18,024	3,654	(3,955)	-	(118,088)	92,016
Other liabilities	323,373	18,817	11,572	304,738	69,242	44,250	21,958	27,624	23,505	32,129	475,921	(226,465)	1,126,664
Total liabilities	**789,989**	**109,812**	**11,572**	**715,948**	**482,060**	**198,430**	**170,616**	**144,600**	**51,167**	**198,577**	**475,921**	**(539,066)**	**2,809,626**

Secondary segment data: business segments

The secondary segmentation is by business line, which comprises credit insurance and the other segments covering less significant businesses: bonding (financial guarantees), fidelity (insurance against malicious actions taken by employees), retail (personal loan reinsurance) and export guarantee management on behalf of the German State.

Turnover

(in thousands of euros)	31/12/2008	31/12/2007
Credit insurance	1,896,611	1,840,461
Other	269,841	258,986
Total	**2,166,452**	**2,099,447**

Notes to the consolidated financial statements

Total of assets

(in thousands of euros)	31/12/2008	31/12/2007
Credit insurance	3,526,589	3,337,460
Other	1,530,506	1,550,086
Total	**5,057,095**	**4,887,546**

Note 26 – Related parties

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

	Number of shares	%
AGF Holding	21,421,782	47.52%
Assurances Générales de France	5,442,444	12.07%
AGF Vie	3,879,818	8.61%
AGF-IART	4	0.00%
Treasury shares	1,540,644	3.42%
Others	110,671	0.25%
Sub-total	**32,395,363**	**71.86%**
Public (bearer securities)	12,686,867	28.14%
Total	**45,082,230**	**100.00%**

Transactions

(in thousands of euros)	31/12/2008			31/12/2007		
	Allianz SE	AGF SA	Related companies and joint ventures	Allianz SE	AGF SA	Related companies and joint ventures
Operating income	(803)	-	52,836	(85)	-	23,960
Insurance services expense	-	-	(31,069)	-	-	(7,501)
Net income or expense on reinsurance	(39,395)	-	(174)	39,652	-	(108)
Financing expense	-	(15,193)	-	-	(12,709)	-
Other financial net incomes	2,737	-	(8,939)	(2,690)	76	(8,385)

Notes to the consolidated financial statements

Receivables and liabilities

The current account with Allianz SE corresponds to part of the group's cash position, which is centralised by Allianz SE under a cash pooling arrangement.

(in thousands of euros)	31/12/2008			31/12/2007		
	Allianz SE	AGF SA	Related companies and joint ventures	Allianz SE	AGF SA	Related companies and joint ventures
Current accounts (accrued interests included)	74,314		1,825	75,137		472
Net operating receivables	5,565		12,195	4,742		2,544
Borrowings (accrued interests included)	-	292,321	-	-	292,379	-
Operating liabilities	15,576		2,099	(22,663)		141

Borrowings correspond to three loans contracted with AGF SA:
- 2004 loan of €90 million maturing in June 2009, at 6-month Euribor + 146.5 basis points;
- 2005 loan of €135 million maturing in June 2010, at 6-month Euribor + 20 basis points;
- 2006 loan of €67 million maturing in June 2009, at 6-month Euribor + 144.3 basis points.

Remuneration of senior executives:

Members of the group Management Board

	31/12/2008	31/12/2007
Salaries and other short term benefits for the year	2,581	3,872
Benefits in kind	40	36
Other indemnities	50	48
	2,671	3,956
Share-based attribution (number)		
Euler Hermes options	32,500	-
SAR/RSU	12,857	18,228

Like the whole employees who perceive their salaries in France, the members of the Group Management Board profit from a mandatory defined contribution plan of which the employer part is 1% of the gross amount of salaries.
Two members of the Group Management Board who do not hold any other position and are not employees are protected by special agreements in the event they are removed from office. A gross compensation of 50% for Dr Gerd-Uwe Baden and 200% for Mr Clemens von Weichs of the amount of their last fixed annual remuneration is planned.
The payment of this indemnity is provided to the realisation of the condition of performance: RORAC consolidated average of the last 2 years preceding the leaving of the company >=8%.

Members of the Supervisory Board

	31/12/2008	31/12/2007
Salaries and other short term benefits for the year	2,740	7,151
Capital gain following the takeover of Allianz during the 1st half of 2007	-	41,163
Capital gain from SAR/RSU exercise	33	-
Benefits in kind	212	171
	2,985	48,485
Share-based payments (number)		
SAR/RSU	21,804	37,398

In addition, Messrs Clemens von Weichs and Gerd-Uwe Baden, members of the Group Management Board, benefited from membership of an additional pension plan of the Allianz group.

Notes to the consolidated financial statements

Note 27 – Group Employees

	31/12/2008	31/12/2007
Euler Hermes Kreditversicherungs (Germany)	1,816	1,852
Euler Hermes SFAC (France)	1,073	1,023
Euler Hermes United Kingdom	522	472
Euler Hermes A.C.I. (United States)	465	438
Euler Hermes SIAC (Italy)	431	394
Euler Hermes Zarzadzanie Ryzykiem Sp.Z.o.o. (Poland)	355	354
Euler Hermes Credit Insurance (Belgium)	218	214
Euler Hermes Kreditversicherungs (Sweden)	129	125
Euler Hermes Credit Insurance Kredietverzekering (Netherlands)	125	103
Euler Hermes Servicios (Spain)	97	100
Euler Hermes Emporiki SA (Greece)	61	61
Euler Hermes Kreditversicherungs Service (Switzerland)	61	59
Euler Hermes Magyer Hitelbiztosito (Hungary)	59	55
Euler Hermes Cescob AS (Czech Republic)	44	41
Euler Hermes Acmar (Morocco)	39	30
Euler Hermes Seguro de Credito S.A. (Mexico)	37	29
Euler Hermes Guarantee PLC	31	31
EH Credit Insurance Agency (Singapore)	31	26
UAB Euler Hermes Services Baltic (Lithuania)	26	22
Euler Hermes Serviços (Brazil)	26	19
Euler Hermes Services Serwis SRO Bratislava (Slovakia)	24	22
Euler Hermes Servicii Financiare S.R.L (Romania)	17	14
Euler Hermes Trade Credit Underwriting Agents (Australia)	17	8
Euler Hermes Services (HK) Ltd	12	12
Euler Hermes Services SIA Riga, Latvia (Latvia)	10	15
Euler Hermes Services OÜ Tallinn (Estonia)	8	5
Euler Hermes Credit Services (Japan)	7	7
Euler Hermes Argentina	7	5
EH Information Consulting (Shanghai) Co. Ltd (China)	7	-
Euler Hermes Trade Credit Ltd. Lumley Centre (New-Zealand)	6	4
EH Colombia	4	-
Euler Hermes Services India Private Limited	2	-
TOTAL	**5,767**	**5,540**

Staff costs totalled €380,688 thousand for the year ended December 31st, 2008. Remuneration paid to members of the Group Management Board during the year came to €2,671 thousand and €2,699 thousand for members of the Supervisory Board.
The staff numbers shown correspond to the full-time equivalent headcount. For companies consolidated using the proportional method, the headcount shown is based on the proportion of the company included in the consolidated financial statements (concerns only N.V. Interpolis Kreditverzekeringen). The headcount of companies accounted for by the equity method is not taken into account.

Note 28 – Commitments received and given

(in thousands of euros)			31/12/2008	31/12/2007
Commitments received			**15,913**	**16,060**
	* Deposits, sureties and other guarantees		15,913	16,060
Commitments given			**22,753**	**38,474**
	* Deposits, sureties and other guarantees		22,753	38,474
o/w		*- Commitments associated with membership of an EIG*	*9,743*	*7,841*
		- Securities buyback agreement	*798*	*1,202*

Note 29 – Stock option plans

Amount charged in the consolidated income statement

in thousands of euros	2008	2007
Charge in respect of the June 27th, 2005 allocation of share subscription options	-	471
Charge in respect of the September 22nd, 2006 allocation of share purchase options	1,267	1,692
Charge in respect of the June 22nd, 2008 allocation of share purchase options	222	-
Total	**1,489**	**2,163**

Characteristics of the share option plans

Euler Hermes uses the "Cox-Ross-Rubinstein" model to measure the personnel expense related to options granted.
The assumptions used were as follows:

	Subscription plans				Purchase plans			
	Aug-1998	Jul-2003	Jul-2004	Jun-2005	Apr-2000	Feb-2001	Sep-2006	Jun-2008
Fair value of options allocated	5.22	8.93	11.66	13.10	14.77	12.74	22.29	6.83
Characteristics:								
Date of EGM	29/04/97	23/04/03	23/04/03	23/04/03	7/04/00	7/04/00	22/05/06	22/05/06
Period of validity of options	10 years	8 years	8 years	8 years	8 years	8 years	8 years	8 years
Rights vesting period	2 years	2 years	2 years	2 years	2 years	2 years	2 years	2 years
Assumptions:								
Risk-free interest rate	5.10%	3.80%	4.16%	3.01%	5.63%	5.09%	4.01%	4.72%
Expected volatility (1)	20%	30%	30%	25%	23%	20%	25%	33%
Rate of return on shares	2%	2.81%	4.14%	3.98%	2.63%	2.65%	3.74%	10.51%

(1) Expected volatility is calculated using historical market prices.

Sundry restrictions

■ Subscription plans adopted by the EGM of 23/04/2003
The beneficiaries must have six months of service with the company on the allocation date. They may be on permanent or fixed-term contracts. The shares obtained by the exercise of the options are registered in the shareholder's name. They can be transferred freely after an initial period of four years as from the allocation date. This period of unavailability does not apply in certain cases such as loss of employment, retirement, incapacity or death of the beneficiary.

Notes to the consolidated financial statements

■ Purchase plans adopted by the EGM of 23/04/2003

The beneficiaries of the scheme are all the employees and corporate officers of Euler Hermes SA and its subsidiaries, with permanent or fixed-term employment contracts and at least six months length of service on the options allocation date. The shares purchased are transferable either immediately or after a period of four years from the date of the offer (other than in the event of loss of employment, retirement, incapacity or death), depending on the country.

■ Mixed plans adopted by the EGM of 22/05/2006

The beneficiaries of the scheme are all the employees and corporate officers of Euler Hermes SA and of more than 50%-owned subsidiaries, with permanent or fixed-term employment contracts and at least six months length of service on the options allocation date. The options may be freely exercised after a period of four years from the date of the offer, other than as provided for by article 91 ter of Appendix II to the French General Tax Code (loss of employment , retirement, incapacity or death), depending on the country.

Information on plans currently in effect

At December 31st, 2008, the following options were potentially exercisable:

	Subscription plans (1)				Purchase plans (2)			
Allocation date	**Aug-1998**	**Jul-2003**	**Jul-2004**	**Jun-2005**	**Avr-2000**	**Feb-2001**	**Sep-2006**	**Jun-2008**
Number of options outstanding	0	51,325	90,305	143,950	0	19,410	153,100	130,000
End of subscription period	Aug-2008	Jul-2011	Jul-2012	Jun-2013	Avr-2008	Feb-2009	Sep-2014	Jun-2014
Exercise price of valid options at end of period	18.27	27.35	44.41	63.08	50.11-52.74	49.31-52.65	91.82	55.67

(1) These subscriptions plans are intended for members of the management bodies of Euler Hermes and its subsidiaries.
(2) The EGM of April 7th, 2000 authorised the allocation of share purchase options to all Euler Hermes group employees in the context of a general stock option plan and to certain executives of its subsidiaries under a discretionary scheme. The EGM of May 22nd, 2006 authorised the allocation of share purchase and/or subscription options to all Euler Hermes Group employees and possibly to its corporate officers. The options granted in September 2006 were purchase options only. The Directoire of June 20th, 2008 approved the request from the Conseil de Surveillance of June 15th, 2008 related to the granted of purchase plan (which is authorised by the EGM of May 22nd, 2006).

Transactions under the share option plans since January 1st, 2007 may be summarised as follows:

	Dec-2008				
	Average exercise price (€)	**Number of options**	**Average price of EH share on exercise dates (€)**	**Average residual term (years)**	**Exercise price range of options still outstanding at end of period (€)**
Start of period	60.34	529,719			
Allocation	55.67	130,000			
Exercise	32.71	49,519	59.97		
Cancellation	38.93	23,060			
End of period	**62.53**	**587,140**		**5.03**	**27.35-91.82**

Notes to the consolidated financial statements

	Dec-2007				
	Average exercise price (€)	Number of options	Average price of EH share on exercise dates (€)	Average residual term (years)	Exercise price range of options still outstanding at end of period (€)
Start of period	55.80	686,542			
Allocation	0.00	0			
Exercise	37.97	145,508	102.98		
Cancellation	66.64	11,315			
End of period	**60.34**	**529,719**		**4.69**	**18.27-91.82**

Allianz Group Equity Incentive plans

The schemes set in place under the Allianz Group Equity Incentives plan concern executives of Allianz and its subsidiaries worldwide. Starting in 1999, Allianz issued Stock Appreciation Rights (SAR) whose remuneration is entirely and directly a function of Allianz's share price performance. In 2003, Allianz issued Restricted Stock Units (RSU) with a vesting period of five years. The remuneration is granted by each entity concerned in accordance with the conditions set by Allianz. The reference price of SAR and RSU for the remuneration of the executives is the average trading price of Allianz shares over the ten trading days immediately preceding Allianz's Annual General Meeting of shareholders.

Characteristics of the SAR and RSU plans

	SAR Plans									
(in thousands of euros)	Apr-00	Apr-01	Apr-02	May-03	May-04	May-05	May-06	Mar-07	Mar-08	Total
Fair value at December 31st, 2008 (in euros)	0.00	0.00	0.01	21.66	15.08	11.48	5.04	2.23	4.20	
Total commitment	0	0	0	0	501	485	197	80	98	1,361
Opening commitment	0	0	0	0	1,945	2,074	1,040	381	0	5,440
Charge recognised during the period	0	0	0	0	(1,444)	(1,590)	(843)	(286)	37	(4,126)
Exercise of options	0	0	0	0	0	0	0	-21	0	(21)
Closing commitment	0	0	0	0	501	485	197	74	37	1,293

Notes to the consolidated financial statements

	RSU Plans				
in thousands of euros	May-03	Mar-07	Mar-07	Mar-08	Total
Fair value at December 31st, 2008 (in euros)	0.00	59.07	64.24	54.05	
Total commitment	0	1,071	11	610	1,691
Opening commitment	474	382	3	0	860
Charge recognised during the period	0	32	1	102	134
Exercise of options	(474)	(21)	0	0	(495)
Closing commitment	0	393	4	102	498

SAR

After a vesting period of two years, the SAR can be exercised at any time between the second anniversary date and the seventh anniversary date under the following conditions:

- if during the contractual period, the Allianz share price has outperformed the Dow Jones index at least once for a period of five consecutive days;
- if the Allianz share price exceeds the reference price by at least 20% on the exercise date.

If these conditions are met, the Allianz group companies must pay in cash the difference between the reference price and the Allianz share price on the exercise date.

RSU

On the exercise date, after a five-year vesting period, Allianz can choose to remunerate the RSU in cash or by allocating Allianz shares or other securities granting access to the capital. If it opts for a cash remuneration, payment will be made based on the average price of the Allianz share over the ten trading days prior to the end of the vesting period.

Impact on the consolidated financial statements as at December 31st, 2008

The fair value of the liabilities resulting from the SAR and RSU plans is reassessed at each balance sheet date based on the Allianz share price, until expiry of the obligation, and is calculated using the Cox-Ross-Rubinstein binomial valuation model. The charge is recognised as the rights are vested, and is thus spread over two years for the SAR and five years for the RSU. At December 31st, 2008, the liability relating to the SAR and RSU still to be exercised amounted to €1,722 thousand.

Notes to the consolidated financial statements

Information on plans currently in effect

	Dec-2008								
	SAR					RSU			
Allocation date	Rights vesting period (years)	Reference price (€)	SAR granted	SAR cancelled	SAR exercised	Rights vesting period (years)	RSU granted	RSU cancelled	RSU exercised
April-00	2	332.10	9,734	(9,734)	-	-	-	-	-
April-01	2	322.14	9,961	(9,961)	-	-	-	-	-
April-02	2	239.80	10,682	-	-	-	-	-	-
May-03	2	65.91	-	-	-	5	3,645	-	(3,645)
May-04	2	83.47	33,229	-	-	-	-	-	-
May-05	2	92.87	42,220	-	-	-	-	-	-
May-06	2	132.41	37,779	1,277	-	-	-	-	-
Mars-07	2	160.13	38,151	(2,130)	-	5	19,366	(1,072)	-
Mars-08	2	117.38	23,258	-	-	5	11,285	-	-

The attribution for 2008 for the group Management Board is:

SAR	8,656
RSU	4,201

Note 30 – Subsequent events

No subsequent events occurred since December 31st, 2008 closing which would impact the hypothesis of the annual closing.

Report of independent auditors on the consolidated financial statements

YEAR ENDED DECEMBER 31ST, 2008

To the shareholders,

In accordance with the terms of our appointment by your General Meetings, we hereby submit our report for the financial year ended Decembe 31st, 2008 on the:

- audit of the consolidated financial statements of Euler Hermes SA for the year ended December 31st, 2008, as attached to this report;
- substantiation of our assessments;
- specific checks required by law.

The consolidated 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.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we perform such tests and procedures so as to obtain reasonable assurance that the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis or by using any other sampling techniques, evidence supporting the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the accounting policies used and any significant estimates made in drawing up the financial statements, and an evaluation of the overall presentation of those statements. We believe that our audit provides a reasonable basis for the opinion expressed below.

In our opinion, having regard to the IFRS adopted within the European Union, the consolidated financial statements for the financial year are true and fair and accurately present the assets and liabilities, financial position and results of the group formed by the entities and companies included in the consolidation scope.

2. Substantiation of our assessments

The accounting estimates used in preparation of the financial statements as at December 31st, 2008 were made in the context of high market volatility and of an uncertain economic outlook. It is in this context that, pursuant to the provisions of Article L. 823-9 of the French Commercial Code, we draw your attention to the following items:

- Your group recognises technical reserves to cover its commitments as shown in Notes 2.3.4, 2.3.20.2. and note 16 of paragraph 4 "Notes to the financial statements" of the notes to the consolidated financial statements. Our assessment of the technical reserves is based on the information currently available, on an analysis of the calculation methodology and a review of the assumptions used in applying the calculations performed by the various group companies.
- Financial investments have been recognised and measured using the methods described in Note 2.3.10.1. and note 4 of paragraph 4 "Notes to the financial statements" of the notes to the consolidated financial statements. We satisfied ourselves that the valuation methods were correctly implemented and assessed the data and assumptions on which the valuations are based, and also checked that the classification system used was consistent with group documents.
- Goodwill is tested for impairment on each balance sheet closing date in accordance with the methods described in Notes 2.3.4, 2.3.7.3 and note 1 of paragraph 4 "Notes to the financial statements" of the notes to the consolidated financial statements. We examined the methodology used in applying such impairment testing, as well as the cash flow forecasts and assumptions used.

The assessments thus made form part of our procedure for auditing the consolidated financial statements taken as a whole and therefore contributed to the formation of our opinion as expressed in the first section of this report.

Report of independent auditors on the consolidated financial statements

3. Specific checks

As required by law, we also checked the information provided in the report on the management of the group.
We have no observations to make on the accuracy of such information or its consistency with the consolidated financial statements.

The independent auditors
Paris La Défense, March 31st, 2009

KPMG Audit
A division of KPMG SA
Xavier Dupuy
Partner

Paris, March 31st, 2009

ACE – Auditeurs et Conseils d'Entreprise

Alain Auvray
Partner

Financial statements

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Financial statements

Balance sheet as at December 31st, 2008

ASSETS (in euros)	Notes	Gross	Amort. & depr.	Net 31/12/2008	Net 31/12/2007	Net 31/12/2006
Intangible assets	3.1	17,976,585	5,718,233	12,258,352	6,345,791	4,461,626
Property and equipment	3.1	316,656	272,327	44,329	68,373	91,982
Long-term investments						
Participating interests	3.2	1,404,565,226	6,171,768	1,398,393,458	1,387,695,011	1,312,995,044
Other long-term investments	3.3	96,146,946	30,932,756	65,214,190	87,925,688	87,837,446
Non-current assets		**1,519,005,413**	**43,095,084**	**1,475,910,329**	**1,482,034,863**	**1,405,386,098**
Receivables	3.4	52,906,127		52,906,127	35,821,508	24,362,038
Cash and cash equivalents	3.5	11,551,075		11,551,075	7,065,154	22,669,319
Current assets		**64,457,202**		**64,457,202**	**42,886,662**	**47,031,357**
Translation differences		**0**		**0**	**0**	**395,411**
TOTAL ASSETS		**1,583,462,615**	**43,095,084**	**1,540,367,531**	**1,524,921,525**	**1,452,812,866**
Off-balance sheet commitments received	*5.3*			*0*	*0*	*0*

SHAREHOLDERS' EQUITY AND LIABILITIES (in euros)	Notes	31/12/2008	31/12/2007	31/12/2006
Share capital	3.6.1	14,426,313	14,416,804	14,384,358
Additional paid-in capital		451,923,530	451,331,544	448,058,354
Reserves				
Legal reserve		1,441,681	1,438,436	1,434,568
General reserve		77,473,535	77,473,535	77,473,535
Reserve for treasury shares		75,571,618	74,712,880	81,307,936
Other reserves		190,817,122	191,675,860	185,080,804
Retained earnings brought forward		45,622,003	128,208,146	88,254,173
Net income for the year		193,457,034	135,597,447	214,151,289
Shareholders' equity	**3.6.2**	**1,050,732,836**	**1,074,854,652**	**1,110,145,016**
Provisions	**3.7**	**76,927**	**970,003**	**1,445,116**
Borrowings and other financial liabilities	3.8	461,693,994	426,825,148	322,758,064
Trade payables		962,377	1,213,234	918,887
Social security, tax and other liabilities	3.9	23,193,561	21,019,075	17,545,783
Liabilities		**485,849,932**	**449,057,457**	**341,222,734**
Translation differences	**3.10**	**3,707,836**	**39,413**	**0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,540,367,531**	**1,524,921,525**	**1,452,812,866**
Off-balance sheet commitments given	*5.3*	*10,519,468*	*8,872,305*	*9,496,019*

Income statement

(in euros)	Notes	2008	2007	2006
Operating and financial revenues				
Revenues from participating interests	4.1	233,530,713	145,271,036	217,548,315
Net income from sale of securities		1,010,708	646,307	1,042,505
Writebacks of provisions for foreign exchange losses		0	395,411	0
Writebacks of provisions for impairment of treasury shares		0	0	0
Writebacks of provisions for impairment of participating interests	3.2.2	0	5,594,577	6,041,000
Other financial income	4.2	48,266	192,652	3,780,678
Sundry services	4.3	7,856,374	7,366,641	6,126,827
Expenses capitalised	3.1.1	6,746,227	2,721,003	715,326
Total I		**249,192,288**	**162,187,627**	**235,254,651**
Operating and financial expenses				
External charges	4.4	20,108,316	15,981,357	9,924,466
Taxes, duties and similar payments		380,643	347,229	361,426
Payroll and social security contributions	4.5	1,526,662	2,484,349	2,170,574
Other ordinary management expenses	5.2	360,051	260,000	260,000
Depreciation and amortisation of non-current assets	3.1.2	868,314	860,446	859,319
Provisions for foreign exchange losses		0	0	395,411
Provisions for impairment of treasury shares	3.3.2	30,358,793	573,962	0
Provisions for impairment of participating interests		0	0	0
Other financial expenses	4.6	25,881,042	16,470,776	16,393,116
Total II		**79,483,821**	**36,978,119**	**30,364,310**
Ordinary income (I - II)		**169,708,467**	**125,209,508**	**204,890,341**
Exceptional revenues				
Proceeds from sale of participating interests		0	22,805	0
Proceeds from sale of intangible assets		0	0	0
Other exceptional income	4.7	84,427	4,725,795	3,073,085
Reversal of provisions	3.7	905,872	116,385	202,034
Total III		**990,299**	**4,864,985**	**3,275,118**
Exceptional charges				
Carrying amount of participating interests sold		0	90,000	0
Carrying amount of intangible assets sold		10,332	0	0
Other exceptional charges	4.7	1,018,646	210,239	196,447
Provisions	3.7	12,796	36,683	7,002
Total IV		**1,041,774**	**336,922**	**203,449**
Net exceptional income (charge) (III - IV)		**(51,475)**	**4,528,063**	**3,071,670**
Corporation tax	**4.8**	**23,800,042**	**5,859,876**	**6,189,278**
Net income		**193,457,034**	**135,597,447**	**214,151,289**

Notes to the parent company financial statements

These notes should be read in conjunction with the balance sheet before the allocation of net income for the year ended December 31st, 2008, which shows total assets of €1,540,367,531 and the income statement, which shows net income of €193,457,034.

The financial year covers the twelve month period from January 1st, 2008 to December 31st, 2008.

These notes comprise:
- accounting principles and methods;
- significant events during the year;
- notes to the balance sheet;
- notes to the income statement;
- other information.

These notes and tables form an integral part of the annual financial statements as approved by the Group Management Board and reviewed by the Supervisory Board at its meeting of February 17th, 2009.

1. ACCOUNTING PRINCIPLES AND METHODS

The 2008 parent company financial statements have been prepared in accordance with Articles L. 123-12 to L. 123-28 of the French Commercial Code, the provisions of application decree No. 83 - 1020 of November 29th, 1983, the regulations of the Comité de la Réglementation Comptable (French Accounting Regulations Committee - CRC), and in particular with CRC regulation No. 99 - 03 of April 29th, 1999 relating to the revision of the French general chart of accounts.

2. SIGNIFICANT EVENTS DURING THE YEAR

The following events occurred during 2008:

Acquisition of participating interest

In 2008, Euler Hermes fully subscribed to the capital increase staged by Euler Hermes Reinsurance AG at a cost of €10,384 thousand *(see Note 3.2.1 Participating interests)*.

Convergence project

In accordance with a cost-sharing agreement, Euler Hermes capitalises the portion of development costs applicable to member companies of the Euler Hermes group that are not signatories to the cost-sharing agreement in respect of the Convergence project, whose objective is to provide group subsidiaries with a common IT application for management of claims settlements and collections *(see Notes 3.1.1 Intangible assets, property and equipment and 4.4 External charges)*.

Global Reporting project

Work on the Global Reporting project, whose objective is to merge the Euler Hermes group's accounting systems into a single application, was initiated by Euler Hermes in 2006 and continued in 2008. In accordance with a cost-sharing agreement, Euler Hermes capitalises the portion of development costs applicable to itself *(see Notes 3.1.1 Intangible assets, property and equipment and 4.4 External charges)*.

