

Consolidated Financial Statements for the full year ended December 31, 2007

 EULER HERMES

A company of **Allianz** 

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CONSOLIDATED BALANCE SHEET

<i>(in thousands of euros)</i>	Notes	31/12/2007	31/12/2006
Goodwill	1	115 577	107 374
Other intangible assets	2	58 278	42 919
Intangible assets		173 855	150 293
Investment property	3	86 247	88 654
Financial investments	4	2 956 590	2 879 178
Derivatives		6 247	5 469
Investments- insurance businesses		3 049 084	2 973 301
Investments accounted for by the equity method	5	52 206	36 801
Share of assignees and reinsurers in the technical reserves and financial liabilities		365 455	411 965
Operating property and other property and equipment	6	158 442	151 356
Acquisition costs capitalised		32 872	33 536
Deferred tax assets	7	14 559	20 912
Inwards insurance and reinsurance receivables	8	429 507	413 604
Outwards reinsurance receivables		65 649	82 623
Corporation tax receivables		24 165	22 813
Other receivables	9	143 649	142 212
Other assets		868 843	867 056
Cash	10	378 103	334 964
TOTAL ASSETS		4 887 546	4 774 380
Capital stock		14 417	14 384
Additional paid-in capital		451 332	448 058
Reserves		1 125 417	968 088
Net income, group share		406 958	326 054
Revaluation reserve	11	90 438	124 910
Translation reserve		(29 821)	10 892
Shareholders' equity, group share		2 058 741	1 892 386
Minority interests	12	19 179	19 153
Total shareholders' equity		2 077 920	1 911 539
Provisions for risks and charges	13	127 174	99 715
Other borrowings		295 746	302 369
Borrowings	15	295 746	302 369
Gross non-life technical reserves	16	1 426 141	1 413 342
Liabilities related to contracts		1 426 141	1 413 342
Deferred tax liabilities	7	365 948	389 251
Inwards insurance and reinsurance liabilities	17	164 805	190 065
Outwards reinsurance liabilities	17	92 016	117 306
Corporation tax payables		71 942	65 174
Other	18	265 854	285 619
Other liabilities		960 565	1 047 415
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4 887 546	4 774 380

CONSOLIDATED INCOME STATEMENT

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

CONSOLIDATED CASH FLOW STATEMENT

<i>(in thousands of euros)</i>	31/12/2007	31/12/2006
Net income, group share	406 958	326 054
Corporation tax	162 085	156 734
Financing expense	12 918	11 489
OPERATING INCOME BEFORE TAX	581 961	494 277
Minority interests	4 006	4 181
Allocation to and writebacks of depreciation, amortisation and reserves	67 480	43 037
Change in technical reserves	48 077	50 627
Change in deferred acquisition costs	(1 864)	(2 505)
Change in fair value of financial instruments recognised at fair value through the income statement (excluding cash and cash equivalents)	2 190	(1 715)
Realised capital gains/(losses) net of writebacks	(78 855)	(52 555)
Unrealised foreign exchange gain (loss) in company accounts	1 610	4 196
Revenues and expenses linked to stock options and similar	2 234	3 204
Interest revenues received	(101 870)	(95 160)
Interest revenues cashed	83 886	94 362
Adjustment for elements included in operating income that do not correspond to cash flows and reclassification of financing and investment flows	26 894	47 672
Income (loss) of companies accounted for by the equity method	(8 277)	(8 547)
Dividends received from companies accounted for by the equity method	5 452	4 447
Change in liabilities and receivables relating to insurance and reinsurance transactions	(41 578)	(71 490)
Variation des stocks	42	(612)
Change in operating receivables and liabilities	22 246	16 638
Change in other assets and liabilities	(11 075)	(6 228)
Corporation tax	(165 579)	(103 640)
Cash flow related to operating activities	(198 769)	(169 432)
Cash flow from operating activities	410 086	372 517
Acquisitions of subsidiaries and joint ventures, net of acquired cash	(2 593)	1 580
Cessions des filiales et co-entreprises, nettes de la trésorerie acquise	1	143
Acquisition of equity interests in companies accounted for by the equity method	(11 905)	-
Fusion	(1)	(4)
Others	-	-
Cash flow linked to changes in the consolidation scope	(14 498)	1 719
Disposals of AFS securities	1 443 569	1 337 085
Matured HTM securities	7 561	9 609
Disposals of investment properties	1 453	7 370
Disposals of securities held for trading	1 288	80
Cash flow linked to disposals and redemptions of investments	1 453 871	1 354 144
Acquisitions of AFS securities	(1 457 058)	(1 455 010)
Acquisitions of HTM securities	-	(43)
Acquisitions of investment properties	(14 197)	(936)
Acquisitions des titres de transaction (trading)	(6 820)	(991)
Cash flow linked to acquisitions of investments	(1 478 075)	(1 456 980)
Disposals of other investments and intangible assets	54 585	418 236
Acquisitions of other investments and intangible assets	(192 043)	(429 117)
Cash flow linked to acquisitions and disposals of other investments and intangible assets	(137 458)	(10 881)
Cash flow from investing activities	(176 160)	(111 998)

Increases and decreases in capital	3 329	3 336
<i>Increases in capital</i>	3 333	3 482
<i>Decreases in capital</i>	(4)	(146)
Change in treasury stock	3 612	6 928
Dividends paid	(177 225)	(153 695)
Cash flow linked to transactions with the shareholders	(170 284)	(143 431)
Changes in loans and subordinated securities	(772)	(40 444)
<i>Issue</i>	458	70 106
<i>Repayment</i>	(1 230)	(110 551)
Interest paid	(14 722)	(12 500)
Cash flow from group financing	(15 494)	(52 945)
Cash flow from financing activities	(185 778)	(196 375)
Impact of foreign exchange differences on cash and cash equivalents	(2 732)	(2 557)
Reclassification ⁽¹⁾	(59 413)	57 151
Other cash flows linked to restructuring operations	-	3 966
Other net changes in cash	(62 145)	58 560
Change in cash flows	(13 997)	122 703
Change in cash and cash equivalents	(13 997)	122 703
Cash and cash equivalents at start of period	402 418	279 715
Cash and cash equivalents at end of period	388 421	402 418

(1) As at December 31, 2007, the reclassification of €59.4 million corresponds mainly to cash equivalents in available for sale securities not taken into account in the cash position as at December 31, 2006 for €66 million. The balance of + €6 million corresponds to the recognition under cash equivalents of short-term deposits not taken into account in the cash position at the start of the year.

As at December 31, 2007, the reclassification of €57 million corresponds to the amount of the cash pool receivable with Allianz not taken into account in the cash position as at December 31, 2006 in an amount of nearly €51 million and cash equivalents that had not been identified as such for €6 million.

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in thousands of euros)	Capital stock	Additional paid-in capital	Retained earnings	Revaluation reserve	Other			Shareholders' equity, group share	Minority interests	Total shareholders' equity
					Translation reserve	Treasury shares	Total other			
Shareholders' equity as at December 31, 2005 - IFRS	14 346	444 985	1 194 210	142 463	24 021	(82 972)	(58 951)	1 737 053	7 869	1 744 922
Incidence des réévaluations	-	-	-	-	-	-	-	-	-	-
Shadow accounting brut d'impôt différé	-	-	-	-	-	-	-	-	-	-
Available-for-sale assets (AFS)	-	-	-	-	-	-	-	-	-	-
Measurement gain / (loss) taken to shareholders' equity	-	-	-	(18 340)	-	-	-	(18 340)	98	(18 242)
Impact of transferring realised gains and losses to income statement	-	-	-	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	787	-	-	-	787	-	787
Gain / (loss) taken to shareholders' equity	-	-	-	-	-	-	-	-	-	-
Impact of transferring realised profits and losses in the year to income statement	-	-	-	-	-	-	-	-	-	-
Impact of transfers on the initial amount of hedges	-	-	-	-	-	-	-	-	-	-
Impact of translation differences	-	-	-	-	(13 129)	-	(13 129)	(13 129)	11	(13 118)
Current and deferred tax taken directly to or transferred to shareholders' equity	-	-	-	-	-	-	-	-	-	-
Net income recognised in shareholders' equity	-	-	-	(17 553)	(13 129)	-	(13 129)	(30 682)	109	(30 573)
Net income for the year	-	-	326 054	-	-	-	-	326 054	4 181	330 235
Total revenues and losses recognised for the year	-	-	326 054	(17 553)	(13 129)	-	(13 129)	295 372	4 290	299 662
Capital movements	38	3 073	-	-	-	8 259	8 259	11 370	47	11 417
Dividend distributions	-	-	(151 821)	-	-	-	-	(151 821)	(1 874)	(153 695)
Shareholders' equity component of share-based payment plans	-	-	1 783	-	-	-	-	1 783	-	1 783
Other movements	-	-	(1 371)	-	-	-	-	(1 371)	8 821	7 450
Shareholders' equity as at December 31, 2006 - IFRS	14 384	448 058	1 368 855	124 910	10 892	(74 713)	(63 821)	1 892 386	19 153	1 911 539
Available-for-sale assets (AFS)	-	-	-	-	-	-	-	-	-	-
Measurement gain / (loss) taken to shareholders' equity	-	-	-	(34 472)	-	-	-	(34 472)	(159)	(34 631)
Impact of transferring realised gains and losses to income statement	-	-	-	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	-	-	-	-	-
Gain / (loss) taken to shareholders' equity	-	-	-	-	-	-	-	-	-	-
Impact of transferring realised profits and losses in the year to income statement	-	-	-	-	-	-	-	-	-	-
Impact of transfers on the initial amount of hedges	-	-	-	-	-	-	-	-	-	-
Impact of translation differences	-	-	-	-	(40 713)	-	(40 713)	(40 713)	(97)	(40 810)
Current and deferred tax taken directly to or transferred to shareholders' equity	-	-	-	-	-	-	-	-	-	-
Net income recognised in shareholders' equity	-	-	-	(34 472)	(40 713)	-	(40 713)	(75 185)	(256)	(75 441)
Net income for the year	-	-	406 958	-	-	-	-	406 958	4 006	410 964
Total revenues and losses recognised for the period	-	-	406 958	(34 472)	(40 713)	-	(40 713)	331 773	3 750	335 523
Capital movements	33	3 274	-	-	-	(859)	(859)	2 448	76	2 524
Dividend distributions	-	-	(174 181)	-	-	-	-	(174 181)	(3 044)	(177 225)
Shareholders' equity component of share-based payment plans	-	-	2 925	-	-	-	-	2 925	-	2 925
Cancellation of gains/losses on treasury shares	-	-	3 709	-	-	-	-	3 709	-	3 709
Other movements	-	-	(319)	-	-	-	-	(319)	(756)	(1 075)
Shareholders' equity as at December 31, 2007 - IFRS	14 417	451 332	1 607 947	90 438	(29 821)	(75 572)	(105 393)	2 058 741	19 179	2 077 920

At 31 December 2007, the capital stock of Euler Hermes consisted of 45,052,513 fully paid-up shares, including 1,369,246 treasury shares.

In accordance with IAS 39, available-for-sale (AFS) investments were remeasured at market value with the resulting gain or loss being taken directly to the revaluation reserve with no impact on the income statement. During the year, the reduction in the revaluation reserve totalled €34,472 thousand net of taxes.

Variations in translation differences during the year concerned mainly the US dollar (-€17,997 thousand) and the British pound (-€22,495 thousand).

101,395 new shares were created as a result of the exercise of stock options during 2007. Following these transactions, the share capital and additional paid-in capital of Euler Hermes SA increased by €33 thousand and €3,274 thousand respectively.

The variance of €2,925 thousand corresponds to an expense in respect of stock option plans in accordance with the application of IFRS 2.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Significant events

The following significant events occurred in the full year ended December 31, 2007:

Changes in the capital stock and share ownership

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

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

Ongoing international development

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

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

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

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

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

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

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

Increase in the retention rate

The average group premium retention rate increased from 67% at end-December 2006 to 73.5% at end-December 2007. Net earned premiums on reinsurance grew by 14.2% between December 31, 2006 and December 31, 2007.

Change in tax rate in Germany

A tax reform was published on July 6, 2007 and is effective on January 1, 2008. This change will reduce the tax rate by eight points, bringing it to 32.38% on January 1, 2008 compared with the

present rate of 40.38%. EH Kreditversicherungs AG recorded a positive impact in the deferred tax in the liabilities of €44 million at the end of the 3rd quarter of 2007/

2 IFRS accounting and valuation rules

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

2.1 General principles

In accordance with European regulation no. 1606/2002 of July 19, 2002, the interim consolidated financial statements published at December 31, 2007 were prepared in accordance with IFRS as adopted by the European Union. International accounting standards comprise IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), together with their interpretative texts.

The standards and interpretations applied stem essentially from:

- IAS/IFRS and their interpretative texts whose application is mandatory at December 31, 2007 as adopted by the European Union,
- Guidance provided in CNC recommendation no. 2006-R01 relating to the format of financial statements prepared by insurance firms under international accounting guidelines.

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

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

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

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

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

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

2.2 Consolidation scope

2.2.1 Change in consolidation scope

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

Companies joining the group

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

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

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

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

Companies leaving the group

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

Mergers

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

Other changes

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

The capital stake in Euler Hermes Credit and Guarantee moved from 94.86 % to 98,72 % after the purchase of additional shares to the minorities.

