

Consolidated Financial Statements for
the full year ended
December 31, 2008



EULER HERMES

A company of **Allianz** 

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(in thousands of euros)</i>	Notes	31/12/2008	31/12/2007
Goodwill	1	102 678	115 577
Other intangible assets	2	83 235	58 278
Intangible assets		185 913	173 855
Investment property	3	71 834	86 247
Financial investments	4	2 590 986	2 956 590
Derivatives		3 052	6 247
Investments- insurance businesses		2 665 872	3 049 084
Investments accounted for by the equity method	5	93 550	52 206
Share of assignees and reinsurers in the technical reserves and financial liabilities	16	417 978	365 455
Operating property and other property and equipment	6	162 426	158 442
Acquisition costs capitalised		46 798	32 872
Deferred tax assets	7	31 942	14 559
Inwards insurance and reinsurance receivables	8	498 208	429 507
Outwards reinsurance receivables	8	96 225	65 649
Corporation tax receivables		94 890	24 165
Other receivables	9	149 386	143 649
Other assets		1 079 875	868 843
Cash	10	613 907	378 103
TOTAL ASSETS		5 057 095	4 887 546
Capital stock		14 426	14 417
Additional paid-in capital		451 924	451 332
Reserves		1 307 927	1 125 417
Net income, group share		83 592	406 958
Revaluation reserve	11	50 279	90 438
Translation reserve		(73 191)	(29 821)
Shareholders' equity, group share		1 834 957	2 058 741
Minority interests	12	20 328	19 179
Total shareholders' equity		1 855 285	2 077 920
Provisions for risks and charges	13	141 648	127 174
Bank borrowings		2 313	-
Other borrowings		295 433	295 746
Borrowings	15	297 746	295 746
Gross non-life technical reserves	16	1 853 698	1 426 141
Liabilities related to contracts		1 853 698	1 426 141
Deferred tax liabilities	7	354 367	365 948
Inwards insurance and reinsurance liabilities	17	195 172	164 805
Outwards reinsurance liabilities	17	96 697	92 016
Corporation tax payables		30 222	71 942
Other	18	232 260	265 854
Other liabilities		908 718	960 565
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5 057 095	4 887 546

CONSOLIDATED INCOME STATEMENT

<i>(in thousands of euros)</i>	Notes	31/12/2008	31/12/2007
Premiums written		1 878 779	1 829 672
Premiums refunded		(78 383)	(74 780)
Change in unearned premiums		(26 437)	(28 189)
Earned premiums		1 773 959	1 726 703
Premium-related revenues		392 492	372 745
Turnover	19	2 166 451	2 099 448
Investment income		136 419	124 961
Investment management charges		(19 999)	(12 330)
Net gain (loss) on sales of investments less impairment and depreciation writebacks		39 944	78 644
Change in fair value of investments recognised at fair value through profit or loss		-	(2 190)
Change in investment impairment provisions		(23 424)	(3 926)
Net investment income	20	132 940	185 159
Insurance services expense		(1 307 430)	(754 063)
Outwards reinsurance expense		(400 740)	(458 243)
Outwards reinsurance income		389 376	327 132
Net outwards reinsurance income or expense	19	(11 364)	(131 111)
Contract acquisition expense		(311 506)	(302 514)
Administration expense		(220 563)	(214 270)
Other ordinary operating income and expense	22	(280 028)	(304 959)
ORDINARY OPERATING INCOME		168 500	577 690
Other operating income and expense		-	-
OPERATING INCOME	19	168 500	577 690
Financing expense		(16 089)	(12 918)
Income from companies accounted for by the equity method	5	7 875	8 277
Corporation tax	23	(72 196)	(162 085)
CONSOLIDATED NET INCOME		88 090	410 964
<i>o/w</i>			
NET INCOME, GROUP SHARE		83 592	406 958
Minority interests	12	4 498	4 006
Earnings per share (€)	24	1,92	9,33
Diluted earnings per share (€)	24	1,92	9,30
Earnings per share of continuing activities (€)		1,97	9,58
Diluted earnings per share of continuing activities (€)		1,95	9,52

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in thousands of euros)</i>	31/12/2008	31/12/2007
Net income, group share	83 592	406 958
Corporation tax	72 196	162 085
Financing expense	16 090	12 918
OPERATING INCOME BEFORE TAX	171 878	581 961
Minority interests	4 498	4 006
Allocation to and writebacks of depreciation, amortisation and reserves	51 855	67 480
Change in technical reserves	423 495	48 077
Change in deferred acquisition costs	(21 242)	(1 864)
Change in fair value of financial instruments recognised at fair value through the income statement (excluding cash and cash equivalents)	-	2 190
Realised capital gains/(losses) net of writebacks	(39 822)	(78 855)
Unrealised foreign exchange gain (loss) in company accounts	(3 048)	1 610
Revenues and expenses linked to stock options and similar	(659)	2 234
Interest revenues received	(118 023)	(101 870)
Interest revenues cashed	73 654	83 886
Adjustment for elements included in operating income that do not correspond to cash flows and reclassification of financing and investment flows	370 708	26 894
Income (loss) of companies accounted for by the equity method	(7 875)	(8 277)
Dividends received from companies accounted for by the equity method	6 970	5 452
Change in liabilities and receivables relating to insurance and reinsurance transactions	(49 611)	(41 578)
Change in inventories	(1)	42
Change in operating receivables and liabilities	(36 080)	22 246
Change in other assets and liabilities	(10 531)	(11 075)
Corporation tax	(179 188)	(165 579)
Cash flow related to operating activities	(276 316)	(198 769)
Cash flow from operating activities	266 270	410 086
Acquisitions of subsidiaries and joint ventures, net of acquired cash	(980)	(2 593)
Disposals of subsidiaries and joint ventures, net of acquired cash	-	1
Acquisitions of equity interests in companies accounted for by the equity method	(32 980)	(11 905)
Merger	-	(1)
Others	-	-
Cash flow linked to changes in the consolidation scope	(33 960)	(14 498)
Disposals of AFS securities	1 518 000	1 443 569
Matured HTM securities	8 661	7 561
Disposals of investment properties	25 828	1 453
Disposals of securities held for trading	446	1 288
Cash flow linked to disposals and redemptions of investments	1 552 935	1 453 871
Acquisitions of AFS securities	(1 024 678)	(1 457 058)
Acquisitions of HTM securities	-	-
Acquisitions of investment properties	(922)	(14 197)
Acquisitions of trading securities	(1 255)	(6 820)
Cash flow linked to acquisitions of investments	(1 026 855)	(1 478 075)
Disposals of other investments and intangible assets	172 683	54 585
Acquisitions of other investments and intangible assets	(468 750)	(192 043)
Cash flow linked to acquisitions and disposals of other investments and intangible assets	(296 067)	(137 458)
Cash flow from investing activities	196 053	(176 160)

Increases and decreases in capital		555	3 329
<i>Increases in capital</i>		575	3 333
<i>Decreases in capital</i>		(20)	(4)
Change in treasury stock		(9 423)	3 612
Dividends paid		(221 130)	(177 225)
Cash flow linked to transactions with the shareholders		(229 998)	(170 284)
Changes in loans and subordinated securities		(814)	(772)
<i>Issue</i>		87	458
<i>Repayment</i>		(901)	(1 230)
Interest paid		(16 352)	(14 722)
Cash flow from group financing		(17 166)	(15 494)
Cash flow from financing activities		(247 164)	(185 778)
Impact of foreign exchange differences on cash and cash equivalents		18 511	(2 732)
Reclassification ⁽¹⁾		(9 768)	(59 413)
Other cash flows linked to restructuring operations		-	-
Other net changes in cash		8 743	(62 145)
Change in cash flows		223 902	(13 997)
Change in cash and cash equivalents		223 902	(13 997)
Cash and cash equivalents at start of period	Note 10	388 421	402 418
Cash and cash equivalents at end of period	Note 10	612 323	388 421