Notes to the parent company financial statements

Provision for treasury shares

In view of recent trends in the financial markets, an impairment provision of €30,933 thousand was booked as at December 31st, 2008 in respect of the treasury shares held by Euler Hermes *(see Note 3.3.2 Impairment of other long-term investments)*.

3. NOTES TO THE BALANCE SHEET

A – ASSETS

3.1 Intangible assets, property and equipment, and amortisation and depreciation

3.1.1 Intangible assets, property and equipment

Intangible assets, property and equipment at December 31st, 2008 were as follows *(see Note 2 Significant events during the year)*:

(in euros)	Gross amount at 01/01/2008	Increase	Decrease	Gross amount at 31/12/2008
Intangible assets	**11,485,227**	**6,765,901**	**274,543**	**17,976,585**
Intangible assets in progress – Convergence (1)	2,588,787	6,462,484	0	9,051,271
Intangible assets in progress – Global Reporting (1)	132,216	283,743	0	415,959
Software – IRP	8,489,681	0	0	8,489,681
Software – other	274,543	19,674	274,543	**19,674**
Property and equipment (2)	**417,371**	**1,262**	**101,977**	**316,656**
TOTAL	**11,902,598**	**6,767,163**	**376,520**	**18,293,241**

(1) In accordance with Article 331-3 II.c of the French general chart of accounts, the share of expenses relating to the programming of the systems for the Convergence and Global Reporting projects has been recorded under "Intangible assets in progress", with the corresponding credit entry being posted to "Costs capitalised" in amounts of €6,462 thousand and €284 thousand respectively.

(2) Property and equipment comprises IT equipment (production and receipts servers), fixtures and fittings and furniture.

3.1.2 Amortisation and depreciation of intangible assets, property and equipment

The breakdown of amortisation and depreciation at December 31st, 2008 was as follows:

(in euros)	Provision at 01/01/2008	Charge	Writeback	Provision at 31/12/2008
Intangible assets	**5,139,436**	**853,340**	**274,543**	**5,718,233**
Software - IRP	4,864,893	836,838	0	5,701,731
Software - other	274,543	16,502	274,543	16,502
Property and equipment	**348,998**	**14,974**	**91,645**	**272,327**
TOTAL	**5,488,434**	**868,314**	**366,188**	**5,990,560**

Notes to the parent company financial statements

- The IRP software is amortised on a straight-line basis over a period of seven years corresponding to its estimated useful life.
- Other software is amortised *pro rata temporis* over twelve months.
- IT equipment is depreciated on a straight-line basis over three years. Fixtures and fittings and furniture are depreciated on a straight-line basis over periods ranging from one to seven years.

3.2 Participating interests and provisions for impairment of participating interests

3.2.1 Participating interests

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

(in euros)	Gross amount at 01/01/2008	Increase	Decrease	Gross amount at 31/12/2008
Holding				
Euler Hermes SFAC	169,721,382	314,549	30	170,035,901
Euler Hermes Services	38,112			38,112
Euler Hermes Credit Insurance Belgium SA	53,408,321			53,408,321
Euler Hermes UK plc.	238,683,768			238,683,768
Euler Hermes SIAC	94,535,667			94,535,667
Euler Hermes Inc., USA	909			909
Euler Hermes ACI Inc.	143,541,100			143,541,100
Euler Hermes Kreditversicherungs-AG	540,816,011			540,816,011
Euler Hermes Hitelbiztosito Rt	434,540			434,540
Euler Hermes Magyar Követeléskezelö Kft	204,519			204,519
Euler Hermes Kredietverzekering NV	28,492,950			28,492,950
Euler Hermes Reinsurance AG (1)	123,949,060	10,383,928		134,332,988
Euler Hermes World Agency	40,440			40,440
TOTAL	**1,393,866,779**	**10,698,477**	**30**	**1,404,565,226**

(1) The main movement during the year was the subscription to the capital increase involving 168,500 shares of Euler Hermes Reinsurance AG at a cost of €10,383,928 (see Note 2 Significant events during the year).

3.2.2 Provisions for impairment of participating interests

At each year-end, participating interests are re-measured based on their value in use. When necessary, an impairment provision is recognised on an individual investment basis, taking into account both the value in use and the general prospects of the subsidiary concerned.
The provision for impairment recognised in respect of Euler Hermes UK plc at December 31st, 2007 totalling €6,172 thousand remained unchanged at December 31st, 2008.

Notes to the parent company financial statements

3.3 Other long-term investments

3.3.1 Other long-term investments

This item comprises mainly:

- a Swiss franc-denominated advance equivalent to €11,448 thousand intended to cover the organisational funding of Euler Hermes Reinsurance AG, including €470 thousand of unrealised foreign exchange gain *(see Note 3.10 Translation difference)*;
- treasury shares with a gross carrying amount of €84,698 thousand.

As part of Euler Hermes' share buy-back programme, authorised by the Extraordinary General Meeting of April 7th, 2000, the company held own shares at the year-end representing 3.42% of the share capital, as shown below:

(in euros)	Gross amount at 01/01/2008	Increase	Decrease	Gross amount at 31/12/2008
Purpose for which held				
Unrestricted use				
- Number of shares	1,287,246		19,802(1)	1,267,444
- Average price (€)	52.937			52.937
- Total	**68,142,730**			**67,094,475**
% of capital	*2.86%*			*2.81%*
Adjustment of share price				
- number of shares	82,500	201,700	11,000	273,200
- Average price (€)	90.047			64.433
- Total	**7,428,888**			**17,603,059**
% of capital	*0.18%*			*0.61%*
TOTAL	**75,571,618**	**0**	**0**	**84,697,534**

(1) During the year, 19,802 options granted under the share purchase option plans were exercised (see 5.5 Share purchase option plans).

3.3.2 Impairment of other long-term investments

For balance sheet purposes, treasury shares are measured using the average market price during the last month of the financial period. A provision for impairment was thus recognised in the income statement in an amount of €30,359 thousand *(see Note 2 Significant events during the year)*, which breaks down as follows:

(in euros)	Provision at 01/01/2008	Charge	Writeback	Provision at 31/12/2008
Impairment of treasury shares: general adjustment	0	22,863,721	0	22,863,721
Impairment of treasury shares: share price adjustment	573,963	7,495,072	0	8,069,035
TOTAL	**573,963**	**30,358,793**	**0**	**30,932,756**

3.4 Receivables

As in 2007, this item mainly includes the balances of transactions between subsidiaries included in the Euler Hermes tax group *(see Note 4.8.1 Current tax)*.
All receivables are due within one year.

3.5 Cash and cash equivalents

Cash and cash equivalents comprise demand deposits and money market funds, the latter being shown in the balance sheet at their latest published redemption price on the balance sheet date.

B – SHAREHOLDERS' EQUITY AND LIABILITIES

3.6 Shareholders' equity

3.6.1 Composition of the share capital

At December 31st, 2007, the share capital comprised 45,052,513 shares with a total nominal value of €14,416,804.
During 2008, 29,717 options relating to the share subscription option plans were exercised for an amount of €601 thousand, corresponding to a capital increase of €9 thousand and additional paid-in capital of €592 thousand *(see Note 5.4 Share subscription option plans)*.
At the year-end, the share capital thus comprised 45,082,230 issued and fully paid-up shares with a total nominal value of €14,426,313.

Notes to the parent company financial statements

3.6.2 Changes in shareholders' equity

The movements during the year can be analysed as follows:

(in euros)	31/12/2007	Allocation of 2007 net income	Dividends paid	Other move-ments during the year	31/12/2008
Share capital	14,416,804			9,509	14,426,313
Additional paid-in capital	451,331,544			591,986	451,923,530
Reserves					
Legal reserve	1,438,436	3,245			1,441,681
General reserve	77,473,535				77,473,535
Reserve for treasury shares	74,712,880			858,738	75,571,618
Other reserves	191,675,860			(858,738)	190,817,122
Retained earnings brought forward	128,208,146	135,594,202	(218,180,345)		45,622,003
Net income for the year	135,597,447	(135,597,447)		193,457,034	193,457,034
TOTAL	**1,074,854,652**	**0**	**(218,180,345)**	**194,058,529**	**1,050,732,836**

Reserve for treasury shares

The reserve for treasury shares was increased by €859 thousand to take account of sales related to the exercise of share purchase options and of purchases and sales carried out under the terms of the liquidity contract during the year under review. This increase was debited in full to "other reserves", in accordance with a resolution passed by the General Meeting of May 15th, 2008.
The balance on the reserve for treasury shares at December 31st, 2008 was €75,572 thousand.

3.7 Provisions

Provisions can be analysed as follows:

(in euros)	Provision at 01/01/2008	Charge	Writeback	Provision at 31/12/2008
Provision for the Eurofactor liabilities guarantee	879,000	0	879,000	0
Provision for risks on treasury shares	77,456	0	26,872	50,584
Other provisions	13,547	12,796	0	26,343
TOTAL	**970,003**	**12,796**	**905,872**	**76,927**

The main movements during the year were as follows:

- **provision for liabilities guarantee**: this provision was raised to cover exercise of the liabilities guarantee granted by Euler Hermes, in accordance with the terms of the transaction entered into on July 26th, 2004 between Euler Hermes, Eurofactor and Crédit Lyonnais. The provision was fully written back in 2008 due to the call by Eurofactor for the balance of the liabilities guarantee *(see Note 4.7 Other exceptional income and charges)*;

- **provision for risks on treasury shares**: the provision calculated at the previous year end as the difference between the purchase cost to Euler Hermes of the treasury shares and the exercise price of the share purchase option plans was adjusted to take into account the options exercised during the year.

3.8 Borrowings and other financial liabilities

3.8.1 Breakdown by maturity

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

(in euros)	31/12/2008	31/12/2007	CHANGE
Less than 1 year	326,693,994	291,825,148	34,868,846
From 1 to 5 years	135,000,000	135,000,000	0
TOTAL	**461,693,994**	**426,825,148**	**34,868,846**
of which, due to related companies	461,662,438	426,822,961	34,839,477

All borrowings are at variable interest rates. The interest charge for the year ended December 31st, 2008 totalled €22,879 thousand *(see Note 4.6 Other financial charges).*

3.8.2 Breakdown by currency

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

(in euros)	31/12/2008	31/12/2007	CHANGES
Denominated in euros	454,269,086	417,184,754	37,084,333
Denominated in GBP	7,424,907	9,640,394	(2,215,487)
TOTAL	**461,693,994**	**426,825,148**	**34,868,846**

At December 31st, 2008, the borrowing denominated in pounds sterling generated a translation difference, being a liability of €2,873 thousand (*see Note 3.10 Translation difference*).

3.9 Social security, tax and other liabilities

As in 2007, this item comprises mainly balances on transactions between the subsidiaries belonging to the Euler Hermes tax group (*see Note 4.8.1 Current tax*).
All such liabilities are payable within one year.

3.10 Translation difference

At December 31st, 2008, the translation difference corresponded to a net unrealised foreign exchange gain as follows:

(in euros)	Currency	31/12/2008	31/12/2007
Other long-term investments (*see Note 3.3 Other long-term investments*)	CHF	470,154	(703,892)
Borrowings and other financial liabilities (*see Note 3.8 Borrowings and other financial liabilities*)	GBP	2,873,115	676,958
Other receivables	CHF	364,567	65,002
Cash and cash equivalents	USD	0	1,344
TOTAL		**3,707,836**	**39,413**

Notes to the parent company financial statements

4. NOTES TO THE INCOME STATEMENT

4.1 Revenues from participating interests

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

(in euros)	2008	2007
Euler Hermes SFAC	94,796,806	72,215,744
Euler Hermes SIAC	17,164,770	12,880,000
Euler Hermes Kreditversicherungs-AG	100,006,400	60,026,915
Euler Hermes UK plc.	21,454,623	0
Euler Hermes Magyar Követeléskezelö Kft.	56,287	62,434
Euler Hermes Magyar Hitelbiztosito Zrt	51,827	85,943
Total	**233,530,713**	**145,271,036**

4.2 Other financial income

The main component of this item is interest of €45 thousand in respect of related companies.

4.3 Sundry services

This item includes €4,580 thousand recharged to subsidiaries that are not included in the cost-sharing agreement for IRP system licence fees. It also includes recharges of €3,276 thousand to the same subsidiaries for IRP system maintenance.

4.4 External charges

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

4.5 Payroll and social security contributions

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

4.6 Other financial expense

This item consists mainly of interest on borrowings from related companies in an amount of €22,879 thousand, including €464 thousand of accrued interest (*see Note.3.8 Borrowings and other financial liabilities*).

4.7 Other exceptional income and charges

"Other exceptional income and charges" consists mainly of the payment of €651 thousand made under the terms of the Eurofactor liabilities guarantee (*see Note 3.7 Provisions*).

4.8 Corporation tax

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

(in euros)	2008	2007
Tax grouping surplus	19,643,996	5,736,886
Deferred tax	4,156,046	122,990
TOTAL	**23,800,042**	**5,859,876**

4.8.1 Corporation tax and tax grouping surplus

Euler Hermes is the head of the tax group formed with its subsidiaries Euler Hermes SFAC, Euler Hermes SFAC Crédit, Euler Hermes SFAC Recouvrement, Euler Hermes Services, Euler Hermes Tech, Euler Hermes SFAC Asset Management, CCA, Euler Hermes World Agency, Financière Sirius and Financière Aldébaran. Each company pays the parent company the tax that it would have paid to the authorities if it had been taxed individually (*see Notes 3.4 Receivables and 3.9 Social security, tax and other liabilities*).

The current tax liability is calculated at the rate of 34.43%, including the 3.3% social security contribution on profits (*based on the tax charge after deducting an allowance of €763 thousand*).
To calculate the taxable income of Euler Hermes itself, dividends received from the subsidiaries are deducted in accordance with the parent company/subsidiary tax regime and the share of corresponding expenses and charges is added back. After taking account of all deductions and amounts added back, a taxable loss was generated.
As the total of the individual tax liabilities of the members of the tax group was higher than the tax charge for the tax group, a tax grouping surplus of €19,644 thousand was generated in favour of Euler Hermes.

4.8.2 Deferred tax

Deferred tax arises from timing differences between the year in which an income or expense item is recognised in the accounts and its inclusion in the taxable income or loss of a subsequent year. Deferred tax is calculated using the following preferential methods:

- application of the balance sheet liability method, under which unrealised differences are added to the timing differences;
- use of the full provision method, under which recurring differences and differences that will only reverse in the long term are included;

Notes to the parent company financial statements

- application of the liability method, under which deferred tax recognised in prior years is adjusted for any changes in the tax rates; the rate used for 2008 and subsequent years is 34.43%.

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

5. OTHER INFORMATION

5.1 Consolidation

The company's financial statements are fully consolidated within the financial statements prepared by Allianz (Munich Trade and Companies Registry No. 164 232).

5.2 Directors' attendance fees

Attendance fees paid to members of the Supervisory Board in accordance with the resolution passed by the Combined Ordinary and Extraordinary General Meeting of May 15th, 2008 amounted to €360 thousand.

5.3 Off-balance sheet commitments

Off-balance sheet commitments given comprise:

- a commitment given of €9,722 thousand relating to the liabilities of GIE Euler Hermes SFAC Services, whose registered office is at 1 rue Euler, 75008 Paris. As a member of this economic interest grouping (GIE), Euler Hermes is jointly and severally liable for all its liabilities after deducting any liabilities of the grouping to its own members (Article 4 paragraph 1 of decree No. 67 821); Euler Hermes shares this commitment with the following direct and indirect subsidiaries: Euler Hermes SFAC, Euler Hermes SFAC Crédit, Euler Hermes SFAC Recouvrement, Euler Hermes Services, Euler Hermes Tech, Euler Hermes SFAC Asset Management and Euler Hermes World Agency;

- a commitment of €798 thousand given to group employees in respect of the liquidity of the current share subscription option plans at subsidiaries;

- a commitment given to Euler Hermes Reinsurance AG as guarantee for payment of financial commitments given by the subsidiary to beneficiaries having subscribed to a proportional reinsurance treaty.

- a commitment given to Euler Hermes Re as guarantee for payment of financial commitments given by the subsidiary to beneficiaries having subscribed to a proportional or non-proportional reinsurance treaty.

Notes to the parent company financial statements

5.4 Share subscription option plans

The Extraordinary General Meeting of April 29th, 1997 approved a share subscription plan covering 1% of the share capital, i.e. 348,750 shares. In accordance with the resolutions passed by various Group Management Board meetings, a total of 314,200 options were granted during 1997, 1998 and 1999 (the number of shares was multiplied by 50 in accordance with the resolution passed by the Combined Ordinary and Extraordinary General Meeting of April 7th, 2000).

The Extraordinary General Meeting of April 23rd, 2003 approved a share subscription option plan. In accordance with the resolutions passed by various Group Management Board meetings, 380,000 options were granted during 2003 and 2004.

In accordance with the resolution adopted by the Group Management Board meeting of June 27th, 2005, 160,000 share subscription options were allocated in 2005.

The movements during the year were as follows (*see Note 3.6.1 Composition of the share capital*):

Year of allocation	1998	2003	2004	2005
Options still to be exercised at start of year	33,718	57,775	90,305	143,950
Options exercised (1)	23,267	6,450	0	0
Options allocated	0	0	0	0
Options cancelled (2)	10,451	0	450	500
Options still to be exercised at end of year	**0**	**51,325**	**89,855**	**143,450**
Exercise price	18.27	27.35	44.41	63.08

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

5.5 Share purchase option plans

The Extraordinary General Meeting of April 7th, 2000 approved a share purchase option plan. In accordance with the resolutions passed by various Group Management Board meetings, 376,340 options were granted in May 2000 (first allocation) and 187,590 options were granted in March 2001 (second allocation).

Lastly, the Extraordinary General Meeting of May 22nd, 2006 approved a mixed share subscription and purchase option plan for employees and corporate officers of Euler Hermes and of its more than 50%-owned subsidiaries.

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

In accordance with the resolution passed by the Group Management Board meeting of June 20th, 2008, 130,000 share purchase options were awarded in June 2008.

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

Date of General Meeting	7/04/2000		22/05/2006	
	(1st allocation)	(2nd allocation)	(1st allocation)	(2nd allocation)
Date of Group Management Board meeting	27/04/2000	28/03/2001	18/09/2006	20/06/2008
Options still to be exercised at start of year	30,561	19,410	154,000	0
Options exercised	19,802	0	0	0
Options allocated	0	0	0	130,000
Options cancelled	10,759	0	900	0
Options still to be exercised at end of year	**0**	**19,410**	**153,100**	**130,000**
Exercise price (1)	50.11 – 52.74	49.31 – 52.65	91.82	55.67

(1) Range of exercise prices for options still to be exercised at end of year.

Subsidiaries and participating interests

Subsidiaries and participating interests	Capital		Other shareholders' equity	Proportion of capital-held	Carrying amount of securities held		Outstanding loans and advances	Sureties and guarantees	Net revenues for last financial year	Net income for last financial year	Dividends received during the year
				in %	gross EUR	net EUR (1)	EUR	EUR	EUR (2)	EUR (2)	EUR
A. Detailed information concerning securities whose gross value exceeds 1% of the share capital											
1. Subsidiaries											
Euler Hermes SFAC 1, rue Euler 75008 Paris FRANCE	90,309,696	EUR	149,897,726	99.99%	170,035,900	170,035,900	-	210,327	354,007,722	82,751,028	94,796,806
Euler Hermes UK plc. 1, Canada Square London E14 5DX UNITED KINGDOM	50,614,000	GBP	85,573,000	99.99%	238,683,768	232,512,000	-	587,414	161,984,252 (3)	(8,177,428) (3)	21,454,623
Euler Hermes Credit Insurance Belgium SA 15, rue Montoyer 1000 Brussels BELGIUM	27,916,000	EUR	67,112,000	99.99%	53,408,321	53,408,321	-	-	86,393,000	3,987,000	-
Euler Hermes ACI Holding Inc. 800 Red Brook Boulevard Owings Mills MD 21117 USA	129,526,334	USD	10,085,000	100.00%	143,541,100	143,541,100	420,375	-	-	9,145,649	-
Euler Hermes SIAC S.p.A. Via Raffaello Matarazzo, 19 00139 Rome ITALY	28,000,000	EUR	77,789,000	100.00%	94,535,667	94,535,667	-	-	249,503,000 (4)	(23,091,000) (4)	17,164,770
Euler Hermes Kreditversicherungs-AG Friedensalle 254, 22763 Hamburg GERMANY	54,080,000	EUR	659,100,000	100.00%	540,816,011	540,816,011	-	-	775,065,000	136,824,000	100,006,400
Euler Hermes Reinsurance AG Tödistrasse, 65 CH-8002 Zurich SWITZERLAND	216,850,000	CHF	23,884,000	100.00%	134,332,988	134,332,988	12,367,677 (5)	- (6)	634,094,949	(87,824,242)	-
Euler Hermes Kredietverzekering NV Pettelaarpark 20, 5216 PD S-Hertogenbosch NETHERLANDS	3,999,000	EUR	14,615,000	100.00%	28,492,950	28,492,950	-	-	52,019,000	4,001,000	-
2. Participating interests											
Euler Hermes Hitelbiztosito Magyarorszag Rt. Nagybatonyi u. 8 H-1037 Budapest HUNGARY	450,000,000	HUF	930,279,000	17.86%	434,540	434,540	-	-	10,311,346	1,348,508	51,827
Euler Hermes Magyar Követeléskezelö Kft Nagybatonyi u. 8 H-1037 Budapest HUNGARY	30,000,000	HUF	259,552,000	20.10%	204,519	204,519	24,635	-	4,585,808	790,979	56,287
B. Summary information concerning other securities whose gross value does not exceed 1% of the share capital											
French subsidiaries	80,000	EUR	967,227		78,552	78,552	2,076,887	-	23,967,505	(2,540,055)	-
Foreign subsidiaries	5,000	USD	(56,259)		909	909	-	-	-	(27,417)	-

(1) An impairment provision has been recognised at the year end for securities whose carrying amount exceeds the company's value in use (see Note 3.2.2. Provisions for impairment of participating interests).
(2) The exchange rate used for companies outside the euro zone is the closing rate on December 31st, 2008.
(3) Amounts corresponding to the Euler Hermes UK sub-group, of which Euler Hermes UK plc is the holding company.
(4) Amounts corresponding to the Euler Hermes SIAC sub-group, of which Euler Hermes SIAC S.p.A. is the holding company.
(5) of which €11,448 thousand for organisational fund (see 3.3.1 Other long-term investments).
(6) Commitment given to Euler Hermes Reinsurance AG as a payment guarantee (see Note 5.3 Off-balance sheet commitments).

Subsidiaries and participating interests

Summary information concerning other securities whose gross value does not exceed 1% of the share capital												
French subsidiaries												
- Euler Hermes Services	EUR	40,000	EUR	979,996	100.00%	38,112	38,112	876,887	-	23,122,209	242,888	-
- Euler Hermes World Agency	EUR	40,000	EUR	(12,769)	100.00%	40,440	40,440	1,200,000	-	845,296	(2,782,944)	-
TOTAL		**80,000**		**967,227**		**78,552**	**78,552**	**2,076,887**	**-**	**23,967,505**	**(2,540,055)**	**-**
Foreign subsidiaries												
- Euler Hermes Inc., USA	USD	5,000	USD	(56,259)	100.00%	909	909	-	-	-	(27,417)	-

Five-year financial summary

Capital (in euros)	2004	2005	2006	2007	2008
Share capital	13,793,815	14,345,678	14,384,358	14,416,804	14,426,313
Number of shares in issue	43,105,673	44,830,244	44,951,118	45,052,513	45,082,230
Maximum number of shares that could be created	471,680	564,932	434,358	325,748	284,630
Results for the year					
Income from ordinary activities (1)	75,557,853	112,711,686	217,548,315	145,271,036	233,530,713
Income before tax, depreciation, amortisation and provisions	45,645,213	84,010,139	202,980,447	125,460,795	202,993,323
Corporation tax	(1,952,460)	(5,297,550)	(6,189,278)	(5,859,876)	(23,800,042)
Income after tax, depreciation, amortisation and provisions	50,074,199	99,317,488	214,151,289	135,597,447	193,457,034
Dividends paid (2)	107,764,183	156,905,854	179,804,472	225,262,565	67,623,345
Earnings per share					
Income after tax, but before depreciation, amortisation and provisions	1.10	1.99	4.65	2.91	5.03
Income after tax, depreciation, amortisation and provisions	1.16	2.22	4.76	3.01	4.29
Dividend per share	2.50	3.50	4.00	5.00	1.50
Employees					
Average number of employees	2	2	2	2	2

(1) In accordance with CNC notice dated March 27th, 1985 and COB bulletin No. 181 of May 1985, in view of Euler Hermes' activity as a holding company, this item comprises ordinary revenues from equity investments instead of turnover.
(2) Includes dividends on treasury shares, which will be credited to "Retained earnings" upon payment.

General report of the independent auditors on the annual financial statements

YEAR ENDED DECEMBER 31ST, 2008

To the shareholders,

In accordance with the terms of our appointment by your General Meetings, we hereby submit our report for the financial year ended December 31st, 2008 on the:

- audit of the financial statements of Euler Hermes SA, as attached to this report;
- substantiation of our assessments;
- specific checks and information required by law.

The annual financial statements were drawn up by the Group Management Board. We are required to express an opinion on these financial statements on the basis of our audit.

1. Opinion on the annual financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require us to perform such tests and procedures as to obtain reasonable assurance that the annual financial statements are free from material misstatement. An audit includes examining, on a test basis or by using any other sampling techniques, the evidence supporting the amounts and disclosures in the annual financial statements. It also includes an assessment of the accounting policies used and any significant estimates made in drawing up the annual 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 annual financial statements, drawn up in accordance with generally accepted accounting principles in France, are true and fair and accurately present the company's results for the year ended December 31st, 2008 and the company's financial position and its assets and liabilities at that date.

2. Substantiation of our assessments

The accounting estimates used in preparation of the financial statements as at December 31st, 2008 were made in the context of high market volatility and of an uncertain economic outlook. It is in this context that, pursuant to the provisions of Article L. 823-9 of the French Commercial Code, we draw your attention to the following items:
Note 3.2.2 to the annual financial statements sets out the accounting principles and methods relative to the impairment of equity interests.
As part of our assessment of the accounting principles and methods adopted by your company, we verified the appropriate nature of the accounting methods set out above and the information provided in the notes to the annual financial statements, and satisfied ourselves that they had been applied correctly.
The assessments thus made form part of our procedure for auditing the annual financial statements taken as a whole and therefore contributed to the formation of our opinion as expressed in the first section of this report.

3. Specific checks and information

We also carried out the specific checks required by law.
We have no comments to make on:

- the accuracy and consistency with the financial statements of the information provided in the management report drawn up by the Group Management Board and in the documents sent to the shareholders on the company's financial position and the annual financial statements,
- the accuracy of the information provided in the management report relating to remuneration and benefits paid to the corporate officers concerned and to commitments given in their favour when assuming, ceasing or changing functions or subsequent to these functions.