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

2.2.2 List of consolidated companies

French companies	Consolidation	31-déc-07		31-déc-06	
	method	% control	% interest	% control	% interest
Euler Hermes S.A. (1) 1, rue Euler - 75008 Paris N°Siren : 552 040 594	held by AGF : 68,24%	Parent company	Parent company	Parent company	Parent company
Bilan Services SNC 25, boulevard des Bouvets - 92000 Nanterre N°Siren : 333 192 631	Full	66,00	50,00	66,00	50,00
Codinf Services SA 29, rue de Délizy - 93500 Pantin N°Siren : 341 693 778	Full	100,00	100,00	100,00	100,00
Euler Hermes Asset Management SA 1, rue Euler - 75008 Paris N°Siren : 422 728 956	Full	100,00	100,00	100,00	100,00
Euler Hermes Services SAS 1, rue Euler - 75008 Paris N°Siren : 414 960 377	Full	100,00	100,00	100,00	100,00
Euler Hermes SFAC SA 1-3-5 rue Euler - 75008 Paris N°Siren : 348 920 596	Full	100,00	100,00	100,00	100,00
Euler Hermes SFAC Crédit SAS 1, rue Euler - 75008 Paris N°Siren : 388 236 853	Full	100,00	100,00	100,00	100,00
Euler Hermes SFAC Recouvrement SAS 1, rue Euler - 75008 Paris N°Siren : 388 238 026	Full	100,00	100,00	100,00	100,00
Euler Hermes Tech SAS 1, rue Euler - 75008 Paris N°Siren : 388 237 091	Full	100,00	100,00	100,00	100,00
Euro Gestion EURO VL - Immeuble Colline Sud - 10 passage de l'Arche 92034 Paris La Défense FR0007047568	Full	100,00	100,00	100,00	100,00
Euler Gestion CIC Asset Management - 4 rue Gaillon - 75002 Paris FR0007434980	Full	100,00	100,00	100,00	100,00

(1) Proportion held is based on a total of 45, 052,513 shares (before restatement of treasury shares).

Foreign companies	Country	Consolidation method	31-déc-07		31-déc-06	
			% control	% interest	% control	% interest
Bürgel Wirtschaftsinformationen GmbH & Co. K.G.						
Gasstraße 18 - Hamburg	Germany	Full	50,10	50,10	50,10	50,10
Bürgel Wirtschaftsinformationen Verwaltungs-GmbH						
Gasstr.18 D-22761 Hamburg	Germany	Full	50,40	50,40	50,40	50,40
Euler Hermes Gesellschaft für Finanzdienstleistungen GmbH (2)						
Friedensallee 254 - Hamburg	Germany	Full	0,00	0,00	100,00	100,00
Euler Hermes Forderungsmangement GmbH						
Friedensallee 254 - Hamburg	Germany	Full	100,00	100,00	100,00	100,00
Euler Hermes Gesellschaft Für Informations Dienstleistungen GmbH (2)						
Friedensallee 254 - Hamburg	Germany	Full	0,00	0,00	100,00	100,00
Euler Hermes Rating GmbH						
Friedensallee 254 - Hamburg	Germany	Full	100,00	100,00	100,00	100,00
Euler Hermes Kreditversicherungs A.G.						
Friedensallee 254 - Hamburg	Germany	Full	100,00	100,00	100,00	100,00
Euler Hermes Risk Management GmbH (2)						
Friedensallee 254 - Hamburg	Germany	Full	0,00	0,00	100,00	100,00
Hermes Risk Management Hamb. (2)						
Friedensallee 254 - Hamburg	Germany	Full	0,00	0,00	100,00	100,00
Prisma Kreditversicherungs A.G.						
HeilFullenstadter Strasse 201 - Vienne	Austria	Equity	49,00	49,00	49,00	49,00
Euler Hermes Credit Insurance Belgium SA (N.V.)						
15, rue Montoyer - 1000 Brussels RC Brussels : 31 955	Belgium	Full	100,00	100,00	100,00	100,00
Euler Hermes Services Belgium S.A. (N.V.)						
15, rue Montoyer - 1000 Brussels RC Brussels : 45 8033	Belgium	Full	100,00	100,00	100,00	100,00
Graydon Belgium (N.V.)						
Uibreidingstraat 84 Bus 1 - 2500 Berchem	Belgium	Equity	27,50	27,50	27,50	27,50
Euler Hermes Seguros de Crédito S.A						
Alameda Santos 2335 Conj. 51 Cerqueira César 01419-002 - São Paulo	Brazil	Full	100,00	100,00	100,00	100,00
Euler Hermes Serviços Ltda						
Alameda Santos 2335 Conj. 51 Cerqueira César 01419-002 - São Paulo	Brazil	Full	100,00	100,00	100,00	100,00
Euler Hermes Do Brasil Exportação						
Alameda Santos 2335 Conj. 51 Cerqueira César 01419-002 - São Paulo	Brazil	Full	100,00	100,00	100,00	100,00
Euler Hermes Crédito Compañía 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 A.C.I. Inc						
800, Red Brook Boulevard - Owings Mills, MD 21117	United-States	Full	100,00	100,00	100,00	100,00
Euler Hermes A.C.I Collections Services Inc						
800, Red Brook Boulevard - Owings Mills, MD 21117	United-States	Full	100,00	100,00	100,00	100,00

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

Foreign companies	Country	Consolidation method	31-déc-07		31-déc-06	
			% control	% interest	% control	% interest
Euler Hermes A.C.I Holding Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	United-States	Full	100,00	100,00	100,00	100,00
Euler Hermes A.C.I Services, LLC 800, Red Brook Boulevard - Owings Mills, MD 21117	United-States	Full	100,00	100,00	100,00	100,00
Euler Hermes Services Estonia OU Tallinn Tina str 9, 10126 Tallin	Estonia	Full	100,00	100,00	100,00	100,00
Euler Hermes UK plc 01, Canada Square - London E14 5DX	United-Kingdom	Full	100,00	100,00	100,00	100,00
Euler Hermes Collections UK Ltd 01, Canada Square - London E14 5DX	United-Kingdom	Full	100,00	100,00	100,00	100,00
Euler Hermes Guarantee plc Surety House, Lyons Crescent - Tonbridge Kent TN9 1EN	United-Kingdom	Full	98,72	98,72	94,86	94,86
Euler Hermes Holdings UK plc 01, Canada Square - London E14 5DX	United-Kingdom	Full	100,00	100,00	100,00	100,00
Euler Hermes Risk Services UK Ltd 01, Canada Square - London E14 5DX	United-Kingdom	Full	100,00	100,00	100,00	100,00
Euler Hermes International Ltd 01, Canada Square - London E14 5DX	United-Kingdom	Full	100,00	100,00	100,00	100,00
Euler Hermes Management Services UK Ltd 1, Canada Square - London E14 5DX	United-Kingdom	Full	100,00	100,00	0,00	0,00
Graydon U.K. Limited Hyde House, Edgware road - Colindale - London NW9 6LW	United-Kingdom	Equity	27,50	27,50	27,50	27,50
Euler Hermes Emporiki SA 109-111, Messogion Ave - Politia Business Center - Athens	115 26 Greece	Full	60,00	60,00	60,00	60,00
Euler Hermes Emporiki Services Limited 109-111, Messogion Ave - Politia Business Center - Athens	115 26 Greece	Full	60,00	60,00	60,00	60,00
Euler Hermes Credit Underwriters Hong Kong Ltd (4) 09/F 1 Int. Finance Centre 01, Harbour View street - Hong Kong	Hong-Kong	Full	100,00	100,00	100,00	100,00
Euler Hermes Services (HK) Ltd 09/F Int. Finance Centre 01, Harbour View street - Hong Kong	Hong-Kong	Full	100,00	100,00	100,00	100,00
EH Magyar Követeléskezelő Kft Kiscelli u.104 - 1037 Budapest	Hungaria	Full	74,90	74,90	74,90	74,90
Euler Hermes Magyar Hitelbiztosító Rt Kiscelli u.104 - 1037 Budapest	Hungaria	Full	74,89	74,89	74,89	74,89
Euler Hermes Credit Management Service Ireland Ltd 15, Blanchardstown Corporate Park Ballygowan - Dublin - Republic of Ireland	Ireland	Full	100	100	0,0	0,0
Israëli Credit Insurance Company Ltd (ICIC) 2, Shenkar Street - 68010 Israël - Tel Aviv	Israël	Equity	33,33	33,33	0,0	0,0
Euler Hermes SIAC Via Raffaello Matarazzo - 00139 Rome	Italy	Full	100,00	100,00	100,00	100,00
Euler Hermes Siac Services S.r.l Via Raffaello Matarazzo - 00139 Rome	Italy	Full	100,00	100,00	100,00	100,00
Logica S.R.L. Via Raffaello Matarazzo - 00139 Rome	Italy	Full	100,00	100,00	100,00	100,00
Euler Hermes Credit Services (Japan) Ltd 08-07, Kyobashi 1-chome, Chuo-Ku - Tokyo	Japan	Full	100,00	100,00	100,00	100,00
Euler Hermes Services Latvija SIA Skolas 9-5, LV-1010 RFulla	Latvia	Full	100,00	100,00	100,00	100,00
Lietuvos Draudimo Kreditu Draudimas Jasinskio 16, Vilnius	Lithuania	Equity	51,00	51,00	51,00	51,00
UAB Euler Hermes Services Baltic Jasinskio 16, Vilnius	Lithuania	Full	100,00	100,00	100,00	100,00
Euler Hermes Ré 6 B, Route de Trèves - 02633 Senningerberg	Luxembourg	Full	100,00	100,00	100,00	100,00
Euler Hermes Acmar 243, boulevard Mohammed V - 20000 Casablanca	Morocco	Full	55,00	55,00	55,00	55,00
Euler Hermes Acmar Services 243, boulevard Mohammed V - 20000 Casablanca	Morocco	Full	55,00	55,00	55,00	55,00
Euler Hermes Seguro de Crédito S.A. Bvd 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 Bvd Manuel Avila Camacho #164, 8° piso Col. Lomas de Barrilaco - Mexico, DF CP 11010	Mexico	Full	100,00	100,00	100,00	100,00
Euler Hermes Interborg NV Hoogoorddreef 5 - Postbus/ PO 1100 AL Amsterdam	Nederlands	Full	100,00	100,00	95,00	95,00
Euler Hermes Kredietverzekering NV Pettelaarpark 20 - Postbus 70571 NL-5201 CZ's-Hertogenbosch	Nederlands	Full	100,00	100,00	100,00	100,00
Euler Hermes Services BV Pettelaarpark 20 - Postbus 70571 NL-5201 CZ's-Hertogenbosch	Nederlands	Full	100,00	100,00	100,00	100,00

Foreign companies	Country	Consolidation method	31-déc-07		31-déc-06	
			% control	% interest	% control	% interest
Graydon Creditfink B.V. Hullenbergweg 260 - 1101 BV Amsterdam	Nederlands	Equity	27,50	27,50	27,50	27,50
Graydon Holding N.V. Hullenbergweg 260 - 1101 BV Amsterdam	Nederlands	Equity	27,50	27,50	27,50	27,50
Graydon Nederland B.V. Hullenbergweg 260 - 1101 BV Amsterdam	Nederlands	Equity	27,50	27,50	27,50	27,50
Kisys Krediet Informatie Systemen B.V. Hullenbergweg 270 - 1101 BV Amsterdam	Nederlands	Equity	27,50	27,50	27,50	27,50
MarkSelect B.V. Diemerhof 26 - Postbus 22969 - 1100 DL Amsterdam	Nederlands	Equity	27,50	27,50	27,50	27,50
N.V. Interpolis Kredietverzekeringen Pettelaarpark 20 - 5216 PD's Hertogenbosch	Nederlands	Proportional	45,00	45,00	45,00	45,00
Euler Hermes Zarzadzanie Ryzykiem Sp. Z.o.o. ul. Chocimska, 17 - 00 791 Warsaw	Poland	Full	100,00	100,00	100,00	100,00
Towarzystwo Ubezpieczen Euler Hermes S.A. ul. Chocimska, 17 - 00 791 Warsaw	Poland	Full	100,00	100,00	100,00	100,00
Euler Hermes, Anna Kozinska-Kancelaria Prawna Sp.k ul. Chocimska, 17 - 00 791 Warsaw	Poland	Full	99,98	99,98	99,98	99,98
Companhia de Seguro de Creditos SA (COSEC) Avenida de Republica, n° 58 1069-057 Lisboa	Portugal	Equity	50,00	50,00	41,43	41,43
Euler Hermes Cescob, uverova pojist'ovna, a.s. Molakova 576/11, 186 00 Pragues 8	Czech Republic	Full	100,00	100,00	100,00	100,00
Euler Hermes Cescob Service, s.r.o. Zahrebska 23-25 - 120 00 Pragues 2	Czech Republic	Full	100,00	100,00	100,00	100,00
Euler Hermes Servicii Financiare SRL Str. Maltopol, nr. 9, 011047, Sector 1, Bucuresti	Romania	Full	79,92	79,92	79,97	79,97
Euler Hermes Credit Insurance Agency (S) Pte. Ltd 3 Temasek Avenue - # 08-01 Centennial Tower Singapore 039130	Singapore	Full	100,00	100,00	100,00	100,00
Euler Hermes Credit Insurance Nordic A.B. Klara Norra Kyrkogata 29 - SE 101 34 Stockholm	Sweden	Full	100,00	100,00	100,00	100,00
Euler Hermes Services - AG General Wille strasse 10 - 8002 Zurich	Switzerland	Full	99,50	99,50	99,50	99,50
Euler Hermes Reinsurance AG Tödistrasse 65 - 8002 Zurich	Switzerland	Full	100,00	100,00	100,00	100,00
Euler Hermes Argentina (5) San Martin 550- C1004AAL Buenos Aires	Argentina	Full	100,00	100,00	0,00	0,00
EH Trade Credit Underwriting Agents (3) Suite 1403, Level 14, 14 Martin Place - NSW 2000 -Sydney	Australia	Full	100,00	100,00	0,00	0,00
EH Trade Credit Ltd. Lumley Centre (3) 88 Shortland Street - PO Box 3197 -Auckland	New Zealand	Full	100,00	100,00	0,00	0,00
Euler Hermes Serwis SRO Bratislava (3) Plynarenska 4659/1 821 09 Bratislava, Slovakia	Slovaquia	Full	100,00	100,00	0,00	0,00
Euler Hermes Risk Yönetimi (4) Dereboyu Sokak, Sun Plaza, Plaza Cubes, Maslak 34398 Istanbul	Turkey	Full	100,00	100,00	0,00	0,00

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

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

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

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

2.3 Consolidation principles and methods

2.3.1 Consolidation policies

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

Subsidiaries

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

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

- Euler Gestion
- Euro Gestion

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

Companies accounted for by the equity method

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

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

- Prisma Kreditversicherungs A.G.;
- Graydon Holding N.V.;
- Companhia de Seguro de Creditos SA (COSEC);
- Israel Credit Insurance Company Ltd (ICIC).