(1) As at December 31, 2007, the reclassification of €59 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, 2008, the reclassification of €(10) million corresponds mainly to cash wrongly booked in the opening for €(9) million. The balance of €(1) million corresponds to bank overdraft not taken into account in the cash position at the start of the year.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(in thousands of euros)</i>	Capital stock	Additional paid-in capital	Retained earnings	Revaluation reserve	Translation reserve	Other Treasury shares	Total other	Shareholders' equity, group share	Minority interests	Total shareholders' equity
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 year	-	-	406 958	(34 472)	(40 713)	-	(40 713)	331 773	3 750	335 523
Capital movements	33	3 274	-	-	-	(859)	(859)	2 448	76	2 524
Dividend distributions	-	-	(174 181)	-	-	-	-	(174 181)	(3 044)	(177 225)
Shareholders' equity component of share-based payment plans	-	-	2 925	-	-	-	-	2 925	-	2 925
Cancellation of gains/losses on treasury shares	-	-	3 709	-	-	-	-	3 709	-	3 709
Other movements	-	-	(319)	-	-	-	-	(319)	(756)	(1 075)
Shareholders' equity as at December 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
Available-for-sale assets (AFS)										
Measurement gain / (loss) taken to shareholders' equity				(18 336)				(18 336)	(71)	(18 407)
Impact of transferring realised gains and losses to income statement				(21 823)				(21 823)		(21 823)
Cash flow hedges										
Gain / (loss) taken to shareholders' equity										
Impact of transferring realised profits and losses in the year to income statement										
Impact of transfers on the initial amount of hedges										
Impact of translation differences					(43 370)		(43 370)	(43 370)	(109)	(43 479)
Current and deferred tax taken directly to or transferred to shareholders' equity										
Net income recognised in shareholders' equity	-	-	-	(40 159)	(43 370)	-	(43 370)	(83 529)	(180)	(83 709)
Net income for the year			83 592					83 592	4 498	88 090
Total revenues and losses recognised for the period	-	-	83 592	(40 159)	(43 370)	-	(43 370)	63	4 318	4 381
Capital movements	9	592				(9 125)	(9 125)	(8 524)	-	(8 524)
Dividend distributions			(218 255)					(218 255)	(2 876)	(221 131)
Shareholders' equity component of share-based payment plans			1 489					1 489		1 489
Cancellation of gains/losses on treasury shares			(298)					(298)		(298)
Other movements			1 741					1 741	(293)	1 448
Shareholders' equity as at December 31, 2008 - IFRS	14 426	451 924	1 476 216	50 279	(73 191)	(84 697)	(157 888)	1 834 957	20 328	1 855 285

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Significant events

The following significant events occurred in 2008:

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

Changes in the share capital and in share ownership

The Shareholders' General Meeting of 15 May 2008 decided to distribute a dividend of €5.00 per share.

At 31 December 2008, the Allianz group owned 30,744,048 shares out of a total of 45,082,230 shares, corresponding to 68.20% of the share capital of Euler Hermes.

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

Ongoing international expansion

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

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

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

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

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

As at July 3rd, 2008, Euler Hermes and Rosno, both members of the Allianz group, have been co-operating in Russia since 2004. The two companies are now extending their partnership. Following the opening of a Euler Hermes Representative Office in Russia at Rosno's premises, the foundation of the company "OOO Euler Hermes Credit Management" represents a further

step on the way to expanding private credit insurance cover both for Russian firms and for companies exporting to Russia.

Increased retention rate

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

2 IFRS accounting and valuation rules

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

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, 2008 were prepared in accordance with IFRS as adopted by the European Union. International accounting standards comprise IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), together with their interpretative texts.

The standards and interpretations applied stem essentially from:

- IAS/IFRS and their interpretative texts whose application is mandatory at December 31, 2008 as adopted by the European Union,
- Guidance provided in CNC recommendation no. 2006-R01 relating to the format of financial statements prepared by insurance firms under international accounting guidelines.

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

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

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

- IAS 1 revised – Presentation of financial statements;
- IAS 23 – Update related to the costs of borrowings;
- IFRS 8 – Operational segments;
- IFRS 2 update – Vesting conditions and cancellations;
- IAS 32 and IAS 1 update – Puttable financial instruments and obligations arising on liquidation;
- IFRS 1 and IAS 27 update – Cost of an investment in a subsidiary, jointly controlled entity or associate;
- IFRS 3 and IAS 27 update – Business combination;
- IAS 39 – Financial instruments – Hedge accounting recognition ;
- IFRIC 12 – Service concession arrangements;
- IFRIC 13 – Customer Loyalty Programmes;

- IFRIC 15 – Agreements for the Construction of Real Estate;
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation;
- IFRIC 17 – Transfers of Assets from Customers.

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

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

2.2 Consolidation scope

2.2.1 Changes in consolidation scope

Changes in the consolidation scope in 2008 were as follows:

Companies joining the group

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

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

- A gain on disposal of €12 million;
- Goodwill amounting to €7 million.

Companies leaving the group

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

2.2.2 List of consolidated companies

French companies	Consolidation Method	31/12/08		31/12/07	
		% control	% interest	% control	% interest
Euler Hermes S.A. (1) 1, rue Euler - 75008 Paris N°Siren : 552 040 594	Held by AGF : 68,20%			Parent company	Parent company
Bilan Services S.N.C. 25, boulevard des Bouvets - 92000 Nanterre N°Siren : 333 192 631	Full	50,00	50,00	50,00	50,00
Codinf Services S.A. 29, rue de Délizy - 93500 Pantin N°Siren : 341 693 778	Full	100,00	100,00	100,00	100,00
Euler Hermes Asset Management S.A. 1, rue Euler - 75008 Paris N°Siren : 422 728 956	Full	100,00	100,00	100,00	100,00
Euler Hermes Services S.A.S. 1, rue Euler - 75008 Paris N°Siren : 414 960 377	Full	100,00	100,00	100,00	100,00
Euler Hermes SFAC S.A. 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 S.A.S. 1, rue Euler - 75008 Paris N°Siren : 388 236 853	Full	100,00	100,00	100,00	100,00
Euler Hermes SFAC Recouvrement S.A.S. 1, rue Euler - 75008 Paris N°Siren : 388 238 026	Full	100,00	100,00	100,00	100,00
Euler Hermes Tech S.A.S. 1, rue Euler - 75008 Paris N°Siren : 388 237 091	Full	100,00	100,00	100,00	100,00
Euro Gestion EURO VL - Immeuble Colline Sud - 10 passage de l'Arche 92034 Paris La Défense FR0007047568	Full	100,00	100,00	100,00	100,00
Euler Gestion CIC Asset Management - 4 rue Gaillon - 75002 Paris FR0007434980	Full	100,00	100,00	100,00	100,00
Euler Hermes World Agency 8 Rue Euler - 75008 Paris N°Siren : 487 550 907	Full	100,00	100,00	0,00	0,00

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

Foreign companies	Country	Consolidation Method	31/12/08		31/12/07	
			% control	% interest	% control	% interest
Bürgel Wirtschaftsinformationen GmbH & Co. K.G. Gasstr. 18 - D-22761 Hambourg	Germany	Full	50,10	50,10	50,10	50,10
Bürgel Wirtschaftsinformationen Verwaltungs-GmbH Gasstr. 18 - D-22761 Hambourg	Germany	Full	50,40	50,40	50,40	50,40
Euler Hermes Forderungsmangement GmbH Friedensallee 254 - Hambourg	Germany	Full	100,00	100,00	100,00	100,00
Euler Hermes Rating GmbH Friedensallee 254 - Hambourg	Germany	Full	100,00	100,00	100,00	100,00
Euler Hermes Kreditversicherungs A.G. Friedensallee 254 - Hambourg	Germany	Full	100,00	100,00	100,00	100,00
Euler Hermes Argentina San Martin 550- C1004AAL Buenos Aires	Argentina	Full	100,00	100,00	100,00	100,00
Euler Hermes Trade Credit Underwriting Agents Suite 1403, Level 14, 14 Martin Place - NSW 2000 - Sydney	Australia	Full	100,00	100,00	100,00	100,00
Prisma Kreditversicherungs A.G. Heiligenstadter Strasse 201 - Vienne	Austria	Equity	49,00	49,00	49,00	49,00
OeKB EH Beteiligungs- u. Manag Strauchgasse 1-3 - 1010 - Vienne	Austria	Equity	49,00	49,00	0,00	0,00
Euler Hermes Credit Insurance Belgium S.A. (N.V.) 15, rue Montoyer - 1000 Bruxelles - RC Bruxelles : 31 955	Belgium	Full	100,00	100,00	100,00	100,00
Euler Hermes Services Belgium S.A. (N.V.) 15, rue Montoyer - 1000 Bruxelles - RC Bruxelles : 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	Brasil	Full	100,00	100,00	100,00	100,00
Euler Hermes Serviços Ltda Alameda Santos 2335 Conj. 51 - Cerqueira César 01419-002 - São Paulo	Brasil	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	Brasil	Full	100,00	100,00	100,00	100,00
Euler Hermes Information Consulting (Shanghai) Co. Ltd Unit F, 7th Floor - Mirae Asset Tower - 166 Lujiazui Ring Road - Pudong - Shanghai, 200120	China	Full	100,00	100,00	0,00	0,00
Euler Hermes Colombie Carrera 13A No. 29-24, Torre Colseguros - Bogota	Colombia	Full	100,00	100,00	0,00	0,00
Euler Hermes Crédito 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 S.L. Paseo de la Castellana, 95 - Edificio Torre Europa - Planta 14 - 28046 Madrid	Spain	Full	100,00	100,00	100,00	100,00
Euler Hermes Services Estonia OU Tallinn Tina str 9, 10126 Tallin	Estonia	Full	100,00	100,00	100,00	100,00