As required by law, we verified that the management report contains the information relating to participating and controlling interests acquired and the identity of the owners of the company's capital.

The independent auditors

Paris la Défense, March 31st, 2009
KPMG Audit
A division of KPMG SA
Xavier Dupuy
Partner

Paris, March 31st, 2009
ACE- Auditeurs et Conseils d'Entreprise
Alain Auvray
Partner

Euler Hermes shares on the stock exchange market

CONTENTS

Euler Hermes shares on the stock exchange market

1. A long-term relationship with clients

Euler Hermes has built a long-term relationship with its clients and shareholders based on dialogue, ethics, rigour and transparency. By securing business transactions throughout the world, Euler Hermes contributes to its clients' profitable growth and optimises its shareholders' investment. The group's commitment to clients is based in particular on irreproachable business practices and constant dialogue. Euler Hermes' employees are constantly attentive to clients' needs so as to develop the most appropriate services. At the same time, the group works unceasingly to extend its knowledge of each business sector and all the corresponding players. By systematically gathering detailed and exclusive information, the group can identify the risks incurred by its clients very early on and guide their response. By anticipating and responding rapidly, the group provides the security its clients need to develop their business.

2. A long-term relationship with shareholders

The same transparency, rigour and ethics underpin Euler Hermes' commitment to its shareholders. The capital allocated to the group by its main shareholders, AGF and Allianz, and by institutional investors and the public, is a mark of their confidence and a crucial resource for developing the group's business. Euler Hermes aims to ensure the long-term profitability of its capital by targeting a return on equity of at least 15% throughout the cycle. Similarly, acquisition projects financed with equity must generate a minimum return of 15%.
The Group Management Board and Supervisory Board, and the various associated committees (audit committee and remuneration and appointments committee) ensure that this long-term profitability is an integral part of group management's targets.
Euler Hermes' dividend policy is based on a minimum payout ratio of 50% of net income, thus ensuring an average yield of 4.06% over the past four years

3. Share price performance

The share's performance was strongly affected in 2008 by external factors as well as factors specific to the credit insurance activity.

a) External factors

2008 was characterised by a general distrust of the financial sector. The solvency problems faced by some players in the sector added to investors' anxiety

b) Factors specific to credit insurance

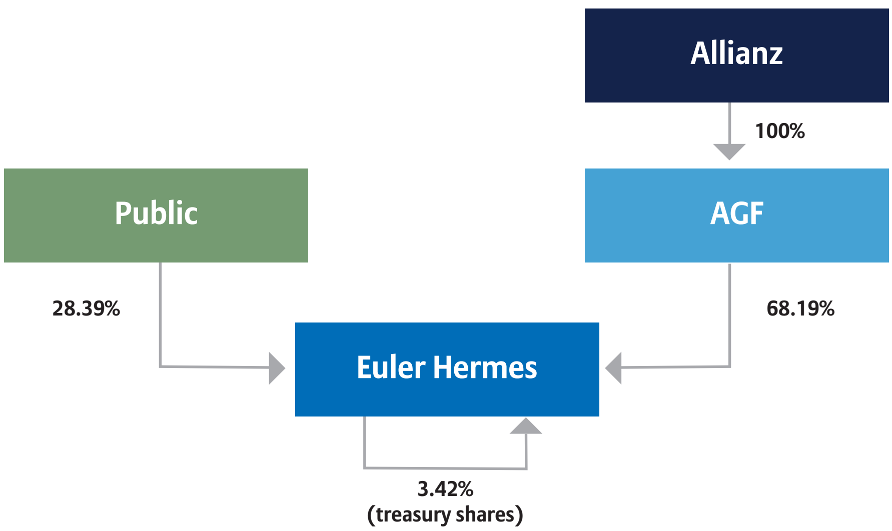
Euler Hermes was faced with a strong economic slowdown in 2008 in all its main markets. The first regions to be affected were the United States and Southern Europe, reflected in a sharp rise in claims in the first quarter. This deterioration spread to the United Kingdom in the second quarter and then to Northern Europe in the second half of 2008.
These difficult economic conditions have weighed on the group's profitability, with a significant fall in earnings over all four quarters of 2008. This naturally has a strong impact on the share price, particularly as growth forecasts were revised downwards repeatedly, pushing back to 2009 any possibility of economic recovery.
Euler Hermes' share price therefore dropped from €84.77 at December 31st, 2007 to €35.07 at December 31st, 2008.
With the support of its majority shareholder AGF, an Allianz company, and of its minority shareholders, Euler Hermes has taken all the necessary measures, in terms of both commercial strategy and risk policies, to ensure the group's long-term profitability.

Euler Hermes shares on the stock exchange market

Euler Hermes share price relative to the SBF 120 index
from January 1st, 2005 to December 1st, 2008

4. Shareholder structure

The number of Euler Hermes shares held by AGF remained stable in 2008 at 30,744,048 corresponding to 68.19% of the capital and 70.61% of the voting rights at December 31st, 2008.
The public own 28.39% of the shares and 29.39% of the voting rights.
Euler Hermes holds 3.42% of the capital in treasury stock.



Euler Hermes shares on the stock exchange market

Shareholder structure at December 31st, 2008

Shareholder	Shares		Voting rights	
	Number	%	Number	%
AGF IART	4	0.00%	4	0.00%
AGF Vie	3,879,818	8.61%	3,879,818	8.91%
AGF SA	5,442,444	12.07%	5,442,444	12.50%
AGF Holding	21,421,782	47.52%	21,421,782	49.20%
Groupe AGF	30,744,048	68.19%	30,744,048	70.61%
Euler Hermes (treasury stock)	1,540,644	3.42%	0	0.00%
Public	12,797,538	28.39%	12,797,538	29.39%
Total	**45,082,230**	**100.00%**	**43,541,586**	**100.00%**

Euler Hermes share data

Euler Hermes share data

Unit: €	2004 (1)	2005 (1)	2006 (1)	2007 (1)	2008 (1)
Net income, group share (€'000s)(2)	242,984	286,076	326,054	406,958	83,592
Net earnings per share (€)(2)	5.97	6.74	7.51	9.33	1.92
Dividend distributed (€'000s)(5)	103,621	151,824	174,193	218,414	65,312
Net dividend per share (€)(3)	2.5	3.5	4	5	1.5
Payout ratio(4)	42.65%	53.07%	53.42%	53.67%	78.13%
Highest share price (€)	53.9	77.95	110	121.9	86.90
Lowest share price (€)	37.26	51.15	79.2	78.95	32.31
Last share price (December 31st)	50.7	76.2	109.6	84.77	35.07
Number of shares	43,105,673	44,830,244	44,951,118	45,052,513	45,082,230
Market capitalisation (€ million)	2,185	3,415	4,927	3,819	1,581

(1) In accordance with IFRS.
(2) In 2004, 1,502,151 new shares were created as a result of paying part of the dividend in the form of shares.
In addition, 51,721 shares were created as the result of the exercise of share options allocated in previous years.
In 2005, 1,661,023 new shares were created as a result of paying part of the dividend in the form of shares.
In addition, 63,548 shares were created as the result of the exercise of share options allocated in previous years.
In 2006, 120,874 new shares were created as the result of the exercise of share options allocated in previous years.
In 2007, 101,395 new shares were created as the result of the exercise of share options allocated in previous years.
In 2008, 29,717 new shares were created as the result of the exercise of share options allocated in previous years.
(3) The dividend in respect of 2008 will be submitted for approval by the General Meeting of May 15th, 2009.
(4) The payout ratio corresponds to the dividend distributed relative to net income, group share.
(5) The dividend amounts are calculated excluding own shares.

Euler Hermes share data

Euler Hermes share price performance

in 2007 and 2008 (Euronext Paris - Compartment A) ISIN code: FR0004254035

Month	Total trading volume		Share price	
	Number of shares	Capital (in €)	High (in €)	Low (in €)
January 2008	1,469,200	103,549,216	86.90	60.00
February	1,999,300	135,472,568	75.39	65.47
March	1,213,300	82,407,336	70.80	63.00
April	1,501,500	111,336,225	74.96	68.00
May	3,645,200	221,227,188	78.14	57.16
June	2,380,400	112,473,900	60.74	44.75
July	2,783,900	137,858,728	52.50	42.11
August	1,436,600	78,596,386	54.75	47.13
September	1,991,000	98,415,130	56.35	45.17
October	1,146,800	44,037,120	49.43	32.05
November	654,100	23,227,091	40.09	33.48
December	640,800	22,472,856	37.00	30.75
January 2007	1,062,344	120,716,911	121.90	110.00
February	1,121,139	113,379,088	119.40	104.41
March	1,408,517	112,637,041	108.51	100.30
April	800,798	120,241,512	114.35	106.01
May	1,210,648	114,221,102	117.00	107.08
June	1,133,502	111,710,040	111.99	103.89
July	1,442,736	115,289,502	113.80	103.89
August	1,929,509	109,570,054	110.00	98.00
September	1,453,775	99,064,534	103.61	90.12
October	1,458,092	98,029,705	99.47	89.30
November	1,562,703	91,563,961	93.29	78.95
December	998,919	89,530,740	86.00	80.05

General information about the company

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General information about the company

General information about the company

Company name and head office

Company name

In the course of the group's formation, the original corporate name "Société Française d'Assurance-Crédit" (SFAC), was adopted in 1989 by the subsidiary responsible for its credit insurance business in France, then changed to "Compagnie Financière SFAC". In 1996, it took the corporate name "Euler". Following the takeover of the German credit insurance company Hermes AG, the General Meeting of shareholders held on April 17th, 2002 changed the corporate name from Euler to Euler & Hermes. The General Meeting of April 23rd, 2003 decided to simplify the name to "Euler Hermes". For the purpose of harmonisation, "Euler Hermes" is incorporated into the name of each of the group's subsidiaries.

Head office

1-3-5, rue Euler, 75008 Paris, France
Telephone: + 33 (0)1 40 70 50 50
Fax: + 33 (0)1 40 70 50 80
Website: www.eulerhermes.com

Legal form and applicable legislation

Euler Hermes is a public limited company under French law [*Société Anonyme*] with a Group Management Board and Supervisory Board. It is governed by the provisions of the Second book of the French Commercial Code and by the provisions of Decree No. 67-236 of March 23rd, 1967.
Euler Hermes SFAC, a wholly-owned subsidiary of Euler Hermes, is authorised as an insurance company by the Minister for the Economy and Finance. It is subject to the provisions of the Insurance Code [*Code des Assurances*] and comes under the joint control of the French Treasury and the Insurance Control Authority [*Autorité de Contrôle des Assurances et des Mutuelles*].
Euler Hermes SFAC Crédit, itself a wholly-owned subsidiary of Euler Hermes SFAC, is authorised as a financial company by the Credit Institutions and Investment Companies Committee [*CECEI – Comité des Etablissements de Crédit et des Entreprises d'Investissement*]. It is therefore subject to the provisions of the Monetary and Financial Code relating to the activity and control of credit institutions and to the regulations of the Banking and Finance Regulatory Committee [*Comité de la Réglementation Bancaire et Financière*].
It is subject to the joint control of the CECEI and the Banking Commission [*Commission Bancaire*].

As a shareholder of these companies, Euler Hermes is subject to certain aspects of these regulations and to control by the above-cited authorities. The following provisions are specifically applicable:

- Articles L. 322-4 and R. 322-11-1 of the Insurance Code stipulate that any operation for the takeover, enlargement or disposal of a holding, whether direct or indirect, in companies that have received government authorisation to operate direct insurance in France, that would enable a person or several persons acting in concert either to acquire or to lose effective power or control over such a company, or to cross in either direction the thresholds of one half, one third, one fifth or one tenth of the voting rights in that company, must first obtain approval from the Minister for the Economy and Finance. The Minister has three months in which to raise any objections to the proposal, on the advice of the Insurance Companies Commission [*Commission des Entreprises d'Assurance*].
Furthermore, any transaction that results in one person, or several persons acting in concert, being able to acquire or dispose of one twentieth of the voting rights in such a company must be reported to the Minister for the Economy and Finance prior to completion.
These provisions are applicable to Euler Hermes SFAC, a wholly-owned subsidiary of Euler Hermes, and which is authorised as an insurance company;

General information about the company

■ Regulation No. 96-16 of December 20th, 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 March 28th, 1927 for a term of 99 years, which will expire on March 27th, 2026.

Corporate purpose

Under the terms of Article 3 of the Articles of Association, the purpose of the company, directly or indirectly, in France and internationally, is financial services and insurance and especially any activities contributing to companies' management of their accounts receivable, and in this respect, activities regarding credit insurance, factoring and debt collection.
In addition to investments, the company may take holdings in any companies whose activity relates to this purpose or participate in any operations likely to facilitate its expansion or development.
The company may acquire any property or assets in any form.

Trade and Companies Registry

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

Consultation of legal documents

The legal and corporate documents relating to the company (Articles of Association, minutes of General Meetings, reports of the independent auditors and other documents available to shareholders) can be consulted at the company's registered office, within the Company Secretary's department, at 1-3-5, rue Euler, 75008 Paris, France.

Financial year

Each financial year covers twelve months, commencing on January 1st and ending on December 31st.

General information about the company

Statutory distribution of earnings

Pursuant to the law and the provisions of Article 21 of the Articles of Association, the income statement summarises the income and expenditure for the year. The difference between them, after deductions for amortisation, depreciation and provisions, shows the income or loss for the year.
From the income for the year, less any losses from previous years, at least 5% is transferred to the legal reserve, as required by law.
This deduction ceases to be mandatory when the reserve reaches one tenth of the share capital. It becomes mandatory again when, for any reason, the reserve falls below this proportion.

The distributable income is made up of the income for the year, less any losses from previous years and the sums transferred to reserves as required by law or the Articles of Association, plus retained earnings.
After the accounts have been approved and the existence of distributable income ascertained, the Ordinary General Meeting resolves to allocate the distributable income to one or more reserve accounts, the application or use of which is regulated by the General Meeting, to carry it forward or to distribute it.
The Ordinary General Meeting may decide to distribute sums from the reserves available to it, expressly indicating the reserve accounts from which the deductions are made. However, dividends are deducted first from the distributable income for the year. Except in the event of a capital reduction, no distribution can be made to shareholders if the shareholders' equity is, or would as a result become, less than the amount of the capital plus the reserves that the law or the Articles of Association do not allow to be distributed. A revaluation reserve may not be distributed but it can be capitalised, in whole or in part.
The methods for paying dividends voted by the Ordinary General Meeting are set by the Meeting or, failing that, by the Group Management Board. However, dividends must be paid within the period set by law.
When a balance sheet drawn up during or at the end of the year and certified by the independent auditors shows that the company has, since the end of the previous year, after recognition of the necessary amortisation, depreciation and other provisions, after deduction of previous losses if any, and sums taken to reserves pursuant to the law or the Articles of Association and including retained earnings, produced an income, an interim dividend or dividends can be paid before approval of the financial statements. The amount of the interim dividend(s) cannot exceed the total income as defined above.
The Ordinary General Meeting is entitled to grant each shareholder, for part or all of the dividend or interim dividend(s) to be distributed, an option between payment of the dividend or interim dividend(s) in cash or in company shares.

The legally prescribed term for dividends is five years from the payment date set by the General Meeting.
Taxation applied to the distribution of dividends to non-French companies complies with the legal regulations; generally these dividends are subject to a withholding tax. However, this principle is subject to certain exceptions under law or international tax treaties.

General Meetings and voting rights

In accordance with the law and the terms of Article 20 of the Articles of Association, General Meetings of shareholders are convened and take place under legally prescribed conditions.
The Meetings are held either at the registered office or at some other place specified in the notice of the Meeting.
Ordinary and Extraordinary General Meetings include all shareholders who hold at least one share.
Special General Meetings include all shareholders who own at least one share of the class concerned.
However, in respect of amounts called but not paid on shares, such shares do not give right of admission to shareholders' meetings and are deducted for purposes of the quorum calculation.

General information about the company

Subject to the aforementioned provisions, every shareholder is entitled, on proof of identity, to participate in General Meetings, either by attending in person, by returning a postal voting form or by appointing a proxy, who may be his spouse or another shareholder, provided that the shares are recorded for accounting purposes in the name of the shareholder or that of the custodian on his behalf:

- for registered shareholders, in the company's register;
- for bearer shareholders, in the bearer share accounts held by the custodian.

These formalities must be completed by the third working day prior to the General Meeting by midnight, Paris time.
General Meetings are chaired by the Chairman of the Supervisory Board or, in his absence, by the Vice Chairman or a member of the Supervisory Board specially delegated by the Supervisory Board for this purpose. Failing this, the General Meeting appoints its own Chairman. The duties of teller are performed by the two members of the General Meeting who have the greatest number of votes and who accept this role.
The officers of the General Meeting appoint the secretary who may be chosen from outside the shareholders. Every member of the General Meeting is entitled to as many votes as the number of shares he owns or represents. There is no clause in the Articles of Association providing for double voting rights for shareholders in the company.

Statutory disclosure thresholds

The shares may be freely traded and may be sold in accordance with the legal and regulatory conditions in force.
Apart from the legal obligation provided for in Articles L. 233-7 of the Commercial Code to inform the company when certain fractions of the capital are held and to make any consequent declaration of intention, Article 8 of the Articles of Association voted by the Extraordinary General Meeting of April 7th, 2000 provides for an additional disclosure obligation whereby any individual or corporate entity acting alone or in concert that comes to hold a number of shares and/or voting rights in the company greater than or equal to:

1 – 1% of the total number of shares and/or voting rights must, within fifteen days from the date of crossing this threshold, inform the company of the total number of shares and/or voting rights held, by recorded letter with return receipt (or equivalent means in countries outside France), fax or telex. This declaration must be renewed each time a new 1% threshold is crossed upwards to 50% inclusive and each time a new 1% threshold is crossed downwards to 1% inclusive.

2 – 5% of the total number of shares and/or voting rights must, within fifteen days from the date of crossing this threshold, apply to the company to have all the shares held in registered form. This obligation for shares to be held in registered form is applicable to all shares already held and to those that the shareholder has just acquired in crossing the threshold. The request for shares to be registered shall be sent by letter, fax or telex to the company within fifteen days of crossing the threshold. The declaration due under the preceding point (1) on crossing the threshold that is prescribed in this paragraph shall be the equivalent of a request for shares to be registered.

In determining the thresholds prescribed in (1) and (2), shares and/or voting rights held indirectly and shares and/or voting rights equivalent to shares and/or voting rights owned as defined by the provisions of Articles L. 233-7 et seq. of the Commercial Code shall be taken into account.
For each of the above-mentioned disclosures, the declarer must certify that the disclosure made includes all the securities owned or held pursuant to the previous paragraph. He must also specify the date(s) of acquisition. Investment fund management companies are required to provide this information for all the voting rights attached to shares in the company held by the funds they manage.
In the event of non-compliance with the obligation to provide the information referred to in (1) above or the obligation to register the shares in (2) above, one or more shareholders owning at least 2% of the capital or voting rights may request that the shares exceeding the fraction which should have been disclosed be deprived of voting rights for all shareholders' meetings that are held until the expiry of a period of two years from the date the notification is complied with. The shareholders' application will be recorded in the minutes of the shareholders' meeting and the sanction referred to above will be applied automatically.
Articles L. 233-9 and L. 233-10 of the Commercial Code referred to in the third paragraph stipulate that:

General information about the company

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 held by other persons on behalf of that person;
II – shares or voting rights held by companies over which that person has control;
III – shares or voting rights held by a third party with whom that person is acting in concert;
IV – lexisting shares which that person or one of the persons mentioned in (I) or (III) is entitled to acquire on request, immediately or at term, by virtue of an agreement or of a financial instrument as referred to in Article L. 211-1 of the French Monetary and Financial Code. This also applies to the voting rights that the said person may acquire in the same conditions. The application conditions of this requirement are set out in the French securities regulator's General Regulations;

2 – persons acting in concert are deemed to be persons who have concluded an agreement with the intention of acquiring or selling voting rights or with the intention of exercising voting rights in order to implement a joint policy with regard to the company.

Ownership of the "Euler Hermes" trademark

The company is the owner of the following brands in France: Euler Hermes, EH, EH Euler Hermes, registered in class 35 (management of commercial affairs), 36 (insurance and financial affairs) and 42 (computer software).
The trademark, logo and the trademark associated with the logo are registered as a European brand [marque communautaire] in the countries of the European Union.
The three "trademarks" have been registered on the basis of the Madrid system for the registration of international brands in the following countries: Algeria, Australia, Bulgaria, Croatia, Egypt, Estonia, Romania, Switzerland, China, Czech Republic, Hungary, Japan, South Korea, Latvia, Lithuania, Morocco, Norway, Poland, Russia, Singapore, Slovakia, Slovenia, Turkey, Vietnam, Liechtenstein and Serbia.
For countries that are not covered by the Madrid agreements, the trademark, logo and the trademark associated with the logo have been registered individually in the national registers of the following countries: Canada, Chile, Colombia, Hong Kong, India, Indonesia, Malaysia, Mexico, Taiwan, United States and Venezuela.

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 December 31st, 2008, the company's share capital amounted to €14,426,313.60, divided into 45,082,230 shares of the same class, fully subscribed and paid up, including 1,540,644 treasury shares with a net carrying amount of €84,697,534.
All the shares have been fully subscribed and paid up. The shares are in registered form until fully paid up. Shares must be fully paid up on subscription. Shares are held in registered or bearer form at the choice of the shareholder, subject to the particular stipulations prescribed by law. Any shareholder holding 5% or more of the total number of shares and/or voting rights in the company must apply for his shares to be held in registered form.
The company is authorised to apply the provisions of commercial company law at any time to identify holders of securities giving immediate or eventual voting rights at its shareholders' meetings.
The company's securities and assets are not subject to any pledges

Authorisations for capital increases

a – Pursuant to the provisions of Articles L. 225-129 to L. 225-129-6, L. 228-91 and L. 228-92 of the Commercial Code, the Extraordinary General Meeting of May 15th, 2008 delegated to the Group Management Board, for a period of 26 months from the date of that General Meeting, i.e. until July 14th, 2010, the necessary powers to issue, maintaining the shareholders' pre-emptive subscription right, shares in the company and or other securities – including freestanding equity warrants as a bonus or rights issue – giving immediate and/or future access to shares in the company, to be subscribed either in cash or as settlement for liabilities.

The maximum amount of the immediate or future capital increase resulting from all the issues made by virtue of this delegation is set at a nominal amount of €4.4 million, with the proviso that:

- the above total is fixed not taking into account the consequences on the amount of the capital increase of any adjustments that may be made following the issue of securities giving access to shares in the company; and,

- the following are expressly excluded:

– the issue of preference shares with voting rights;
– the issue of non-voting preference shares;
– the issue of investment certificates, whether preferential or not;
– the issue of securities giving immediate and/or future access to voting or non-voting preference shares or investment certificates.

Securities thus issued giving access to shares in the company 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 euro and/or any other currency or in composite monetary units, with possible rights, especially in the form of warrants, to receive and/or subscribe to other bonds or fungibles, repayable in the currency or composite monetary unit of issue and/or by any other means, up to the aforementioned maximum amount of €4.4 million, or its equivalent in another currency or composite monetary unit, it being specified that the maximum amount applies to all bonds or fungibles issued immediately or following the exercise of warrants, but that this amount does not include the redemption premium, if any.
This maximum nominal amount is separate from that set for the authorisation given to the Group Management Board to issue the debt securities described below.
The Group Management Board may institute for the benefit of shareholders a subscription right to new shares or securities, which may be exercised in proportion to their rights and up to the amount of their request. If the exercise of rights to subscribe to new shares and, if applicable, available excess shares does not absorb the entire issue, the Group Management Board may, in the order that it deems appropriate,

General information about the company's capital

and in accordance with the law, either limit the issue to the amount of subscriptions received, provided that at least three-quarters of the decided issue is subscribed, or freely allocate some or all of the shares that have not been subscribed, or offer them to the public.

The decision of the General Meeting:

- entails for the automatic benefit of holders of securities, waiver by the shareholders of their preferential subscription right to shares to which these securities may give entitlement; and

- involves the express waiver by shareholders of their pre-emptive subscription right to the shares to which rights are given by:
– securities in the form of convertible bonds;
– freestanding equity warrants in a bonus or rights issue.

The amount paid or due to the company for each of the shares issued by virtue of this authorisation shall be at least equal to the nominal value of the shares, as calculated before the proposed issue.

In accordance with Article 12 of the Articles of Association, the maximum amount for each of the capital increases decided by the Group Management Board under this authorisation must first be approved by the Supervisory Board.

The General Meeting gave full authority to the Group Management Board, with the option to delegate this authority in accordance with the law, to make these issues within the above-specified limits, and to define their terms and conditions, and more specifically to:

- conduct the aforementioned issues thus increasing the capital, on one or more occasions and in the proportions and on the dates determined by it, in France and/or in other countries, if appropriate, and/or on the international market, or refrain from doing so if appropriate;

- determine the categories and characteristics of the securities issued;

- set their subscription price, as well as the issue premium, if any;

- set the date from which the shares issued or to be issued shall have dividend rights attached, which may be retroactive;

- if securities are issued that give access to the capital, define the terms for adjusting the conditions of access to shares in order to preserve their rights;

- define, in accordance with the law, the situations in which the Group Management Board shall be entitled to suspend the exercise of all rights attached to securities giving immediate or future access to shares, for a maximum period of three months;

- define the terms for buying on the financial markets or offering to purchase or exchange securities issued as a result of this resolution, or redeeming said securities;

- charge the costs of issuing the shares and securities against the premiums generated by the capital increases and draw from said premiums any amount needed to bring the legal reserve up to one tenth of the amount of the capital after said capital increases;

- amend the Articles of Association accordingly;

- generally, enter into any arrangements, sign any agreements with any bank or institution, take any action and complete any formalities relating to the issue, listing and financial servicing of the shares and/or securities issued pursuant to this resolution, and otherwise do anything that may be necessary.

After obtaining approval from the Supervisory Board, the Group Management Board took advantage of a previous authorisation granted by the General Meeting of April 17th, 2002, by increasing the capital on July 18th, 2002 by a total of €171,883,776 through the issue of 5,371,368 new shares.

