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First quarter 2008: Euler Hermes announces 5.4% turnover growth and €4.4 million operational profit

The Management Board established the results for the first quarter of 2008 at the end of March and presented them to the Euler Hermes Audit Committee of 6th of May 2008.

Key figures (non-audited)

In € million	Q1 2008	Q1 2007	Variation in amount	Variation in %
Turnover	527.1	512.8	14.3	2.8%
Turnover (at constant exchange rates)	527.1	500.3	26.8	5.4%
Ordinary operating profit (excl. financial income)	53.1	97.9	-44.8	-45.8%
Net financial income (excl. financial costs and gains / losses realised)	22.8	23.7	-0.9	-3.8%
Operating profit (excl. capital gains / losses)	75.9	121.6	-45.7	-37.6%
Capital Gains / Losses realised	-1.5	56.3	-57.8	
Net operating profit	74.4	177.9	-103.5	-58.2%
Net consolidated income	38.4	111.5	-73.1	-65.6%
Net combined ratio (Insurance)	90.5%	76.2%		
Net combined ratio (incl. Service margin)	83.1%	67.0%		

« The slowdown of the economic growth worldwide that started in the USA and has now reached Europe, and especially Southern Europe, had a clear impact on Euler Hermes' activities through an increased number of claims. The net combined ratio increases to 83.1% for the first quarter of 2008, against 67.0% for the same period last year. A first range of measures were implemented during the last quarter 2007 but faced with the worsening situation, Euler Hermes took a range of new measures both in terms of risk underwriting and premium rate increases to adapt to this new environment. » states Clemens von Weichs, Chairman of Euler Hermes' Management Board.

"The turnover growth, supported by the demand from the corporates, increases by 5.4% at constant exchange rate. Outside of the mature markets, our international development remains dynamic with a 12.5% growth."

1. Business Review per geographic area

With a 4.9% increase, turnover in Germany shows the strongest growth in Europe, partially explained by lower premium rebates to be expected in 2008 and increased premiums from indirect business.

Business in the United Kingdom continues to grow strongly in local currency (+ 10.7 %).

In the USA, business is facing a slowdown of the growth of the commercial activity, with only a 1% increase in local currency compared to 21.9% in 2007. This is due to the non-renewal of loss-making policies and to a reduced growth of premiums due to lower insured turnover.

The new markets of Euler Hermes contributed with a dynamic growth of 12.5%, at constant consolidation and exchange rates.

Turnover by country (based on earned premium):

In € thousands	31/03/2008 (1)	31/03/2007 (2)	Change (1)/(2)	31/03/2007 (3)	Change (1)/(3)
France	99,133	96,565	2.7%	96,565	2.7%
United Kingdom	51,897	53,684	-3.3%	46,894	10.7%
Belgium	19,827	19,195	3.3%	19,195	3.3%
Netherlands	12,782	11,742	8.9%	11,742	8.9%
United States	33,497	38,518	-13.0%	33,170	1.0%
Italy	58,814	57,953	1.5%	57,953	1.5%
Nordic countries	11,925	10,871	9.7%	10,644	12.0%
Germany	178,296	169,938	4.9%	169,938	4.9%
Sub-total for main countries	466,171	458,465	1.7%	446,100	4.5%
International development	60,965	54,318	12,2%	54,170	12,5%
Turnover (Credit Insurance)	527,136	512,782	2.80%	500,269	5.37%

(1) Turnover, published with geographical reclassification (Medium rate, March 2008)

(2) Turnover, published with geographical reclassification pro-forma (Medium rate, March 2007)

(3) Turnover, published in 2007 with geographical reclassification pro-forma adjusted for currency differentials and changes in consolidation scope (pro-forma)

2. Operating profit

The operating profit amounts to €74.4 million, reduced by 58.2% compared to the first quarter of 2007. The increase of the combined ratio, from 67% at the end of March 2007 to 83.1% was the key driver of this evolution. Further the financial markets in early 2008 did not allow the realization of capital gains.

Within the net combined ratio, the claims ratio and the costs ratio show the following development:

- The net claims ratio increases by 15 points, from 48.5% at the end of March 2007 to 62.9% at the end of March 2008. This is due to a 7% points increase on claims of the current year, rising from 58.8% at the end of March 2007 to 65.2% at the end of March 2008. In addition, run-offs from loss reserves from previous years decreased by 8 points, from 10.3% to 2.3%. The main areas touched by increasing claims frequency are North America and Southern Europe, but Euler Hermes also notices a pick-up of claims frequency in the rest of the European countries.
- The net cost ratio moves up from 18.5% to 20.3% mainly because of the decline of reinsurance commissions received.

Net recurrent financial income decreases by 3.8 %, compared to the same period in 2007.

The market value of the financial portfolio was €3,508 million at the end of March 2008 compared with €3,497 million as of 31 December 2007, up €11 million. At the end of March 2008, the unrealized



capital gains totalled €89 million against €134 million at the end of December 2007. The reduction by €45 million reflects the decrease in unrealised capital gains on the equity portfolio.

3. Net profit

After financial costs and taxes, Euler Hermes posted a **net profit** of **€38.4 million**, 65.6% less compared with end of March 2007.

4. Shareholders' equity

The Group's shareholders' equity totalled €2,063 million end of March 2008 compared with €2,078 million at the end of 2007. Rated AA- by Standard & Poors, Euler Hermes has neither exposure to bank risks nor to subprimes.

5. Outlook

The beginning of 2008 has been impacted by the slowdown of the economic growth in North America and in Europe, especially in Southern Europe. Euler Hermes considers, given the current situation, having implemented the appropriate measures in terms of credit risk and commercial underwriting to face this changed environment.

Euler Hermes remains vigilant regarding the potential size and duration of this economic slowdown and does not currently forecast any improvement of the macroeconomic situation before autumn 2008.

Euler Hermes is the worldwide leader in credit insurance and one of the leaders in the areas of bonding, guarantees and collections. With 6,000 employees in 51 countries, Euler Hermes offers a complete range of services for the management of B-to-B trade receivables and **posted a consolidated income premium of 2.1 billion euros in 2007.**

Euler Hermes, subsidiary of AGF and a member of the Allianz group, is listed on Euronext Paris. The group and its principal credit insurance subsidiaries are rated AA- by Standard & Poor's.

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