Euler Hermes ACI Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100,00	100,00	100,00	100,00
Euler Hermes ACI Collections Services Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100,00	100,00	100,00	100,00
Euler Hermes ACI Holding Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100,00	100,00	100,00	100,00
Euler Hermes ACI Services, LLC 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100,00	100,00	100,00	100,00
Euler Hermes Emporiki S.A. 109-111, Messogion Ave - Politia Business Center - 115 26 Athènes	Greece	Full	60,00	60,00	60,00	60,00
Euler Hermes Emporiki Services Limited 109-111, Messogion Ave - Politia Business Center - 115 26 Athènes	Greece	Full	60,00	60,00	60,00	60,00
Euler Hermes Credit Underwriters Hong Kong Ltd 09/F Int. Finance Centre - 01, Harbour View street - Hong Kong	Hong Kong	Full	100,00	100,00	100,00	100,00
Euler Hermes Services (HK) Ltd 09/F Int. Finance Centre - 01, Harbour View street - Hong Kong	Hong Kong	Full	100,00	100,00	100,00	100,00
Euler Hermes Magyar Követeléskezelő Kft Kiscelli u.104 - 1037 Budapest	Hungary	Full	74,90	74,90	74,90	74,90
Euler Hermes Magyar Hitelbiztosító Rt Kiscelli u.104 - 1037 Budapest	Hungary	Full	74,89	74,89	74,89	74,89
Euler Hermes Services India Private Limited 4th Floor, Voltas House - 23, J N Heredia Marg - Ballard Estate - Mumbai 400 001	India	Full	100,00	100,00	0,00	0,00
Euler Hermes Credit Management Service Ireland Ltd 15, Blanchardstown Corporate Park - Ballygowan - Dublin	Ireland	Full	100,00	100,00	100,00	100,00
Israeli Credit Insurance Company Ltd (ICIC) 2, Shenkar Street - 68010 Israel - Tel Aviv	Israel	Equity	33,33	33,33	33,33	33,33
Euler Hermes SIAC Via Raffaello Matarazzo - 00139 Rome	Italy	Full	100,00	100,00	100,00	100,00
Euler Hermes SIAC Services S.R.L. Via Raffaello Matarazzo - 00139 Rome	Italy	Full	100,00	100,00	100,00	100,00
Logica S.R.L. Via Raffaello Matarazzo - 00139 Rome	Italy	Full	100,00	100,00	100,00	100,00
Euler Hermes Credit Services (Japan) Ltd 08-07, Kyobashi 1-chome, Chuo-Ku - Tokyo	Japan	Full	100,00	100,00	100,00	100,00
Euler Hermes Services Latvija S.I.A. Skolas 9-5, LV-1010 Riga	Latvia	Full	100,00	100,00	100,00	100,00
Lietuvos Draudimo Kreditu Draudimas Jasinskio 16, Vilnius	Lithuania	Equity	0,00	0,00	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. Blvd Manuel Avila Camacho #164, 8° piso - Col. Lomas de Barrilaco - Mexico, DF CP 11010	Mexico	Full	100,00	100,00	100,00	100,00
Euler Hermes Servicios S.A. Blvd Manuel Avila Camacho #164, 8° piso - Col. Lomas de Barrilaco - Mexico, DF CP 11010	Mexico	Full	100,00	100,00	100,00	100,00
Euler Hermes Trade Credit Ltd, Lumley Centre 88 Shortland Street - PO Box 3197 - Auckland	New Zealand	Full	100,00	100,00	100,00	100,00
Euler Hermes Interborg N.V. Hoogoorddreef 5 - Postbus/ PO 1100 AL Amsterdam	Netherlands	Full	100,00	100,00	100,00	100,00
Euler Hermes Kredietverzekering N.V. Pettelaarpark 20 - Postbus 70571 - NL-5201 CZ's-Hertogenbosch	Netherlands	Full	100,00	100,00	100,00	100,00
Euler Hermes Services B.V. Pettelaarpark 20 - Postbus 70571 - NL-5201 CZ's-Hertogenbosch	Netherlands	Full	100,00	100,00	100,00	100,00
Graydon Creditifink B.V. Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27,50	27,50	27,50	27,50
Graydon Holding N.V. Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27,50	27,50	27,50	27,50
Graydon Nederland B.V. Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27,50	27,50	27,50	27,50
Kisys Krediet Informatie Systemen B.V. Hullenbergweg 270 - 1101 B.V. Amsterdam	Netherlands	Equity	27,50	27,50	27,50	27,50
MarkSelect B.V. Diemthof 26 - Postbus 22969 - 1100 DL Amsterdam	Netherlands	Equity	27,50	27,50	27,50	27,50
Interpolis Kredietverzekeringen N.V. Pettelaarpark 20 - 5216 PD's Hertogenbosch	Netherlands	Proportional	45,00	45,00	45,00	45,00
Euler Hermes Zarządzanie Ryzykiem Sp. Z o.o. ul. Chocimska, 17 - 00 791 Varsovie	Poland	Full	100,00	100,00	100,00	100,00
Towarzystwo Ubezpieczeń Euler Hermes S.A. ul. Chocimska, 17 - 00 791 Varsovie	Poland	Full	100,00	100,00	100,00	100,00
Euler Hermes, Anna Kozminska-Kancelaria Prawna Sp.k ul. Chocimska, 17 - 00 791 Varsovie	Poland	Full	99,98	99,98	99,98	99,98
Companhia de Seguro de Creditos S.A. (COSEC) Avenida de Republica, n° 58 - 1069-057 Lisboa	Portugal	Equity	50,00	50,00	50,00	50,00
Euler Hermes Cescob, uverova pojistovna, a.s. Molakova 576/11, 186 00 Praque 8	Czech Republic	Full	100,00	100,00	100,00	100,00
Euler Hermes Cescob Service, S.R.O. Zahrebska 23-25 - 120 00 Praque 2	Czech Republic	Full	100,00	100,00	100,00	100,00
Euler Hermes Servicii Financiare S.R.L. 6 Petru Maior street , Bucharest 011264	Romania	Full	79,92	79,92	79,92	79,92
OOO Euler Hermes Credit Management ul. Krymskij Val 3, Building 3, 2, Office 210 - 119049 - Moscow	Russia	Full	100,00	100,00	0,00	0,00
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	100,00	100,00	98,72	98,72
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	100,00	100,00
Graydon U.K. Limited Hyde House, Edgware road - Colindale - Londres NW9 6LW	United Kingdom	Equity	27,50	27,50	27,50	27,50
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 Servis SRO Bratislava Plynavenska 4659/1 821 09 Bratislava, Slovakia	Slovakia	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 Service A.B. Klara Norra Kyrkogata 29 - SE 101 34 Stockholm	Sweden	Full	100,00	100,00	0,00	0,00

Euler Hermes Services A.G. General Wille strasse 10 - 8002 Zurich	Switzerland	Full	99,50	99,50	99,50	99,50
Euler Hermes Reinsurance A.G. Tödi strasse 65 - 8002 Zurich	Switzerland	Full	100,00	100,00	100,00	100,00
Euler Hermes Risk Yönetimi Dereboyu Sokak, Sun Plaza, Plaza Cubes, Maslak - 34398 Istanbul	Turkey	Full	100,00	100,00	100,00	100,00
Euler Hermes Sigorta Anonim Sirketi Dereboyu Sokak - Sun Plaza, Floor 13, Plaza Cubes, Off. N°24, Maslak - 34398 - Istanbul	Turkey	Full	100,00	100,00	0,00	0,00

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

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

2.3 Consolidation principles and methods

2.3.1 Consolidation policies

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

Subsidiaries

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

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

- Euler Gestion
- Euro Gestion

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

Companies accounted for by the equity method

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

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

- Prisma OeKB EH Beteiligungs- u. Managment;
- Graydon Holding N.V;
- Companhia de Seguro de Creditos SA (COSEC);
- Israel Credit Insurance Company Ltd (ICIC).