General information about the company's capital

b – Furthermore, the Extraordinary General Meeting of May 15th, 2008, in accordance with Articles L. 225-129 to L. 225-129-6 and L. 225-130 of the Commercial Code, also gave full authority to the Group Management Board for a period of 26 months from the date of that General Meeting, i.e. to July 14th, 2010 or until it is renewed by an Extraordinary General Meeting before said date, to increase the share capital, on one or more occasions, at the times and on the terms of its choosing, by the capitalisation of reserves, income or premiums, in the form of the allocation of bonus shares or increasing the nominal value of existing shares or a combination of both methods.
The General Meeting gave the Group Management Board authority to decide that the rights forming fractional shares would not be negotiable and that the corresponding shares should be sold, the sums derived from the sale to be allocated to the owners of the rights within 30 days of the date of registration of the number of whole shares allocated to their account.
The amount of the capital increase that may be made pursuant to this resolution may not exceed a nominal amount of €4.4 million, a ceiling shared with that set for the capital increases resulting from the issues of shares or securities described above.
The General Meeting gave the Group Management Board full authority, with the ability to delegate in accordance with the law, to implement this resolution, amend, if applicable, the Articles of Association accordingly and, generally, do anything that may otherwise be necessary.
The Group Management Board has not made use of this authorisation.

Securities that give access to capital

The Extraordinary General Meeting of April 29th, 1997 adopted a share option plan for 1% of the capital, being 348,750 shares, for certain members of the Group Management Board of the company and certain senior executives of the subsidiaries, representing 56 persons in total. Of the 314,200 share options allocated, 750 were exercised in 1997, 3,500 in 1998, 10,300 in 1999, 6,250 in 2000, 6,500 in 2001 and 18,584 in 2002, i.e. a total of 45,884 options of which 29,884 at €16.07 each and 16,000 at €18.88 each. In 2003, 89,518 options were exercised, of which 22,217 at €15.55 each and 67,301 at €18.27 each. In 2004, 51,721 options were exercised, of which 3,669 at €15.55 each, 31,001 at €18.27 each and 17,051 at €21.12 each.

In 2005, 19,119 options were exercised at €15.55 each, 23,767 at €18.27 each and 5,012 at €21.12 each. In 2006, 34,834 options were exercised, of which 17,050 at €15.55 each, 14,684 at €18.27 each, 69,985 at €27.35 each, 19,110 at €44,41 each, 7,100 at €63,08 each and 3,100 at €21.12. In 2007, 101,395 options were exercised, of which 5,200 at €18.27 each. In 2008, 49,519 options were exercised, of which 23,267 options at €18.27 each (see page 192, note 5.4 to the parent company financial statements).

The Supervisory Board meeting of September 28th, 1999 decided not to allocate any additional options under this plan.
Following the Euler Hermes capital increase in 2002 and in accordance with the legal and regulatory provisions, 9,040 new options were granted taking the balance of options remaining to be exercised to 268,056 as at December 31st, 2002. In addition, 14,467 options were lost when holders either left the company or when potential beneficiaries refused the options. Following the exercise of options during 2003, 2004, 2005, 2006 and 2007, 178,538 options had not been exercised on December 31st, 2003, 122,580 had not been exercised on December 31st, 2004, 74,682 had not been exercised on December 31st, 2005, 39,848 had not been exercised on December 31st, 2006, and 33,718 options had not been exercised on December 31st, 2007. This plan was closed in August 2008.

The Extraordinary General Meeting of May 22nd, 2006 also gave the Group Management Board full authority, subject to maintaining the shareholders' pre-emptive subscription right, to issue securities – including freestanding equity warrants issued as a bonus or rights issue – giving immediate and/or future access to shares in the company.

Lastly, in accordance with the provisions of Articles L. 225-177 et seq. of the Commercial Code, the Extraordinary General Meeting of April 7th, 2000 authorised the Group Management Board to grant share options for existing shares on the following terms: the beneficiaries must be employees or corporate officers of the company or affiliated companies as defined in Article L. 225-180 of the Commercial Code. The options may be granted by the Group Management Board to some or all of these beneficiaries for up to 3% of the share capital.
This authorisation was granted for a period of three years from the date of the Extraordinary General Meeting of April 7th, 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

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that, during the twelve-month period following the date of the Extraordinary General Meeting of April 7th, 2000, the Group Management Board only granted options under the following conditions:

1 – taking account of the tax, company and stock exchange legislation in the various countries involved, and the conclusions that the Group Management Board may accordingly reach as to the possibility of granting the options to potential beneficiaries resident in the various countries concerned, under acceptable conditions, an initial allocation of options, in one or more batches depending on the countries involved, to the greatest possible number of beneficiaries and giving entitlement to acquire a number of shares representing 0.6% of the company's capital on the date of allocation;

2 – a second allocation of options, in one or more batches depending on the countries concerned, reserved for certain beneficiaries who are members of the management of the company and its subsidiaries according to a list drawn up by the Group Management Board, giving entitlement to purchase a number of shares representing 0.6% of the company's capital on the date of allocation.

Subsequently, for each of the two years following this first twelve-month period and for each of the three years defined in the renewal of the authorisation given by the Extraordinary General Meeting of April 17th, 2002, within the limits set by said Extraordinary General Meeting the Supervisory Board decided on the maximum number of options that the Group Management Board could grant in each year within the limit of 3% of the company's capital, taking into account the options already granted.
The shares thus acquired by exercise of the options granted shall have been previously purchased by the company, either pursuant to Article L. 225-208 of the Commercial Code, or, if applicable, under the share buyback programme as approved by the Ordinary General Meeting of May 22nd, 2006, to replace the authorisation previously given by the Ordinary General Meeting of April 22nd, 2005 pursuant to Article L. 217-2 of the law of July 24th, 1966.

The exercise price of the options granted is set by the Group Management Board on the following basis:

- the exercise price may not be less than 95% of the average share price quoted in the twenty stock market trading days preceding the date on which the options were granted, and no option may be granted within twenty trading days after the detachment from the shares of a coupon giving entitlement to a dividend or a rights issue;

- the exercise price may not be less than 80% of the average purchase price of the shares held by the company pursuant to Article L. 225-28 of the Commercial Code and, if applicable, the above-mentioned share buyback programme.

The Extraordinary General Meeting has given full authority to the Group Management Board, within the limits defined above, to:

- determine the procedures for allocation and exercise of the options and especially to limit, restrict or prohibit (a) the exercise of options, or (b) the sale of shares obtained by exercising the options, during certain periods or following certain events;

- and, more generally, with the option to delegate in accordance with the law, sign any agreements, draw up any documents, carry out any formalities and make any declarations to any organisations and otherwise do everything that may be necessary.

In the context of this authorisation and following the meeting of the Supervisory Board on April 26th, 2000, at its meeting on April 27th, 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 February 27th, 2001, at its meeting on March 28th, 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 April 17th, 2002 renewed this authorisation for a term of three years, i.e. until April 16th, 2005 or until the date it is renewed by an Extraordinary General Meeting held prior to that date. However, the Extraordinary General Meeting of April 23rd, 2003 withdrew this authorisation with regard to the unused part.

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

	Plan 1	Plan 2	Plan 2
		1st grant	2nd grant
Date of General Meeting	07/04/2000	07/04/2000	07/04/2000
Date of Supervisory Board meeting	26/04/2000	26/04/2000	27/02/2001
Number of persons who have not yet exercised options	0	0	8
- of whom, members of the Euler Hermes Group Management Board	0	0	0
Start date for exercise of options	27/04/2000	27/04/2000	28/03/2001
Expiry date	26/04/2008	26/04/2008	27/03/2009
Weighted average purchase price in euro (1)	51.61	50.11	-
Terms of exercise	Purchase	Purchase	Purchase
Number of shares subscribed or purchased at December 31st, 2008	17,302	2,500	0
Shares still available for subscription/purchase at December 31st, 2008	0	0	19,410
- of which, available to members of the Euler Hermes Group Management Board	0	0	0

(1) The average exercise price in euro is derived from the individual weighted average exercise prices, which may differ according to the tax treatment of the beneficiaries. For employees and directors of the French company or one of its French subsidiaries, the exercise price is the average price for the twenty stock market trading days preceding the date of the Group Management Board meeting. A 5% discount is applied for French residents. For the other beneficiaries (employees of the group's foreign subsidiaries) who are not subject to the same lock-in requirements or period for holding the shares as the employees or directors of the French companies, the exercise price is set at the closing price on the day of the Group Management Board meeting at which the options are granted.

Following Euler Hermes' capital increase in 2002 and in accordance with legal and regulatory provisions, 17,803 new options were allocated, taking the balance of outstanding options to 457,734 options as at December 31st, 2003. The balance of outstanding options as at December 31st, 2008 was 19,410.

The ten employees that received the largest number of options were granted an aggregate total of 30,211 options at a weighted average price of €51.97 each.

In 2001, no options were granted to any members of the Group Management Board as it existed on December 31st, 2008.
No further allocations were made under these plans in 2002, except for the 9,040 new options allocated following the Euler Hermes capital increase, in accordance with legal and regulatory provisions.

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In addition, the General Meeting of April 23rd, 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 April 7th, 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 April 17th, 2002, to grant options to purchase shares in the company.

Therefore, the Group Management Board is authorised, as stipulated by Articles L. 225-177 to L. 225-186 of the Commercial Code, to grant, on one or more occasions, for the benefit of employees and possibly for the directors and officers both of the company and of companies or interest groupings that are affiliated as defined in Article L. 225-180 of that Code or to only some of them, options giving rights to subscribe to new shares in the company to be issued through a capital increase, as well as options giving rights to purchase existing shares in the company obtained in buy-backs made by the company as prescribed by law.
The subscription or purchase options for new and existing shares granted by virtue of this authorisation may not give rights to a total number of shares greater than 3% of the share capital on the day of the Group Management Board's decision, on the understanding that, within the confines of this resolution, the Supervisory Board shall define the number of options for new and existing shares that the Group Management Board may grant at each allocation.

The price to be paid when exercising the options for new or existing shares shall be determined by the Group Management Board on the day that the options are granted, it being understood that:
(I) – in the case of options for new shares, this price shall not be lower than 80% of the average of the opening prices of the company's share on Euronext Paris SA for the twenty trading sessions preceding the day on which the share options are granted, and;
(II) – din the case of options for existing shares, this price shall not be lower than the value specified in (i) above, or 80% of the average purchase price of the shares held by the company pursuant to Articles L. 225-208 and L. 225-209 of the Commercial Code.
This authorisation requires the express waiver by shareholders of their pre-emptive subscription rights to the shares that will be issued as and when the options for new shares are exercised, in favour of the beneficiaries of the share options.

The General Meeting of April 23rd, 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 eight years from the date they are granted;
– the date(s) or period(s) of exercise for the options, on the understanding that the Group Management Board will have the option of (a) bringing forward the dates or periods for the exercise of the options, (b) extending the exercisable nature of the options, or (c) modifying the dates or periods within which the shares obtained by exercise of the options may not be transferred or held in bearer form ;
– possible clauses prohibiting the immediate resale of some or all of the shares provided that the obligatory holding period for the shares does not exceed three years from the date the option is exercised;
– if applicable, limit, suspend, restrict or prohibit the exercise of options, or the sale or transfer to bearer form of shares obtained by the exercise of options, during certain periods or following certain events, and this decision may cover some or all of the options or shares or concern some or all of the beneficiaries;
– determine the date, which may be retroactive, from which the new shares derived from the exercise of share options shall become eligible for dividends;
– if applicable, make any adjustments to the number and price of the shares that may be obtained by the exercise of the options pursuant to the legal and regulatory provisions then in force;
– decide that the Group Management Board shall also have full authority, with the ability to delegate to its Chairman as legally prescribed, to recognise the capital increases for the amount of shares that have actually been subscribed by the exercise of options to subscribe for new shares, and make the necessary amendments to the Articles of Association and, if it deems appropriate, it is empowered to make the

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decision to charge the costs of the capital increases to the amount of premiums arising from these transactions and deduct from this amount the sums necessary to raise the legal reserve to one tenth of the new share capital after each increase, and perform any necessary formalities for the listing of the shares thus issued, any declarations to the authorities and otherwise do all that is necessary thereto.
This authorisation was given for a period of thirty eight months from April 23rd, 2003, i.e. until June 22nd, 2006, and was renewed by the Combined Ordinary and Extraordinary General Meeting of May 22nd, 2006 for a further 38 months, i.e. until July 21st, 2009.
The Group Management Board informs the Ordinary General Meeting each year of the transactions undertaken pursuant to this delegation in accordance with Article L. 225-184 of the Commercial Code.

In connection with this plan, the breakdown of the number of options still to be exercised by year of allocation is as follows:

	2003	2004	2005	2006	2008
Date of Shareholders' Meeting	23/04/2003	23/04/2003	23/04/2003	22/06/2006	22/06/2006
Date of Supervisory Board meeting	20/05/2003	25/05/2004	24/05/2005	30/08/2006	15/05/2008
Date of Management Board meeting	08/07/2003	06/07/2004	27/06/2005	18/09/2006	20/06/2008
Number of beneficiaries	91	97	103	104	92
Number of beneficiaries who have not yet exercised options	24	60	86	96	92
of which, Management Board members*	1	4	4	4	5
Total number of options allocated	250,000	130,000	160,000	160,000	130,000
of which, to Management Board members*	21,500	25,000	33,000	52,500	32,500
Start date for exercise of options	08/07/2003	06/07/2004	27/06/2005	18/09/2006	20/06/2008
Expiry date	07/07/2011	05/07/2012	26/06/2013	17/09/2014	19/06/2016
Exercise price (in euro)	27.35	44.41	63.08	91.82	55.67
Exercise method	Subscription	Subscription	Subscription	Purchase	Purchase
Options to be exercised at 01/01/2008	57,775	90,305	143,950	154,000	0
Options allocated in 2008	0	0	0	0	130,000
Options exercised in 2008	6,450	0	0	0	0
Options cancelled in 2008	0	450	500	900	0
Options to be exercised at 31/12/2008	51,325	89,855	143,450	153,100	130,000

The following options were granted in recent years to the ten employees that received the largest number of options:
- 2003: 48,300 options at a weighted average price of €27.35;
- 2004: 23,800 options at a weighted average price of €44.41;
- 2005: 60,400 options at a weighted average price of €63.08;
- 2006: 68,550 options at a weighted average price of €91.82;
- 2007: No options were granted;
- 2008: 21,533 options at a weighted average price of €55.67.

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The number of share subscription options granted to members of the Group Management Board, as it existed on December 31st, 2008, in connection with this plan in the period from 2003 to 2008 breaks down as follows:

	2003	2004	2005	2006	2008
Clemens von Weichs	17,000	7,000	9,000	15,000	9,500
Gerd-Uwe Baden		7,000	9,000	10,000	7,000
Nicolas Hein		7,000	9,000	17,500	6,300
Michel Mollard	4,500	4,000	6,000	10,000	6,300
Michael Hörr (1)	-	-	-	-	3,400
Total	**21,500**	**25,000**	**33,000**	**52,500**	**32,500**

(1) Michael Hörr has been a member of the Group Management Board since January 1st, 2008.

No options were granted in 2007.

With regard to option plans previously established at Euler Hermes SFAC (France), the position was as follows:

- in 2004, no options were exercised by the members of the Group Management Board as it existed on December 31st, 2004 and only one employee exercised a total of 2,000 options at the average price of €81.30 each;
- in 2005, no options were exercised by the members of the Group Management Board as it existed on December 31st, 2005 as none of them were beneficiaries of any Euler Hermes SFAC options. One employee exercised 300 options at an average subscription price of €81.04 each and three people who had left the company exercised 2,400 options at an average subscription price of €75.53 each;
- in 2006, 4,400 share subscription options were exercised by five individuals at a weighted average price of €81.01 each;
- in 2007, 712 share subscription options were exercised by four individuals at an average weighted price of €80.97 each;
- in 2008, 1,988 share subscription options were exercised by six individuals at an average weighted price of €80.96 each.

Share buyback programme

A resolution will be proposed at the Ordinary General Meeting on May 15th, 2009 to authorise the Group Management Board, in accordance with Article L. 225-209 of the Commercial Code, Regulation No. 2273/2003 of the European Commission of December 22nd, 2003 taken pursuant to Directive 2003/6/EC of January 28th, 2003 and Articles 241-1 to 241-6 of the General Regulations of the French securities regulator *[Autorité des Marchés Financiers – AMF]*, to purchase a number of shares at a nominal value of €0.32 each, representing a maximum of 10% of the share capital at the date of the General Meeting under the following terms:

- this authorisation is valid for a maximum period of eighteen months from the date of the Meeting, i.e. until November 14th, 2010, 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 Tenth Resolution of the Ordinary General Meeting held on May 15th, 2008 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;

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- the maximum purchase price (excluding expenses) is set at €61 per share, which corresponds to the price as at December 31st, 2008 multiplied by a factor equal to the greatest increase in the share price over any given year since its listing, i.e. 73% in 2003, it being stipulated that in the event of transactions involving the company's capital, in particular the capitalisation of premiums, reserves or profits resulting in an increase in the nominal value of the shares or the creation and allocation of bonus shares or the division or grouping of the nominal value of shares, the Group Management Board shall have full power, as required, to adjust the abovementioned purchase prices and the number of shares accordingly, and if the shares thus acquired are used to allocate bonus shares in accordance with Article L. 443-5 of the French Labour Code, the pecuniary equivalent of the shares allocated shall be determined in accordance with the specific legal provisions that apply;

- the acquisitions made by the company by virtue of this authorisation cannot in any case lead to it holding more than 10% of the company's 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 on a market (regulated or not), on a multilateral trading facility (MTF), through a systematic internaliser or by acquisition or sale of blocks of shares (if applicable, over the counter, 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 may be decided by the Group Management Board for the following purposes, notably to:

(i) - boost the market for the shares, namely by improving the share's liquidity via an investment service provider acting independently within the framework of a liquidity contract, in accordance with a code of conduct recognised by the French securities regulator;

(ii) - fulfil the obligations to employees and corporate officers of the company and its associates under share option plans and other option allocation schemes;

(iii) - purchase shares for retention and subsequent delivery of shares as payment or in exchange, within the context of any acquisitions, in accordance with stock market regulations, on condition that the number of shares acquired by the company for retention and subsequent delivery as payment or in exchange within the context of a merger, spin-off or other operation shall not exceed 5% of its share capital;

(iv) - deliver shares when rights attached to securities giving access to a share of the company's capital are exercised;

(v) - cancel these shares subject to approval of the Eleventh Resolution by the General Meeting;

(vi) - implement any market practice that is recognised by law or by the French securities regulator, in which case the company shall bring to the public's attention, under the applicable legal and regulatory conditions, any amendments to the programme concerning the modified objectives.

There is no limit on the portion of the programme that may be carried out through the purchase or sale of blocks.
The company may undertake the transactions in (i) to (vi) above during a cash or share-exchange offer in accordance with the applicable legislation.

In accordance with paragraph 4 of Article L. 225-209 of the Commercial Code, the company will inform the AMF every month of the purchases, sales, transfers and cancellations made. This information will be published by the AMF.

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In addition, in accordance with Article 12 of the Articles of Association, the Group Management Board will seek the approval of the Supervisory Board for the policy it intends to follow with regard to share buybacks pursuant to this resolution.

The Group Management Board, which may delegate to its Chairman or, with his approval, to one or more of its members, is granted full authority to give orders for deals on the stock market or over the counter, assign or re-assign the shares acquired to the various objectives targeted under the applicable legal and regulatory conditions, sign any agreements notably to keep registers of share purchases and sales, compile information documents, make all declarations and disclosures to the AMF and any other authorities, fulfil all the formalities and, generally, do everything that is necessary and establish the terms and conditions under which the rights of holders of securities that give access to the capital and of beneficiaries of options are preserved in accordance with the applicable regulations.

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 2008.

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Changes in the share capital in the past five years

The table below shows changes in the company's share capital in the past five years:

Date	Transaction	Number of shares issued	Nominal amount of capital increase	Additional paid-in capital per share	Cumulative additional paid-in capital	Cumulative share capital	Total number of shares	Nominal value
January 2004	Exercise of share options	827	€264.64	€15.23	€292,300,989.79	€13,296,840.96	41,552,628	€0.32
January 2004	Exercise of share options	2,067	€661.44	€17.95	€292,338,092.44	€13,297,502.40	41,554,695	€0.32
February 2004	Exercise of share options	10,850	€3,472.00	€17.95	€292,532,849.94	€13,300,974.40	41,565,545	€0.32
April 2004	Exercise of share options	6,717	€2,149.44	€17.95	€292,653,420.09	€13,303,123.84	41,572,262	€0.32
May 2004	Exercise of share options	2,894	€926.08	€20.80	€292,713,615.29	€13,304,049.92	41,575,156	€0.32
June 2004 (1)	Payment of dividend in shares	1,502,151	€480,688.32	€40.38	€353,370,472.67	€13,784,738.24	43,077,307	€0.32
November 2004	Exercise of share options	2,842	€909.44	€15.23	€353,413,756.33	€13,785,647.68	43,080,149	€0.32
November 2004	Exercise of share options	2,584	€826.88	€20.80	€353,467,503.53	€13,786,474.56	43,082,733	€0.32
November 2004	Exercise of share options	3,617	€1,157.44	€17.95	€353,532,428.68	€13,787,632.00	43,086,350	€0.32
December 2004	Exercise of share options	11,573	€3,703.36	€20.80	€353,773,147.08	€13,791,335.36	43,097,923	€0.32
December 2004	Exercise of share options	7,750	€2,480.00	€17.95	€353,912,259.58	€13,793,815.36	43,105,673	€0.32
January-February 2005	Exercise of share options	7,751	€2,480.32	€15.23	€354,030,307.31	€13,796,295.68	43,113,424	€0.32
January-February 2005	Exercise of share options	1,912	€611.84	€20.80	€354,070,076.91	€13,796,907.52	43,115,336	€0.32
March-April 2005	Exercise of share options	7,750	€2,480.00	€17.95	€354,209,189.41	€13,799,387.52	43,123,086	€0.32
June 2005 (1)	Payment of dividend in shares	1,661,023	€531,527.36	€54.08	€444,037,313.25	€14,330,914.88	44,784,109	€0.32
June 2005	Exercise of share options	3,100	€992.00	€20.80	€444,101,793.25	€14,331,906.88	44,787,209	€0.32
June-July 2005	Exercise of share options	1,500	€480.00	€27.03	€444,142,338.25	€14,332,386.88	44,788,709	€0.32
July-August 2005	Exercise of share options	9,450	€3,024.00	€27.03	€444,397,771.75	€14,335,410.88	44,798,159	€0.32
September 2005	Exercise of share options	7,750	€2,480.00	€17.95	€444,536,884.25	€14,337,890.88	44,805,909	€0.32
September 2005	Exercise of share options	5,684	€1,818.88	€15.23	€444,623,451.57	€14,339,709.76	44,811,593	€0.32
October 2005	Exercise of share options	5,684	€1,818.88	€15.23	€444,710,018.89	€14,341,528.64	44,817,277	€0.32
November 2005	Exercise of share options	4,700	€1,504.00	€27.03	€444,837,059.89	€14,343,032.64	44,821,977	€0.32
December 2005	Exercise of share options	8,267	€2,645.44	€17.95	€444,985,452.54	€14,345,678.08	44,830,244	€0.32
January-March 2006	Exercise of share options	4,750	€1,520.00	€15.23	€445,057,795.04	€14,347,198.08	44,834,994	€0.32

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Date	Transaction	Number of shares issued	Nominal amount of capital increase	Additional paid-in capital per share	Cumulative additional paid-in capital	Cumulative share capital	Total number of shares	Nominal value
January-March 2006	Exercise of share options	14,417	€4,613.44	€17.95	€445,316,580.19	€14,351,811.52	44,849,411	€0.32
January-March 2006	Exercise of share options	3,100	€992.00	€20.80	€445,381,060.19	€14,352,803.52	44,852,511	€0.32
January-March 2006	Exercise of share options	4,950	€1,584.00	€27.03	€445,514,858.69	€14,354,387.52	44,857,461	€0.32
April-June 2006	Exercise of share options	7,500	€2,400.00	€15.23	€445,629,083.69	€14,356,787.52	44,864,961	€0.32
April-June 2006	Exercise of share options	23,600	€7,552.00	€27.03	€446,266,991.69	€14,364,339.52	44,888,561	€0.32
July-September 2006	Exercise of share options	267	€85.44	€17.95	€446,271,784.34	€14,364,424.96	44,888,828	€0.32
July-September 2006	Exercise of share options	29,515	€9,444.80	€27.03	€447,069,574.79	€14,373,869.76	44,918,343	€0.32
July-September 2006	Exercise of share options	7,900	€2,528.00	€44.09	€447,417,885.79	€14,376,397.76	44,926,243	€0.32
October-December 2006	Exercise of share options	4,800	€1,536.00	€15.23	€447,490,989.79	€14,377,933.76	44,931,043	€0,32
October-December 2006	Exercise of share options	18,625	€5,960.00	€27.03	€447 994 423.54	€14,383,893.76	44,949,668	€0.32
October-December 2006	Exercise of share options	1,450	€464.00	€44.09	€448,058,354.04	€14,384,357.76	44,951,118	€0.32
January-March 2007	Exercise of share options	7,170	€2,294.40	€27.03	€448,252,159.14	€14,386,652.16	44,958,288	€0.32
January-March 2007	Exercise of share options	1,000	€320.00	€44.09	€448,296,249.14	€14,386,972.16	44,959,288	€0.32
April-June 2007	Exercise of share options	5,200	€1,664.00	€17.95	€448,389,589.14	€14,388,636.16	44,964,488	€0.32
April-June 2007	Exercise of share options	2,170	€694.40	€27.03	€448,448,244.24	€14 389 330.56	44,966,658	€0,32
April-June 2007	Exercise of share options	450	€144.00	€44.09	€448,468,084.74	€14,389,474.56	44,967,108	€0.32
April-June 2007	Exercise of share options	5,500	€1,760.00	€62.76	€448,813,264.74	€14,391,234.56	44,972,608	€0.32
July-September 2007	Exercise of share options	37,190	€11,900.80	€27.03	€449,818,510.44	€14,403,135.36	45,009,798	€0.32
July-September 2007	Exercise of share options	13,760	€4,403.20	€44.09	€450,425,188.84	€14,407,538.56	45,023,558	€0.32
October-December 2007	Exercise of share options	23,455	€7,505.60	€27.03	€451,059,177.49	€14,415,044.16	45,047,013	€0.32
October-December 2007	Exercise of share options	3,900	€1,248.00	€44.09	€451,231,128.49	€14,416,292.16	45,050,913	€0.32
October-December 2007	Exercise of share options	1,600	€512.00	€62.76	€451,331,544.49	€14,416,804.16	45,052,513	€0.32
January to March 2008	Exercise of share options	3,550	€1,136.00	€27.03	€451,427,500.99	€14,417,940.16	45,056,063	€0.32
April to June 2008	Exercise of share options	15,000	€4,800.00	€17.95	€451,696,750.99	€14,422,740.16	45,071,063	€0.32
April to June 2008	Exercise of share options	2,900	€928.00	€27.03	€451,775,137.99	€14,423,668.16	45,073,963	€0.32
July to September 2008	Exercise of share options	8,267	€2,645.44	€17.95	€451,923,530.64	€14,426,313.60	45,082,230	€0.32

(1) Capital increase with maintenance of preferential subscription rights.