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

Entities under joint control (joint ventures)

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

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

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

2.3.2 Eliminations on consolidation

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

2.3.3 Financial year and year-end dates

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

2.3.4 Translation

2.3.4.1 Translation of transactions denominated in a foreign currency

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

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

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

2.3.4.2 Translation of the financial statements of foreign companies

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

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

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

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

<i>In euros vs currency</i>	31/12/2007		31/12/2006	
	closing	average	closing	average
Pound sterling	0.7334	0.6873	0,6715	0,68190
US dollar	1.4721	1.3797	1,3170	1,26299
Swedish krona	9.4415	9.2647	9,0404	9,25333
Brazilian real	2.6018	2.6549	2,81240	2,73856
Hong Kong dollar	11.48	10.761	10,24090	9,81224
Swiss franc	1.6547	1.6459	1,60690	1,57676

2.3.5 Sectoral data

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

2.3.6 Goodwill and other intangible assets

2.3.6.1 Goodwill

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

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

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

With effect from 1 January 2004, goodwill is no longer amortised in accordance with IFRS 3, but instead is subject to impairment testing, either annually or more frequently if events or changes in circumstances suggest that impairment may have occurred (see § 2.3.6.3).

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

For the purposes of impairment testing, goodwill is allocated to Cash Generating Units or to groups of Cash Generating Units (see § 2.3.6.3 for the impairment test procedures).

At each closing, the carrying amount of the Cash Generating Unit (or groups of Cash Generating Units) to which the goodwill relates is compared with its recoverable value, which represents the higher of the fair value of the Cash Generating Unit less any selling costs and its value in use. The value in use is defined as the present value of future cash flows as identified in the business plans of the subsidiary concerned. Details of the method used to calculate the value in use are presented in note 1 Goodwill.

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

2.3.6.2 Other intangible assets

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

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

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

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

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

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

2.3.6.3 Impairment

Goodwill

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

The main assumptions used to determine the value in use are as follows: indefinite renewal of policies, growth rate to infinity of between 1% and 3% depending on the CGU concerned, and a discount rate between 7.8% and 8.31% depending on the company. With effect from 2006, the discount rate used is determined by geographic region. The model is based on the projected 3-year budget prepared by management with a final year based on normalised management ratios (combined ratios and target retention rates) using a minimum rate of 83% for the combined ratio. Furthermore, as part of the setting up of a captive reinsurance company, the scope of the Cash Generating Units has been extended to include reinsurance assignments made to this new company as well as the share of related shareholders' equity. Lastly, the valuation model has been fine-tuned to incorporate specific treatment of capital surpluses actually available for distribution.

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

Other intangible assets

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

2.3.7 Property assets

2.3.7.1 Distinction between investment property and operating property

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

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

2.3.7.2 Recognition and measurement

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

The Euler Hermes group has identified four categories of property assets that apply to both investment property and operating property:

- Housing;
- Warehouses and commercial premises;
- Offices;
- High-rise buildings.

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

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

	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).

2.3.7.3 Impairment

Investment property

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

Property for own use

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

2.3.8 Other property and equipment

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

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

2.3.9 Financial instruments

2.3.9.1 Financial investments

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

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

Available-for-sale assets (AFS)

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

Initial recognition

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

Measurement

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

Impairment

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

The criteria deemed to indicate impairment of available-for-sale shareholders' equity instruments are as follows:

- significant impairment is presumed when the fair value of an available-for-sale equity instrument is more than 20% below the average acquisition cost of the securities at the closing date;
- lasting impairment is presumed when the fair value is less than the acquisition cost for more than 9 months.

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

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

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

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

Disposal

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

Held-to-maturity assets (HTM)

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

Initial recognition

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

Measurement

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

Assets held for trading purposes

A financial asset is classified as held for trading purposes if it is:

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

Initial recognition

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

Measurement

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

Loans and receivables

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

Recognition and measurement

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

Impairment

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

2.3.9.2 Derivatives

A derivative is a financial instrument, or another agreement falling within the scope of application of IAS 39, that has the following three features: (a) its value fluctuates as a function of changes in an interest rate, in the price of a financial instrument, in the price of a specific commodity, in an exchange rate, in a price or rate index, in a credit rating or a credit index, or in another variable (the "underlying"); (b) it requires no net initial investment or a net initial investment that is less than that

which would be required for other types of contracts that can be expected to react similarly to changes in market conditions; and (c) it is settled in the future.

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

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

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

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

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

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

2.3.10 Insurance and reinsurance receivables and liabilities

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

2.3.11 Acquisition costs capitalised

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

2.3.12 Current and deferred tax

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

capitalisation reserve, even when the low probability of selling at a loss securities of this reserve that are liable for tax makes it unlikely that the existing stock will be taxed.

2.3.13 Other receivables and operating liabilities

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

2.3.14 Other assets and other liabilities

These essentially comprise prepaid expense accounts.

2.3.15 Cash and cash equivalents

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

2.3.16 Provisions for risks and charges

2.3.16.1 Provisions

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

2.3.16.2 Contingent liabilities and contingent assets

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

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

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

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

2.3.17 Employee benefits

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

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

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

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

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

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

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

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

2.3.18 Share-based payments

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

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

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

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

2.3.19 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.

2.3.19.1 Definition of insurance contracts

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

Credit insurance contracts are included in IFRS 4 phase I (paragraph B18 (g) of the standard), this standard being applied pending the standard on "Financial Guarantee Contracts and Credit Insurance". In April 2005, the IAS Board concluded that the issuers of financial guarantee or credit insurance contracts that have clearly indicated that their contracts corresponded to the definition of an insurance contract under IFRS 4 and had recognised them using the accounting methods specific to insurance contracts, could elect to apply either the accounting methods provided for in IFRS 4, or those provided for in the exposure draft.

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

2.3.19.2 Measurement of insurance contracts

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

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

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

Analysis by function of expenses relating to contracts

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

Premiums

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

Premiums recognised in turnover stem from the guarantees given to policyholders to cover their trade receivables that arise in the same period as that for which the premium is paid. Given settlement delays, the lag between the triggering event, i.e. bankruptcy of the debtor, and notification of the claim,

there is also a lag between recording the premiums and the related claims. This lag is taken into account through the recognition of provisions for claims incurred but not reported (IBNR).

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

Provisions for unearned premiums

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

Claims

Claims comprise the following items:

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

Reserves for claims payable

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

- claims reported but not yet settled at the balance sheet date;
- 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.

2.3.19.3 Reinsurance contracts

Acceptances

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

Assignments

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

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

2.3.20 Borrowings

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

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

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

2.3.21 Income from ordinary activities

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

Turnover comprises earned premiums and commissions and other operating revenues.

2.3.21.1 Premiums

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

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

2.3.21.2 Investment income

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

Investment income net of management expense

This income comprises notably the following categories of revenue:

- net income from property
- net income from securities
- other financial income (bank credit interest, income from other investments)
- foreign exchange gains and losses
- investment management charges

Capital gains and losses on disposals of investments

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

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

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

Change in investment impairment charges

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

2.3.22 Insurance services expense

Insurance services expense includes the net cost of claims, i.e. claims settled during the period less recoveries received, the movement in claims reserves net of projected recoveries, bonuses and expenses incurred or to be incurred for the management of claims payments and collections. The recognition principles applied to these items are those set out in IFRS 4 and are described in section 2.3.19.2 (Measurement of insurance contracts).

2.3.23 Net outwards reinsurance income or expense

This heading comprises the share of assignments and retrocessions of earned premiums, claims paid, changes in claims reserves, bonuses and commissions received from reinsurers. The recognition principles applied to these items are those set out in IFRS 4 and are described in section 2.3.19.3.

2.3.24 Administration expense

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

2.3.25 Other ordinary operating income and expense

Other ordinary operating income and expense comprises:

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

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

2.3.26 Other operating income and expense

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

2.3.27 Financing expense

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

Financing expense consists of expenses relating to the following items:

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

2.3.28 Earnings per share

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

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

3 Risk Management

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

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

3.1 The risk control function

3.1.1 Objective and principles of risk control

In a rapidly changing environment, the perception of risk, as well as the realisation of certain major risks, has heightened risk awareness among all companies in the insurance market. Risk control and measurement have become a major component of the Euler Hermes group's strategy. The priorities of the risk control function are to protect the company's creditworthiness and to optimise the balance between risk and return. Therefore, in optimising this component, the objective is to reduce earnings volatility and facilitate the optimum allocation of capital, a source of lasting and steady growth. This approach forms part of an overall mechanism that is in keeping with the requirements of the key shareholders.

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

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

3.1.2 Risk control activity

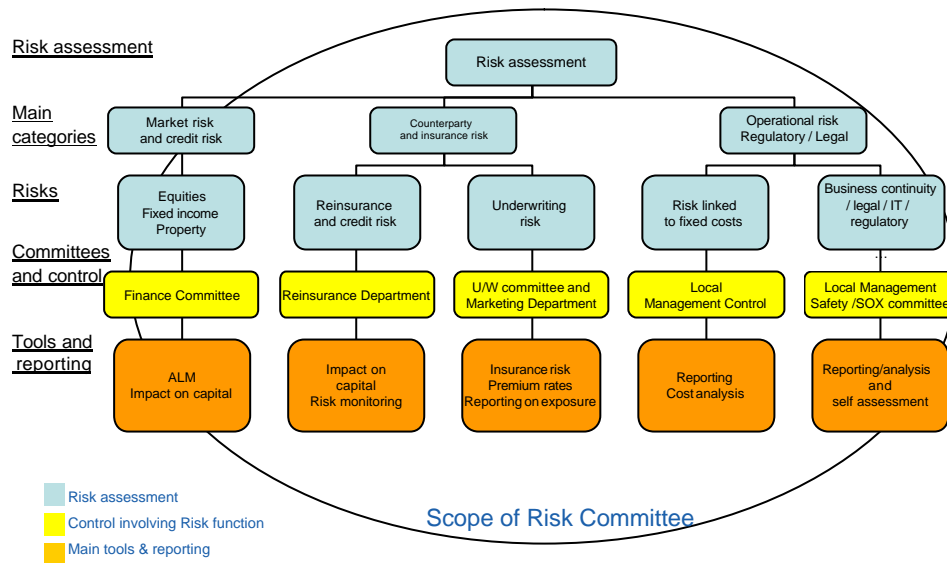
This function is responsible for understanding, measuring and controlling all the types of risks that the group may face. To achieve this, it relies on each entity and the cross-company functions of the group to monitor and consolidate the information provided to management. This coordination provides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

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

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

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

Main risk control flows



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

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

3.2 Insurance risk

3.2.1 Insurance risk

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

As such, during the policy period, each request from policyholders for cover on one of their debtors is analysed in accordance with clearly defined debtor creditworthiness criteria (financial analysis,

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

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

3.2.2 Credit insurance contracts

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

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

3.2.3 Insurance portfolio and diversification

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

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

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

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

€000	2007	%	2006	%
Total Europe	579 392	87,6%	497 795	88,2%
of which				
France	207 882	31,4%	187 312	33,2%
United Kingdom	68 096	10,3%	60 247	10,7%
Germany	110 200	16,7%	94 753	16,8%
Italy	68 478	10,4%	56 516	10,0%
Belgium and Luxembourg	29 454	4,5%	19 556	3,5%
Netherlands	20 777	3,1%	15 598	2,8%
Spain	18 719	2,8%	15 106	2,7%
Eastern Europe	16 735	2,5%	14 777	2,6%
Scandinavia	13 722	2,1%	13 925	2,5%
Rest of Europe	25 330	3,8%	20 005	3,5%
Total Americas	52 880	8,0%	49 703	8,8%
of which				
United States	35 914	5,4%	36 708	6,5%
Canada	5 933	0,9%	5 762	1,0%
Latin America	11 032	1,7%	7 233	1,3%
Asia/ -Pacific	20 158	3,0%	11 624	2,1%
Near and Middle East	5 312	0,8%	2 669	0,5%
Africa	3 499	0,5%	2 349	0,4%
Total	661 241	100,0%	564 140	100,0%

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

The second table shows the gross exposures by sector of activity. The sectoral breakdown presents another effect of diversification, i.e. a reduced impact of individual bankruptcies. Regular 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 31 December 2007

€000	2007	%	2006	%
Métallurgy	125 345	19,0%	97 935	17,4%
Agrifood	86 685	13,1%	77 005	13,7%
Construction	82 159	12,4%	71 138	12,6%
Textiles - leather	34 532	5,2%	32 607	5,8%
Electronics	56 014	8,5%	48 290	8,6%
Services	105 923	16,0%	89 980	16,0%
Wood - Paper	41 015	6,2%	35 315	6,3%
Chemicals	51 509	7,8%	44 003	7,8%
Other	78 059	11,8%	67 867	12,0%
Total	661 241	100,0%	564 140	100,0%

3.2.4 Management of underwriting risk

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

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

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

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

In this assessment, information quality and the proximity of the risks are key factors:

- analysis of internal information is given priority;
- each group entity monitors and underwrites its policyholders' cover. Each entity also provides a service for the other entities whose policyholders work with debtors located in the geographical region that it covers.