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

Entities under joint control (joint ventures)

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

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

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

2.3.2 Eliminations on consolidation

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

2.3.3 Financial year and year-end dates

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

2.3.4 Appeal to estimates

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

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

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

Estimates		Communicated Information
Note 16	Earned but not recorded premiums reserves	This reserve is established based on the estimate of the amount of premiums expected on the period less the amount of premiums recorded on the period.
Note 16	Provisions for salvages & recoveries	<p>This reserve represents the estimate of potential recoveries on settled claims by a statistical calculation based on the evolution of salvages & recoveries by year of attachment on previous exercises.</p> <p>They take into consideration a provision for administration charges determined in accordance with actual observed expenses.</p>
Note 16	Bonus & profit commission reserve	This reserve is intended to cover the future cost corresponding to premium rebates to be granted to policyholders under the terms of policies giving policyholders a share in their technical positive results.
Note 16	Reserves for claims payable	This reserve corresponds to a statistical estimate of the cost of all outstanding claims, that is to say claims reported but not yet settled.
Note 16	IBNR reserve	<p>In credit-insurance, the IBNR are calculated to cover:</p> <ul style="list-style-type: none"> - The claims which occurred before the closing and will be known only on the next period. - The claims related to commercial receivables accounted before the closing and covered by a warranty which will occur and be known only on the next period <p>They are determined based on statistical models integrating historical data as well as future developments based on estimates.</p> <p>Considering the current economic crisis and the methods of assessment of credit-insurance, the IBNR might be different from the ones calculated on statistical basis. Indeed, non anticipated assessments might occur and modify the assumptions previously retained for the determination of IBNR.</p>

Note 3	Fair value of real estate held for investments & for use	The fair value of buildings is estimated based on market prices, adjusted, where applicable, to take into account the nature, location or other specific features of the building concerned.
Note 19	Employee benefits	The related commitments are measured in accordance with IAS 19, by independent actuaries. The commitment is recognised in the balance sheet using the projected unit credit method, based on the group actuarial assumptions, which are reviewed each year
Note 29	Stock options plans	The fair value of the liabilities resulting from the SAR (Stock Appreciation Rights) and RSU (Restricted Stocks Units) plans is reassessed at each balance sheet date based on the Allianz share price, until expiry of the obligation, and is calculated using the Cox-Ross-Rubinstein binomial valuation model.
Note 1	Impairment of goodwill	An impairment of goodwill is recognised when the higher of the Cash Generating Unit's value in use (present value of future cash flows) and fair value less any selling costs is less than its carrying amount (share of net assets and goodwill). The fair value of the Cash Generating Unit's is based on assumptions of capital costs, growth rate to infinity and loss ratio & standard retention rates used in the calculation of the final values.

2.3.5 Translation

2.3.5.1 Translation of transactions denominated in a foreign currency

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

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

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

2.3.5.2 Translation of the financial statements of foreign companies

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

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

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

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

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

2.3.6 Sectoral data

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

2.3.7 Goodwill and other intangible assets

2.3.7.1 Goodwill

All business combinations made with effect from March 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 § 2.3.7.3).

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

For the purposes of impairment testing, goodwill is allocated to Cash Generating Units or to groups of Cash Generating Units (see § 2.3.7.3 for the impairment test procedures).

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

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

2.3.7.2 Other intangible assets

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

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

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

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

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

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

2.3.7.3 Impairment

Goodwill

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

The main assumptions used to determine the value in use are as follows: indefinite renewal of policies, growth rate to infinity of between 0.5% and 2% depending on the CGU concerned, and a discount rate between 7.24% and 9.41% depending on the company. With effect from 2006, the discount rate used is determined by geographic region. The model is based on the projected 3-year budget prepared by management with a final year based on normalised management ratios (combined ratios and target retention rates) using a minimum rate of 83% for the combined ratio. Furthermore, as part of the setting up of a captive reinsurance company, the scope of the Cash Generating Units has been extended to include reinsurance assignments made to this new company as well as the share of related shareholders' equity. Lastly, the valuation model has been fine-tuned to incorporate specific treatment of capital surpluses actually available for distribution.

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

Other intangible assets

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

2.3.8 Property assets

2.3.8.1 Distinction between investment property and operating property

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

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

2.3.8.2 Recognition and measurement

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

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

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

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

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

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

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

2.3.8.3 Impairment

Investment property

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

Property for own use

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

2.3.9 Other property and equipment

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

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

2.3.10 Financial instruments

2.3.10.1 Financial investments

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

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

Available-for-sale assets (AFS)

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

Initial recognition

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

Measurement

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

Impairment

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

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

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

The amount of the accumulated loss removed from shareholders' equity and recognised in the income statement is equal to the difference between the acquisition cost (net of any capital

repayment and any write-downs) and the current fair value, less any impairment of this financial asset previously recognised in the income statement.

Any relevant decrease in the fair value of a stock already impaired is complementary accounted through the income statement.

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

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

Disposal

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

Held-to-maturity assets (HTM)

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

Initial recognition

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

Measurement

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

Assets held for trading purposes

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

- acquired or held principally with a view to being sold or redeemed in the short term, 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.

2.3.10.2 Derivatives

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

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

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

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

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

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

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

2.3.11 Insurance and reinsurance receivables and liabilities

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

2.3.12 Acquisition costs capitalised

Acquisition costs capitalised relate to insurance policies. They mainly comprise brokerage commissions and expenses incurred by the sales and marketing departments. The capitalised amount is calculated using the same method as for the provision for unearned premiums. As

the period covered by contracts is one year at most, these acquisition costs are deferred to the following year. The movement in acquisition costs capitalised is included in acquisition expense reported in the income statement. Where applicable, acquisition costs capitalised are written down as part of the application of tests on the adequacy of liabilities.

2.3.13 Current and deferred tax

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

2.3.14 Other receivables and operating liabilities

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

2.3.15 Other assets and other liabilities

These essentially comprise prepaid expense accounts.

2.3.16 Cash and cash equivalents

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

2.3.17 Provisions for risks and charges

2.3.17.1 Provisions

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

2.3.17.2 Contingent liabilities and contingent assets

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

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

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

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

2.3.18 Employee benefits

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

- Defined contribution plans involve payments to bodies that release the company from any future commitments in respect of employees. As such, only the contributions paid or payable in respect of the period are included in the group's financial statements. Such plans are in place in France, the United States, the United Kingdom and Scandinavia.
- In the case of defined benefit plans, an amount of benefits is paid to the employee upon retirement, this amount generally being determined by one or more factors such as age, number of years' service and salary. Such plans are in place in the following countries: France, Germany, Belgium, the Netherlands, Italy and the United Kingdom. In France, these concern retirement benefits paid in the form of an annuity or capital.

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

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

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

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

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

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

2.3.19 Share-based payments

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

2.3.20 Insurance and reinsurance contracts

Contracts considered as insurance or reinsurance contracts under French accounting standards are analysed in accordance with IFRS between the following categories of contracts:

- insurance and reinsurance contracts falling within the scope of IFRS 4;
- investment contracts with discretionary participation falling within the scope of IFRS 4;
- investment contracts without discretionary participation falling within the scope of IAS 39.

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

2.3.20.1 Definition of insurance contracts

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

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

On August 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, the issuers who explicitly consider financial collateral arrangements like insurance contracts can use the accounting treatment proposed under IFRS 4, these amendments do not call into question the decision taken by the Euler Hermes group to apply IFRS 4 to credit insurance contracts.

2.3.20.2 Measurement of insurance contracts

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

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

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

Analysis by function of expenses relating to contracts

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

Premiums

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

Premiums recognised in turnover stem from the guarantees given to policyholders to cover their trade receivables that arise in the same period as that for which the premium is paid. Given settlement delays, the lag between the triggering event, i.e. bankruptcy of the debtor, and notification of the claim, there is also a lag between recording the premiums and the related claims. This lag is taken into account through the recognition of provisions for claims incurred but not reported (IBNR).

Premium refunds granted to policyholders are now presented on a separate line as a deduction from earned premiums. Up to December 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.