Capital and voting rights

At December 31st, 2008, the company's share capital was made up of 45,082,230 shares, majority-owned by the AGF group (68.20% of the capital representing 70.61% of the voting rights). The total number of voting rights amounted to 43,541,586. On March 21st, 2005, the Swiss reinsurance company, Swiss Re, stated that it had sold shares and accordingly had fallen below the threshold of 5% of shares owned. On the same date, it declared that it held 3.4% of the capital.

At the end of 2008, 28.39% of the capital, i.e. 29.39% of the voting rights, was held by the public and the company owned 3.42% of the capital.

Capital World Growth and Income Fund, Inc., acting on behalf of investment funds, reported that, following the acquisition on the stock market of shares in the company on June 26, 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 August 19th, 2002, the same company reported that it had crossed the threshold of 5% of the capital and voting rights downwards and henceforth held 1,796,848 shares representing 4.46% of the capital and 4.66% of the existing voting rights.

In a letter dated May 22nd, 2003, the companies FMR Corporation and Fidelity International Limited, acting on behalf of investment funds managed by their subsidiaries, declared that following the sale of shares on the market on March 21st, 2003 they had fallen below the 5% threshold of the capital of the company, and owned on behalf of those funds 2,002,270 shares representing 4.97% of the capital on that date.

Since those dates, no further declarations concerning the crossing of the 5% threshold either way have been made, and the company is unaware of the number of shares still held by these companies as at December 31st, 2008.

As far as the company is aware, there are no other shareholders or groups of shareholders who hold or are likely to hold, directly or indirectly, alone, jointly or in concert, 5% or more of the capital and voting rights.

The table below shows changes to the company's capital and voting rights in the past three years:

Capital and voting rights at December 31st, 2008

	At December 31st, 2006				At December 31st, 2007				At December 31st, 2008			
	Shares		Voting rights		Shares		Voting rights		Shares		Voting rights	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
AGF IART	4	0.00%	4	0.00%	4	0.00%	4	0.00%	4	0.00%	4	0.00%
AGF Vie	3,879,818	8.63%	3,879,818	8.91%	3,879,818	8.61%	3,879,818	8.88%	3,879,818	8.61%	3,879,818	8.91%
AGF SA	5,442,444	12.11%	5,442,444	12.50%	5,442,444	12.08%	5,442,444	12.46%	5,442,444	12.07%	5,442,444	12.50%
AGF Holding	21,421,782	47.66%	21,421,782	49.20%	21,421,782	47.55%	21,421,782	49.04%	21,421,782	47.52%	21,421,782	49.20%
AGF Group	30,744,048	68.39%	30,744,048	70.61%	30,744,048	68.24%	30,744,048	70.38%	30,744,048	68.20%	30,744,048	70.61%
Treasury shares	1,411,359	3.14%	1,411,359	0.00%	1,369,746	3.04%	0	0.00%	1,540,644	3.42%	0	0.00%
Public (1)	12,795,711	28.47%	12,795,711	29.39%	12,938,719	28.72%	12,938,719	29.62%	12,797,538	28.39%	12,797,538	29.39%
Total	44,951,118	100.00 %	44,951,118	100.00%	45,052,513	100.00%	43,682,767	100.00%	45,082,230	100.00%	43,541,586	100.00%

(1) At December 31st, 2008, 8,555 shares were held in registered form by members of the Supervisory Board and of the Group Management Board.

Capital and voting rights

The AGF group, one of France's leading insurance companies, has been a wholly-owned subsidiary of Allianz since July 2007 following the minority buy-out launched in January 2007.
Until it was privatised in May 1996, AGF was one of the company's principal shareholders, alongside Partner Re, Swiss Re, SCOR and Coface. Under the company's capital restructuring following the privatisation of the AGF group, AGF became the company's majority shareholder.
On April 27th, 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 shareholdings.
Since that date, SCOR has sold its entire holding by placing its shares on the market. Swiss Re significantly reduced its holding in 2005.
Apart from these transactions, the following events altered the capital structure and voting rights during the past five years.
Following the decision of the General Meeting on April 23rd, 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 December 31st, 2003, the AGF group held 67.7% of the company. Likewise, following identical decisions by the General Meetings on April 28th, 2004 and April 22nd, 2005, the distribution of a dividend gave rise to the creation of 1,502,151 and 1,661,023 new shares, respectively. Having chosen to receive its dividend in shares, the AGF group held 68.6% of the company as at December 31st, 2005.
During 2006, 2007 and 2008, the AGF group's percentage holding was reduced slightly following the creation of shares as a result of the exercise of subscription options. At December 31st, 2008, the AGF group held 68.20% of the company.
There is no clause in the Articles of Association providing for shareholders in the company to have double voting rights.

Relations with shareholders

As far as the company is aware, there is no shareholders' agreement currently in existence between the company's shareholders. There are some regulated agreements, details of which are given on pages 243 to 246.
AGF's majority shareholder, Allianz, is one of the group's reinsurance companies. 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. Allianz's proportion of the group's reinsurance therefore corresponds to its role in this market and the reinsurance contracts cover ongoing operations and are signed under normal market conditions.
There are no preferential terms for the sale or purchase of shares on at least 5% of the capital or voting rights.

Treasury shares

At December 31st, 2008, treasury shares represented a total of 3.42% of the company's capital, i.e. 1,540,644 shares.
During the year, no purchases or sales were made within the framework of the share buyback programmes authorised by the General Meetings on May 9th, 2007 and May 15th, 2008. The 376,340 shares initially assigned explicitly to share option plans were reclassified as non-transferable shares as at December 31, 2002 following the decision of the Group Management Board on December 19th, 2002.

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

Capital and voting rights

Other persons or entities exercising control over the company

Companies in the AGF group own, directly and indirectly, a total of 68.20% of the capital and 70.61% of the voting rights in the company. AGF group is itself a wholly-owned subsidiary of Allianz SE.
In accordance with the Articles of Association, each member of the Supervisory Board owns at least five shares.
Currently, as far as the company is aware, the members of the Supervisory Board and the Group Management Board hold 8,555 shares in registered form.

In addition, the members of the Group Management Board as it existed on December 31st, 2008 did not hold any share purchase options allocated under the share option plan implemented when the company was floated on the stock market in 2000. In 2002, no new options were allocated, apart from those following the company's capital increase, pursuant to the legal and regulatory provisions (cf. Securities giving access to capital).
The General Meeting of April 23rd, 2003 decided to implement a new share subscription or purchase option plan, which ended the unused portion of the option plan set up in 2000. Under this new plan, the number of options granted to members of the Group Management Board, as it existed on December 31st, 2008, was as follows:
- during 2003: 21,500 options for new shares;
- during 2004: 25,000 options for new shares;
- during 2005: 33,000 options for new shares.

The General Meeting of May 22nd, 2006 voted to implement a new share subscription or purchase option plan that effectively cancelled, for its unused portion, the option plan implemented in 2003. Under this new plan, members of the Group Management Board as it existed on December 31st, 2006 were granted 52,500 share purchase options in 2006.
No options were granted in 2007.
In 2008, 130,000 share purchase options were granted, of which 32,500 to members of the Group Management Board as it existed on December 31st, 2008

Employee shareholdings

At December 31st, 2008, the group's employees held 36,354 shares through a company savings plan, representing 0.08% of the capital.
In addition, in 2008 and preceding years, employees and the members of the Group Management Board were granted share purchase and subscription options.
Under these share purchase and share subscription option plans, the number of non-exercised options at December 31st, 2008 was as follows:
- share purchase option plan of March 28th, 2001: 19,410;
- share subscription option plan of July 8th, 2003: 51,325;
- share subscription option plan of July 6th, 2004: 89,855;
- share subscription option plan of June 27th, 2005: 143,450;
- share purchase option plan of September 18th, 2006: 153,100;
- share purchase option plan of June 20th, 2008: 130,000.

Corporate governance

All members of the Supervisory Board and the managers of the various subsidiaries and directors of the cross-company functions of the company are appointed in accordance with the expertise that they possess in the exercise of their responsibilities and their experience in management matters.
Furthermore, no members of the corporate governance bodies have been found guilty of fraud, involved in a bankruptcy, subject to a receiving order or liquidation, or subject to an official public sanction during the past five years.
The company applies the principles of corporate governance by adapting them as required for the direction and control of its subsidiaries. These principles have thus been implemented within the largest subsidiaries and are described in the Chairman's report pursuant to Article L. 225-37 of the French Commercial Code.

Composition and operation of the Supervisory Board

The members of the Supervisory Board as at March 1st, 2009 were as follows:

Name	Main offices held	Date of first appointment	Date appointment last renewed	Date appointment expires
Jean-Philippe Thierry, Chairman	Chairman and CEO of AGF SA, Member of the Allianz SE Management Board	27/02/2001	General Meeting of 15/05/2008	General Meeting of 2011
François Thomazeau, Vice-Chairman	General Manager	25/04/2001	General Meeting of of 9 May 2007	General Meeting of 2010
John Coomber	Member of the Board of Directors of Swiss Re (Switzerland)	23/04/2003	General Meeting of 22/05/2006	General Meeting of 2009
Charles de Croisset	Director of various companies	07/04/2000	General Meeting of 9 May 2007	General Meeting of 2010
Robert Hudry	Director of various companies	07/04/2000	General Meeting of 9 May 2007	General Meeting of 2010
Yves Mansion	Chairman and CEO of Société Foncière Lyonnaise	12/05/1992	General Meeting of 22/05/2006	General Meeting of 2009
Jean-Hervé Lorenzi	Member of the Supervisory Board of Compagnie Financière Saint-Honoré	01/01/2005 as Censor	Co-option submitted to the General Meeting of 15 May 2008 as replacement for Mr Laurent Mignon.	General Meeting of 2010

The other offices held by the members of the Supervisory Board are listed in the management report on pages 52 to 56 of this reference document.
No family relationships exist between the members of the Supervisory Board or between them and members of the Group Management Board. Furthermore, none of the members concerned was in a position of conflict of interests with regard to any decisions taken by the company.
There is no service contract linking the members of the Supervisory Board to the company or any one of its subsidiaries that provides for the granting of benefits at the end of such a contract.
Three members of the Supervisory Board are qualified as independent within the meaning of the AFEP/MEDEF Code of Corporate Governance. They have no relationship of any kind with the company or its group, its management or any one of its shareholders holding more than 10% of the capital that could compromise their freedom of judgement.
At the Ordinary General Meeting to be held on May 15th, 2009, shareholders will be asked to renew the terms of office of Messrs Yves Mansion and John Coomber as members of the Supervisory Board for three years, i.e. until the General Meeting called to approve the finan-

Corporate governance

cial statements for the year ending December 31st, 2011. Shareholders will also be asked to approve the appointment of Mr Philippe Carli as a member of the Supervisory Board
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 May 15th, 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 having reached the age of 70 cannot be more than one third of all the members. Whenever this level is exceeded, the eldest member must resign.
The Supervisory Board elects its Chairman and a Vice Chairman, who must be individuals, from among its members. The Chairman or, in his absence, the Vice-Chairman, is responsible for convening Board meetings and chairing their deliberations.
The Supervisory Board may appoint one or more non-voting members (censors) if it considers this would be useful. They may be individuals or corporate entities, proposed by the Chairman, and may or may not be from among the shareholders. Their term of office is at the Board's discretion and the Board also sets their remuneration. This remuneration is taken from the annual amount for Supervisory Board members' fees allocated by the Ordinary General Meeting. The censors may be called to and may attend all the Supervisory Board meetings but with a right of discussion only.
Mr Jean-Hervé Lorenzi, who had been a censor since January 1st, 2005, was co-opted as a member of the Supervisory Board to replace Mr Laurent Mignon for his remaining term of office at the Supervisory Board meeting held on July 27th, 2007. This co-option was approved by the General Meeting of May 15th, 2008.
Each member of the Supervisory Board must own at least five shares during his or her term of office. Members of the Supervisory Board serve a three-year term, although there are particular provisions for the first appointments to ensure the regular renewal of members. The members of the Supervisory Board may be re-elected.
The Supervisory Board is partially renewed every year at the Ordinary General Meeting, according to the number of members in office, so that renewal is an ongoing process and complete within each three-year period. In the event of a vacant position, following the death or resignation of one or more members of the Supervisory Board, a provisional replacement may be elected by the remaining members, the appointment being subject to ratification by the next Ordinary General Meeting.
The members of the Supervisory Board may receive remuneration in the form of Supervisory Board members' fees, the amount of which is fixed by the Ordinary General Meeting, and exceptional remuneration under the conditions provided for by law. In addition, the Chairman and the Vice Chairman may receive special remuneration, the amount of which is set by the Supervisory Board.
In accordance with the law and under the terms of Article 12 of the Articles of Association, the Supervisory Board exercises permanent control over the management of the company through the Group Management Board and gives the Group Management Board the prior authorisations required by law or the Articles of Association.
The Supervisory Board appoints the members of the Group Management Board, decides on their number, and appoints its Chairman, and the General Managers where appropriate. It also sets their remuneration. It may remove from office one or more members of the Group Management Board or recommend their removal to the Ordinary General Meeting.
Throughout the year, the Supervisory Board makes the checks and controls it considers appropriate and can publish any documents that it considers useful in the completion of its mission.
At least once a quarter, the Group Management Board presents a report to the Supervisory Board. The Group Management Board must present the annual financial statements to the Supervisory Board for verification and control purposes within three months of the year end, and must submit its recommendations for allocation of the year's net income to the Supervisory Board for its prior approval. The Supervisory Board presents to the General Meeting of shareholders its observations on the Group Management Board's report and on the annual financial statements.
The Supervisory Board can call shareholders' meetings and set the agenda.
The Supervisory Board can decide to create committees and it sets their composition and remit. Their activity is exercised under the Supervisory Board's responsibility, without the said remit being a delegation of the powers attributed to the Supervisory Board by law or the Articles of Association, nor having the effect of reducing or limiting the powers of the Group Management Board.

Corporate governance

Accordingly, the following committees have been created:

- the Supervisory Board audit committee, whose members as at March 31st, 2009 were:

– Mr Robert Hudry, Chairman;
– Mr Yves Mansion;
– Mr François Thomazeau.

The audit committee is responsible for supervising procedures for external and internal audits of group companies. In particular, its mission is to oversee:
– those responsible for the internal audit of subsidiaries with regard to their activity report and provisional assignment planning;
– those responsible for accounting and finance as regards the company financial statements;
– the independent auditors and their assignments.
The audit committee met four times in 2008.

- the remuneration and appointments committee, whose members as at March 31st, 2009 were:

– Mr François Thomazeau, Chairman;
– Mr Charles de Croisset;
– Mr Jean-Hervé Lorenzi.

The purpose of the remuneration and appointments committee is to recommend to the Supervisory Board the appointment and remuneration of company directors and the general rules for remuneration of the group's main executives, including share option schemes. It examines whether their remuneration complies with these regulations and also takes account of the majority shareholder's general policy for management remuneration. The remuneration and appointments committee met three times in 2008.

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

- the sale of property, the total or partial sale of equity interests and the granting of sureties on company assets;

- direct transactions or acquisition of equity interests 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 share capital;

- transactions aimed at granting or contracting any borrowings or loans, credits or advances, or granting sureties, guarantees, deposits or other forms of security.

The Supervisory Board authorises the Group Management Board to carry out the above-mentioned transactions, up to a ceiling that it fixes for each one. When a transaction exceeds the specified amount, the approval of the Supervisory Board is required in each case.
The Supervisory Board met four times in 2008. In 2008, the average meeting attendance rate for all members of the Supervisory Board was 81%.

Composition and operation of the Group Management Board

The Group Management Board is the company's decision-making body.
At January 1st, 2009, the Group Management Board of Euler Hermes had the following members:

- Mr Clemens von Weichs, Chairman and Chief Executive Officer, joined the Group Management Board on February 19th, 2002 and was appointed Chairman of the Group Management Board (CEO) on May 25th, 2004. He has special responsibility for coordinating the work of the members of the Group Management Board, is responsible for the organisation and coordination of all group company businesses and represents the company vis-à-vis third parties. He also supervises the following cross-company functions in the group: Strategy, Communications, Audit, Careers and international mobility and Risk management. Mr Clemens von Weichs, who is taking up other positions within the Allianz group, was replaced by Mr Wilfried Verstraete as Chairman of the Group Management Board with effect from April 1st, 2009.

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- Mr Gerd-Uwe Baden, appointed member of the Group Management Board on May 25th, 2004. He is responsible for the group's Risks and Commitments cross-company function. He is also Chairman of the Management Board of the group's German subsidiary Euler Hermes Kreditversicherungs-AG;

- Mr Nicolas Hein, appointed member of the Group Management Board on May 25th, 2004. As the group's Chief Finance Officer, he is responsible for its Finance & Accounting and Reinsurance cross-company functions;

- Mr Michel Mollard, appointed member of the Group Management Board on May 25th,2004. He has specific responsibility for the Commercial cross-company function. He is also Chairman of the Management Board of the group's French subsidiary, Euler Hermes SFAC;

- Mr Michael Hörr, appointed member of the Group Management Board on November 9th, 2007 with effect from January 1st, 2008. He is responsible for Operations and, as such, supervises the Information Technology cross-company function.

The offices held by members of the Group Management Board within the company's subsidiaries and any other companies are listed in the management report and on page 52 to 56 of this reference document.

No family relationships exist between the members of the Group Management Board and none of the members concerned have been found guilty of fraud, involved in a bankruptcy, subject to a receiving order or liquidation, or subject to an official public sanction during the last five years. Furthermore, none of the members concerned were impacted by a conflict of interests with regard to any decisions taken by the company. If there had been a conflict of interests, the decision formed an integral part of the regulated agreements, on which the independent auditors' report is presented on pages 243 to 246 of this document

There is no service contract linking the members of the Group Management Board to the company or any one of its subsidiaries that provides for the granting of benefits at the end of such a contract.

The number of offices held by members of the Group Management Board complies with Article 11 of the NRE 2001-420 Act of May 15th, 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 close of the nearest General Meeting. However, when a member of the Group Management Board reaches this age, the Supervisory Board can, on one or more occasions, extend his functions for a total term that may not exceed three years. A member of the Supervisory Board cannot be a member of the Group Management Board.

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

In accordance with the law and under the terms of Article 16 of the Articles of Association, the Supervisory Board confers the title of Chairman on one of the members of the Group Management Board. The Chairman exercises his functions for the period of his office as a member of the Group Management Board. He represents the company in its relations with third parties. The Supervisory Board can grant the same power of representation to one or more other members of the Group Management Board who then bear the title of General Manager.

Agreements concerning the company and any commitments undertaken in its name are signed by the Chairman of the Group Management Board, or by any member of the Group Management Board who has been appointed General Manager by the Supervisory Board, or by any representative especially empowered for this purpose.

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

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

Corporate governance

The Group Management Board operates according to "internal regulations" which are designed to complement the operating principles stipulated in the Articles of Association, while respecting the collegiate principle of the Group Management Board and facilitating the work of the Supervisory Board. These regulations specify the powers and allocation of responsibilities between members of the Group Management Board and, in accordance with Article 12 of the Articles of Association, the decisions that require prior authorisation from the Supervisory Board. In addition, the regulations define the practical procedures for holding meetings and recording minutes.
The Group Management Board can set up new committees. It decides on their composition and remit, and they carry out their activity under its responsibility, but it cannot delegate its powers. No committee has yet been established.
The Group Management Board was appointed on May 25th, 2004 and was reappointed for a further period of three years on May 4th, 2007. The Supervisory Board meeting of November 9th, 2007 proposed and approved an increase in the number of Group Management Board members to five with effect from January 1st, 2008. The new Group Management Board, as it existed on January 1st, 2008, was renewed for a period of three years, i.e. until December 31th, 2010. At the Supervisory Board meeting of February 17th, 2009, it was proposed and approved that Mr Wilfried Verstraete be appointed as a member and Chairman of the Group Management Board with effect from April 1st, 2009, to replace Mr Clemens von Weichs. The new Group Management Board, as it existed on April 1st, 2009, was renewed for a period of three years, i.e. until March 31st, 2012.
In 2008, the Group Management Board met on virtually a fortnightly basis.

Remuneration of directors and corporate officers

Remuneration and benefits in kind received by members of the Group Management Board

At its meeting of November 5th, 2008, the Supervisory Board noted the AFEP-MEDEF recommendations of October 6th, 2008 on the remuneration of directors and corporate officers of listed companies.
It considers that these recommendations form part of the company's governance procedures.
Accordingly, in application of the Law of July 3rd, 2008 transposing Directive 2006/46/EC of June 14th, 2006 into French law, the AFEP-MEDEF code as amended will be adopted by Euler Hermes with effect from the current financial year.

The principles governing the remuneration of members of the Group Management Board and the amount thereof are set by the remuneration and appointments committee and approved by the Supervisory Board. Remuneration consists of a fixed component and a variable component. The fixed component is determined by comparison with market practices for similar functions. The variable component is based on three criteria: the first is linked to the consolidated net income, group share, the second is linked to the attainment of objectives relating to the operating contribution and the third to the achievement of qualitative personal objectives. The objectives are proposed by the remuneration and appointments committee and approved by the Supervisory Board.
At the end of each year, the committee assesses the extent to which the various objectives have been achieved and proposes the amount of the variable remuneration component to the Supervisory Board for its own assessment.
The members of the Group Management Board were allocated 25,000 options for new Euler Hermes shares in 2004, 33,000 in 2005, 52,500 in 2006 (purchase options) and 32,500 in 2008. No Euler Hermes options were allocated in 2007.
In addition, as part of the global incentive scheme for Allianz group senior executives, the members of the Group Management Board received SARs (Stock Appreciation Rights), the value of which is linked to changes in the Allianz share price over seven years. A total of 5,531 SARs were allocated in 2004, 21,891 in 2005, 13,574 in 2006, 12,126 in 2007, and 8,656 in 2008. Also, members of the Group Management Board were allocated 6,102 RSUs (Restricted Stock Units, whose value is linked to Allianz's stock market performance over five years) in 2007 and 4,201 in 2008.
Also, all the members of the Group Management Board are included in the Mid Term Bonus (MTB) system, which was introduced by Allianz to improve the loyalty of its directors. The system is based on a three-year period: if the objectives are achieved over the three-year period, an additional bonus will be paid at the end of the period.

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The potential bonus is a set amount, corresponding to a fraction of the fixed remuneration plus a possible 20% upside. It is divided into two parts, each equally weighted and based on the EVA and on strategic objectives, respectively. If an average rate of between 70% and 120% is achieved for both parts, a proportional calculation will be made to reflect the extent to which the objectives are achieved. Up to 2008, only Messrs Clemens von Weichs and Gerd-Uwe Baden were members of the scheme. They received a mid-term bonus for the first time in 2008 for the period from 2005 to 2007. Messrs Nicolas Hein and Michel Mollard benefited in 2007 from the implementation of a special bonus whose amount is a function of performance criteria also based equally on the EVA and the realisation of strategic objectives.

Lastly, some members of the Group Management Board who do not hold any other position and are not employees are protected by special agreements in the event that they are removed from office. These agreements are intended to replace the statutory provisions protecting salaried employees in the event of dismissal. Messrs Clemens von Weichs and Gerd-Uwe Baden are protected by these provisions.
They provide for the payment of gross compensation of between 50% (Mr Gerd-Uwe Baden) and 200% (Mr Clemens von Weichs) of the amount of their last fixed and variable annual remuneration. In accordance with the so-called TEPA law of August 21st, 2007, payment of this compensation is conditional on achieving a performance criterion: average return on risk-adjusted capital (RORAC) equal to or higher than 8% as recorded by the Supervisory Board based on the audited consolidated financial statements for the two years preceding the officer’s departure.
Only Messrs Clemens von Weichs and Gerd-Uwe Baden, members of the Group Management Board, are members of the Allianz group’s supplementary defined contribution pension scheme.

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Corporate governance

Table 1: Summary of remuneration paid and options, SARs and RSUs allocated to each member of the Group Management Board

Remuneration is indicated based on gross remuneration before tax in thousands of euro.

	2007	2008
Clemens von Weichs, Chairman of the Group Management Board		
Remuneration due in respect of the financial year (analysed in table 2)	1,208.5	634.4
Value of the options allocated during the financial year (analysed in table 4)	-	64.9
TOTAL	**1,208.5**	**699.3**
SARs allocated (number)	4,012	2,299
RSUs allocated (number)	2,019	1,116

	2007	2008
Gerd-Uwe Baden, member of the Group Management Board		
Remuneration due in respect of the financial year (analysed in table 2)	1,048.2	585.6
Value of the options allocated during the financial year (analysed in table 4)	-	47.8
TOTAL	**1,048.2**	**633.4**
SARs allocated (number)	3,563	2,047
RSUs allocated (number)	1,793	993

	2007	2008
Nicolas Hein		
Remuneration due in respect of the financial year (analysed in table 2)	636.6	455.7
Value of the options allocated during the financial year (analysed in table 4)	-	43
TOTAL	**636.6**	**498.7**
SARs allocated (number)	2,635	1,732
RSUs allocated (number)	1,326	841

	2008
Michael Hörr (1)	
Remuneration due in respect of the financial year (analysed in table 2)	303.7
Value of the options allocated during the financial year (analysed in table 4)	23.2
TOTAL	**326.9**
SARs allocated (number)	1,003
RSUs allocated (number)	487

(1) Mr Michael Hörr has been a member of the Group Management Board since January 1st, 2008.

Corporate governance

	2007	2008
Michel Mollard		
Remuneration due in respect of the financial year (analysed in table 2)	599.4	433.5
Value of the options allocated during the financial year (analysed in table 4)	-	43
TOTAL	**599.4**	**476.5**
SARs allocated (number)	1,916	1,575
RSUs allocated (number)	964	764

Table 2: Remuneration of each member of the Group Management Board

	Exercice 2007		Exercice 2008	
Clemens von Weichs, Chairman of the Group Management Board	**Due**	**Paid**	**Due**	**Paid**
Fixed remuneration	416.7	416.7	430	430
Variable remuneration	340.4	363.6	147.4	340.4
Mid-term variable bonus(1)	396	-	-	396
Exceptional remuneration	-	-	-	-
Attendance fees	-	-	-	-
Specific compensation (2)	48.3	48.3	50	50
Benefits in kind (3)	7.1	7.1	7	7
TOTAL	**1,208.5**	**835.7**	**634.4**	**1,223.4**

(1) Mid-term variable remuneration corresponds to payment of the Mid-Term Bonus in respect of the period from 2005 to 2007.
(2) Special housing benefit for Mr von Weichs.
(3) Benefits in kind consist of a company car.