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

Certain debtors, especially large groups, whose rating reflects a very high degree of creditworthiness, offer higher theoretical gross exposures. The 50 largest debtors or groups of debtors fall within the strongest rating categories. To assess the impact of this concentration, the solidity of these individual debtors must be taken into account, as well as the group's capacity to reduce insurance cover in the short term, the application of insurance contract parameters and the protection offered by reinsurance. As shown by internal stress tests, any potential claim net of reinsurance on these exposures should not exceed 5% of shareholders' equity. It should also be emphasised that the dynamic management of Euler Hermes' exposure during the bankruptcies of major groups with a significant theoretical gross exposure has enabled the group to avoid the impact resulting from the domino effects of bankruptcies. It is the permanent balance between the terms and conditions of the insurance policies and the management of cover or risk transfer that ensures a steady cash flow at group level. The policy terms and conditions are adapted according to the risk of each customer. Besides the service it provides, management of insurance cover means that the risks borne by the group can be modified according to individual cases but also to reflect changes in the environment. If there is an adverse change in the environment, cover is reduced on the least creditworthy debtors in order to maintain the ratio of claims to premiums paid. The capacity and reaction time of the Euler Hermes group in such situations have also improved considerably with the implementation in the main group subsidiaries of the new group application for the management of underwriting cover on debtors having been finalised in 2006.

Theoretical gross exposures, managed on an ongoing basis, may be reduced at any time if the risk is deemed to be higher following an assessment of the debtor's creditworthiness. The actual exposure depends on the utilisation, which varies over time, of this cover by the 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.

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

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

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

3.3.1 Description of the portfolio

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

Financial portfolio at market value

	31/12/2007		31/12/2006	
	€m	%	€m	%
Bonds	2 215	63%	2 021	60%
Equities	426	12%	623	19%
Investment property	163	5%	135	4%
Loans, deposits and other financial investments	315	9%	235	7%
Total financial investments	3 120	89%	3 014	90%
Cash	378	11%	335	10%
Total financial investments + Cash	3 498	100%	3 349	100%

3.3.2 Equity market risk

The Euler Hermes group had invested around 12% of its financial portfolio in equities at the end of 2007. This policy stems from a cautious investment approach as well as the reduction in the portfolio's equity exposure in 2007. Investments are concentrated in major securities of the main financial markets. In fact, equities are considered as a risky asset whose weighting follows the strict rules of the finance committee with regard to allocation. The simulation of a fall in the markets has a relatively limited impact on the earnings of the group as a whole and means that this type of investment can be considered as providing substantial additional returns for the portfolio as a whole.

3.3.3 Interest rate risk

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

Bonds by maturity

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

The yield on the bond portfolio is highly dependent on changes in interest rates and the portfolio duration. The average bond yield for 2007 was 3.2%, close to the rate offered for the current duration of the bond portfolio, i.e. around 3.9 years. Amounts represented by securities reaching maturity were replaced by equivalent securities with maturities that are longer than the average portfolio duration or with very short-term maturity. This investment policy takes into account the yield offered by the market on these maturities with a controlled level of risk and optimisation of bond income.

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

3.3.4 Property risk

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

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

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

3.3.5 Liquidity risk

At 31 December 2007, almost 80% of the group's assets consisted of listed marketable securities. Equity investments are made in large caps listed on the major markets, mainly in Europe. Similarly, group companies select bonds of major public or private issuers that are listed on highly liquid markets, thus enabling such investments to be traded at short notice.

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

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

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

3.3.6 Exchange risk

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

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

Group financial portfolio by currency

	31/12/2007		31/12/2006	
	€m	%	€m	%
EUR	2 617	83,9%	2 395	79,5%
GBP	240	7,7%	304	10,1%
USD	196	6,3%	244	8,1%
Other currencies	67	2,1%	71	2,4%
Total	3 120	100%	3 014	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.

Foreign exchange risk	2007			2006			
	€m	United States	United Kingdom	GROUP	United States	United Kingdom	GROUP
Net income, group share in €000 - 2007		29,0	36,1	407,0	28,1	39,7	326,1
Closing exchange rate		0,6793	1,3636		0,7593	1,4892	
Net income, group share in local currency ('000)		42,7	26,4		36,2	26,7	
Impact of a 100 basis-point exchange rate movement		0,6693	1,3536		0,7493	1,4792	
Net income, group share in €000 after the exchange rate movement		28,6	35,8	406,3	27,1	39,5	325,4
Change relative to initial net income (%)		-1,47%	-0,73%	-0,17%	-1,32%	-0,67%	-0,19%

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

3.4 Credit risk

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

Euler Hermes matches each bond portfolio line with the issuer's rating. The breakdown of the portfolio by rating, apart from providing control over the creditworthiness of securities held in the portfolio, demonstrates that securities with a AAA rating represent 78% of the portfolio, mainly in government securities, and less than 1% of securities have no rating at all or a rating below A.

Concentration risk is very limited as no corporate bond security held in the portfolio exceeds 0.7% of the total bond portfolio.

Breakdown of bonds by rating

	31/12/2007		31/12/2006	
	€m	%	€m	%
AAA	1 728	78%	1 650	82%
AA+	121	5%	86	4%
AA	234	11%	198	10%
AA-	49	2%	40	2%
A+	56	3%	22	1%
A	11	1%	8	0%
Other ratings	16	1%	18	1%
Total	2 215	100%	2 022	100%

3.5 Reinsurance and reinsurance counterparty risk

3.5.1 Reinsurance: a risk management tool

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

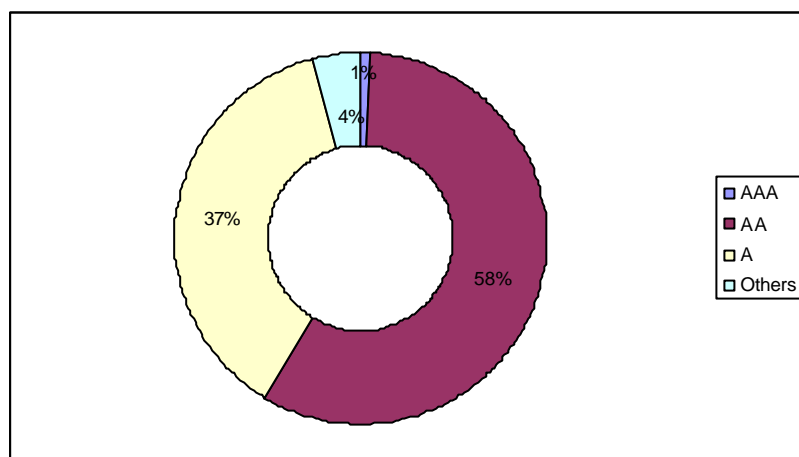
Proportional (share) treaties protect the group against an increase in high-frequency risks in the event that a large number of debtors go bankrupt. Through these treaties, the group assigns a portion of its risks and related premiums to reinsurers, after deducting a fee to cover administration charges.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

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

3.5.2 Reinsurance counterparty risk

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

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



	€'m
AAA	2 974
AA	203 622
A	131 004
Others	14 192
Total	351 792

* 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.

This new internal model being developed aims to improve the approach used up to now, which refers to the method applied by Standard & Poor's.

The current reference model, based on the Standard & Poor's method, assigns risk factors to the various balance sheet items. Securities in the financial portfolio are thus classified by rating, as are the exposures to reinsurers. The insurance and reserve risk is deduced by directly applying factors to the amounts after reinsurance of net premiums and claims reserves respectively. Standard & Poor's has recently revised these factors, with a heavier weighting now being applied to the credit insurance activity. While some assumptions may be debatable, it remains a reference for a standard risk capital computation. To facilitate comparison of results, the simulation has thus been prepared for 2006 and 2007 using this new model.

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

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

**Simulation using the new S&P modeling for an A rating*

RAC 2006: Risk adjusted capital: C1+C2+140%(C4+C5)

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

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

Stress tests

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

Stress tests on assets

Equity and bond portfolio risk at 31 December 2007 (€m)	Market value at 31 December 2007	Impact of a 100bp* rise in interest rates	Impact of a 10% fall in the equity market	Market value at 31 December 2006	Impact of a 100bp* rise in interest rates	Impact of a 10% fall in the equity market
Bonds	2 215	-86,4	0,0	2 022	-83,4	0,0
Equities	426	0,0	-42,6	623	0,0	-62,3
Total	2 641			2 645		

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

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

At just under four years, the duration of the bond portfolio limits the impact of a 100 basis point rise in interest rates to €86.4 million before tax. Scenarios for other financial assets involve measuring the impact of a 10% change in the assets concerned.

Stress tests on equities and the impact on shareholders' equity

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

The impact on shareholders' equity 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 €18 million on pre-tax income at group level.

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

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

Assumption: effective tax rate is constant in 2006 and 2007

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

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

3.7 Operational risks

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

Through its geographical distribution, Euler Hermes has long applied a clear management approach to its operational situation in order to reduce related risks and further strengthen the assessment and analysis of this type of risk and to prepare for the transition to new European regulations.

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

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

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

3.7.1 Insurance of goods and persons

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

3.7.2 Regulatory framework

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

3.7.3 Legal risks

Euler Hermes pays dose 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

Ratio Claims / Premiums net of reinsurance

	2004	2005 proforma	2006	2007
Claims / Premiums Ratio *	45,9%	44,8%	49,2%	48,1%

* In accordance with IFRS

Determining claims reserves

Due to their insurance activity, the group's subsidiaries are required to establish sufficient reserves to guarantee future claims payments. As provided for in the policy, in the event of payment default by a debtor to a 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 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.

Cost of claims

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

The cost of claims held steady over the year. By contrast, the development of prior years' claims was less favourable with the gross surplus on reinsurance reduced to €170 million (€232 million in 2006) following the improvement in the methods and approach used for the calculation of reserves, resulting in a decrease in uncertainty in respect of estimated reserves.

Claims reserves

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

Breakdown by type of reserve

€'000	31/12/2007			31/12/2006		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reserves for unearned premiums	260 291	(48 242)	212 049	241 827	(55 082)	186 745
Technical reserves	1 045 564	(297 351)	748 213	1 048 673	(334 274)	714 399
of which, reserves for known claims	816 736	(332 457)	484 279	834 008	(368 996)	465 012
of which, reserves for late claims	290 895	46	290 941	275 477	46	275 523
of which, reserves for claims handling expenses	107 251	(991)	106 260	105 378	(12 065)	93 313
of which, other technical reserves	1 734	(2 908)	(1 174)	961	(1 816)	(855)
of which, recoveries to be received	(171 052)	38 959	(132 093)	(167 151)	48 557	(118 594)
Claims bonuses and rebates	120 286	(19 862)	100 424	122 842	(22 609)	100 233
Technical reserves	1 426 141	(365 455)	1 060 686	1 413 342	(411 965)	1 001 377

Development of claims reserves

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

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

The initial estimate of the final cost of claims includes a degree of uncertainty, resulting in a surplus on prior years, reflecting not only a lack of information but also a margin of prudence that was gradually decreased over the final years. Large claims at the end of the year impacted the 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	Difference	% change
2001	1 213 436	1 075 350	1 037 620	1 007 406	980 234	962 870	960 188	253 248	20,9%
2002	1 132 453	936 081	908 988	879 727	869 995	864 058		268 395	23,7%
2003	1 022 342	801 350	726 542	722 544	714 238			308 104	30,1%
2004	846 412	691 965	639 511	631 064				215 348	25,4%
2005	878 002	784 292	745 753					132 249	15,1%
2006	870 810	813 507						57 303	6,6%
2007	887 016								

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

* *The aggregate tables of claims development, excluding elimination of cash flows between entities, cover more than 99% of the technical reserves of all group entities without 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 30.1% observed in the 2003 insurance year.

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

Accident \ development year	1	2	3	4	5	6	7
2001	304 447	838 682	933 962	953 196	951 995	948 778	944 643
2002	328 185	723 126	813 694	833 243	836 390	836 423	
2003	251 708	581 788	631 138	654 517	663 304		
2004	239 170	543 103	590 476	601 143			
2005	273 695	647 380	692 190				
2006	296 906	686 085					
2007	283 944						

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

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.