2.3.20.3 Reinsurance contracts

Acceptances

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

Assignments

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

Cash deposits received from reinsurers are recognised in liabilities arising on assigned reinsurance transactions. Receivables due from reinsurers are subject to impairment write-downs only if one of the following relevant evidence is noticed:

- The ceded company won't receive the entire amount due at the end of the contract;
- An event with an assessable impact occurs.

2.3.21 Borrowings

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

The measurement and recognition of borrowings are defined by IAS 39. With the exception of derivatives (see §2.3.10.2), borrowings and other financial liabilities are recognised at fair value less any related transaction costs, and are subsequently measured at amortised cost calculated using the effective interest rate.

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

2.3.22 Income from ordinary activities

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

Turnover comprises earned premiums and commissions and other operating revenues.

2.3.22.1 Premiums

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

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

2.3.22.2 Investment income

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

Investment income net of management expense

This income comprises notably the following categories of revenue:

- net income from property
- net income 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.

2.3.23 Insurance services expense

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

2.3.24 Net outwards reinsurance income or expense

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

2.3.25 Administration expense

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

2.3.26 Other ordinary operating income and expense

Other ordinary operating income and expense comprises:

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

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

2.3.27 Other operating income and expense

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

2.3.28 Financing expense

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

Financing expense consists of expenses relating to the following items:

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

2.3.29 Earnings per share

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

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

3 Risk Management

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

In addition to the other function monitoring all Risks, Euler Hermes group has implemented a risk control function that aims to control and monitor the main risks to which the group is exposed.

3.1 The risk control function

3.1.1 Objective and principles of risk control

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

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

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

3.1.2 Risk control activity

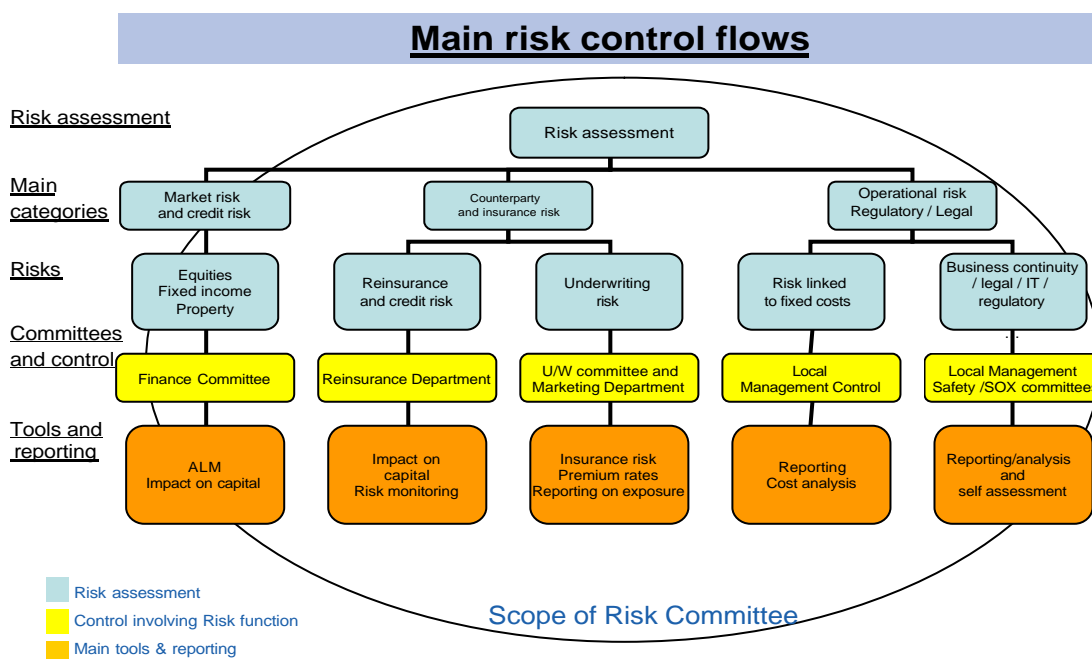
This function is responsible for understanding, measuring, controlling and proactively managing all the types of risks that the group may face. To achieve this, it relies on each entity and the cross-company functions of the group to monitor and consolidate the information provided to

management. This coordination provides detailed information on local situations, which in turn is used to prepare a consolidated view for submission to the group's senior management.

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

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

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



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

Such a structure aims to identify and monitor proactively all types of risks by maintaining responsibility for the management of these risks at operational level. The risks are thus controlled at various levels and limits are managed in line with the capital allocated by risk while at the same time benefiting from operational experience. Risk management is thus spread

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

3.2 Insurance risk

3.2.1 Insurance risk

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

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

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

3.2.2 Credit insurance contracts

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

The credit insurance contract specifies the management conditions and the parameters (excess, maximum liability, etc.) that vary according to the risk profile of each policyholder. Euler Hermes is reviewing some of the policy terms to adjust the conditions of the policies to the current crisis where necessary. The review and the new products setting are local. The contract also requires that the policyholder declares payment defaults within a given timeframe. During the policy period, there is ongoing collaboration with the policyholder, notably through the provision of the necessary cover for his customers. The principle of providing global coverage for policyholders' turnover is an important element in increasing risk diversification but also in

limiting the effects of non-selection. The Euler Hermes group also offers a debt collection service that enables it to check the amounts to be collected from debtors and to act as quickly as possible to collect these amounts. If the main risks of Euler Hermes is based on the credit coverage granted on trade operations, it must also be mentioned that in less extend the policyholders portfolio are also affected by the crisis with decrease of their turn over basis of the premium or their bankruptcies. This effect is, however, compensated by the portfolio dynamic and the current demand for credit insurance during this period.

3.2.3 Insurance portfolio and diversification

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

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

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

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

€'000, 000	2008	%	2007	%
Total Europe	574 646	86,0%	579 392	87,6%
of which				
France	203 833	30,5%	207 882	31,4%
United Kingdom	53 469	8,0%	68 096	10,3%
Germany	120 073	18,0%	110 200	16,7%
Italy	64 977	9,7%	68 478	10,4%
Belgium and Luxembourg	14 928	2,2%	29 454	4,5%
Netherlands	18 519	2,8%	20 777	3,1%
Spain	17 702	2,7%	18 719	2,8%
Eastern Europe	32 896	4,9%	16 735	2,5%
Scandinavia	20 723	3,1%	13 722	2,1%
Rest of Europe	27 526	4,1%	25 330	3,8%
Total Americas	54 928	8,2%	52 880	8,0%
of which				
United States	37 907	5,7%	35 914	5,4%
Canada	5 504	0,8%	5 933	0,9%
Other American Countries	11 517	1,7%	11 032	1,7%
Asia/ -Pacific	26 619	4,0%	20 158	3,0%
Near and Middle East	7 004	1,0%	5 312	0,8%
Africa	4 624	0,7%	3 499	0,5%
Total	667 822	100,0%	661 241	100,0%

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

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

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

€'000, 000	2008	%	2007	%
Metal Industry	132 882	19,9%	125 345	19,0%
Agrifood	87 046	13,0%	86 685	13,1%
Construction	79 189	11,9%	82 159	12,4%
Textiles - leather	28 821	4,3%	34 532	5,2%
Electronics	53 401	8,0%	56 014	8,5%
Services	108 694	16,3%	105 923	16,0%
Wood - Paper	37 198	5,6%	41 015	6,2%
Chemicals	56 159	8,4%	51 509	7,8%
Other	84 431	12,6%	78 059	11,8%
Total	667 822	100,0%	661 241	100,0%

3.2.4 Management of underwriting risk

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

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

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

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

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

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

When an assessment is performed for another entity, the communication of this information is based on rules set centrally and the determination of a creditworthiness rating for each debtor.

Depending on the rating, the entity that has underwritten the insurance contract provides the export cover to its clients with the maximum amount of detail. This organisation provides clients with high service quality and facilitates close control of the underwriting risks.

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

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

The progression from the gross exposure at a given point in time on a debtor to the potential claim amount is thus complex and variable. Similarly, the amount of exposures net of reinsurance can be calculated only after applying policyholders' liability limits and excesses.

3.3 Market risk

Each group entity has a financial portfolio, investment of which is managed locally in accordance with the investment policies recommended by the group. Applied locally, these policies are controlled within each entity by a finance committee that reviews the portfolio results and approves any new investments.

At group level, governance is provided by an investment management function and a group finance committee that sets the short- and medium-term guidelines for management of the portfolio.

Market trends and ongoing management are the primary management criteria. However, in its strategic choices, the finance committee draws on measures of risk and asset/liability management to make the most appropriate decisions according to the resources available,

while also taking into account constraints regarding the cover provided by technical reserves and long-term provisions.