	Exercice 2007		Exercice 2008	
Gerd-Uwe Baden, Member of the Group Management Board	**Due**	**Paid**	**Due**	**Paid**
Fixed remuneration	391.7	391.7	400	400
Variable remuneration	297.8	270.9	162.7	297.8
Mid-term variable bonus(1)	336	-	-	336
Exceptional remuneration	-	-	-	-
Attendance fees	-	-	-	-
Benefits in kind (2)	22.7	22.7	22.9	22.9
TOTAL	**1,048.2**	**685.3**	**585.6**	**1,056.7**

(1) Mid-term variable remuneration corresponds to payment of the Mid-Term Bonus in respect of the period from 2005 to 2007.
(2) Benefits in kind consist of a company car.

Corporate governance

Nicolas Hein, Member of the Group Management Board	Exercice 2007 Due	Exercice 2007 Paid	Exercice 2008 Due	Exercice 2008 Paid
Fixed remuneration	310	310	340	340
Variable remuneration	262.1	196.3	111.1	262.1
Mid-term variable bonus[1]	-	-	-	-
Exceptional remuneration	60	-	-	60
Attendance fees	-	-	-	-
Benefits in kind [2]	4.5	4.5	4.6	4.6
TOTAL	636.6	510.8	455.7	666.7

(1) Special bonus introduced in 2007 based in equal proportions on achievement of EVA targets and strategic objectives.
(2)) Benefits in kind consist of a company car.

Michael Hörr, Member of the Group Management Board	Exercice 2008 Due	Exercice 2008 Paid
Fixed remuneration	230	230
Variable remuneration	70.3	20.8
Mid-term variable bonus	-	-
Exceptional remuneration	-	-
Attendance fees	-	-
Benefits in kind [1]	3.4	3.4
TOTAL	303.7	254.2

(1) Benefits in kind consist of a company car.

Michel Mollard, Member of the Group Management Board	Exercice 2007 Due	Exercice 2007 Paid	Exercice 2008 Due	Exercice 2008 Paid
Fixed remuneration	270	270	293.3	293.3
Variable remuneration	267.9	147.4	138.5	267.9
Mid-term variable bonus[1]	-	0	-	-
Exceptional remuneration	60	-	-	60
Attendance fees	-	-	-	-
Benefits in kind [2]	1.5	1.5	1.7	1.7
TOTAL	599.4	418.9	433.5	622.9

(1) Special bonus introduced in 2007 based in equal proportions on achievement of EVA targets and strategic objectives.
(2) Benefits in kind consist of a company car.

Corporate governance

Table 3: Attendance fees paid to members of the Supervisory Board

Remuneration received by members of the Supervisory Board

The only remuneration paid to members of the Supervisory Board in 2008 was in respect of attendance fees.

(in thousands of euros)	Paid in 2007	Paid in 2008
Jean-Philippe Thierry	33.6	53.4
François Thomazeau	33.6	53.4
Diethart Breipohl (1)	16.8	12.9
John Coomber	16.8	26.7
Charles de Croisset	33.6	53.4
Robert Hudry	33.6	53.4
Yves Mansion	33.6	53.4
Jean-Hervé Lorenzi	33.6	53.4
Laurent Mignon (2)	8.1	-
Clement Booth (3)	16.8	-
TOTAL	**260**	**360**

(1) End of mandate on May 15th 2008.
(2) Resignation of the Supervisory Board on June 30th, 2007.
(3) Resignation of the Supervisory Board on December 31st, 2007.

Attendance fees paid to members of the Supervisory Board amounted to €360,000 in 2008 as decided by the General Meeting of May 15th, 2008. Each member of the Supervisory Board is paid an attendance fee. The Chairman of the Board receives a double fee for performing that role. Each board member who is also a member of the audit committee and/or of the remuneration and appointments committee is paid an additional fee. No member can be paid more than a double fee in total, apart from the Chairman of the Supervisory Board.

Table 4: Share subscription or purchase options allocated to each member of the Group Management Board in 2008

Executive corporate officers	Date of plan	Value of options according to method used in the consolidated financial statements (1)	Number of options allocated during the year	Exercise price	Exercise period
Clemens von Weichs	20/06/2008	64.9	9,500	55.67	Exercise 2 years/sale 4 years
Gerd-Uwe Baden	20/06/2008	47.8	7,000	55.67	Exercise 2 years/sale 3 years
Nicolas Hein	20/06/2008	43.0	6,300	55.67	Exercise 2 years/sale 4 years
Michael Hörr	20/06/2008	23.2	3,400	55.67	Exercise 2 years/sale 4 years
Michel Mollard	20/06/2008	43.0	6,300	55.67	Exercise 2 years/sale 4 years
TOTAL		**222.0**	**32,500**		

(1) The valuation method used for the consolidated financial statements is based on the "Cox-Ross Rubinstein" model.

Table 5: Share subscription or purchase options exercised in 2008 by each member of the Group Management Board

No member of the Group Management Board exercised any share subscription or purchase options in 2008.

Other information relating to the remuneration of members of the Group Management Board

In 2008, Messrs Clemens von Weichs and Gerd-Uwe Baden exercised, respectively, 429 and 1,541 RSU (Restricted Stock Units) granted in 2003, at an exercise price of €130.82

Corporate governance

Table 6: Summary of share subscription and purchase options allocated

	2003	2004	2005	2006	2008
Date of General Meeting	23/04/03	23/04/03	23/04/03	22/06/06	22/06/06
Date of Supervisory Board meeting	20/05/03	25/05/04	24/05/05	30/08/06	15/05/08
Date of Group Management Board meeting	08/07/03	06/07/04	27/06/05	18/09/06	20/06/08
Number of beneficiaries	91	97	103	104	92
Number of beneficiaries who have not yet exercised their options	24	60	86	96	92
of which, members of the Group Management Board(1)	1	4	4	4	5
Total number of options allocated	250,000	130,000	160,000	160,000	130,000
of which, to members of the Group Management Board(1)	21,500	25,000	33,000	52,500	32,500
Clemens von Weichs	*17,000*	*7,000*	*9,000*	*15,000*	*9,500*
Gerd-Uwe Baden		*7,000*	*9,000*	*10,000*	*7,000*
Nicolas Hein		*7,000*	*9,000*	*17,500*	*6,300*
Michael Hörr					*3,400*
Michel Mollard	*4,500*	*4,000*	*6,000*	*10,000*	*6,300*
Starting date of exercise period	08/07/03	06/07/04	27/06/05	18/09/06	20/06/08
Expiry date	07/07/11	05/07/12	26/06/13	17/09/14	19/06/16
Exercise price (€)	27.35	44.41	63.08	91.82	55.67
Type of option	Subscription	Subscription	Subscription	Purchase	Purchase
Options to be exercised at 01/01/2008	**57,775**	**90,305**	**143,950**	**154,000**	**0**
Options allocated in 2008	**0**	**0**	**0**	**0**	**130,000**
Options exercised in 2008	**6,450**	**0**	**0**	**0**	**0**
Options cancelled in 2008	**0**	**450**	**500**	**900**	**0**
Options to be exercised at 31/12/2008	**51,325**	**89,855**	**143,450**	**153,100**	**130,000**

(1) Management Board in its composition at end of 2008.

Table 7: Share subscription and purchase options granted to the ten non-corporate officer employees granted the largest number of options and options exercised by the same

	Total number of options granted/shares subscribed or purchased	Average weighted price	Plan
Options granted during the year to the ten Group employees to have been granted the largest numbers of options	21,533	55.67	Plan 2008
Options held and exercised during the year by the ten employees to have exercised the largest number of options	6,250	27.35	Plan 2003
	1,850	50.49	Plan 2000

Table 8: Commitments given in favour of corporate officers

Executive corporate officers	Employment contract		Supplementary pension scheme: Supplementary pension scheme with defined-contribution		Supplementary pension scheme: Supplementary pension scheme with defined benefit sheme		Compensation or benefits due or which could become due on termination or change of office		Compensation relating to a non-competition clause	
	yes	no	yes	no	yes	no	yes	no	yes	no
Clemens von Weichs Chairman of the Group Management Board 25/05/2004 31/03/2009		X	X			X	X			X
Gerd-Uwe Baden Member of the Group Management Board 25/05/2004 31/12/2010		X	X			X	X			X
Nicolas Hein Member of the Group Management Board 25/05/2004 31/12/2010	X		X			X		X		X
Michael Hörr Member of the Group Management Board 01/01/2008 31/12/2010	X		X			X		X	X	
Michel Mollard Member of the Group Management Board 25/05/2004 31/12/2010	X		X			X		X	X	

Messrs Clemens von Weichs and Gerd-Uwe Baden are members of an Allianz group executive officers' supplementary defined contribution retirement plan. The charge recognised in 2008 amounted to €189.9 thousand in respect of Mr von Weichs and €156.9 thousand in respect of Mr Baden.
Messrs Hein, Mollard and Hörr are members of a defined contribution retirement plan managed by Arial Assurances in addition to benefiting from the AGIRC-ARRCO supplementary plan. The charges recognised in 2008 amounted to €12.4 thousand, €13.6 thousand and €9.8 thousand, respectively.

The compensation payable in the event of dismissal concerns Messrs Clemens von Weichs and Gerd-Uwe Baden, who are solely corporate officers and do not have employment contracts. It amounts to 200% and 50%, respectively, of the amount of their last annual fixed and variable remuneration. In accordance with the law, the payment of such compensation is subject to achievement of the performance conditions detailed at the start of this chapter.

Profit-sharing and incentives

Profit-sharing

On December 7th, 1994, Euler Hermes SFAC, Euler Hermes SFAC Crédit and Euler Hermes SFAC Recouvrement agreed a profit-sharing plan that benefits all employees of these companies after three months' service. This agreement is for an unlimited period. The agreement was amended on January 27th, 1998 to include Euler Hermes Services.

Incentives

On May 5th, 1999, Euler Hermes SFAC, Euler Hermes SFAC Crédit, Euler Hermes SFAC Recouvrement and Euler Hermes Services (hereinafter called "UES EH SFAC") agreed an incentive plan that benefits all employees of these companies after six months' service. This agreement was made for a three-year period from January 1st, 1999 and was renewed under the same terms in 2002 and 2005. It is a continuation of the incentive agreements dated June 18th, 1991, June 27th, 1994 and June 17th, 1996.
For information, the amounts paid under the incentive and profit-sharing schemes for the years ended December 31st, from 1998 to 2008 were as follows:

(in thousands of euro)	Profit-sharing UES EH SFAC	Incentives UES EH SFAC
1998	3,294	1,990
1999	3,994	2,338
2000	3,610	2,432
2001	4,960	2,515
2002	3,484	2,005
2003	4,435	2,495
2004	5,000	2,700
2005	5,289	2,789
2006	6,146	2,845
2007	6,871	3,158
2008	4,820	3,233

Company savings scheme

On June 15th, 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 January 27th, 1998, the benefits of this scheme were extended to the employees of Euler Hermes Services. The scheme benefits all employees of these companies after three months' service. It was set up for an initial period of one year, renewable by tacit agreement. It can be supplemented by amounts from profit-sharing plans and all or part of the incentive plans, by subscribers' voluntary contributions, by a company contribution, by portfolio income and capital gains, by related tax credits and, where applicable, by the transfer of amounts from profit-sharing plans after a five-year lock-in period.

Other items of general information

Disputes and other exceptional events

Neither the company nor any of its subsidiaries are or have been party to judicial proceedings or arbitration likely to have, or to have had in the recent past, a material impact on the financial position of the company, its business and its income. The company has no knowledge that any such proceedings are envisaged against it by government authorities or third parties.

Employees

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

Name and title of the person responsible for this document

Mr Wilfried Verstraete, Chairman of the Group Management Board.

Declaration by the person responsible

"Having exercised reasonable due diligence, I confirm that to the best of my knowledge the information contained in this reference document is correct and that no information has been omitted that would materially alter its interpretation.

I attest that to the best of my knowledge, the financial statements have been drawn up in accordance with prevailing accounting standards and that they provide a true picture of the assets, financial situation and earnings of the company and all the entities in its scope of consolidation; and that the Report of the Group Management Board (pages 9 to 58 of the reference document) presents a faithful indication of the development of all businesses, results and the financial situation of the company and all the entities in its scope of consolidation, as well as a description of the main risks and uncertainties facing them.

I have obtained from the independent auditors an assignment completion letter, in which they indicate that they have verified the information relating to the financial position and financial statements provided in this reference document and that they have read the reference document in its entirety."

Paris, April 20th, 2009

Mr Wilfried Verstraete
Chairman of the Group Management Board

Name, address and appointment of independent auditors

Independent auditors

In accordance with company law, the independent auditors named below have examined the annual financial statements for the last three years:

- ACE Audit, 5, avenue Franklin Roosevelt, 75008 Paris, represented by Mr Alain Auvray. ACE Audit is registered with the Paris Court of Appeal;
- KPMG SA, 1, cours Valmy, 92923 Paris-La Défense Cedex, represented by Mr Xavier Dupuy. KPMG SA is registered with the Versailles Regional Association of Statutory Auditors [*Compagnie Régionale des Commissaires aux Comptes de Versailles*].

Other items of general information

Mr Alain Auvray was appointed by a resolution of the Ordinary General Meeting of May 26th, 1987, and his mandate was renewed by a resolution of the Ordinary General Meeting of April 27th, 1999 convened to approve the financial statements for the year ended December 31st, 1998, for six financial years, i.e. until the General Meeting called to approve the financial statements for the year ended December 31st, 2004. The General Meeting of April 22nd, 2005 appointed ACE, Auditeurs et Conseils d'Entreprise, represented by Mr Alain Auvray, as an independent auditor for six financial years, i.e. until the General Meeting called to approve the financial statements for the year ending December 31st, 2010. KPMG Cabinet Cauvin Angleys Saint-Pierre Révifrance (SA) was appointed by a resolution of the Ordinary General Meeting of April 27th, 1999 convened to approve the financial statements for the year ended December 31st, 1998, for six financial years. Its term of office was due to expire at the General Meeting called to approve the financial statements for the year ended December 31st, 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 April 25th, 2001 approved the appointment of the latter firm as an independent auditor for the remaining term of the mandate of the absorbed company. The General Meeting of April 22th, 2005 renewed the appointment of KPMG SA as an independent auditor for six financial years, i.e. until the General Meeting called to approve the financial statements for the year ending December 31st, 2010.

Alternate auditors

- Mr Emmanuel Charrier, 5, avenue Franklin Roosevelt, 75008 Paris, alternate auditor for ACE, Auditeurs et Conseils d'Entreprises.
- Jean-Claude André et Autres [SCP], 1 cours Valmy, 92923 Paris-La Défense Cedex, alternate auditor for KPMG SA.

The General Meeting of April 22nd, 2005 appointed Mr Emmanuel Charrier as alternate auditor for the company ACE, Auditeurs et Conseils d'Entreprise, for six financial years, i.e. until the General Meeting called to approve the financial statements for the year ending 31 December 2010.
The General Meeting of April 22nd, 2005 also appointed Jean-Claude André et Autres [SCP] as alternate auditor for KPMG SA for six financial years, i.e. until the General Meeting called to approve the financial statements for the year ending December 31st, 2010.

Fees of the independent auditors

Total fees paid to the independent auditors and members of their worldwide network amounted to €4,011 thousand. This remuneration takes into account the fees paid for acting as independent auditors, the review and certification of individual and consolidated financial statements, i.e. €3,252 thousand, and ancillary audit-related assignments, i.e. €337 thousand. In addition, fees totalling €422 thousand were paid for other services performed by the independent auditors.

Other items of general information

The breakdown of the independent auditors' remuneration was as follows:

December 31st, 2008 (in thousands of euro)	KPMG Audit				ACE			
	Amount (1)		%		Amount (1)		%	
	2008	2007	2008	2007	2008	2007	2008	2007
Audit								
■ Statutory audit and report on company and consolidated financial statements								
– Issuer	460	493	13%	13%	126	127	31%	32%
– Fully-consolidated subsidiaries	2,403	2,254	66%	61%	263	271	64%	68%
■ Other services directly related to appointment as statutory auditor								
– Issuer	103	155	3%	4%	19		5%	
– Fully-consolidated subsidiaries	215	313	6%	8%				
Sub total	**3,180**	**3,215**	**88%**	**86%**	**408**	**398**	**100%**	**100%**
Other services provided to fully-consolidated subsidiaries								
■ Legal, tax and social	8	156	0%	4%				
■ IT	381	353	11%	9%				
■ Strategy								
■ Human resources	4		0%					
■ Other	29		1%					
Sub total	**422**	**509**	**12%**	**14%**				
TOTAL	**3,603**	**3,724**	**100%**	**100%**	**408**	**398**	**100%**	**100%**

(1) Services provided in respect of the financial period and charged in the income statement.

Persons responsible for the information

Nicolas Hein
Chief Finance Officer, member of the Group Management Board
Arnaud Roger
Corporate Secretary

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FRANCE
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www.eulerhermes.com

Other items of general information

Information policy

Every major event that is likely to have a material impact on the company (acquisition, disposal, commercial partnership, start-up, etc.) is generally the subject of a press release sent to media agencies and financial analysts and posted on the company's website: www.eulerhermes.com.
In addition, each of the company's subsidiaries is responsible for communication within its own market, under the supervision of Euler Hermes' group-wide Communications function. All information of a financial nature is strictly controlled and must be authorised by the company.
In general, Euler Hermes provides regular information about its activities through analysts' meetings, conferences and press releases. The provisional schedule for the company's financial announcements in 2009 is as follows:

2008 annual results
February 17th, 2009

Dividend declaration
February 17th, 2009

General Meeting
May 15th, 2009

2009 quarterly results
Q1: May 6th, 2009
Q2: July 28th, 2009
Q3: November 9th, 2009

2009 annual results
February 2010 (the precise date will be announced later).
All announcements made at meetings or in press releases are simultaneously posted on the company's website:
www.eulerhermes.com

Special report of the independent auditors on regulated agreements and commitments

YEAR ENDED DECEMBER 31ST, 2008

To the shareholders,

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

1. Agreements and commitments authorised during 2008

Pursuant to Article L. 225-88 of the French Commercial Code, we have been advised of the agreements and commitments for which prior authorisation has been given by the Supervisory Board.
It is not our role to seek out the possible existence of other agreements or commitments but to inform you, based on the information given to us, of the principal terms and characteristics of the agreements and commitments of which we have been informed, without passing judgement on their relevance or validity. It is your responsibility, under the terms of Article R. 225-58 of the French Commercial Code, to evaluate the potential benefit of such agreements and commitments before approving them.
We have carried out our work in accordance with the professional standards applicable to such work in France. Those standards require us to verify that the information we have been given is consistent with the original documents from which it is derived.

1.1 Specific agreement relating to the contract with Mr Clemens von Weichs

At its meeting of March 22nd, 2006, the Supervisory Board approved the provisions proposed by the Remuneration and Appointments Committee concerning the contract between Mr Clemens von Weichs, Chairman of the Group Management Board, corporate officer, and Euler Hermes.
In the event that Mr Clemens von Weichs, who is purely a corporate officer and is not an employee, is removed from office, he is entitled to receive gross compensation equal to 200% of the amount of the last fixed and variable annual remuneration he received.
At its meeting of February 15th, 2008, and on the advice of the Remuneration and Appointments Committee, the Supervisory Board introduced a performance clause making conditional the compensation to be paid in the event of cessation of activity. This performance condition is deemed to be met if the following criterion is fulfilled:
The average rate of return on the risk capital (RORAC) as recognised by the Supervisory Board in the audited consolidated financial statements for the last two financial years prior to the cessation of activity is at least 8%.

1.2 Specific agreement relating to the contract with Mr Gerd-Uwe Baden

In the event of cessation of activity, Mr Gerd-Uwe Baden, Member of the Group Management Board of Euler Hermes SA and Chairman of the Management Board of the group's German subsidiary, Euler Hermes Kreditversicherung AG, is entitled to receive, under his employment contract with the subsidiary Euler Hermes Kreditversicherung AG, gross compensation equal to 50% of the amount of the last fixed and variable annual remuneration he received.
At its meeting of February 15th, 2008, and on the advice of the Remuneration and Appointments Committee, the Supervisory Board introduced a performance clause making conditional the compensation to be paid in the event of cessation of activity. This performance condition is deemed to be met if the following criterion is fulfilled:
The average rate of return on the risk capital (RORAC) as recognised by the Supervisory Board in the audited consolidated financial statements for the last two financial years prior to the cessation of activity is at least 8%.

1.3 Guarantee agreement between Euler Hermes SA and Euler Hermes Kreditverzekering NV (Netherlands)

Corporate officers concerned: Messrs Clemens von Weichs and Nicolas Hein
Supervisory Board meeting of November 5th, 2008

Special report of the independent auditors on regulated agreements and commitments

In connection with the rating assigned to Euler Hermes SA by Standard & Poor's, Euler Hermes SA agreed to guarantee the commitments of Euler Hermes Kreditverzekering NV (Netherlands) in accordance with the Deed of Guarantee dated January 2nd, 2008.
This guarantee was established so as to enable the Dutch company to benefit from the same rating as that of other Group companies.
Euler Hermes SA undertakes to settle the guaranteed commitments in accordance with the terms and conditions of any policy issued by Euler Hermes Kreditverzekering NV if Euler Hermes Kreditverzekering NV is itself unable to pay the guaranteed commitments to the policyholder. Euler Hermes SA's financial commitment is limited to the amount of guaranteed commitments due by Euler Hermes Kreditverzekering NV to the policyholder.

The Supervisory Board meeting of November 5th, 2008 authorised the extension of this guarantee.

1.4 Guarantee agreement between Euler Hermes SA and Euler Hermes Reinsurance AG (Switzerland)

Corporate officers concerned: Messrs Clemens von Weichs and Nicolas Hein
Supervisory Board meeting of November 5th, 2008

In connection with the rating assigned to Euler Hermes SA by Standard & Poor's, Euler Hermes SA agreed to guarantee the commitments of Euler Hermes Reinsurance AG (Suisse).
Euler Hermes SA undertakes to settle the guaranteed commitments in accordance with the terms and conditions of any related proportional or non-proportional reinsurance policy issued by Euler Hermes Reinsurance AG (Suisse) if Euler Hermes Reinsurance AG (Suisse) is itself unable to pay the guaranteed commitments. Euler Hermes SA's financial commitment is limited to the amount of guaranteed commitments due by Euler Hermes Reinsurance AG (Suisse) to the policyholder. Euler Hermes SA may reduce its financial commitment by the amount of any financial claim that Euler Hermes Reinsurance AG may have against the policyholder.
The Supervisory Board meeting of November 5th, 2008 authorised the issuance of this guarantee.

1.5 Guarantee agreement between Euler Hermes SA et Euler Hermes Ré (Luxembourg)

Corporate officer concerned: Mr Nicolas Hein
Supervisory Board meeting of November 5th, 2008

In connection with the rating assigned to Euler Hermes SA by Standard & Poor's, Euler Hermes SA agreed to guarantee the commitments of Euler Hermes Ré (Luxembourg).
Euler Hermes SA undertakes to settle the guaranteed commitments in accordance with the terms and conditions of any related proportional or non-proportional reinsurance policy if Euler Hermes Ré is itself unable to pay the guaranteed commitments. Euler Hermes SA's financial commitment is limited to the amount of guaranteed commitments due by Euler Hermes Ré to the policyholder. Euler Hermes SA may reduce its financial commitment by the amount of any financial claim that Euler Hermes Ré may have against the policyholder.

The Supervisory Board meeting of November 5th, 2008 authorised the issuance of this guarantee.

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

In addition, pursuant to the French Commercial Code, we have been informed that the following agreements and commitments, approved in prior years, remained in force during the year ended December 31st, 2008.

Special report of the independent auditors on regulated agreements and commitments

2.1 Allianz Group Long Term Incentive Plan 2000

At its meeting of September 26th, 2000, the Supervisory Board approved the provisions for the establishment of a global incentive plan for senior managers of the Allianz Group.
Each Allianz Group company must bear the cost of this plan for the portion relating to the company in question.
At its meeting of May 15th, 2008, and on the advice of the Remuneration and Appointments Committee, the Supervisory Board authorised the allocation of 8,656 SAR and 4,201 RSU at a price of €117.38 per share to the Group Management Board in 2008.
These SAR and RSU required implementation of a hedging contract, the cost of which (€207,570.88 for the SAR and €347,632.75 for the RSU) was booked by Euler Hermes and its subsidiaries.

2.2 Loan agreement between Euler Hermes, AGF Vie and AGF Holding

A senior loan for €85 million, maturing on June 24th, 2010, was contracted with AGF Holding.
The loan agreement was signed on June 24th, 2005 under the following terms and conditions:

Term: 5 years
Maturity: June 24th, 2010
Base rate: 6-month Euribor variable
Margin: 20 basis points
Interest: 6-monthly

A rider to the agreement was signed on December 20th, 2005 in an amount of €50 million, taking the total amount of the loan to €135 million under the same terms and conditions as those described above.
Interest expense of €7,037,153 was recognised in 2008.

2.3 Loan agreement between Euler Hermes and AGF Holding

A five-year loan for €90 million was arranged under the following terms and conditions:
Three drawdowns of €30 million each, between the end of 2003 and the end of 2004

Maturity: December 19th, 2008
Base rate: 3-month Euribor variable
Margin: 30 basis points
Interest: quarterly

The first tranche of €30 million was drawn down on December 19th, 2003.
The second tranche of €30 million was drawn down on June 1st, 2004.
The third tranche of €30 million was drawn down on December 20th, 2004.
A rider to this agreement was signed on December 19th, 2008 extending the maturity of this agreement to June 19th, 2009 under the following terms and conditions:

Maturity: June 19th, 2009
Base rate: 6-month Euribor
Margin: 146.5 basis points
Interest: six-monthly

Interest expense of €4,730,295 was recognised in 2008.

Special report of the independent auditors on regulated agreements and commitments

2.4 Loan agreement between Euler Hermes and AGF Holding

On December 21st, 2006, Euler Hermes contracted a borrowing of €67 million with AGF Holding under the following terms and conditions:

Term: 2 years
Maturity: December 21st, 2008
Base rate: 6-month Euribor variable
Margin: 6 basis points
Interest: quarterly

A rider to this agreement was signed on December 21st, 2008 extending the maturity of this agreement to 21 June 2009 under the following terms and conditions:

Term: 6 months
Maturity: June 21st, 2009
Base rate: 6-month Euribor
Margin: 144.3 basis points
Interest: six-monthly

Interest expense of €3,425,788 was recognised in 2008.

2.5 Mid Term Bonus plan

At its meeting of March 4th, 2005, the Supervisory Board approved the provisions for the implementation of a Mid-Term Bonus system to enhance the loyalty of its senior management. The system is based on a three-year period: if the predetermined objectives are achieved over the three-year period, an additional bonus will be paid at the end of the period. The potential bonus is a set amount, corresponding to a fraction of the fixed remuneration plus a possible 20% upside. The calculation consists of two parts, each equally weighted and based on EVA and the strategic objectives. If an average rate of between 70% and 120% is achieved for both parts, a proportional calculation will be made to reflect the degree to which the objectives are achieved.