<i>(in thousands of euros)</i>							31/12/2007	31/12/2006
	France	Italy	United Kingdom	United States	Benelux countries	Other	Total	Total
Balance as of December 31, 2006								
Gross value	393	6 229	72 905	25 669	7 978	5 279	118 453	119 328
Impairment losses	-	(409)	(10 670)	-	-	-	(11 079)	(10 162)
Net carrying amount	393	5 820	62 235	25 669	7 978	5 279	107 374	109 166
Change during the year								
Net carrying amount as of December 31, 2006	393	5 820	62 235	25 669	7 978	5 279	107 374	109 166
Changes in gross value ⁽²⁾	-	-	907	6 229	264	2 057	9 457	-
Other changes	-	-	-	-	-	-	-	192
Reclassifications ⁽¹⁾	-	-	7 549	-	-	-	7 549	-
Changes in foreign currency translation adjustments	-	-	(5 800)	(3 096)	-	93	(8 803)	(1 575)
Impairment losses	-	-	-	-	-	-	-	(409)
Net carrying amount as of December 31, 2007	393	5 820	64 891	28 802	8 242	7 429	115 577	107 374
Balance as of December 31, 2007								
Gross value	393	6 229	74 661	28 802	8 242	7 429	125 756	118 453
Impairment losses	-	(409)	(9 770)	-	-	-	(10 179)	(11 079)
Net carrying amount	393	5 820	64 891	28 802	8 242	7 429	115 577	107 374

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

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

	EH ACI		EH SIAC		EH UK		EH BELGIUM	
Parameters								
Cost of capital	7,82%		8,10%		8,31%		8,10%	
	<i>of which, risk-free rate</i>		<i>4,30%</i>		<i>4,51%</i>		<i>4,30%</i>	
	<i>of which, risk premium (beta = 0.95)</i>		<i>3,80%</i>		<i>3,80%</i>		<i>3,80%</i>	
Effective tax rate	35,0%		48,0%		28,0%		33,0%	
Normalised return on financial portfolio	5,1%		3,2%		4,9%		5,5%	
Net combined ratio	85,0%		83,0%		88,0%		75,0%	
Target retention rate	55,0%		75,0%		70,0%		65,0%	
Long-term growth (upper and lower assumptions)	1,5%	2,5%	1,0%	3,0%	1,0%	2,0%	1,0%	3,0%
Average value in use (in thousands of euros)	462 257		385 441		296 588		220 873	
Book value (in thousands of euros)	195 049		147 293		273 688		100 212	

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

The values in use of Euler Hermes ACI Inc range from €400,237 thousand to €524,278 thousand, corresponding to an assumed cost of capital of 8.8% and 6.8% respectively. These valuations support the fact that no complementary goodwill impairment is recognised.

The values in use of Euler Hermes SIAC range from €331,662 thousand to €439,220 thousand, corresponding to assumed long-term growth rates ranging from 1% to 3%. These valuations support the fact that no complementary goodwill impairment is recognised.

The values in use of Euler Hermes UK Plc range from €279,810 thousand to €313,366 thousand, corresponding to assumed long-term growth rates ranging from 1% to 2%. These valuations support the fact that no complementary goodwill impairment is recognised.

The values in use of Euler Hermes Belgium range from €192,199 thousand to €249,547 thousand, corresponding to assumed long-term growth rates ranging from 1% to 3%. These valuations support the fact that no complementary goodwill impairment is recognised.

Note 2 Other intangible assets and contracts portfolio

<i>(in thousands of euros)</i>	31/12/2007				31/12/2006			
	Contracts portfolio	IT development and software	Other intangible assets	TOTAL	Contracts portfolio	IT development and software	Other intangible assets	TOTAL
Balance as of December 31, 2006								
Gross value	14 112	75 294	18 440	107 846	2 473	79 392	9 704	91 569
Amortisation	(2 542)	(51 583)	(10 802)	(64 927)	(1 662)	(50 514)	(5 979)	(58 155)
Impairment	-	-	-	-	(811)	-	-	(811)
Net carrying amount	11 570	23 711	7 638	42 919	-	28 878	3 725	32 603
Change during the year								
Net carrying amount as of December 31, 2006	11 570	23 711	7 638	42 919	-	28 878	3 725	32 603
Acquisitions ⁽¹⁾	1 605	24 537	1 108	27 250	11 684	3 719	6 026	21 429
Expenses capitalised	-	-	-	-	-	-	-	-
Changes in consolidation scope	-	-	2	2	-	56	3 221	3 277
Disposals	(2 295)	(1 943)	(7)	(4 245)	-	(5 458)	(56)	(5 514)
Reclassifications ⁽²⁾	(7 543)	(11)	(1 160)	(8 714)	-	112	(112)	-
Foreign exchange differences	(391)	(401)	-	(792)	(85)	(33)	(5)	(123)
Net amortisation	738	(5 472)	(1 254)	(5 988)	(29)	(2 550)	(1 300)	(3 879)
Net provisions for impairment	-	-	-	-	-	-	(3 527)	(3 527)
Other changes ⁽³⁾	(224)	8 072	-	7 848	-	(1 013)	(334)	(1 347)
Net carrying amount at December 31, 2007	3 460	48 493	6 327	58 280	11 570	23 711	7 638	42 919
Balance as of December 31, 2007								
Gross value	5 191	104 623	18 398	128 212	14 112	75 294	18 440	107 846
Amortisation	(1 731)	(56 132)	(12 071)	(69 934)	(2 542)	(51 583)	(10 802)	(64 927)
Impairment	-	-	-	-	-	-	-	-
Net carrying amount	3 460	48 491	6 327	58 278	11 570	23 711	7 638	42 919

(1) New acquisitions consist of portfolios in Australia and New Zealand.

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

(3) Other movements correspond mainly to the IRP application developed by the group.

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

Note 3 Investment and operating property

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

(1) The acquisition of a building by Euler Hermes SFAC and the consolidation of UMA, owner of a building, mainly explain the acquisitions of operating property in 2007.

(2) The change in consolidation scope of €1,450 thousand is related to the property owned by UMA, subsidiary bought in 2007.

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

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

Note 4 Financial investments

Classification by accounting method

For an instrument that is listed on an active market, the fair value is the bid price on the valuation date for an asset held or a liability to be issued and the offer price for an asset intended to be purchased or a liability intended to be held. If such prices are not available, the fair value is estimated based on the most recent transaction price.

	31/12/2007					31/12/2006				
	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
<i>(in thousands of euros)</i>										
Held-to-maturity assets										
Bonds:	15 977	-	15 977	15 962	(15)	23 846	-	23 846	24 001	155
<i>listed</i>				7 590					9 722	
<i>not listed</i>				8 372					14 279	
Total held-to-maturity assets	15 977	-	15 977	15 962	(15)	23 846	-	23 846	24 001	155
Available-for-sale assets										
Equities:	295 013	128 498	423 511	423 511	-	443 553	179 341	622 894	622 894	-
Bonds:	2 193 173	5 749	2 198 922	2 198 922	-	1 989 965	7 568	1 997 533	1 997 533	-
<i>listed</i>				2 477 305					1 863 868	
<i>not listed</i>				145 128					756 559	
Total available-for-sale assets	2 488 186	134 247	2 622 433	2 622 433	-	2 433 518	186 909	2 620 427	2 620 427	-
Trading assets										
Equities:	2 831	-	2 831	2 831	-	253	-	253	253	-
Bonds:	-	-	-	-	-	-	-	-	-	-
Total trading assets	2 831	-	2 831	2 831	-	253	-	253	253	-
Loans, deposits and other financial investments	315 349	-	315 349	315 349	-	234 652	-	234 652	234 652	-
Total loans, deposits and other financial investments	315 349	-	315 349	315 349	-	234 652	-	234 652	234 652	-
Total financial investments	2 822 342	134 247	2 956 589	2 956 575	(14)	2 692 269	186 909	2 879 178	2 879 333	155
<i>(in thousands of euros)</i>										
- Equities:	297 844	128 498	426 342	426 342	-	443 806	179 341	623 147	623 147	-
- Bonds:	2 209 150	5 749	2 214 899	2 214 884	(15)	2 013 811	7 568	2 021 379	2 021 534	155
- Loans and other investments	315 349	-	315 349	315 349	-	234 652	-	234 652	234 652	-
Total Financial Investments	2 822 343	134 247	2 956 590	2 956 575	(15)	2 692 269	186 909	2 879 178	2 879 333	155

Concerning the non listed investments, the group estimates the fair value using a valuation technique. Valuation techniques include the use of recent transactions under normal competitive conditions between informed and consenting parties, where available, reference to the current fair value of another instrument that is identical in substance, the analysis of discounted cash flows and option valuation models. The non listed investments are mainly German States bonds.

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

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

Classification by investment category

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

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

Note 5 Investments accounted for by the equity method

Information on equity-accounted investments

Company	Country	31/12/2007				
		Assets ⁽¹⁾	Shareholders' equity ⁽²⁾	Turnover	Net income	% of capital held
Prisma Kreditversicherungs A.G.	Austria	51 843	25 429	43 910	3 284	49,00%
Lietuvos Draudimo Kreditu Draudimas	Lithuania	4 376	4 608	4	553	51,00%
Graydon Holding N.V.	The Netherlands	54 800	23 582	71 081	15 073	27,50%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	103 074	45 064	17 130	3 050	50,00%
Israel Credit Insurance Company Ltd ⁽³⁾	Israel	43 449	25 140	13 719	2 148	33,33%
		257 542	123 823	145 844	24 108	

(1) Assets based on company financial statements as at September 30, 2007.

(2) Shareholders' equity based on company financial statements as at September 30, 2007 including goodwill.

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

Company	Country	31/12/2006				
		Assets	Shareholders' equity	Turnover	Net income	% of capital held
Prisma Kreditversicherungs A.G.	Austria	44 997	22 753	39 597	4 712	49,00%
Lietuvos Draudimo Kreditu Draudimas	Lithuania	4 086	3 263	767	745	51,00%
Graydon Holding N.V.	The Netherlands	52 061	22 509	69 401	15 480	27,50%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	102 949	40 683	18 770	3 865	41,43%
		204 093	89 208	128 535	24 802	

Movements during the period

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

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

Contribution to shareholders' equity

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

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

Contribution to income

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

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

Note 6 Operating property and other property and equipment

(in thousands of euros)

	31/12/2007				31/12/2006			
	Contracts portfolio	IT development and software	Other intangible assets	TOTAL	Contracts portfolio	IT development and software	Other intangible assets	TOTAL
Balance as of December 31, 2006								
Gross value	14 112	75 294	18 440	107 846	2 473	79 392	9 704	91 569
Amortisation	(2 542)	(51 583)	(10 802)	(64 927)	(1 662)	(50 514)	(5 979)	(58 155)
Impairment	-	-	-	-	(811)	-	-	(811)
Net carrying amount	11 570	23 711	7 638	42 919	-	28 878	3 725	32 603
Change during the year								
Net carrying amount as of December 31, 2006	11 570	23 711	7 638	42 919	-	28 878	3 725	32 603
Acquisitions	1 605	24 537	1 108	27 250	11 684	3 719	6 026	21 429
Expenses capitalised	-	-	-	-	-	-	-	-
Changes in consolidation scope	-	-	2	2	-	56	3 221	3 277
Disposals	(2 295)	(1 943)	(7)	(4 245)	-	(5 458)	(56)	(5 514)
Reclassifications	(7 543)	(11)	(1 160)	(8 714)	-	112	(112)	-
Foreign exchange differences	(391)	(401)	-	(792)	(85)	(33)	(5)	(123)
Net amortisation	738	(5 472)	(1 254)	(5 988)	(29)	(2 550)	(1 300)	(3 879)
Net provisions for impairment	-	-	-	-	-	-	(3 527)	(3 527)
Other changes	(224)	8 072	-	7 848	-	(1 013)	(334)	(1 347)
Net carrying amount at December 31, 2007	3 460	48 493	6 327	58 280	11 570	23 711	7 638	42 919
Balance as of December 31, 2007								
Gross value	5 191	104 623	18 398	128 212	14 112	75 294	18 440	107 846
Amortisation	(1 731)	(56 132)	(12 071)	(69 934)	(2 542)	(51 583)	(10 802)	(64 927)
Impairment	-	-	-	-	-	-	-	-
Net carrying amount	3 460	48 491	6 327	58 278	11 570	23 711	7 638	42 919

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

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

Note 7 Deferred tax

Breakdown by type of tax

(in thousands of euros)

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

Movement in deferred tax by geographical region

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

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

The €19 million accounted through income by Germany resulted from the change in tax rate taken into account during the 4th quarter 2007.

Change in standard tax rate

	31/12/2007	31/12/2006
Group rate	28,70%	32,76%
France	34,43%	34,43%
Germany	40,38%	40,38%
Italy	38,25%	37,25%
United Kingdom	30,00%	30,00%
United States	35,00%	35,00%
The Netherlands	25,50%	29,60%
Belgium	33,99%	33,99%
Switzerland	17,50%	24,53%

The group tax rate corresponds to the effective tax rate, i.e. the tax charge recognised in the income statement compared with gross income before tax and adjusted for the profits of companies accounted for by the equity method.

The changes in tax rates in Germany and in the United Kingdom for 2008 – which effects in the deferred taxes were accounted as of December 31, 2007 – mainly explain the decrease in the effective tax rate.

A reconciliation between the tax rate of the parent company Euler Hermes SA and the effective tax rate in 2006 is provided in note 23.

Note 8 Insurance and reinsurance receivables

Breakdown by type

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

Breakdown of net receivables from guaranteed debtors

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

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

Breakdown by maturity

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

Provisions for bad debts from policyholders and agents

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

Note 9 Other receivables

Breakdown by type

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

Breakdown by maturity

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

Note 10 Cash and cash equivalents

Balance Sheet

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

Reconciliation with the cash flow statement

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

The amounts taken into account in the cash position in the cash flow statement correspond to cash equivalents. These are short-term investments (less than three months) that are highly liquid and can readily be converted into a predetermined amount of cash and which are subject to a negligible risk of change in value.