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

This organisation allows Euler Hermes to proactively manage its investment portfolio across the crisis. In 2008, Euler Hermes has continued to cautiously secure its assets in the negative evolution of the market. The Equity portfolio already reduced in 2007 was further downsized beginning of the year and the Group was not exposed neither to subprimes or any toxic assets. At year end, the overall portfolio had only limited amount of impairments with a large part in Governments bonds and in cash.

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

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

3.3.1 Description of the portfolio

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

Financial portfolio at market value

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

3.3.2 Equity market risk

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

the earnings of the group as a whole and means that this type of investment can be considered as providing substantial additional returns for the portfolio as a whole.

3.3.3 Interest rate risk

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

Sensitivity analysis to interest rate risk is in §3.6

Bonds by maturity

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

The yield on the bond portfolio is highly dependent on changes in interest rates and the portfolio duration. The average bond yield for 2008 was 4.0%, close to the rate offered for the current duration of the bond portfolio, i.e. around 4 years. Amounts represented by securities reaching maturity were replaced by equivalent securities with maturities that are longer than the average portfolio duration or with very short-term maturity. This investment policy takes into account the yield offered by the market on these maturities with a controlled level of risk and optimisation of bond income.

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

3.3.4 Property risk

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

In France, the investment consists of various residential properties, in Paris, with management of the property portfolio being outsourced. The turnover rate is limited with however on this period possible additional sales, and a portfolio properties being held for an average of 10 years..

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

3.3.5 Liquidity risk

In addition to the increase of cash position at 31 December 2008, 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. Analysis of bonds portfolio by maturity is done in §3.3.3

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

3.3.6 Exchange risk

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

The assets of these companies are invested mainly in local investment assets. An analysis of the financial portfolio of each entity shows that amounts in a currency other than the euro represent less than 25% of the total. These assets are held mainly by group companies operating in the regions that use these currencies.

Group financial portfolio by currency

	31/12/2008		31/12/2007	
	€m	%	€m	%
EUR	2 079	76,3%	2 617	83,9%
GBP	158	5,8%	240	7,7%
USD	182	6,7%	196	6,3%
Other currencies	306	11,2%	67	2,1%
Total	2 725	100%	3 120	100%

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

Foreign exchange risk	2008			2007		
	United States	United Kingdom	GROUP	United States	United Kingdom	GROUP
€m						
Net income, group share in €000 000 - 2008	3,6	- 10,5	83,6	29,0	36,6	407,0
Closing exchange rate	0,7185	1,0499		0,6793	1,3636	
Net income, group share in local currency ('000)	5,1	- 10,0	-	42,7	26,4	-
Impact of a 100 basis-point exchange rate movement (sign of net result)	0,7085	1,0599		0,6693	1,3536	
Net income, group share in €000 after the exchange rate movement	3,6	- 10,6	83,4	28,6	35,8	406,3
Change relative to initial net income (%)	-1,39%	0,95%	-0,18%	-1,47%	-0,73%	-0,17%

* United States refers to the USD-denominated component of consolidated income, United Kingdom refers to the GBP component. Income denominated in 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 and the current crisis. It is thus vital that this type of concentration is monitored regularly nowadays.

Euler Hermes matches each bond portfolio line with the issuer's rating of the main rating agencies (S&P, Moodys, Fitch). The breakdown of the portfolio by rating, apart from providing control over the creditworthiness of securities held in the portfolio, demonstrates that securities with a AAA rating represent 70% of the portfolio, mainly in government securities, and less than 1% of securities have no rating at all or a rating below A.

Concentration risk is very limited as no corporate bond security held in the portfolio exceeds 0.6% of the total bond portfolio.

Breakdown of bonds by rating

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

3.5 Reinsurance and reinsurance counterparty risk

3.5.1 Reinsurance: a risk management tool

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

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

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

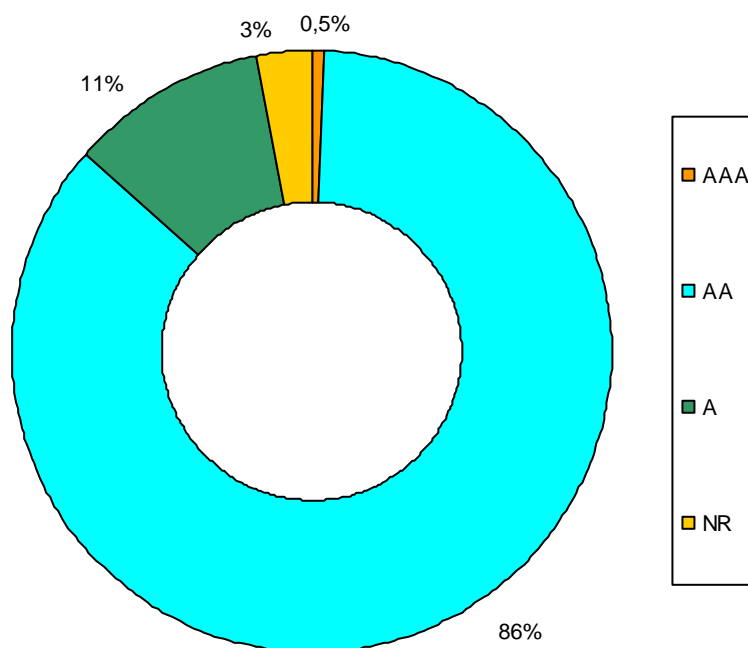
During the previous cycle, Euler Hermes has steadily increased its retention rate by reducing the share of the reinsurance proportional treaties. Note that, in order to increase protection of its Capital and especially in the current crisis environment, Euler Hermes has reversed this trend and the conditions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

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

3.5.2 Reinsurance counterparty risk

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

Analysis of technical reserves assigned* by rating of the reinsurer (the scope covered represents more than 99,7% of the reserves considered out of the group total at 31 December 2008)



	€'m
AAA	1 888
AA	357 791
A	44 155
NR	12 715
Total	416 549

* 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.

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

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

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

The model shows that the creditworthiness level of the Euler Hermes group is stable and the slight increase observed is mainly due to an increase in reserve risks compensated by the decrease of financial risks. This simulation is based on an internal approach and certain adjustments by the rating agency analysts could slightly modify the results.

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

Stress tests

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

Stress tests on assets

Equity and bond portfolio risk at 31 December 2008 (€m)	Market value at 31 December 2008	Impact of a 100bp* rise in interest rates	Impact of a 10% fall in the equity market	Market value at 31 December 2007	Impact of a 100bp* rise in interest rates	Impact of a 10% fall in the equity market
Obligation	1 875	-82,8	0,0	2 215	-86,4	0,0
Actions	152	0,0	-13,4	426	0,0	-42,6
Total	2 027			2 641		

* Average sensitivity of 4,4% calculated based on the main subsidiaries, which represented more than 99% of the bond portfolio at 31 December 2008

At just above four years, the duration of the bond portfolio limits the impact of a 100 basis point rise in interest rates to €60.0 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 2008 (€m)	Market value at 31/12/2008 / Impact scénario	Revaluation reserve / Shareholders' equity impact	Amortised cost / Economic cost impact
Total	152	16	136
Impact of a 10% fall in the equity market	-13	-6	-7
Impact of a 30% fall in the equity market	-40	-6	-34

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

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

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

Sensitivity of net income, group share to changes in the main components of operating income

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

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

The scenarios showing the sensitivity of net income to fluctuations in the main aggregates of operating income are also a tool that can be used to ascertain the impact of an exceptional situation and the assumptions used are highly conservative to take into account sudden changes. For each scenario, the sensitivity measured refers to an amplitude that must, in an actual scenario, be combined with other changes that may partially or fully offset the effects. The change in premiums is affecting the net result at constant loss ratio and its impact is therefore limited. For the same reason of high claims situation on current year, the scenario of a change of claims on this basis is affecting much more the result compared to last year when the level of claims was lower.

3.7 Operational risks

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

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

Operational risks are very broad and permeate all echelons of the organisation. Identified risks include the risk of fraud, legal risks, commercial risks, IT risks, security and damage risks, etc. Reputational risk monitoring is fully part of the operational management process

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

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

3.7.1 Insurance of goods and persons

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

3.7.2 Regulatory framework

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

3.7.3 Legal risks

Euler Hermes pays close attention to the management of its relations with third parties, and each entity has a local structure or the legal means to take appropriate legal action in the event of a dispute.