Paris La Défense and Paris, March 31st, 2009

KPMG Audit
A division of KPMG S.A.
Xavier Dupuy
Partner

ACE – Auditeurs et Conseils d'Entreprise

Alain Auvray
Partner

Resolutions submitted to the vote of the General Meeting of May 15th, 2009

ORDINARY AND EXTRAORDINARY GENERAL MEETING OF MAY 15TH, 2009

Draft resolutions

Ordinary resolutions

First resolution

Approval of the company financial statements for the year ended December 31st, 2008

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, and after taking cognisance of the Group Management Board's management report on the company's business and position during the year ended December 31st, 2008, the Supervisory Board's observations and the independent auditors' general report on the performance of their duties during this financial year, the General Meeting approves the financial statements for the year ended December 31st, 2008, including the balance sheet, the income statement and the notes appended thereto, as presented to it, together with the transactions recorded in the financial statements and summarised in the reports. It records that the net income for the financial year is €193,457,034.

Second resolution

Approval of the consolidated financial statements for the year ended December 31st, 2008

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, and after taking cognisance of the Group Management Board's management report on the Group's business and position during the year ended December 31st, 2008, the Supervisory Board's observations and the independent auditors' [general] report on the performance of their duties during this financial year, the General Meeting approves the consolidated financial statements for the year ended December 31st, 2008, as presented to it, together with the transactions recorded in the financial statements and summarised in the reports. It records that the net income for the financial year is €83,592,266.

Third resolution

Recording of the absence of any non-deductible charges during the financial year ended December 31st, 2008

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, and after taking cognisance of the Group Management Board's report on the company's business and position during the year ended December 31st, 2008 and the Supervisory Board's observations, as required by Article 223 quater of the General Tax Code (*Code Général des Impôts*), the General Meeting records that no non-deductible expenses or charges were incurred during the financial year ended December 31st, 2008.

Fourth resolution

Release for the members of the Group Management Board and discharge for the members of the Supervisory Board and the independent auditors

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, the General Meeting releases each of the members of the Group Management Board as regards the performance of their duties over the financial year ended December 31st, 2008, and also discharges each of the members of the Supervisory Board and each of the independent auditors as regards the performance of their duties over this financial year.

Resolutions submitted to the vote of the General Meeting of May 15th, 2009

Fifth resolution

Allocation of income for the financial year ended December 31st, 2008 and distribution of dividend

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, after taking cognisance of the Group Management Board's report on the company's business and position during the previous financial year and the independent auditors' general report, and after listening to the Supervisory Board's observations, the General Meeting records that the following amount is available for distribution:

▪ retained earnings	€45,622,003.05
▪ net income for the financial year ended December 31st, 2008	€193,457,034.19
being,	€239,079,037.24

and resolves to allocate the distributable income as follows:

▪ legal reserve	€950.94
▪ proposed dividend: €1.50 per share	€67,623,345.00
▪ retained earnings	€171,454,741.30
being,	€239,079,037.24

Accordingly, the General Meeting resolves to distribute a net dividend of €1.50 per share for the financial year ended December 31st, 2008. The dividend will be paid in cash on May 25th, 2009.

Dividend tax credits were abolished by the 2004 Finance Act and, in accordance with Article 243 bis of the General Tax Code, the dividend distributed pursuant to this resolution, i.e. €1.50, is eligible for the 40% tax reduction provided for in Article 158.3-2 of the General Tax Code, for the part distributed to individuals. In accordance with Article 243 ter of the General Tax Code, shareholders are reminded that the company has not made any distribution that is not eligible for the deduction pursuant to the aforementioned Article 158.3-2 since the deduction came into effect.

In the event the company holds treasury shares at the time the dividend is paid, the distributable income corresponding to the unpaid dividend on such treasury shares shall be allocated to retained earnings.

As required by law, shareholders are reminded that the following dividends were distributed over the past five financial years:

	2008 (1)	2007 (2)	2006 (2)	2005 (2)	2004 (2)
Total amount (in euro)	67,623,345	225,262,565	174,193,448	151,823,861	103,620,667
Amount per share before tax credit (3)	€1.50	€5.00	€4.00	€3.50	€2.50
Tax credit	-	-	-	-	-
Amount per share after tax credit	€1.50	€5.00	€4.00	€3.50	€2.50

(1) Dividend proposed to the General Meeting.
(2) Dividend for the year, paid in the following year.
(3) The dividend per share is calculated on the basis of the total number of shares.

Sixth resolution

Adjustment of treasury shares reserve

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, the General Meeting takes note that the company did not purchase or sell any treasury shares over the past financial year under the company's share buyback programme authorised by the Ordinary General Meeting of May 9th, 2007, and further notes the terms and conditions governing the purchase of treasury shares by the company pursuant to Article L. 225-209 et seq. of the Commercial Code. The General Meeting resolves, in accordance with the provisions of Article L. 225-210 paragraph 3 of the Commercial Code, to adjust the treasury shares reserve by raising a provision

Resolutions submitted to the vote of the General Meeting of May 15th, 2009

of €9,125,916 to reflect sales linked to the exercise of call options on shares and purchases and sales of shares under the liquidity contract managed by Rothschild et Cie Banque during the past financial year.
Accordingly, the General Meeting records that the treasury shares reserve, which totalled €75,571,618 on December 31st, 2008 will be adjusted to €84,697,534.

Seventh resolution

Approval of regulated agreements pursuant to Article L. 225-86 of the Commercial Code

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, and after taking cognisance of the independent auditors' special report on transactions referred to in Article L. 225-86 of the Commercial Code, the General Meeting expressly approves the agreements mentioned in the report.

Eighth resolution

Renewal of the appointment of Mr Yves Mansion as a member of the Supervisory Board

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, after taking cognisance of the Group Management Board's report and the Supervisory Board's observations, and recording that the appointment of Mr Yves Mansion as a member of the Supervisory Board is to end at the close of this general meeting, the General Meeting resolves to renew the appointment as a member of the Supervisory Board of Mr Yves Mansion, who has French nationality and who was born on January 9th, 1951 in Fribourg, Brisgau (Germany) and residing at 5, rue Paul Painlevé, 75005 Paris, France, for a term of three financial years, i.e. until the close of the General Meeting called to vote on the financial statements for the year ending December 31st, 2011.
Mr Yves Mansion is also Chairman and Managing Director of Foncière Lyonnaise.

Ninth resolution

Non renewal of the appointment of Mr John Coomber as a member of the Supervisory Board

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, after taking cognisance of the Group Management Board's report and the Supervisory Board's observations, and recording that the appointment of Mr John Coomber as a member of the Supervisory Board is to end at the close of this general meeting.
He doesn't requests the renewal of his appointment.

Tenth resolution

Appointment of Mr Philippe Carli as a member of the Supervisory Board

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, after taking cognisance of the Group Management Board's report and the Supervisory Board's observations, the General Meeting resolves to appoint as a member of the Supervisory Board Mr Philippe Carli, who has French nationality and who was born on April 2nd, 1960 in Algiers (Algeria) and residing at 2, allée de la mare Gabrielle, 91190 Gif-sur-Yvette, France, for a term of three financial years, i.e. until the close of the General Meeting called to vote on the financial statements for the year ending December 31st, 2011.
Mr Philippe Carli is also Vice Chairman for the Energy Sector, southern Europe, of Siemens AG and Chairman of Siemens France.

Resolutions submitted to the vote of the General Meeting of May 15th, 2009

Eleventh resolution

Authorisation to be given to the Group Management Board in the context of the company's share buyback programme

Voting in accordance with the majority and quorum requirements applying to ordinary general meetings, and having taken cognisance of the Group Management Board's report and the Supervisory Board's observations, and in accordance with Article L. 225-209 of the Commercial Code, European Commission Regulation 2273/2003 of December 22nd, 2003 implementing Directive 2003/6/EC of January 28th, 2003, and Articles 241-1 to 241-6 of the General Regulations of the *AMF* (*Autorité des Marchés Financiers* – France's securities regulator), the General Meeting authorises the Group Management Board to purchase a number of shares with a nominal value of €0.32 each, representing no more than 10% of the share capital on the date of this General Meeting, under the following terms:

- this authorisation is valid for a maximum period of eighteen months from the date of this General Meeting, i.e. until November 14th, 2010, or until it is renewed by an Ordinary General Meeting held before that date; it brings an end to the unused portion of the authorisation given by the Ordinary General Meeting of May 15th, 2008 in its tenth resolution;

- the total amount that the company can allocate to the buyback of its shares during the validity of this authorisation is €149.8 million;

- the maximum purchase price (excluding costs) is set at €61 per share, which corresponds to the share price as at December 31st, 2008 multiplied by a factor equal to the greatest increase in the share price over any given year since its listing, i.e. 73% in 2003, it being stipulated that, in the event of transactions involving the company's capital, in particular the capitalisation of premiums, reserves or profits resulting in an increase in the nominal value of the shares, the issue and allocation of bonus shares, reverse share splits or the division of the nominal value of shares, the Group Management Board shall have full power, as required, to adjust the aforementioned purchase price and the number of shares accordingly and, if the shares thus purchased are used to allocate bonus shares in accordance with Article L. 443-5 of the French Employment Code (*Code du Travail*), the pecuniary equivalent of the shares allocated shall be determined in accordance with the applicable legal provisions;

- shares purchased by the company pursuant to this authorisation cannot, under any circumstances, result in it holding more than 10% of the company's share capital;

- these shares may be purchased, sold, transferred or exchanged under the conditions determined by the market authorities and in accordance with the applicable laws and regulations, by any means including on the market (whether regulated or not), in multilateral trading facilities (MTF), via a systematic internaliser or by the purchase or sale of blocks of shares (including over-the-counter, or through derivatives transactions, namely options or warrants, in compliance with applicable regulations) and at the times set by the Group Management Board or the person authorised by the Group Management Board for that purpose;

- share buybacks may take place when so decided by the Group Management Board to:

(i) boost the market for the shares, namely by improving the share's liquidity via an investment service provider acting independently within the framework of a liquidity contract, in accordance with a code of conduct recognised by the *AMF*;
(ii) fulfil obligations linked to share option plans or other allocations of shares to employees or corporate officers of the company or an affiliated company;
(iii) buy shares to keep them and subsequently deliver them as payment or in exchange, within the framework of any acquisition transaction, as allowed by the stock market regulations, with the proviso that the number of shares purchased by the company to be kept and subsequently delivered as payment or in exchange within the framework of a merger, demerger or capital contribution shall not exceed 5% of its capital;
(iv) deliver shares in connection with the exercise of rights attached to securities giving access to the company's capital;
(v) cancel these shares subject, in this case, to the adoption by this Extraordinary General Meeting of the twelfth resolution;
(vi) make use of any market practices allowed by the law and the AMF, in which case the company will inform the general public of any changes to its programme and its new objectives, as required by the applicable laws and regulations.
The part of the programme that may be carried out by trading in blocks of shares is not limited.
The company may undertake the transactions in (i) to (vi) above during a takeover bid or exchange offer in accordance with the applicable legislation.

Resolutions submitted to the vote of the General Meeting of May 15th, 2009

In accordance with paragraph 4 of Article L. 225-209 of the Commercial Code, the company will inform the AMF every month of the purchases, sales, transfers and cancellations made. This information will be published by the AMF.
In addition, in accordance with Article 12 of the Articles of Association, the Group Management Board will seek the approval of the Supervisory Board for the policy it intends to follow with regard to share buy-backs pursuant to this resolution.

The Group Management Board, which may delegate to its Chairman or, with his approval, to one or more of its members, is granted full powers to carry out these transactions, and in particular the powers to give orders on the stock markets or off-market, allocate or re-allocate the shares purchased for various purposes as allowed by the applicable laws and regulations, sign any agreements, notably with a view to keeping registers of share purchases and sales, compile information documents, make declarations to the AMF and any other authorities, carry out all formalities, and generally do anything that may be necessary, and lay down the terms and conditions under which the rights of holders of securities giving access to the company's capital and those of the beneficiaries of options shall be preserved, where applicable, in accordance with regulatory provisions.
The Group Management Board shall inform the General Meeting of all transactions carried out pursuant to this authorisation.

Extraordinary resolutions

Twelfth resolution

Authorisation to be given to the Group Management Board to reduce the share capital by cancelling shares purchased within the framework of the share buyback programme

Voting in accordance with the majority and quorum requirements applying to extraordinary general meetings, and after taking cognisance of the Group Management Board's report, the Supervisory Board's observations and the independent auditors' special report, and in accordance with Article L. 225-209 of the Commercial Code, the General Meeting authorises the Group Management Board to reduce the share capital on one or more occasions over a twenty-four month period from the date of this General Meeting, within a maximum limit of 10% of the share capital, by cancelling treasury shares purchased within the framework of the share buyback programmes approved by the company's shareholders prior to or after this General Meeting.

The General Meeting authorises the Group Management Board to deduct the difference between the purchase price of the cancelled shares and their nominal value, calculated at the time of cancellation, from the available premiums and reserves.

The General Meeting grants full powers to the Group Management Board, which may sub-delegate, to define the terms and conditions of such cancellation or cancellations, amend the Articles of Association if necessary, file all statements and declarations, carry out all other formalities, and generally to do anything that may be necessary.
This authorisation replaces the authorisation given by the Ordinary and Extraordinary General Meeting of May 15th, 2008 in its fourteenth resolution.

In accordance with Article 12 of the Articles of Association, the transactions decided by the Group Management Board pursuant to this resolution shall require prior authorisation from the Supervisory Board.

Resolutions submitted to the vote of the General Meeting of May 15th, 2009

Thirteenth resolution

Authorisation granted to the Group Management Board to grant share subscription and purchase options

Voting in accordance with the majority and quorum requirements applying to extraordinary general meetings, having listened to the Group Management Board's report and the independent auditors' special report, the General Meeting:

- authorises the Group Management Board, within the scope of the provisions of Articles L. 225-177 to L. 225-186 of the Commercial Code, to grant, on one or more occasions, to employees and possibly to the corporate officers of the company referred to in Article L. 225-185 of the Commercial Code and of the companies or groupings affiliated to it under the conditions referred to in Article L. 225-180 of said Code or some of them only, share options giving the holder the right to subscribe to new shares issued by the company when it increases its capital, and share options giving the holder the right to purchase existing shares in the company arising from share buybacks by the company under the conditions stipulated by law.

- resolves that the share subscription and purchase options granted under this authorisation may not give entitlement to a total number of shares exceeding 3% of the company's capital on the date of the decision by the Group Management Board granting the options, it being understood that the maximum number of shares underlying incentive share options granted, where applicable, to US Tax Residents, is fixed at 1% of the company's capital on the date of this General Meeting. Within the limits of this resolution, the Supervisory Board shall set the number of share subscription or purchase options the Group Management Board may grant whenever they are granted.

- resolves that the price to be paid when share subscription and purchase options are exercised shall be fixed by the Group Management Board on the date the options are granted and that (i) for share subscription options, this price may not be less than 80% of the average of the first trading prices of the company share on Euronext Paris during the 20 trading sessions prior to the date on which the share subscription options are granted and (ii) for share purchase options, this price may not be less than the value given in (i) above, nor less than 80% of the average purchase price of the shares held by the company under Articles L. 225-208 and L. 225-209 of the Commercial Code.

- recognises that this authorisation entails the express waiver by the shareholders of their preferential subscription rights to shares which shall be issued as and when the share subscription options are exercised in favour of the beneficiaries of the share subscription options.

Accordingly, the General Meeting grants full powers to the Group Management Board to implement this authorisation and for the purpose in particular of:
- drawing up the list of beneficiaries of share options and the number of options granted to each of them;

- determining the terms and conditions of the share options and, in particular:
– the time the share options shall be valid, it being understood that the options must be exercised within eight years at the most as from the date on which they are granted;
– the date or dates or periods during which the share options may be exercised, it being understood that the Group Management Board may (a) bring the dates or exercise periods forward, (b) keep the options exercisable or (c) change the dates or the periods during which the shares obtained by exercising the options may not be sold or converted into bearer shares;
– any clauses prohibiting the immediate resale of all or some of the shares; the time the shares must be held may not exceed three years as from the exercise of the option;
– where applicable, limiting, suspending, restricting or prohibiting the exercise of the options or the sale or conversion into bearer shares of the shares obtained by exercising the options during certain periods or as from certain events, and its decision may apply to all or some of the options or shares or all or some of the beneficiaries;
– setting the date, which may be retroactive, on which the new shares arising from the exercice of subscription options become entitled to dividends;
– where applicable, changing the number and the price of the shares that may be obtained by exercising options under the legal and regulatory conditions in force at that time.

Resolutions submitted to the vote of the General Meeting of May 15th, 2009

Resolves that the Group Management Board shall have full powers, with the option to sub-delegate to its Chairman under the conditions stipulated by law, to recognise the capital increases realised in the amount of the shares that shall be effectively subscribed by the exercise of subscription options, to make the necessary changes to the Articles of Association and, solely at its discretion and if it decides it is appropriate, to allocate the costs of such capital increases to the amount of the related premiums relating to the capital increases and deduct from these premiums the amounts required to bring the legal reserve to one tenth of the amount of the capital after each increase and to carry out all formalities required for the listing of the shares thus issued, all declarations to all bodies and to do everything that may otherwise be required.

This authorisation shall be valid for 38 months as from this General Meeting, that is, until July 15th, 2012.

The Group Management Board shall inform the Ordinary General Meeting every year of the transactions carried out within the scope of this authorisation in accordance with Article L. 225-184 of the Commercial Code.

Fourteenth resolution (voting as an ordinary meeting)

Powers for formalities

The General Meeting grants full powers to the bearer of an original or copy of, or an excerpt from, the minutes of this Meeting in order to carry out all legal or administrative formalities and make any filings or registrations required by the applicable law.

Description of the share buy-back programme submitted to the vote of the General Meeting of May 15th, 2009

Description of the share buy-back programme that will be submitted for approval by the shareholders at the ordinary and extraordinary general meeting of shareholders on May 15th, 2009.
Euler Hermes, a company listed on Compartment A of Euronext's Eurolist market (Euronext Paris), wishes to continue to operate a share buyback programme. To this end, it will be proposed that the Ordinary and Extraordinary General Meeting of shareholders to be convened on May 15th, 2009 authorises, by voting in favour of the eleventh resolution, the implementation of a new share buy-back programme, in accordance with the provisions of Articles L. 225-209 et seq. of the Commercial Code, of the European Commission's Regulation No. 2273/2003 of December 22nd, 2003 and of Articles 241-1 to 241-6 of the *AMF*'s General Regulations.
This programme will replace the existing programme put in place by the Ordinary and Extraordinary General Meeting of May 15th, 2008, which had authorised the Group Management Board of Euler Hermes to acquire its own shares, by any means whatsoever.

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

The new share buy-back programme will be submitted for the approval of the Ordinary and Extraordinary General Meeting of shareholders on May 15th, 2009.

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

The total number of share held directly by Euler Hermes on March 31st, 2009 was 1,560,624, i.e. 3.46% of the capital at this date.
Euler Hermes has no indirect holdings of its own shares.

III- Breakdown by objectives of capital securities held

The breakdown by objectives of the number of shares thus held at March 31st, 2009 was as follows:

- 284,000 shares earmarked for allocation to employees or managers of the company or of its subsidiaries in respect of their entitlement to profit sharing, a share option plan, bonus issue of existing shares or a company savings plan;

- 983,444 shares available to be used as a means of exchange in connection with acquisitions or the issue of securities giving access to the company's capital;

- 293,180 shares in connection with a liquidity contract entered into with Rothschild & Cie Banque, shares initially allocated to acquisitions.

IV- Objectives of the new share buy-back programme

These share buy-backs will be authorised for any of the purposes allowed by the applicable laws, notably to:
(i) boost the market for the shares, namely by improving the shares' liquidity via an investment services provider acting independently within the framework of a liquidity contract established in compliance with the code of conduct recognised by the French securities regulator *(Autorité des Marchés Financiers - AMF)*;
(ii) meet the company's obligations in connection with share option or other share allocation programmes for employees and/or officers of the company or its subsidiaries;
(iii) buy shares to keep them and subsequently deliver them as payment or in exchange, within the framework of any acquisition transaction, as allowed by the stock market regulations, with the proviso that the number of shares purchased by the company to be kept and subsequently delivered as payment or in exchange within the framework of a merger, demerger or capital contribution shall not exceed 5% of its capital;

Description of the share buy-back programme submitted to the vote of the General Meeting of May 15th, 2009

(iv) deliver shares in connection with the exercise of rights attached to securities giving access to the company's capital;
(v) cancel these shares, subject to approval of the twelfth resolution by this Extraordinary General Meeting;
(vi) make use of any market practices allowed by the law and the AMF, in which case the company will inform the general public of any changes to its programme and its new objectives, as required by the applicable laws and regulations.
There is no limit on the portion of the programme that may be implemented by block trades.
The company may enter into the transactions in (i) to (vi) above during a takeover bid or exchange offer in accordance with the applicable legislation.

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

1- Maximum percentage of the capital to be acquired by Euler Hermes

Euler Hermes undertakes, in accordance with the applicable law, not to hold directly or indirectly more than the maximum limit of 10% of its capital (which, for information, consisted of 45,082,230 shares at March 31st, 2009).
In accordance with Article L. 225-210 of the Commercial Code, the number of shares that Euler Hermes may own at any point in time shall not exceed 10% of the shares comprising the company's capital on the date in question.
Given the securities already held, i.e. 1,560,624 shares at March 31st, 2009 (3.46% of the capital), and subject to any adjustments affecting the amount of the company's capital subsequent to the Ordinary and Extraordinary General Meeting of May 15th, 2009, the buy-backs may concern a maximum of 2,947,599 shares (6,54% of the capital).
Moreover, the total amount that the company may allocate to the buyback programme is €149.8 million as laid down in the eleventh resolution submitted to the Ordinary and Extraordinary General Meeting of May 15th, 2009.

2- Features of the securities concerned

Type of securities repurchased: ordinary shares
Share ticker: ELE
ISIN code: FR 0004254035

3- Maximum purchase price

In accordance with the tenth resolution submitted to the Ordinary and Extraordinary General Meeting of May 15th, 2009, the maximum purchase price (excluding ancillary expenses) under the new share buy-back programme is set at €61 per share (which corresponds to the share price as at December 31st, 2008 multiplied by a factor equal to the greatest increase in the share price over any given year since its listing, i.e. 73% in 2003), it being stipulated that in the event of transactions involving the company's capital, in particular the capitalisation of premiums, reserves or profits resulting in an increase in the nominal value of the shares, the issue and allocation of bonus shares, reverse share splits or the division of the nominal value of shares, the Group Management Board shall have full power, as required, to adjust this price and the number of shares accordingly, and if the shares thus purchased are used to allocate bonus shares in accordance with Article L. 443-5 of the Employment Code, the pecuniary equivalent of the shares allocated shall be determined in accordance with the applicable legal provisions.

Description of the share buy-back programme submitted to the vote of the General Meeting of May 15th, 2009

VI- Duration of the programme

In accordance with the eleventh resolution submitted to the Ordinary and Extraordinary General Meeting of May 15th, 2009, the duration of the programme shall be a maximum period of eighteen months from the date of the said General Meeting, i.e. until November 14th, 2010, or until it is renewed by an Ordinary General Meeting held before that date.

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

The tenth resolution of the Ordinary and Extraordinary General Meeting of shareholders held on May 15th, 2008 authorised the Group Management Board, with the option to delegate this power to the Chairman, to implement a share buy-back programme, for a period of eighteen months. The said programme was implemented as from May 16th, 2008, i.e. the day after the Ordinary and Extraordinary General Meeting.

1. Transactions carried out under the previous share buy-back programme (from May 16th, 2008 to March 31st, 2009)

Capital directly and indirectly held at March 31st, 2009	1,560,624 shares, i.e. 3.46% of capital
Number of shares cancelled in the past 24 months	0
Number of shares held in the portfolio at March 31st, 2009	1,560,624, i.e. 3.46% of capital
Portfolio book value at March 31st, 2009	€85,226,185
Portfolio market value at March 31st, 2009 (on the basis of the stock price at March 31st, 2009, i.e. €24.85)	€38,781,506

2. Issuer's statement of trading in own shares (from May 2008 16th, to March 31st, 2009)

	Cumulative gross flows		Positions open on March 31st, 2009			
			Open purchasing positions		Open selling positions	
	Purchases	Sales/ Transfers	Calls purchased	Forward purchases	Calls sold	Forward sales
Number of shares	144,180					
Maximum average maturity	Nil	Nil	Nil	Nil	Nil	Nil
Average transaction price (1)	€44.35					
Average exercise price (1)		-				
Montants en € (1)	**6,395,202**	**-**				

(1) Cumulative gross purchasing flows apply exclusively to transactions carried out under the liquidity contract signed with Rothschild and Cie Banque. No calls were exercised between May 16th, 2008 and March 31st, 2009.

Company Articles of Association (as at March 31st, 2009)

TITRE I

Purpose – Name – Head office – Term

Article 1 – Form of the company

The company is a public limited company [Société Anonyme]. It is governed by existing and future legal and regulatory provisions and in particular by Articles L. 225-57 et seq. of the French Commercial Code [Commercial Code], Articles 96 et seq. of the Decree of March 23rd, 1967, and by these Articles of Association.

Article 2 – Company name

The company's name is: Euler Hermes

Article 3 – Corporate purpose

The purpose of the company, directly or indirectly, in France and internationally, is financial services and insurance and especially any activities contributing to companies' management of their accounts receivable, and in this respect, activities regarding credit insurance, factoring and debt collection.
In addition to investments, the company may take holdings in any companies whose activity relates to this purpose or participate in any operation likely to facilitate its expansion or development.
The company may acquire any property or assets in any form.

Article 4 – Head office

The company's head office is located at 1-3-5, rue Euler, 75008 Paris, France.
It may be transferred to any other location in Paris or in another département by a decision by the Supervisory Board, subject to ratification of this decision by the next General Meeting of the shareholders.
It may be transferred anywhere else pursuant to a decision by an Extraordinary General Meeting.

Article 5 – Term of the company

Unless an Extraordinary General Meeting decides to dissolve the company early or extend its term, the company's term is set at 99 years. It will expire on March 27th, 2026.

TITRE II

SHARE CAPITAL – SHARES

Article 6 – Share capital

The company's capital is set at the amount of €14,426,313.60 (fourteen million, four hundred and twenty-six thousand, three hundred and thirteen euro and sixty centimes). It is divided into 45,082,230 (forty-five million, eighty-two thousand, two hundred and thirty) shares, all of the same class.

Article 7 – Form of shares

Shares are held in registered or bearer form at the choice of the shareholder, subject to the particular stipulations prescribed by law and those provided for in paragraph (2) in Article 8 below.