Note 11 Revaluation reserve

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

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

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

Note 12 Minority interests

Movements during the year

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

Breakdown by country

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

Note 13 Provisions for risks and charges

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

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

Preliminary results from the tax audit performed in Germany on the financial years from 1997 to 2000 resulted in the recognition of tax provisions in the 2005 financial statements. These provisions were adjusted in 2006 and in 2007, mainly to reflect payments made and the estimate of risks relating to subsequent financial years.

The reclassification of €21 million concerns various tax risks accounted in previous year in tax liabilities.

Charges to provisions for employee benefits correspond mainly to part time work (€6 million), to the personnel expense relating to Allianz option plans granted to executives (€0.7 million) and long service awards (€0.5 million).

The write-backs of €3 million correspond to early retirement provisions for part-time staff and to provisions relating to long-service awards.

Note 14 Employee benefits

Defined contribution plans

General description of the plans

- La Mondiale (France): insurance firms are required to pay 1% of their annual payroll into a capitalisation pension plan. The funds are managed by La Mondiale, an insurance firm.
- Euler American Credit Indemnity Company Associates Retirement Savings Plan: this is a defined contribution plan for full-time employees of Euler American Credit Indemnity. A provision must be raised pursuant to the Employee Retirement Income Security Act of 1974 (ERISA).
- United Kingdom: the company makes contributions on behalf of its employees amounting to 8% of salaries. The cash is invested in the names of the employees, who receive rights according to the return on investment generated.
- Scandinavia:
 - Sweden: a multi-employer plan that is managed by SPP, one of the largest life insurance companies.
 - Denmark: the plan is managed by Danica, a Danish life insurance company.
 - Norway: a multi-employer plan that is managed by Vital, a Norwegian life insurance company.
 - Finland: the plan is managed by Varma, a Finnish insurance company.

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

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

Defined benefit plans

General description of the plans

- Retirement indemnities (France): the rights in respect of retirement indemnities are defined by the insurance companies' collective agreement. This plan is financed partly by a policy taken out with an insurance company.
- PSAD (France): this is a supplementary retirement benefit plan that was closed in 1978 and covers executives of Euler Hermes Sfac. Contributions are paid by the company to beneficiaries or their surviving spouse (reversion) until their death. The plan is managed by BCAC, which informs the company quarterly of the contributions to be paid. At the end of the year, there were 19 beneficiaries.
- CARDIF (France): This is a supplementary retirement benefit plan that was closed in 2006 and covers members of the Group Management Board and/or corporate officers of Euler Hermes and Euler Hermes Sfac. The contributions are paid by CARDIF to the beneficiaries or their surviving spouse (reversion) until their death. There are 2 beneficiaries.

- TFR (Italy): Trattamento di Fine Rapporto is a pension plan established by Italian legislation that is similar to a defined benefit pension plan. It is valued in accordance with IAS 19 by an independent actuary.

The following items were taken into account when measuring the commitment at the year end:

- The retirement age has been taken as 60 years for women and 65 years for men;
- The probability of leaving the company within the next five years for employees under 40 years of age has been determined based on historical data;
- The average life expectancy has been determined based on current statistics;
- The probability of an early request for TFR has also been calculated using historical data available within the company.

The assets covering the actuarial liability are included along with the other assets of Euler Hermes SIAC and are not identified separately.

- EHUK Defined Benefit plan: Euler Hermes in the UK operates a defined benefit pension plan that covers all employees who had joined the company by 31 December 2001. Under this plan, employees will be granted a pension on retirement (the normal age being 63 years), which will be a fraction of their salary upon retirement and based on their length of service within the company. The company funds these rights through a dedicated fund. The retirement rights are revalued annually based on the constraints set by law, which provides for the mandatory application of different revaluation rates according to the vesting date of the rights.

The revaluation of certain rights, notably those earned prior to 6 April 1997, is not covered by a legal obligation, but is discretionary. The assumptions used to calculate the commitment were reviewed in 2005 following the decision to no longer finance the revaluation of the discretionary increase in rights earned prior to 1997. This took into account the company's recent practice and the current position of the fund, factors that tend to reduce the probability of such discretionary revaluations being granted in the future. The commitment was reduced by £13.7 million at 31 December 2005. In this regard, £8.4 million was treated as actuarial gains and £5.7 million was recognised in the 2006 income statement as past service costs.

At 31 December 2007, the present value of pension commitments in respect of this plan came to £96.4 million, funded partly by the fund as the market value of the assets stood at £94 million.

- AVK/APV EPV: Euler Hermes Kreditversicherungs AG, Euler Hermes Forderungsmanagement GmbH, Euler Hermes Risk Management & Co.KG and Euler Hermes Rating GmbH have implemented a defined benefit pension plan for all their employees. The beneficiaries will receive an annuity upon retirement at 65 years of age at the latest. This plan is managed in part by external companies, namely Pensionskasse AVK and Unterstützungskasse 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.

31/12/2007	France			Italy	United Kingdom	Germany	Belgium	The 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 assumption	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	36	-	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)
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Provision for defined benefit plan	(4 196)	(4 497)	-	(9 791)	15 319	(28 975)	(4 282)	(779)	(37 201)
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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	0	60	60-65	63	63	60	65	
- Remaining length of service	10	0	5	0	20	15	12	28	
- Other major assumptions used (1)	-	60,00%	-	-	-	-	-	-	

(1) the 60% on the PSAD plan corresponds to the reversion rate

Structure of plan assets									
- Equities	-	-	23,00%	-	40,00%	20,34%	-	-	-
- Bonds	100,00%	-	27,00%	-	60,00%	77,21%	-	-	-
- Property	-	-	-	-	-	2,43%	-	-	-
- Other	-	-	50,00%	-	-	0,02%	100,00%	100,00%	-

The €52,520 thousand in note 13 corresponds to the provision for defined benefit plan at 31 December 2006 (€37,201 thousand) adjusted for the positive net commitment of €15,319 thousand in the United Kingdom.

31 December 2006	France			Italy	United Kingdom	Germany	Belgium	The 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	(3)	-	-	-	-	-	-	-	(3)
- 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	15	(145)	222	-	(389)	(6 256)	-	(437)	(6 990)
- Benefits paid	196	488	122	1 489	3 156	8 505	200	1	14 157
- Translation differences	123	-	-	-	(2 837)	-	-	-	(2 714)
- Other	-	-	-	-	210	(166)	461	(1 817)	(1 312)
- Removal of the discretionary clause	-	-	-	-	3 623	-	-	446	4 069
Actuarial liability at end of period	(5 278)	(5 078)	(3 040)	(10 364)	(147 090)	(329 006)	(15 138)	(4 219)	(519 213)
Fair value of assets at start of period	858	-	4 672	-	125 154	245 321	8 093	1 664	385 762
- Actual return on plan assets	57	-	224	-	7 690	12 310	535	5	20 821
- Experience effect on returns from assets	-	-	-	-	325	(2 032)	-	-	(1 707)
- Employee contributions	-	-	-	-	-	2 598	-	-	2 598
- Employer contributions	98	-	-	-	2 919	6 125	158	308	9 608
- Acquisitions/disposals of subsidiaries	74	-	-	-	-	-	832	210	1 116
- Reductions of pension plans	-	-	(1 473)	-	-	-	-	-	(1 473)
- Disposals of pension plans	-	-	-	-	-	-	-	-	-
- Benefits paid	(249)	-	(122)	-	(3 156)	(5 444)	(200)	(1)	(9 172)
- Translation differences	-	-	-	-	2 572	-	-	-	2 572
- Other	-	-	-	-	(210)	-	-	755	545
Fair value of assets at end of period	838	-	3 301	-	135 294	258 878	9 418	2 941	410 670
Actuarial differences still to be amortised	(283)	-	261	-	(30 124)	(43 325)	(422)	(110)	(74 003)
Provision for defined benefit plan	(4 157)	(5 078)	-	(10 364)	18 328	(26 803)	(5 298)	(1 168)	(34 540)
Expenses for the period	(469)	(530)	-	(1 245)	4 255	(11 078)	(994)	(955)	(11 016)
- Cost of services provided during the period	(309)	-	-	(978)	(3 970)	(9 761)	(761)	(289)	(16 068)
- Financial cost (discounting effect)	(193)	(192)	-	(267)	(6 585)	(13 525)	(573)	(93)	(21 428)
- Expected return on plan assets	35	-	-	-	7 690	12 310	340	5	20 380
- 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	-	-	-	-	-	-	-	8	8
- Asset ceiling	-	-	-	-	-	-	-	-	-
- Exceptional events	-	-	-	-	-	-	-	-	-
- Other (see explanatory note above)	-	(338)	-	-	8 444	-	-	(786)	7 320
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 31 December 2006 (€34,540 thousand) adjusted for the positive net commitment of €18,328 thousand in the United Kingdom.

31 December 2005	France			Italie	United Kingdom	Germany	Belgium	The Netherlands	Total
	Retirement indemnities	PSAD	CARDIF						
Actuarial liability at start of period	(4 508)	(5 032)	(3 505)	(10 938)	(122 581)	(271 361)	(11 341)	(1 691)	(430 957)
- Cost of services provided during the period	(276)	-	(603)	(1 352)	(3 352)	(6 579)	(666)	(316)	(13 144)
- Interest expense	(203)	(196)	(185)	(213)	(6 758)	(13 298)	(537)	(79)	(21 469)
- Employee contributions	-	-	-	-	-	(2 613)	(148)	-	(2 761)
- Change of pension plan	(114)	-	-	-	-	564	-	-	450
- Acquisitions/disposals of subsidiaries	(341)	-	-	-	-	-	-	-	(341)
- Reductions of pension plans	-	-	-	-	-	-	-	-	-
- Disposals of pension plans	-	-	-	-	-	-	-	-	-
- Exceptional events	-	-	-	-	-	-	-	-	-
- Actuarial gains (losses) due to a change in assumptions	78	(288)	(390)	-	(3 969)	(49 245)	(1 420)	(195)	(55 429)
- Benefits paid	213	480	11	1 896	2 182	9 925	119	1	14 826
- Translation differences	-	-	-	-	(3 533)	-	-	-	(3 533)
- Other	19	-	-	-	(31)	-	(726)	-	(738)
Actuarial liability at end of period	(5 132)	(5 036)	(4 672)	(10 608)	(138 042)	(332 607)	(14 719)	(2 280)	(513 095)

Fair value of assets at start of period	803	-	2 688	-	105 181	216 581	6 535	1 016	332 804
- Actual return on plan assets	29	-	194	-	15 243	28 221	333	281	44 301
- Employee contributions	-	-	-	-	-	2 613	148	19	2 780
- Employer contributions	228	-	1 801	-	3 880	4 971	440	402	11 722
- Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-
- Reductions of pension plans	-	-	-	-	-	-	-	-	-
- Disposals of pension plans	-	-	-	-	-	-	-	-	-
- Benefits paid	(213)	-	(11)	-	(2 182)	(7 065)	(119)	(1)	(9 591)
- Translation differences	-	-	-	-	3 031	-	-	-	3 031
- Other	11	-	-	-	-	-	756	(53)	725
Fair value of assets at end of period	858	-	4 672	-	125 154	245 321	8 093	1 664	385 762

Actuarial differences still to be amortised	(333)	-	-	-	(23 817)	(63 145)	(1 489)	16	(88 768)
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Provision for defined benefit plan	(3 941)	(5 036)	-	(10 608)	10 930	(24 141)	(5 137)	(632)	(38 565)
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Expenses for the period	(450)	(484)	(985)	(1 565)	(4 707)	(7 977)	(870)	(349)	(17 388)
- Cost of services provided during the period	(276)	-	(603)	(1 352)	(3 352)	(6 616)	(666)	(292)	(13 157)
- Financial cost (discounting effect)	(203)	(196)	(185)	(213)	(6 758)	(13 298)	(537)	(79)	(21 469)
- Expected return on plan assets	29	-	194	-	6 982	11 696	333	49	19 283
- Expected return on all other assets	-	-	-	-	-	-	-	-	-
- Amortisation of actuarial gains and losses	-	(288)	(391)	-	(1 550)	(357)	-	-	(2 586)
- Amortisation of past service costs	-	-	-	-	-	598	-	-	598
- Amortisation of initial unrecognised liability	-	-	-	-	-	-	-	-	-
- Profit or loss resulting from reduction or liquidation	-	-	-	-	-	-	-	-	-
- Asset ceiling	-	-	-	-	-	-	-	-	-
- Exceptional events	-	-	-	-	-	-	-	-	-
- Other	-	-	-	-	(31)	-	-	(27)	(58)

Actuarial assumptions									
- Discount rate	4,00%	4,00%	4,00%	3,50%	4,85%	4,10%	3,75%	4,00%	
- Rate of inflation	2,00%	2,00%	-	2,00%	2,65%	1,38%	2,00%	2,00%	
- Expected rate of return on plan assets	4,00%	-	4,00%	-	6,10%	5,00%	3,75%	4,00%	
- Expected rate of return on all reimbursement rights	-	-	-	-	-	-	-	-	
- Expected rate of salary increases	3,00%	-	-	2,50%	3,65%	2,40%	3,50%	2,00%	
- Rate of increase in medical costs	-	-	-	-	-	-	-	2,00%	
- Rate of increase in annuities	-	1,90%	-	-	2,65%	1,38%	-	-	
- Retirement age	60	-	60	60-65	63	63	60	62	
- Remaining length of service	10	-	5	-	20	15	14	28	
- Other major assumptions used (1)	-	60,00%	-	-	-	-	-	-	

(1) the 60% on the PSAD plan corresponds to the reversion rate

Structure of plan assets									
- Equities	-	-	23,00%	-	50,00%	16,52%	-	-	-
- Bonds	100,00%	-	27,00%	-	50,00%	80,30%	-	-	-
- Property	-	-	-	-	-	2,78%	-	-	-
- Other	-	-	50,00%	-	-	0,40%	100,00%	100,00%	-

Note 15 Borrowings

Breakdown by type

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

“Other borrowings” include three loans to Euler Hermes SA from AGF amounting to €292,379 thousand of which €379 thousand of accrued interests with a maturity of 3 months or less (see note 27 Related parties). The balance represents mainly a borrowing by the Greek subsidiary from its shareholder Banque Emporiki (€2.2 million).