At present, other than the amounts of commitments considered as technical reserves, no significant disputes impacting Euler Hermes have been identified.

3.7.4 Environmental risks

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

3.8 Claims reserves

The purpose of claims reserves is to cover claims that have been notified or those that have not yet been notified but which relate to the financial year. They are estimated on a claim-by-claim basis or by the application of statistical methods based on historical data and claims trends. Claims reserves are not discounted.

As shown by the table below, the group's claims for the financial year are similar to those of previous years.

Net claims-to-premiums ratios

Ratio Claims / Premiums net of reinsurance

	2004	2005 proforma	2006	2007	2008
Claims / Premiums Ratio *	45,9%	44,8%	49,2%	48,1%	78,1%

* 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.

The approaches to calculate the claims reserve clearly cover the two specificities of risk bear by credit insurance reserving. The first aspect to assess the risk of reserve is the short term nature of credit insurance and the development of the reserve is almost completed at the end of the second year. The second aspect is linked to the fact that the liability for any claim is limited to the amount of invoices covered and therefore the deviation on reserve will be attached to adverse development of recoveries or of unknown claims compared to the reserve set up.

As illustrated in the previous paragraph the assessment of the claims or of the salvages reserve is based on actuarial technics and their assumptions are reviewed by the reserve committee. All entities have assessed their reserves taking into account the negative trends of the current crisis covering the increase of frequency and medium size claims but not major claims not yet declared and attached to year 2008.

Cost of claims

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

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

Claims reserves

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

Breakdown by type of reserve

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

Development of claims reserves

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

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

The initial estimate of the final cost of claims includes a degree of uncertainty, resulting in a surplus on prior years, reflecting not only a lack of information but also a margin of prudence that was gradually decreased over the final years. Large claims at the end of the year impacted the development of claims reserves. Major claims such as Moulinex and KMart that occurred in 2001 and Parmalat in 2003 initially impacted the ultimate cost before reinsurance of a given year and represented up to 10% of the estimated final gross cost of claims even though the cost net of reinsurance could have been reduced further. The collection or cancellation of reserves on these large claims generated substantial surplus reserves during these years.

The information comprising the claims development triangles is provided by most of the group entities.

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

Accident \ development year	1	2	3	4	5	6	7	8	Difference	% change
2001	1 239 641	1 211 285	1 164 652	1 134 111	1 102 277	1 081 799	1 072 002	1 062 625	177 016	14,3%
2002	1 110 715	937 070	907 266	878 121	868 787	862 674	852 122		258 593	23,3%
2003	1 014 841	804 390	732 663	726 700	718 374	712 141			302 699	29,8%
2004	838 004	707 205	655 182	646 124	639 116				198 888	23,7%
2005	858 434	788 128	746 227	736 048					122 386	14,3%
2006	837 703	787 380	726 909						110 794	13,2%
2007	852 849	816 878							35 971	4,2%
2008	1 302 512									

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

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

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

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

	EH ACI	EH SIAC	EH UK	EH BELGIUM	EH NL	EH KV
Parameters						
Cost of capital (net of tax)	6,78%	8,95%	7,59%	8,35%	8,12%	7,52%
	<i>2,21%</i>	<i>4,38%</i>	<i>3,02%</i>	<i>3,78%</i>	<i>3,55%</i>	<i>2,95%</i>
	<i>4,57%</i>	<i>4,57%</i>	<i>4,57%</i>	<i>4,57%</i>	<i>4,57%</i>	<i>4,57%</i>
	<i>of which, risk-free rate of which, risk premium (beta = 0.914)</i>					
Effective tax rate	35,0%	48,0%	28,0%	33,0%	25,5%	31,0%
Normalised return on financial portfolio	5,71%	3,44%	4,69%	4,47%	6,19%	5,03%
Net combined ratio	85,0%	83,0%	86,5%	83,0%	83,0%	85,0%
Target retention rate	55,0%	75,0%	70,0%	65,0%	60,0%	45,0%
Long-term growth	2,0%	2,0%	1,5%	2,0%	0,5%	0,5%
Long-term growth (upper and lower assumptions)	1,5% 2,5%	1,0% 3,0%	1,0% 2,0%	1,0% 3,0%	0,0% 1,0%	0,0% 1,0%
Average value in use (in thousands of euros)	341 572	307 436	232 434	137 111	52 870	1 225 451
Hypothesis - value in use = book value						
Cost of capital (net of tax)	10,72%	-	9,01%	-	-	-
Long-term growth	-	-11,38%	-	-3,62%	-8,30%	-4,84%

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

Sensibility analysis in plausible valorisation:

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

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

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

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

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

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

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

Note 2 Other intangible assets and contracts portfolio

	31/12/2008			31/12/2007				
	Contracts portfolio	IT development and software	Other intangible assets	TOTAL	Contracts portfolio	IT development and software	Other intangible assets	TOTAL
<i>(in thousands of euros)</i>								
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
Change during the year								
Net carrying amount as of December 31, 2007	3 460	48 491	6 327	58 278	11 570	23 711	7 638	42 919
Acquisitions	31	40 148	1 106	41 285	1 605	24 537	1 108	27 250
Expenses capitalised	-	-	-	-	-	-	-	-
Changes in consolidation scope	-	-	-	-	-	-	2	2
Disposals	-	(5 173)	-	(5 173)	(2 295)	(1 943)	(7)	(4 245)
Reclassifications ⁽¹⁾	-	358	-	358	(7 543)	(11)	(1 160)	(8 714)
Foreign exchange differences	(487)	(1 346)	-	(1 833)	(391)	(401)	-	(792)
Net amortisation	(1 600)	(6 854)	(1 226)	(9 680)	738	(5 472)	(1 254)	(5 988)
Net provisions for impairment	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	(224)	8 072	-	7 848
Net carrying amount at December 31, 2008	1 404	75 624	6 206	83 234	3 460	48 493	6 327	58 280
Balance as of December 31, 2008								
Gross value	4 506	132 935	19 462	156 903	5 191	104 623	18 398	128 212
Amortisation	(3 102)	(57 311)	(13 255)	(73 668)	(1 731)	(56 132)	(12 071)	(69 934)
Impairment	-	-	-	-	-	-	-	-
Net carrying amount	1 404	75 624	6 207	83 235	3 460	48 491	6 327	58 278

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

The acquisitions from 2008 correspond mainly to the IRP and Convergence application developed by the group.

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

For the Euler Hermes group, the main evidence for an impairment test of intangible assets will be a giving up of software.

Note 3 Investment and operating property

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

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

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

Note 4 Financial investments

Classification by accounting method

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

If there is no active market for a given financial instrument, the group estimates the fair value using a valuation technique. Valuation techniques include the use of recent transactions under normal competitive conditions between informed and consenting parties, where available, reference to the current fair value of another instrument that is identical in substance, the analysis of discounted cash flows and option valuation models.

<i>(in thousands of euros)</i>		31/12/2008					31/12/2007				
	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Unrealized gain or loss	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Unrealized gain or loss	
Held-to-maturity assets											
Bonds:	6 941	-	6 941	6 995	54	15 977	-	15 977	15 962	(15)	
<i>listed</i>				2 863					7 590		
<i>not listed</i>				4 132					8 372		
Total held-to-maturity assets	6 941	-	6 941	6 995	54	15 977	-	15 977	15 962	(15)	
Available-for-sale assets											
Equities:	136 083	16 064	152 147	152 147	-	295 013	128 498	423 511	423 511	-	
Bonds:	1 805 324	62 584	1 867 908	1 867 908	-	2 193 173	5 749	2 198 922	2 198 922	-	
<i>listed</i>				1 911 193					2 477 305		
<i>not listed</i>				108 862					145 128		
Total available-for-sale assets	1 941 407	78 648	2 020 055	2 020 055	-	2 488 186	134 247	2 622 433	2 622 433	-	
Trading assets											
Equities:	-	-	-	-	-	2 831	-	2 831	2 831	-	
Bonds:	-	-	-	-	-	-	-	-	-	-	
Total trading assets	-	-	-	-	-	2 831	-	2 831	2 831	-	
Loans, deposits and other financial investments											
	563 990	-	563 990	563 990	-	315 349	-	315 349	315 349	-	
Total loans, deposits and other financial investments	563 990	-	563 990	563 990	-	315 349	-	315 349	315 349	-	
Total financial investments	2 512 338	78 648	2 590 986	2 591 040	54	2 822 343	134 247	2 956 590	2 956 575	(15)	
<i>(in thousands of euros)</i>		31/12/2008					31/12/2007				
	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Unrealized gain or loss	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Unrealized gain or loss	
- Equities:	136 083	16 064	152 147	152 147	-	297 844	128 498	426 342	426 342	-	
- Bonds:	1 812 265	62 584	1 874 849	1 874 903	54	2 209 150	5 749	2 214 899	2 214 884	(15)	
- Loans and other investments	563 990	-	563 990	563 990	-	315 349	-	315 349	315 349	-	
Total Financial Investments	2 512 338	78 648	2 590 986	2 591 040	54	2 822 343	134 247	2 956 590	2 956 575	(15)	

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, 2008. EH Group hadn't any financial assets such as "dynamic treasury mutual funds" or "subprime investments".