Company Articles of Association (as at March 31st, 2009)

Shares are registered in an account opened by the company or any authorised intermediary in the name of each shareholder and are held under the conditions and in accordance with the terms provided for by the applicable legal and regulatory provisions.
The company shall be authorised to use, at any time, the provisions set forth in Articles L. 228-2 et seq. of the Commercial Code as regards identifying holders of securities that give their holders the right to vote at its own General Meetings of shareholders immediately or subsequently.

Article 8 – Transfer and sale of shares

The shares may be freely traded and may be sold in accordance with the legal and regulatory conditions in force.
Apart from the legal obligation to inform the company when certain fractions of the capital are held and to make any consequent declaration of intention, any individual or corporate entity, acting alone or in concert, which comes to hold a number of shares and/or voting rights in the company greater than or equal to:

(1) 1% of the total number of shares and/or voting rights must, within fifteen days from the date of crossing this threshold, inform the company of the total number of shares and/or voting rights held, by recorded letter with return receipt (or equivalent means in countries outside France), fax or telex. This declaration must be renewed each time a new 1% threshold is crossed upwards to 50% inclusive and each time a new 1% threshold is crossed downwards to 1% inclusive.

(2) 5% of the total number of shares and/or voting rights must, within fifteen days from the date of crossing this threshold, apply to the company to have all the shares held in registered form. This obligation for shares to be held in registered form is applicable to all shares already held and to those that have just been acquired taking the shareholder over the threshold. The request for shares to be registered shall be sent by letter, fax or telex to the company within fifteen days of crossing the threshold. The declaration due under the preceding point (1) on crossing the threshold that is prescribed in this paragraph shall be the equivalent of a request for shares to be registered.

For the determination of the thresholds prescribed in (1) and (2), shares and/or voting rights held indirectly and shares and/or voting rights equivalent to shares and/or voting rights owned as defined by the provisions of Articles L. 233-7 et seq. of the Commercial Code shall also be taken into account.

For each of the aforementioned disclosures, the declarer must certify that the disclosure made includes all the securities owned or held pursuant to the previous paragraph. He must also specify the date(s) of acquisition.

Investment fund management companies are required to provide this information for all the voting rights attached to shares in the company held by the funds they manage.

In the event of non-compliance with the obligation to provide the information referred to in (1) above or the obligation to register the shares in (2) above, one or more shareholders owning at least 2% of the capital or voting rights may request that shares exceeding the fraction which should have been disclosed be deprived of voting rights for all shareholders' meetings that are held until the expiry of a period of two years from the date the notification is complied with. The shareholders' application will be recorded in the minutes of the General Meeting and the sanction referred to above will be applied automatically.

Article 9 – Rights and obligations attached to each share

Each share entitles [the holder] to a portion of the ownership of corporate assets and to a share in the profits equal to the proportion of the share capital that it represents. In addition, each share entitles [the holder] to vote and to be represented at General Meetings of the shareholders under legal conditions and those laid down in the Articles of Association.

Whenever it may be necessary to own a certain number of shares in order to exercise a right, shareholders who own fewer shares than the number required may, where applicable, group and, possibly, buy or sell the necessary number of shares or rights.

Company Articles of Association (as at March 31st, 2009)

Shareholders are liable for the company's debts only up to the value of their contributions.
All the securities which make up the share capital, now or in the future, shall be completely identical for taxation purposes. As a result, any tax and levy that, for any reason whatsoever, may, due to the redemption of capital, become payable for only some of said securities, either during the company's life or when it is liquidated, shall be divided among all the securities which make up the capital at the time of this (these) redemption(s), such that, taking into account any nominal value of the securities that has not been amortised, and the respective rights of said securities, all current and future securities shall give their holders the same benefits and shall entitle them to receive the same net amount.

Article 10 – Paying up of shares

Shares must be fully paid up on subscription.

TITRE III

Administration of the company

Supervisory Board

Article 11 – Members – Duties – Remuneration

The Supervisory Board exercises a permanent control over the Group Management Board's management of the company. The Supervisory Board has at least three and no more than twelve members who are appointed by Ordinary General Meetings of the shareholders.

The number of members of the Supervisory Board aged 70 years or older may not exceed one-third of the members in office. If this limit is exceeded, the oldest member must automatically resign.
If the Supervisory Board considers it useful, it may, when so proposed by its Chairman, appoint non-voting members of the Board (censors), for a term that it chooses. These non-voting members may be individuals or legal entities and may but need not be shareholders. The Board determines their responsibilities and the terms and conditions of their remuneration. This remuneration is taken from the annual amount for Supervisory Board members' fees allocated to the Supervisory Board by the Ordinary General Meeting.

These non-voting members may be called to and may attend and participate in all Supervisory Board meetings but with a right of discussion only.

The Supervisory Board elects a Chairman and a Vice-Chairman, who must be individuals, from among its members. The Chairman, and in his absence the Vice-Chairman, is responsible for convening Board meetings and chairing its deliberations.
Members of the Supervisory Board must own at least five shares during their term of office. However, this provision shall not apply to shareholders who are employees and who are appointed members of the Supervisory Board pursuant to Article L. 225-71 of the Commercial Code.
Subject to special provisions to be made for first appointments so as to comply with the [requirement for the] regular replacement of its members, Supervisory Board members serve a three-year term.
Supervisory Board members may always be re-elected.

The membership of the Supervisory Board is partly changed every year at the Annual Ordinary General Meeting of the shareholders, depending on the number of members in office, such that changes are made as regularly as possible and so that all members have changed by the end of each three-year period.
In the event of a vacant position, following the death or resignation of one or more members of the Supervisory Board, a provisional replacement may be elected by the remaining members, with the appointment being subject to ratification by the next Ordinary General Meeting of the shareholders.

Company Articles of Association (as at March 31st, 2009)

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

Article 12 – Powers

The Supervisory Board continuously monitors the company's management by the Group Management Board and gives this Board the prior authorisations required under the law or these Articles of Association.
It appoints the members of the Group Management Board, decides on their number, and appoints their Chairman, and the General Managers where appropriate, and also sets their remuneration.

It may recommend that the Ordinary General Meeting remove one or more members of the Group Management Board from office.
Throughout the year, it makes the checks and controls it considers appropriate and can arrange to receive any documents that it considers useful for the completion of its mission.
At least once a quarter, the Group Management Board presents a report to the Supervisory Board.
The Group Management Board must present the annual financial statements to the Supervisory Board for verification and control within three months of the year-end, and must submit its recommendations for allocation of the year's distributable income to the Supervisory Board for its prior approval. The Supervisory Board presents to the Meeting of shareholders its observations on the Group Management Board's report and on the annual financial statements.
The Supervisory Board can call shareholders' meetings and set the agenda.
The Supervisory Board can decide to create committees and it sets their composition and duties. Their activity is exercised under the Board's responsibility, without the said duties being a delegation of the powers attributed to the Supervisory Board by law or the Articles of Association, nor having the effect of reducing or limiting the powers of the Group Management Board.

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

- the sale of property and the total or partial sale of shareholdings and the grant of sureties on company assets;

- direct transactions or equity holdings that might significantly affect the group's strategy and materially modify its financial structure or scope of activity;

- the issue of securities, of any kind, that may result in a change in the share capital;

- transactions aimed at granting or contracting any borrowings or loans, credits or advances, granting of sureties, guarantees, deposits or other forms of security.

The Supervisory Board authorises the Group Management Board to carry out the above transactions within the limits of an amount it shall set for each such transaction. Where a transaction exceeds the specified amount, the approval of the Supervisory Board is required in each case.

Article 13 – Agreements

Agreements entered into directly or through an intermediary between the company and one of the members of the Supervisory Board or the Group Management Board, a shareholder with a fraction of voting rights exceeding 5% or, if it is another company that is a shareholder, the company controlling it within the meaning of Article L. 233-3 of the Commercial Code, must be subject to the prior approval of the Supervisory Board.
This shall also be the case for agreements in which one of the individuals or entities referred to in the foregoing paragraph is indirectly involved.
Agreements between the company and [another] company, if one of the members of the company's Group Management Board or Supervisory Board is the owner, partner with unlimited liability, manager, director, member of the supervisory board or, generally, an executive within this other company, shall also be subject to prior approval.

Company Articles of Association (as at March 31st, 2009)

The party involved shall inform the Chairman of the Supervisory Board of agreements on day-to-day matters and entered into under arm's length conditions. The Chairman shall send a list of and the subject of such agreements to the members of the Supervisory Board and to the independent auditors.

Article 14 – Supervisory Board meetings

The Supervisory Board meets as often as required in the interests of the company. Meetings are convened by the Chairman, or, failing this, by the Vice-Chairman.
Meetings are convened by any means, even verbally.
However, the Chairman of the Supervisory Board must convene a meeting of the Board on a date which may not be more than fifteen days after the date on which a member of the Group Management Board or at least one third of the members of the Supervisory Board submit a request to him for a meeting to be convened. If the request has not been followed up, the authors of the request may convene a meeting themselves, indicating the agenda.
Any member of the Supervisory Board may appoint another member to represent him. Each member may only hold one proxy.
Decisions are taken under the conditions as regards quorum and majority provided for by law. In the event of a tie, the Chairman of the meeting shall have the casting vote.
Members of the Supervisory Board who attend the meeting by videoconferencing means, the nature and conditions of application of which have been specified in a decree issued by the Conseil d'Etat, France's highest administrative court, are deemed to be present in the calculation of the quorum and the majority.
However, the provisions in the foregoing paragraph do not apply to the adoption of the decisions provided for in Articles L. 225-59 (appointment of members of Management Boards), L. 225-61 (removal from office of members of Management Boards) and L. 225-81 (appointment of Chairmen and Vice-Chairmen of Supervisory Boards) of the Commercial Code.
Members of Management may attend Board meetings in an advisory capacity, on the Chairman's initiative.
An attendance register is kept and minutes of meetings are drawn up in accordance with the law.

Group Management Board

Article 15 – Members – Duties – Remuneration

The company is run by a Group Management Board made up of at least two and no more than six members, who may but need not be shareholders, appointed by the Supervisory Board.
If the company's shares are listed for trading on a regulated market, the number of members of the Group Management Board may be increased, if so decided by the Supervisory Board, to no more than six.
Members of the Group Management Board must be individuals under the age of 65, effective from the completion of the nearest General Meeting of shareholders. However, when a member of the Group Management Board reaches this age, the Supervisory Board can, on one or more occasions, extend his functions for a total term that may not exceed three years.
A member of the Supervisory Board cannot be a member of the Group Management Board.
The Group Management Board is appointed for a period of three years and its members may be re-appointed. They can be removed from office by the Supervisory Board or by the General Meeting of shareholders on the recommendation of the Supervisory Board.
The Supervisory Board sets the method and amount of remuneration for each of the members of the Group Management Board when they are appointed.

Article 16 – Chairman – General Managers – Representation

The Supervisory Board appoints one of the members of the Group Management Board as Chairman.
The Chairman exercises his functions for the period of his office as a member of the Group Management Board.
He represents the company in its relations with third parties.
The Supervisory Board can grant the same power of representation to one or more other members of the Group Management Board who then bear the title of General Manager.

Company Articles of Association (as at March 31st, 2009)

Agreements concerning the company and any commitments undertaken in its name are signed by the Chairman of the Group Management Board, or by any member of the Group Management Board who has been appointed General Manager by the Supervisory Board or by any representative especially empowered for this purpose.

Article 17 – Powers

The Group Management Board is vested with the most extensive powers to act in all circumstances in the name of the company. It exercises these powers within the limits defined by the corporate purpose, subject to those expressly allocated to the Supervisory Board and General Meetings by the law and the Articles of Association.
The Group Management Board can vest one or more of its members or any outside person with special assignments that it decides upon, which may be permanent or temporary, and can delegate to them the powers that it considers appropriate for one or more particular cases, with or without the option of sub delegation.
The Group Management Board can set up committees. It decides on their composition and duties, and they carry out their activity under its responsibility, but it cannot delegate its powers.

Article 18 – Group Management Board meetings

The Group Management Board meets as often as required in the interests of the company. Meetings are convened by the Chairman of the Group Management Board, or, if he is unable to act, by at least two members of the Board.
The meetings are held either at the registered office, or at any other place specified in the notice of the meeting.
Meetings are convened by any means, even verbally.
Group Management Board meetings are chaired by the Chairman, or, failing this, by a member chosen by the Group Management Board at the start of the meeting.
Any member of the Group Management Board may appoint another member to represent him. Each member may hold only one proxy.
For its decisions to be valid, the number of members of the Group Management Board present must be at least equal to half the members in office.
Decisions are taken by a majority of members present or represented.
In the event of a tie, the Chairman shall have the casting vote.
Group Management Board meetings are reported in minutes registered in a special register and signed by the Chairman of the meeting and at least one member of the Group Management Board.
Copies or excerpts from the minutes may be certified [as true copies] by the Chairman of the Group Management Board or by any of its members.

TITRE IV

Independent auditors

Article 19

Ordinary General Meetings appoint at least two independent auditors for six financial years. Their terms of office end at the close of the Ordinary General Meeting called to approve the financial statements for the sixth financial year. They may be re-appointed.
Ordinary General Meetings must also appoint at least two alternate independent auditors, who will be called on to replace the independent auditors in the event of said auditors' refusal, inability to act, resignation or death.
When they are appointed, or, where applicable, when their term of office is renewed, the independent auditors must be under 65 years of age.
The independent auditors are vested with supervisory powers and perform their assignment within the scope of the legal provisions in force.
Their fees shall be set by law or, failing this, by Ordinary General Meetings.

Company Articles of Association (as at March 31st, 2009)

TITRE V

General meetings of shareholders

Article 20

General Meetings of shareholders are convened and take place under legally prescribed conditions.
The meetings are held either at the registered office, or at any other place specified in the notice of the meeting.
Ordinary General Meetings include all shareholders who hold at least one share under the conditions set forth below. Extraordinary General Meetings include all shareholders who hold at least one share under the conditions set forth below. Special General Meetings include all shareholders of a class of shares who own at least one share of the class concerned under the conditions set forth below.
Two members of the Works Council, appointed by said Council and one of whom belongs to the category of executive employees, technicians and supervisory staff and the other to the category of clerical staff and workers or, where applicable, the individuals referred to in the third and fourth paragraphs of Article L. 432-6 of the French Employment Code *[Code du travail]*, may attend General Meetings.

In respect of amounts called but not paid on shares, such shares do not give right of admission to shareholders' meetings and are deducted for purposes of the quorum calculation.
Subject to the aforementioned provisions, every shareholder is entitled, on proof of identity, to participate in General Meetings, either by attending in person, by returning a postal voting form, or by appointing a proxy, who may be his spouse or another shareholder, provided that the shares have been recorded in the accounts in the name of the shareholder or of the intermediary acting on his behalf:

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

These formalities must be completed by 0.00 a.m. (Paris time) on the third working day before the date of the General Meeting.

General Meetings are chaired by the Chairman of the Supervisory Board or, in his absence, by the Vice Chairman or a member of the Supervisory Board specially delegated by the Supervisory Board for this purpose. Failing this, the General Meeting appoints its own Chairman.
The duties of teller are performed by the two members of the General Meeting who have the greatest number of votes and who accept this role.
The officers of the General Meeting appoint the secretary who may be chosen from outside the shareholders.
Every member of the General Meeting is entitled to as many votes as the number of shares he owns or represents.
The voting right belongs to the beneficial owner in all General Meetings of shareholders.
Ordinary General Meetings meet validly only if, when they are convened for the first time, the shareholders present, represented or having voted by post own at least one quarter of the shares having a voting right. When such meeting is convened for the second time, no quorum is required.
Extraordinary General Meetings meet validly only if the shareholders present, represented or having voted by post own at least one third of the shares having a voting right when the meeting is convened for the first time, and one quarter when it is convened for the second time.
Special General Meetings meet validly only if the shareholders present, represented or having voted by post own at least half of the shares having a voting right when the meeting is convened for the first time, and one quarter when it is convened for the second time.
Ordinary General Meetings decide by a majority of the votes held by the shareholders present, represented or having voted by post.
Extraordinary General Meetings and Special General Meetings decide by a majority of two-thirds of the votes held by the shareholders present, represented or having voted by post.
Shareholders who attend General Meetings by videoconferencing or by means of telecommunication allowing them to be identified, the nature and conditions of application of which have been specified in a decree issued by the Conseil d'Etat, are deemed to be present in the calculation of the quorum and the majority.
Minutes of General Meetings are drawn up and copies thereof certified and issued in accordance with the law.

Company Articles of Association (as at March 31st, 2009)

TITRE VI

Company financial statements

Article 21

Each financial year covers twelve months, commencing on January 1st and terminating on December 31st.
The income statement summarises the income and expenditure for the year. The difference between them, after deductions for amortisation, depreciation and provisions, shows the income or loss for the year.
From the income for the year, less any losses from previous years, at least 5% is transferred to the legal reserve, as required by law. This deduction ceases to be obligatory when the reserve reaches one-tenth of the share capital. It becomes obligatory again when, for any reason, the reserve falls below one-tenth.
The distributable income is made up of the income for the year, less any losses from previous years and the sums transferred to reserves as required by law or the Articles of Association, plus retained earnings.
After the accounts have been approved and the existence of distributable income ascertained, the Ordinary General Meeting resolves to allocate the distributable income to one or more reserve accounts, the application or use of which is regulated by the General Meeting, to carry it forward or to distribute it.
The Ordinary General Meeting may decide to distribute sums from the reserves available to it, expressly indicating the reserve accounts from which the deductions are made. However, dividends are deducted first from the distributable income for the year.

Apart from the instance of capital reduction, no distribution can be made to shareholders if the shareholders' equity is or would as a result become less than the amount of the capital plus the reserves that the law or the Articles of Association do not allow to be distributed. A revaluation reserve may not be distributed but it can be capitalised, in whole or in part.
The methods for paying dividends voted by the Ordinary General Meeting are fixed by the Meeting or, failing that, by the Group Management Board. However, dividends must be paid within the period set by law.
When a balance sheet drawn up during or at the end of the year and certified by the auditors shows that the company has, since the end of the previous year, after the booking of the necessary amortisation, depreciation and other provisions, after deduction of previous losses if any, and sums taken to reserves pursuant to the law or the Articles of Association and including retained earnings, produced an income, an interim dividend or dividends can be paid before approval of the financial statements. The amount of the interim dividend(s) cannot exceed the income as defined above.
The Ordinary General Meeting is entitled to grant each shareholder, for some or all of the dividend or interim dividend(s) to be distributed, an option between payment of the dividend or interim dividend(s) in cash or in company shares.

TITRE VII

Dissolution – liquidation

Article 22

When the company is dissolved, one or more liquidators is appointed by a General Meeting under the conditions as regards quorum and majority laid down for Ordinary General Meetings.
The liquidator represents the company. He is vested with the broadest powers to realise assets, even by private arrangement. He is authorised to pay creditors and to allocate the available balance.
A General Meeting of the shareholders may authorise him to continue business in progress or to enter into new business activities for the requirements of the liquidation.
The net assets remaining after the repayment of the nominal value of the shares are distributed between all the shareholders in the same proportions as their share of the capital.

TITRE VIII

Disputes

Article 23

All disputes that may arise on corporate matters during the company's life or during liquidation between the shareholders, the members of the Group Management Board or the Supervisory Board and the company or between the shareholders themselves shall be referred to the Commercial Court (*Tribunal de Commerce*) in the place of the company's head office.

Cross references to the reference document

Informations incluses par référence :
In compliance with Article 28 of Commission Regulation (EC) No. 809/2004, the following information is specifically referred to in the reference document:

- the company and consolidated financial statements, together with the related reports of the independent auditors, as shown on pages 64 to 170, and the Group Management Board report as shown on pages 8 to 48 of the reference document for the year ended December 31st, 2007, which was filed with the *AMF* on April 21st, 2008 under reference No. D.07-0265;
- the company and consolidated financial statements, together with the related reports of the independent auditors, as shown on pages 60 to 153, and the Group Management Board report as shown on pages 8 to 48 of the reference document for the year ended December 31st, 2006, which was filed with the *AMF* on April 20th, 2007 under reference No. D.07-0363.

The other sections of these documents are either not applicable to investors or are covered in another section of the reference document for the year ended December 31st, 2008. In order to facilitate the reading of this reference document, which has been filed with the *Autorité des Marchés Financiers* (*AMF*), the following cross-reference table enables identification of the main information required by the AMF in application of its general regulations and application instructions.

Cross references to the reference document

Cross references to the reference document

Glossary

Bond: a bond is a negotiable debt security that represents a portion of a borrowing issued by a company, a public sector entity or the State. The bondholder will be reimbursed ahead of the shareholders if the issuer becomes bankrupt. In exchange, the bondholder is not entitled to any of the rights attached to the shares (rights to earnings and rights to management of the company via voting rights).
Broker: an independent intermediary who canvasses companies in order to offer them a credit insurance policy or factoring agreement. He advises the policyholder when the policy or agreement is put in place and in its day-to-day administration.
Capital increase: when a company needs funds, it may make a capital increase. It offers the opportunity, notably to existing shareholders, to subscribe to new shares at a given price.
Carrying amount: this represents the company's net assets, i.e. total assets less all liabilities. It can also be considered as representing the company's wealth. It can be calculated for the parent company (company carrying amount) or for the entire group of companies (consolidated carrying amount).
Cash pooling: this is the centralised management at a single point of all the bank accounts of companies in a group. Its goal is to optimise cash requirements and surpluses. It may be operated at domestic or international level and may be notional or involve an actual transfer of funds.
Collection: extra-judicial and/or judicial procedure conducted by Euler Hermes to secure payment of a receivable from the debtor.
Combined ratio: sum of the expense ratio and the loss ratio.
Credit insurance: a technique by which a company protects itself against the risks of non-payment of its trade receivables.
Credit limit: response given by Euler Hermes to a request made by a policyholder to cover all or part of the trade exposure on one of its customers.
Dilution: impact of an event that reduces earnings per share (e.g. an increase in the number of shares).
Dividend: the portion of a company's earnings that is attributable to the shareholder. A distinction is made between the net dividend, i.e. the amount actually paid by the company to the shareholder, and the gross dividend, which also includes the tax credit.
Earnings per share: this is calculated as the consolidated net income divided by the number of shares comprising the share capital (less any treasury shares).
Expense ratio: overheads as a proportion of premiums.
IAS (International Accounting Standards)/IFRS (International Financial Reporting Standards): IAS/IFRS correspond to all the accounting standards drawn up by the IASB up to 2002.
IASB (International Accounting Standards Board): the IASB is a private body that was founded in 1973 by the accounting institutes of nine countries. Its main objectives are to establish internationally acceptable accounting standards, to promote their use and, more generally, to work towards the international harmonisation of accounting practices and presentation of accounts. The IASB comprises 14 independent members.
Indemnification: reimbursement by Euler Hermes of losses suffered by a policyholder as the result of the insolvency of one or more of its customers, provided they are covered by an existing policy.
Index: an instrument used to measure and compare the performance of shares or bonds.
Insolvency: legally recognised incapacity of the debtor to meet his commitments and thus to pay his debts.
Integrated group: a group that owns an exclusive network of subsidiaries that pool their resources and skills to offer uniform service quality and local management.
Interest rate swap: the principle of an interest rate swap is to compare a variable interest rate with a guaranteed interest rate and for the two parties to pay each other the interest rate differentials without exchanging nominal amounts.
Issue premium: in the context of a capital increase, the issue premium is the difference between the subscription value (company valuation) and the nominal value of the capital. The issue premium forms part of a company's shareholders' equity.
Loss: situation in which a risk is realised and which entitles the policyholder to indemnification, thus triggering application of the indemnification provided for in the credit insurance policy.
Loss ratio: amount of indemnifications as a proportion of premiums.
Market capitalisation: this represents a company's stock market value. It is calculated by multiplying the share price by the number of shares comprising the share capital.
Merger premium: this premium is equal to the difference between the capital increase of the absorbing company and the contribution of the acquired company.
PER: the Price Earnings Ratio is the ratio of the share price to earnings per share. It is also referred to as the capitalisation multiple.

Glossary

Permanent difference: difference between the accounting rules and the tax rules that has no impact on the subsequent year's taxable profit.
Policy: credit insurance contract between Euler Hermes and the policyholder.
Premium: amount paid by the policyholder to his insurer in exchange for risk coverage. A distinction is made between:
- the written premium: the amount invoiced during the period for coverage against the risks stipulated in the policy, and,
- the earned premium: the portion of the premium written during the period or earlier corresponding to the coverage of risks during the period concerned.

Prevention: process by which the policyholder can, by using the information provided by Euler Hermes on the creditworthiness of its customers, select its customers and thus reduce its own losses.
Proprietary information: information prepared by group companies and which is owned exclusively by Euler Hermes. It is a measure of the service quality offered to its clients.
Reinsurance: an operation by which an insurer obtains cover from a third party (the reinsurer) for part of the risks that it has guaranteed, in exchange for the payment of a premium.
Risk: object of the insurance, probability of a claim occurring.
RSU (Restricted Stock Units): these are the financial equivalent of bonus share option plans.
SAR (Stock Appreciation Rights): these are the financial equivalent of share subscription option plans (see Share option definition).
Share: a share is an instrument of title. It confers certain rights: pecuniary rights, rights to information, voting rights and rights over the assets.
Share option: share options are options to purchase or subscribe to shares at a given price, which are generally allocated to a company's managers to give them a direct interest in increasing the company's value.
Shareholders' equity: total assets owned by a company less all its liabilities.
Solvency margin: regulatory amount to be constituted, in addition to technical reserves, to ensure that commitments towards the group's clients are met.
Sustainable development: launched in 1987 by the Brundtland Commission of the United Nations, this concept is based on the precept that we should "meet the needs of the present without compromising the ability of future generations to meet their own needs". When applied to a company, a sustainable development policy assumes the simultaneous pursuit of three objectives: economic growth, preservation of the environment and social well-being.
Tax reconciliation: explanation of the items making up the difference between the theoretical tax charge calculated using the parent company's tax rate and the actual tax charge recognised in the income statement.
Technical reserves: amount of an insurer's commitments towards its clients. They appear as liabilities in the balance sheet.
Temporary difference: difference between the accounting rules and the tax rules that has an impact on the subsequent year's taxable profit.
Trade receivables management: the suite of services offered to a company covering the collection of receivables, after invoicing to the debtor and up to the litigation phase, where applicable.

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SUBSEQUENT CHECKS
This reference document was filed with the *Autorité des Marchés Financiers* (AMF) on April 20th, 2009 in accordance with Article 212-13 of its General Regulations.
It may be used in support of a financial transaction if it is supplemented by a transaction memorandum certified by the AMF.
Copies of this reference document are available free of charge from Euler Hermes, 1 rue Euler, 75008 Paris (France).
Design and Production: PUBLICORP – 8637: Publisher: Euler Hermes Communications Department