The loans to Euler Hermes SA from AGF have variable interest rates. The consequence is that their fair values are equal to their nominal values.

Breakdown by maturity

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

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

	Value	Rate	2008	2009	2010
Borrowing 2004	90	Euribor 3m + 30bp	4,3		
Borrowing 2005	135	Euribor 6m + 20bp	6,6	6,6	3,2
Borrowing 2006	67	Euribor 6m + 6bp	3,2		
		Total	14,2	6,6	3,2

Euribor	31/12/2007
3m	4,684
6m	4,707

Note 16 Technical reserves

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

Additional explanations on technical reserves are provided in section 3.8 under risk management.

Cost of claims

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

Claims reserves

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

Breakdown by type of reserve

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

Note 17 Insurance and reinsurance receivables

Breakdown by type

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

Breakdown by maturity

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

Note 18 Other liabilities

Breakdown by nature

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

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

Breakdown by maturity

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

Note 19 Breakdown of income net of reinsurance

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

Note 20 Net financial income

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

Note 21 Operating leases

<i>(in thousands of euros)</i>	31/12/2007				
	United Kingdom	United States	Netherlands	France	Scandinavia
Less than 1 year	3 715	1 457	0	710	3
1 to 5 years	10 434	4 462	419	475	712
More than 5 years	1 174	5 936	0	0	0
Total	15 323	11 856	419	1 185	715
<i>(in thousands of euros)</i>	31/12/2006				
	United Kingdom	United States	Netherlands	France	Scandinavia
Less than 1 year	4 125	1 548	446	566	6
1 to 5 years	11 658	5 099	640	475	706
More than 5 years	1 601	7 664	0	0	0
Total	17 384	14 311	1 086	1 041	712

Note 22 Other ordinary operating revenues and expenses

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

The increase in other non-technical income is mainly due a higher income on assets from defined benefit plans in Germany (€11.5 million at the end of 2007) in the United Kingdom (€8.2 million at the end of 2007).

Allianz has issued a seller's guarantee in favour of Euler Hermes SA in connection with the acquisition of Euler Hermes Kreditversicherungs-AG. In 2005, Euler Hermes Kreditversicherungs-AG was subject to a tax audit covering the 1997 – 2000 financial years. This audit has identified various adjustments to the tax base for these years, with an overall impact to date, including penalties and late-payment interest, of €13.2 million. As at December 31, 2006, this impact was accounted in the non-technical expense.

Note 23 Corporation tax

Breakdown of tax charge

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

Tax proof

	2007	
Income before tax	564 772	
Tax at theoretical tax rate	194 451	34,43%
Impact of differences between group and local tax rates	(3 276)	-0,58%
Impact of permanent differences between taxable and accounting income	16 033	2,84%
Impact of specific tax situations	5 407	0,96%
Impact of income taxed at reduced rates	(6 548)	-1,16%
Impact of using the liability method	(43 982)	-7,79%
Tax at effective tax rate	162 085	28,70%

The tax proof provides an explanation of items making up the difference between the tax charge at the theoretical tax rate of 34.43%, i.e. the parent company's tax rate, and the actual tax charge recorded in the income statement giving an effective tax rate of 28.70%.

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

Note 24 Earnings per share and dividend per share

Earnings per share

	31/12/2007	31/12/2006
Distributable net income (<i>in thousands of euros</i>)	406 958	326 054
Weighted average number of ordinary shares before dilution	43 601 953	43 434 049
Earnings per share (€)	9,33	7,51

	31/12/2007	31/12/2006
Distributable net income (<i>in thousands of euros</i>)	406 958	326 054
Weighted average number of ordinary shares after dilution	43 765 878	43 780 821
Diluted earnings per share (€)	9,30	7,45

The dilution impact takes into account the exercise of options. The average number of shares resulting from dilution is 200,425 in 2007 (346,772 in 2006). The group share of net income is used as the basis for this calculation.

Dividend per share

The dividend paid in 2006 totalled €151,821 thousand, i.e. €3.50 per share. A dividend of €174,193 thousand was approved by the Ordinary General Meeting of May 9, 2007 and paid in cash on May 11, 2007.

Note 25 Segment data

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

Segment profit and loss comprises income and expense resulting from operating activities that are directly attributable to a given segment and the relevant portion of income and expense that can

reasonably be assigned to the segment, notably income and expense relating to sales to external customers and income and expense relating to transactions with other segments of the same company.

For the Euler Hermes group the primary segment is the geographic segment as it corresponds to the information presented to the group's management bodies.

The six main geographic segments correspond to the geographic regions covering the majority of the activity and which are therefore monitored in detail. These segments are Germany, France, Italy, the United Kingdom, the United States, the Netherlands and Belgium.

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

Primary segment data: geographic segments

Profit & loss by segment

31/12/2007											
(in thousands of euros)	Germany	France	Italy	United Kingdom	United States	Belgium	Netherlands	Other countries	Group services	Inter-segment eliminations	GROUP
Premiums written	696 948	348 581	210 207	214 516	164 172	70 706	39 430	492 622	-	(407 510)	1 829 672
Premiums refunded	(45 942)	(11 924)	(2 361)	(2 699)	-	(2 461)	(1 116)	(23 956)	-	15 679	(74 780)
Net premiums written	651 006	336 657	207 846	211 817	164 172	68 245	38 314	468 666	-	(391 831)	1 754 892
Change in unearned premiums	(15 767)	755	(477)	(8 830)	(3 404)	(3 314)	433	(14 488)	-	16 903	(28 189)
Earned premiums - non-group	635 239	337 412	207 369	202 986	160 767	64 931	38 747	454 178	-	(374 926)	1 726 703
Premium-related revenues - non-group	170 263	79 586	46 110	23 293	31 680	14 633	11 684	47 174	-	(51 678)	372 745
Turnover - intra-sectoral	805 502	416 998	253 479	226 279	192 447	79 564	50 431	501 352	-	(426 604)	2 099 448
Investment income	87 257	66 569	15 561	23 923	14 471	10 631	3 228	12 879	182 534	(231 894)	185 159
<i>Of which, dividends</i>	<i>15 006</i>	-	-	-	-	-	-	-	<i>145 247</i>	<i>(160 253)</i>	-
Total ordinary income	892 759	483 567	269 040	250 202	206 918	90 195	53 659	514 231	182 534	(658 498)	2 284 607
Insurance services expense	(229 159)	(132 653)	(108 006)	(80 753)	(82 063)	(41 296)	(17 546)	(218 745)	-	156 158	(754 063)
Outwards reinsurance expense	272 856	53 827	69 959	60 972	72 414	17 572	16 032	67 334	-	(303 834)	327 132
Outwards reinsurance income	(366 725)	(67 203)	(86 744)	(81 515)	(81 144)	(25 717)	(19 876)	(106 915)	-	377 596	(458 243)
Other income and expense	(332 752)	(153 751)	(106 495)	(97 848)	(71 289)	(18 430)	(22 989)	(206 151)	(10 485)	198 447	(821 743)
Total other income and expense	(655 780)	(299 780)	(231 286)	(199 144)	(162 082)	(67 871)	(44 379)	(464 477)	(10 485)	428 367	(1 706 917)
Ordinary operating income	236 979	183 787	37 754	51 058	44 836	22 324	9 280	49 754	172 049	(230 131)	577 690
Autres produits et charges opérationnels	-	-	-	-	-	-	-	-	-	-	-
Résultat opérationnel	236 979	183 787	37 754	51 058	44 836	22 324	9 280	49 754	172 049	(230 131)	577 690
Financing expense	(16)	-	-	-	(48)	-	(109)	(400)	(16 104)	3 759	(12 918)
Income from companies accounted for by the equity method	6 036	2 241	-	-	-	-	-	-	-	-	8 277
Corporation tax	(29 426)	(64 947)	(20 522)	(14 425)	(15 807)	(6 641)	(1 988)	(12 279)	3 950	-	(162 085)
Résultat après impôt des activités discontinuées	-	-	-	-	-	-	-	-	-	-	-
Consolidated net income	213 573	121 081	17 232	36 633	28 981	15 683	7 183	37 075	159 895	(226 372)	410 964
Minority interests	(2 633)	(309)	-	(75)	-	(1)	-	(988)	-	-	(4 006)
Net income, group share	210 940	120 772	17 232	36 558	28 981	15 682	7 183	36 087	159 895	(226 372)	406 958

31/12/2006											
(in thousands of euros)	Germany	France	Italy	United Kingdom	United States	Belgium	Netherlands	Other countries	Group services	Inter-segment eliminations	GROUP
Premiums written	658 891	349 721	190 802	198 261	168 639	67 438	38 871	319 746	-	(252 829)	1 739 540
Premiums refunded	(37 361)	(26 537)	(4 402)	(6 831)	(77)	(1 867)	(713)	(12 899)	-	9 413	(81 274)
Net premiums written	621 530	323 184	186 400	191 430	168 562	65 571	38 158	306 847	-	(243 416)	1 658 266
Change in unearned premiums	5 763	2 244	135	(4 523)	(8 455)	(2 515)	1 108	967	-	5 785	509
Earned premiums - non-group	627 293	325 428	186 535	186 907	160 107	63 056	39 266	307 814	-	(237 631)	1 658 775
Premium-related revenues - non-group	168 713	76 535	45 918	23 118	20 647	14 118	11 160	38 606	-	(45 770)	353 045
Turnover - intra-sectoral	796 006	401 963	232 453	210 025	180 754	77 174	50 426	346 420	-	(283 401)	2 011 820
Investment income	49 158	69 657	11 774	10 126	7 651	24 060	1 285	9 854	230 485	(264 248)	149 802
<i>Of which, dividends</i>	<i>11 260</i>	-	-	-	-	<i>67</i>	-	-	<i>218 094</i>	<i>(229 421)</i>	-
Total ordinary income	845 164	471 620	244 227	220 151	188 405	101 234	51 711	356 274	230 485	(547 649)	2 161 622
Insurance services expense	(207 513)	(179 851)	(97 125)	(48 956)	(62 053)	(36 193)	(17 978)	(175 379)	-	132 380	(692 668)
Outwards reinsurance expense	254 190	62 443	64 051	55 534	55 914	14 585	15 423	69 327	-	(230 700)	360 767
Outwards reinsurance income	(347 031)	(67 209)	(79 430)	(81 643)	(75 585)	(25 650)	(19 783)	(88 792)	-	236 614	(548 509)
Other income and expense	(315 284)	(154 988)	(103 543)	(87 151)	(64 447)	(18 856)	(23 104)	(143 878)	(23 987)	143 937	(791 301)
Total other income and expense	(615 638)	(339 605)	(216 047)	(162 216)	(146 171)	(66 114)	(45 442)	(338 722)	(23 987)	282 231	(1 671 711)
Ordinary operating income	229 526	132 015	28 180	57 935	42 234	35 120	6 269	17 552	206 498	(265 418)	489 911
Autres produits et charges opérationnels	-	-	-	-	-	-	-	-	-	-	-
Résultat opérationnel	229 526	132 015	28 180	57 935	42 234	35 120	6 269	17 552	206 498	(265 418)	489 911
Financing expense	(17)	-	-	-	(128)	-	(65)	(247)	(12 760)	1 728	(11 489)
Income from companies accounted for by the equity method	6 946	1 601	-	-	-	-	-	-	-	-	8 547
Corporation tax	(63 332)	(46 308)	(13 519)	(18 044)	(14 607)	(4 756)	(1 853)	(2 830)	8 515	-	(156 734)
Résultat après impôt des activités discontinuées	-	-	-	-	-	-	-	-	-	-	-
Consolidated net income	173 123	87 308	14 661	39 891	27 499	30 364	4 351	14 475	202 253	(263 690)	330 235
Minority interests	(2 858)	(254)	-	(154)	-	-	(16)	(897)	-	-	(4 181)
Net income, group share	170 265	87 054	14 661	39 737	27 499	30 364	4 333	13 578	202 253	(263 690)	326 054

Depreciation, amortisation and provisions by segment

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

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

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

Balance sheet by segment

31/12/2007											
(in thousands of euros)	Germany	France	Italy	United Kingdom	United States	Belgium	Netherlands	Other countries	Group services	Inter-segment eliminations	GROUP
Goodwill	16	393	5 820	64 890	28 803	3 893	4 349	7 413	-	-	115 577
Other intangible assets	23 673	7 688	6 147	7 046	960	2 221	1 642	1 826	7 075	-	58 278
Investments - insurance businesses	503 012	866 404	196 463	38 898	54 645	29 634	26 418	148 738	1 424 252	(239 380)	3 049 084
Investments accounted for by the equity method	21 295	30 973	-	-	-	-	-	-	-	(62)	52 206
Share of assignees and reinsurers in the technical reserves and financial liabilities	192 779	33 968	145 478	51 002	29 666	22 939	10 025	59 695	-	(180 097)	365 455
Insurance and reinsurance receivables	90 032	117 333	93 622	19 615	48 211	95 796	3 567	90 939	-	(63 959)	495 156
Other assets	261 491	174 590	66 709	53 715	39 203	36 267	25 241	115 928	69 127	(90 481)	751 790
Total assets	1 092 298	1 231 349	514 239	235 166	201 488	190 750	71 242	424 539	1 500 454	(573 979)	4 887 546

