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First semester 2008: Euler Hermes turnover grows by 5.5% and net result progresses to € 122.3 million end June 2008 compared to € 231.2 million end June 2007

On 28 July 2008 the Management Board presented to the Supervisory Board the consolidated results for the first half 2008. The results have been reviewed by the auditors and the Audit Committee.

Key figures

in € million	H1 2008	H1 2007	Variation in amount	Variation in %
Turnover	1,083.6	1,052.0	31.6	3.0%
Turnover (at constant exchange rates)	1,083.6	1,027.4	56.2	5.5%
Technical income	114.2	222.1	-107.9	-48.6%
Net financial income	55.8	60.6	-4.8	-7.9%
Operating income net of realised gains	170.0	282.7	-112.7	-39.9%
Realised gains	31.5	76.6	-45.1	-58.9%
Operating income	201.5	359.3	-157.8	-43.9%
Net consolidated result	122.3	231.2	-108.9	-47.1%
Net combined ratio (Allianz format excluding service margin)	91.7%	73.5%		
Net combined ratio (EH format including service margin)	82.5%	63.3%		

“The second quarter 2008 confirms the slowdown of global economic growth which started at the end of 2007, impacting Euler Hermes’ activities and leading to an increase of the claims ratio. The claims ratio of the second quarter 2008 stands at 64.6% compared to 62.9% for the previous quarter. This is in line with the outlook given by Euler Hermes. At the same time, the combined ratio improved from 83.1% in the first quarter of 2008 to 81.9% in the second quarter of 2008, thanks to strict cost controls”, states Clemens von Weichs, Chairman of the Euler Hermes Board of Management.

“Furthermore, from a commercial perspective, the turnover in the first half of 2008 grew by 5.5% at constant exchange rates, in line with the turnover growth of the first quarter of 2008 (5.4%).”



1. Business review by geographical region

The majority of Euler Hermes' European business units have demonstrated positive growth. Specifically the United Kingdom (+10.6%), the Netherlands (+12.9%) and the Nordic countries (+6.8%) grew very dynamically.

In the United States the business is facing a strong slowdown, with a negative growth of -1.5 % for the first semester 2008. This situation can be explained by more restrictive risk and commercial underwriting implying overall reduction of exposure and affecting the insured turnover volume, as well as the cancellation of unprofitable contracts. Premium growth is also affected by the slowdown in policy holders' turnover growth.

The regions where Euler Hermes pursued its international expansion (Eastern Europe, Southern Europe, Latin America and Asia) contributed with a dynamic growth rate of 18.2%, at constant consolidation and exchange rates.

Revenues by country (based on earned premium)

in € thousand	30/06/2008 (1)	30/06/2007 (2)	variation (1)/(2)	30/06/2007 (3)	Variation (1)/(3)
France	203,929	202,422	0.7%	202,422	0.7%
United Kingdom	102,213	106,642	-4.2%	92,423	10.6%
Belgium	39,269	38,079	3.1%	38,079	3.1%
Netherlands	26,335	23,331	12.9%	23,331	12.9%
North America	66,028	77,592	-14.9%	67,028	-1.5%
Italy	128,342	123,703	3.8%	123,703	3.8%
Scandinavia	23,218	22,147	4.8%	21,736	6.8%
Germany	369,129	352,786	4.6%	352,786	4.6%
sub-total main countries	958,463	946,702	1.2%	921,508	4.0%
Sub-total new markets	125,157	105,264	18.9%	105,905	18.2%
Total Group turnover	1,083,620	1,051,966	3.0%	1,027,413	5.5%

(1) Turnover based on average exchange rate June 2008

(2) Turnover based on average exchange rate June 2007 published in June 2007

(3) Turnover published in June 2007 corrected by the impacts of exchange rate and perimeter changes

2. Operating income

Operating income amounts to €201.5 million, decreasing by 43.9% compared to end of June 2007. This evolution is due to an increase of the combined ratio to 82.5% (compared to 63.3% at the end of June 2007) and to a decrease in the financial income by 36.4% mainly due to lower capital gains in 2008 compared to the same period in 2007.

As part of the net combined ratio, the claims and cost ratios show the following evolution:

- The net claims ratio increased by 18 points, from 45.8% at the end of June 2007 to 63.7% at the end of June 2008. This is due to an 8 points increase on claims of the attachment year 2008, rising from 57.9% at the end of June 2007 to 65.8% at the end of June 2008, and lower runoff decreasing from 12.1% to 2.0%. North America and Southern Europe are the regions that are suffering most from the increase in claims. Euler Hermes also notices an increase of the claims



rates in the other European countries. The net claims ratio slightly increased during the second quarter of 2008 (64.6%) compared to the first quarter of 2008 (62.9%) due to higher claims in the UK and in Italy.

- The net cost ratio moves up to 18.8% compared to 17.5% at the end of June 2007 mainly due to the decline of reinsurance commissions received. The cost ratio of the second quarter of 2008 is lower than the cost ratio end of March 2008 (20.3%) due to the strict costs management.

Net financial income, at the end of June 2008, slightly decreased by 7.9 % compared to the first semester of 2007.

During the second quarter of 2008 Euler Hermes reduced its equity exposure and realised capital gains of €31.4 million. The unrealised capital gains on the portfolio add up to € 35.6 million end of June 2008, equal to 17.5% of the market value of the portfolio as of 30 June 2008.

At the end of June 2008 the market value of the financial portfolio was €3,305 million compared to €3,497 million as of 31 December 2007, decreasing by €193 million. The decrease was mainly due to dividends paid out during the second quarter of 2008.

The portfolio also suffered from a decrease in unrealised capital gains (€-130 M). The decrease is tied to the sharp fall in the equity markets and the rates increase which affected the market value of the portfolio.

3. Net income, group share

After financial costs and taxes, Euler Hermes posted a net income of €122.3 million, compared to €38.4 million at end March 2008.

4. Shareholders' equity

The Group's shareholders' equity totalled €1,847 million at the end of June 2008 compared with €2.058 million at the end of 2007. This 10% decrease is principally due to the dividends paid out during the second quarter of 2008.

5. Outlook

For the following months Euler Hermes forecasts that the slowdown in OECD countries will continue. The sharp increase in energy, raw material and food prices as well as the tightening of financial conditions has an impact on both consumers and companies. The slowdown in the construction sector and the drop of household consumption are two very visible factors of the deteriorating economic environment. The consequence of all these elements is a rise in overdue and business insolvencies.

As far as the countries which are already affected by the economic slowdown are concerned (US, UK, Italy, Spain...) Euler Hermes has taken the appropriate measures in terms of credit risk underwriting and is also reviewing the commercial conditions in the contracts.

As of today, Germany and France have performed better than the other European countries. However these countries are now affected by the current economic slowdown. In order to limit the impact Euler Hermes is taking all the necessary measures in terms of risk prevention and commercial underwriting in these two countries.

In the case of a worsening economic slowdown, all the measures taken should enable Euler Hermes to have a customer portfolio in line with the new market conditions.



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 over 50 countries, Euler Hermes offers a complete range of services for the management of B-to-B trade receivables and **posted a consolidated turnover of €2.1 billion in 2007.**

Euler Hermes has developed a credit intelligence network that enables it to analyse the financial stability of 40 million businesses across the globe. The group protects worldwide business transactions totalling €800 billion.

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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