Technical reserves	414 431	255 045	316 438	130 850	116 029	91 514	23 697	262 482	-	(184 345)	1 426 141
Liabilities related to inwards insurance and reinsurance transactions	25 678	67 331	43 173	14 356	4 440	7 440	311	4 251	-	(2 175)	164 805
Liabilities related to outwards reinsurance transactions	24 628	34 946	53 207	8 974	22 918	18 024	3 654	35 703	-	(110 038)	92 016
Other liabilities	333 867	294 418	69 242	44 250	21 244	27 624	23 506	65 934	475 923	(229 344)	1 126 664
Total liabilities	798 604	651 740	482 060	198 430	164 631	144 602	51 168	368 370	475 923	(525 902)	2 809 626

31/12/2006											
(in thousands of euros)	Germany	France	Italy	United Kingdom	United States	Belgium	Netherlands	Other countries	Group services	Inter-segment eliminations	GROUP
Goodwill	34	393	5 820	62 235	25 668	3 893	4 085	5 246	-	-	107 374
Other intangible assets	16 301	6 679	1 120	11 584	421	496	27	1 210	5 081	-	42 919
Investments - insurance businesses	394 584	891 029	181 723	54 692	43 505	35 307	27 379	75 513	1 357 323	(87 754)	2 973 301
Investments accounted for by the equity method	19 946	16 917	-	-	-	-	-	-	-	(62)	36 801
Share of assignees and reinsurers in the technical reserves and financial liabilities	194 819	42 379	146 035	55 675	21 709	26 562	9 611	53 711	-	(138 536)	411 965
Insurance and reinsurance receivables	99 954	119 037	96 677	22 785	51 538	75 458	2 495	74 320	-	(46 037)	496 227
Other assets	242 365	162 940	81 161	37 156	38 754	38 623	12 002	88 523	69 574	(65 305)	705 793
Total assets	968 003	1 239 374	512 536	244 127	181 595	180 339	55 599	298 523	1 431 978	(337 694)	4 774 380

Technical reserves	404 152	298 053	312 266	130 853	109 904	89 068	22 534	183 382	-	(136 870)	1 413 342
Liabilities related to inwards insurance and reinsurance transactions	28 278	82 451	42 983	20 791	4 756	7 713	760	13 621	-	(11 288)	190 065
Liabilities related to outwards reinsurance transactions	35 552	35 409	49 764	10 530	16 371	17 256	6 708	27 051	-	(81 335)	117 306
Other liabilities	354 868	278 909	80 097	47 462	21 887	36 111	11 415	48 557	365 366	(102 544)	1 142 128
Total liabilities	822 850	694 822	485 110	209 636	152 918	150 148	41 417	272 611	365 366	(332 037)	2 862 841

Secondary segment data: business segments

The secondary segmentation is by business line, which comprises credit insurance and the other segments covering less significant businesses: bonding (financial guarantees), fidelity (insurance against malicious actions taken by employees), retail (personal loan reinsurance) and export guarantee management on behalf of the German State.

Turnover

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

Total of assets

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

Note 26 Related parties

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

	Number of shares	%
AGF Holding	21 421 782	47,55%
Assurances Générales de France	5 442 444	12,08%
AGF Vie	3 879 818	8,61%
AGF-IART	4	0,00%
Treasury shares	1 369 746	3,04%
Divers	104 003	0,23%
Sub-total	32 217 797	71,51%
Public (bearer securities)	12 834 716	28,49%
Total	45 052 513	100,00%

Transactions

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

Receivables and liabilities

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

The current account with Allianz SE corresponds to part of the group's cash position, which is centralised by Allianz SE under a cash pooling arrangement.

Borrowings correspond to three loans contracted with AGF SA:

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

Remuneration of senior executives:

Members of the group Management Board

The information related to the remuneration of supervisory board is not yet available

Members of the group Management Board

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

Like the whole employees who perceive their salaries in France, the members of the Group Management Board profit from a mandatory defined contribution plan of which the employer part is 1% of the gross amount of salaries.

Two members of the Group Management Board who do not hold any other position and are not employees are protected by special agreements in the event they are removed from office. A gross compensation of 50% for Dr Gerd-Uwe Baden and 200% for Mr Clemens von Weichs of the amount of their last fixed annual remuneration is planned.

The payment of this indemnity is provided to the realisation of the condition of performance: RORAC consolidated average of the last 2 years preceding the leaving of the company $\geq 8\%$

Members of the Supervisory Board

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

In addition, some corporate officers benefited in 2005 from membership of a supplementary pension plan. The Supervisory Board meeting of 30 August 2006 approved the termination of this plan.

Furthermore, Messrs Clemens von Weichs and Gerd-Uwe Baden, members of the Group Management Board, benefited from membership of an additional pension plan of the Allianz group.

Note 27 Group employees

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

Staff costs totalled €379,660 thousand for the year ended 31 December 2007. Remuneration paid to members of the Group Management Board during the year came to € 3 956 thousand and € 48 485 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 Kredietverzekeringen). The headcount of companies accounted for by the equity method is not taken into account.

Note 28 Commitments received and given

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

Note 29 Stock option plans

Amount charged in the consolidated income statement

<i>(in thousands of euros)</i>	2007	2006
Charge in respect of the 6 July 2004 allocation of share subscription options	-	324
Charge in respect of the 27 June 2005 allocation of share subscription options	471	1 019
Charge in respect of the 22 September 2006 allocation of share purchase options	1692	440
Total	2 163	1 783

No impact was accounted in the consolidated financial statements for the share options plans of 1997, 1998 and 1999 (the acquisition period was over).

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		
	avr-1997	août-1998	avr-1999	juil-2003	juil-2004	juin-2005	avr.-00	févr.-01	sept-2006
Fair value of options allocated	4,68	5,22	5,41	8,93	11,66	13,10	14,77	12,74	22,29
Characteristics									
Date of EGM	29/04/1997	29/04/1997	29/04/1997	23/04/2003	23/04/2003	23/04/2003	07/04/2000	07/04/2000	22/05/2006
Period of validity of options	10 years	10 years	10 years	8 years	8 years	8 years	8 years	8 years	8 years
Rights vesting period	2 years	2 years	2 years	2 years	2 years	2 years	2 years	2 years	2 years
Assumptions									
Risk-free interest rate	5,64%	5,10%	4,04%	3,80%	4,16%	3,01%	5,63%	5,09%	4,01%
Expected volatility*	20%	20%	20%	30%	30%	25%	23%	20%	25%
Rate of return on shares	2%	2%	2%	2,81%	4,14%	3,98%	2,63%	2,65%	3,74%

*Expected volatility is calculated using historical market prices

Sundry restrictions

- Subscription plans adopted by the EGM of 23/04/2003

The beneficiaries must have six months of service with the company on the allocation date. They may be on permanent or fixed-term contracts. The shares obtained by the exercise of the options are registered in the shareholder's name. They can be transferred freely after an initial period of four years as from the allocation date. This period of unavailability does not apply in certain cases such as loss of employment, retirement, incapacity or death of the beneficiary.

- Purchase plans adopted by the EGM of 23/04/2003

The beneficiaries of the scheme are all the employees and corporate officers of Euler Hermes SA and its subsidiaries, with permanent or fixed-term employment contracts and at least six months length of service on the options allocation date. The shares purchased are transferable either immediately or after a period of four years from the date of the offer (other than in the event of loss of employment, retirement, incapacity or death), depending on the country.

- Mixed plans adopted by the EGM of 22/05/2006

The beneficiaries of the scheme are all the employees and corporate officers of Euler Hermes SA and of more than 50%-owned subsidiaries, with permanent or fixed-term employment contracts and at least six months length of service on the options allocation date. The options may be freely exercised after a period of four years from the date of the offer, other than as provided for by article 91 ter of Appendix II to the French General Tax Code (loss of employment, retirement, incapacity or death), depending on the country.

Information on plans currently in effect

At 31 December 2007, the following options were potentially exercisable :

Allocation date	Subscription plans *						Purchase plans **		
	avr-1997	août-1998	avr-1999	juil-2003	juil-2004	juin-2005	avr-2000	févr-2001	sept-2006
Number of options outstanding	0	33 718	0	57 775	90 305	143 950	30 561	19 410	154 000
End of subscription period	avr-2007	août-2008	avr-2009	juil-2011	juil-2012	juin-2013	avr-2008	févr-2009	sept-2014
Exercise price of valid options at end of period	15,55	18,27	21,12	27,35	44,41	63,08	50,11-52,74	49,31-52,65	91,82

* These subscriptions plans are intended for members of the management bodies of Euler Hermes and its subsidiaries.

** The EGM of 7 April 2000 authorised the allocation of share purchase options to all Euler Hermes group employees in the context of a general stock option plan and to certain executives of its subsidiaries under a discretionary scheme. The EGM of 22 May 2006 authorised the allocation of share purchase and/or subscription options to all Euler Hermes Group employees and possibly to its corporate officers. The options granted in September 2006 were purchase options only.

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

	déc-07				
	Average exercise price (€)	Number of options	Average price of EH share on exercise dates (€)	Average residual term (years)	Exercise price range of options still outstanding at end of period (€)
Start of period	55,80	686 542			
Allocation	0	0			
Exercise	37,97	145 508			
Cancellation	66,64	11 315			
End of period	60,34	529 719		4,69	18,27-91,82

	déc-05				
	Average exercise price (€)	Number of options	Average price of EH share on exercise dates (€)	Average residual term (years)	Exercise price range of options still outstanding at end of period (€)
Start of period	43,04	778 657			
Allocation	92	160 000			
Exercise	38,15	235 517			
Cancellation	27,87	16 598			
End of period	55,80	686 542		5,29	15,55-91,82

Allianz Group Equity Incentive plans

The schemes set in place under the Allianz Group Equity Incentives plan concern executives of Allianz and its subsidiaries worldwide. Starting in 1999, Allianz issued Stock Appreciation Rights (SAR) whose remuneration is entirely and directly a function of Allianz's share price performance. In 2003, Allianz issued Restricted Stock Units (RSU) with a vesting period of five years. The remuneration is granted by each entity concerned in accordance with the conditions set by Allianz. The reference price of SAR and RSU for the remuneration of the executives is the average trading price of Allianz shares over the ten trading days immediately preceding Allianz's Annual General Meeting of shareholders.

Characteristics of the SAR and RSU plans

SAR

After a vesting period of two years, the SAR can be exercised at any time between the second anniversary date and the seventh anniversary date under the following conditions:

- if during the contractual period, the Allianz share price has outperformed the Dow Jones index at least once for a period of five consecutive days;
- if the Allianz share price exceeds the reference price by at least 20% on the exercise date.

If these conditions are met, the Allianz group companies must pay in cash the difference between the reference price and the Allianz share price on the exercise date.

RSU

On the exercise date, after a five-year vesting period, Allianz can choose to remunerate the RSU in cash or by allocating Allianz shares or other securities granting access to the capital. If it opts for a cash remuneration, payment will be made based on the average price of the Allianz share over the ten trading days prior to the end of the vesting period.

Impact on the consolidated financial statements as at 31 December 2007

The fair value of the liabilities resulting from the SAR and RSU plans is reassessed at each balance sheet date based on the Allianz share price, until expiry of the obligation, and is calculated using the Cox-Ross-Rubinstein binomial valuation model. The charge is recognised as the rights are vested, and is thus spread over two years for the SAR and five years for the RSU. At 31 December 2007, the liability relating to the SAR and RSU still to be exercised amounted to € 301 thousand.

(in thousands of euros)	SAR plans										RSU plans		
	avr-99	avr-00	avr-01	avr-02	mai-03	mai-04	mai-05	mai-06	mars-07	Total	mai-03	mars-07	Total
Fair value at 31 December 2007 (in euros)	0,00	0,00	0,01	0,03	76,09	58,53	-49,13	33,64	23,97		142,00	119,44	
Total commitment	0	0	0	0	1 945	2 074	1 271	914	6 206		518	2 313	2 831
Opening commitment	0	0	0	4	788	2 435	2 135	596	-	5 959	402	0	402
Charge recognised during the period	0	0	0	-4	-788	-490	-61	444	381	-518	73	386	458
Closing commitment	0	0	0	0	1 945	2 074	1 040	381	5 440		474	386	860

Information on plans currently in effect

Allocation date	SAR					RSU			
	Rights vesting period (years)	Reference price (€)	SAR granted	SAR cancelled	SAR exercised	Rights vesting period (years)	RSU granted	RSU cancelled	RSU exercised
avr-00	2	332,10	9 734	-	-	-	-	-	-
avr-01	2	322,14	9 961	-	-	-	-	-	-
avr-02	2	239,80	10 682	-	-	-	-	-	-
mai-03	2	65,91	8 680	-	8 680	5	3 645	-	-
mai-04	2	83,47	33 229	-	-	-	-	-	-
mai-05	2	92,87	42 220	-	-	-	-	-	-
mai-06	2	132,41	37 779	-	-	-	-	-	-
mars-07	2	160,13	38 151	-	-	5	19 366	-	-

The attribution for 2007 for the group Management Board is :

SAR 12 126

RSU 6 102

Note 30 Subsequent events

No subsequent events occurred since December 31, 2007 closing.