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

Classification by investment category

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

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

The reclassification of trading investments is related to the hedging of Allianz stock options plans which is now accounted in Derivatives.

Note 5 Investments accounted for by the equity method

The equity method entity Lietuvos Draudimo Kreditu Draudimas has been sold out on the basis of an asset as at March 31, 2008 of €2,529 thousand of which a loss of €506 thousand.

The shares in Prisma Kreditversicherungs A.G. have been transferred in OeKB Beteiligungs- und Management A.G.. The operation has been completed with a cash payment in order that Euler Hermes Group held 49% of OeKB Beteiligungs- und Management A.G..

Information on equity-accounted investments

<i>(in thousands of euros)</i>	31/12/2008						
	Company	Country	Assets ⁽¹⁾	Shareholders' equity ⁽²⁾	Turnover	Net income	% of capital held
	Prisma Kreditversicherungs A.G.	Austria	-	-	34 266	996	49,00%
	OeKB Beteiligungs- und Management A.G.	Austria	149 367	117 447	16 946	2 686	49,00%
	Lietuvos Draudimo Kreditu Draudimas	Lithuania	-	-	1	351	0,00%
	Graydon Holding N.V.	Netherlands	56 120	23 949	73 172	13 367	27,50%
	Companhia de Seguro de Creditos SA (COSEC)	Portugal	98 657	39 606	18 791	2 418	50,00%
	Israel Credit Insurance Company Ltd	Israel	52 467	28 839	16 718	3 021	33,33%
			356 611	209 841	159 894	22 839	

(1) Assets based on company financial statements as at September 30, 2008.

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

(in thousands of euros)

31/12/2007

Company	Country	Assets	Shareholders' equity	Turnover	Net income	% of capital held
Prisma Kreditversicherungs A.G.	Austria	51 843	25 429	43 910	3 284	49,00%
OeKB Beteiligungs- und Management A.G.	Austria	-	-	-	-	0,00%
Lietuvos Draudimo Kreditu Draudimas	Lithuania	4 376	4 608	4	553	51,00%
Graydon Holding N.V.	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	Israel	43 449	25 140	13 719	2 148	33,33%
		257 542	123 823	145 844	24 108	

Movements during the period

(in thousands of euros)

31/12/2008 31/12/2007

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

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

(in thousands of euros)

31/12/2008 31/12/2007

Prisma Kreditversicherungs A.G.	Austria	(488)	10 851
OeKB Beteiligungs- und Management A.G.	Austria	56 233	-
Lietuvos Draudimo Kreditu Draudimas	Lithuania	(179)	2 068
Graydon Holding N.V.	Netherlands	2 910	2 340
Companhia de Seguro de Creditos SA (COSEC)	Portugal	18 594	21 007
Israel Credit Insurance Company Ltd	Israel	8 605	7 663
Share of shareholders' equity		85 675	43 929

Contribution to income

(in thousands of euros)

31/12/2008 31/12/2007

Prisma Kreditversicherungs A.G.	Austria	488	1 609
OeKB Beteiligungs- und Management A.G.	Austria	1 316	-
Lietuvos Draudimo Kreditu Draudimas	Lithuania	179	282
Graydon Holding N.V.	Netherlands	3 676	4 145
Companhia de Seguro de Creditos SA (COSEC)	Portugal	1 209	1 525
Israel Credit Insurance Company Ltd	Israel	1 007	716
Share of total income		7 875	8 277

Note 6 Operating property and other property and equipment

<i>(in thousands of euros)</i>	31/12/2008			31/12/2007		
	Operating property	Other property and equipment	Total	Operating property	Other property and equipment	Total
Balance as of December 31, 2007						
Gross value	194 273	137 129	331 402	180 908	146 448	327 356
Amortisation	(56 771)	(106 175)	(162 946)	(49 487)	(116 499)	(165 986)
Impairment	(10 014)	-	(10 014)	(10 014)	-	(10 014)
Net carrying amount	127 488	30 954	158 442	121 407	29 948	151 355
Change during the year						
Net carrying amount as of December 31, 2007	127 488	30 954	158 442	121 407	29 949	151 356
Acquisitions	922	11 567	12 489	14 438	13 079	27 517
Changes in consolidation scope	-	189	189	-	162	162
Disposals	-	(9 748)	(9 748)	(965)	(21 718)	(22 683)
Reclassifications	80	(145)	(65)	-	811	811
Foreign exchange differences	87	(1 000)	(913)	(105)	(305)	(410)
Net depreciation	(5 277)	(2 163)	(7 440)	(7 287)	8 324	1 037
Net provisions for impairment	9 460	-	9 460	-	-	-
Other changes	-	12	12	-	652	652
Net carrying amount at December 31, 2008	132 760	29 666	162 426	127 488	30 954	158 442
Balance as of December 31, 2008						
Gross value	195 192	141 134	336 326	194 273	137 129	331 402
Depreciation	(61 878)	(111 468)	(173 346)	(56 771)	(106 175)	(162 946)
Impairment	(554)	-	(554)	(10 014)	-	(10 014)
Net carrying amount	132 760	29 666	162 426	127 488	30 954	158 442

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

Note 7 Deferred tax

Breakdown by type of tax

(in thousands of euros)

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

The tax losses for €21 million are mainly activated in the reinsurance subsidiaries (Switzerland and Luxemburg).

The non-activated tax losses are mainly due to the German Branches for €23 million. The result for tax purposes is not expected to be positive.

Movement in deferred tax by geographical region

(in thousands of euros)	31/12/2007	Foreign exchange difference	Change relating to revaluation of AFS inv.	Change through income statement	Other movements	31/12/2008
Geographic area	(169 377)	-	(3 816)	(18 834)	526	(191 501)
Germany	(153 283)	-	29 012	(7 857)	(3)	(132 131)
France	(3 834)	-	(1 699)	14 787	(2 147)	7 107
Italy	(16 320)	2 214	(114)	9 957	(54)	(4 317)
UK	(670)	(67)	(1 548)	(671)	1 741	(1 215)
US	(8 714)	-	(715)	3 754	75	(5 600)
Benelux countries	(449)	1 538	(864)	16 176	(1 376)	15 025
Other countries	1 257	9	-	(11 056)	-	(9 790)
Group services / Holding co	(351 390)	3 694	20 256	6 256	(1 238)	(322 422)

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

Change in standard tax rate

	31/12/2008	31/12/2007
Group rate	45,04%	28,70%
France	34,43%	34,43%
Germany	32,28%	40,38%
Italy	32,32%	38,25%
United Kingdom	28,00%	30,00%
United States	35,00%	35,00%
The Netherlands	25,50%	25,50%
Belgium	33,99%	33,99%
Switzerland	17,50%	17,50%

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

A reconciliation between the tax rate of the parent company Euler Hermes SA and the effective tax rate in 2008 is provided in note 23.

Note 8 Insurance and reinsurance receivables

Breakdown by type

(in thousands of euros)

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

Breakdown of net receivables from guaranteed debtors

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

(in thousands of euros)

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

Breakdown by maturity

(in thousands of euros)

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

Provisions for bad debts from policyholders and agents

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

Note 9 Other receivables

Breakdown by type

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

Breakdown by maturity

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

Note 10 Cash and cash equivalents

Balance Sheet

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

Reconciliation with the cash flow statement

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

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

As at December 31, 2008, the subsidiaries booked their cash equivalents into the treasury account.

Note 11 Revaluation reserve

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

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

The impact of the revaluation of AFS investments of companies accounted for by the equity method is € (3323) thousand and concerned Companhia de Seguro de Creditos SA (COSEC).

Note 12 Minority interests

Movements during the year

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

Breakdown by country

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

Note 13 Provisions for risks and charges

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

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

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, 2008	-	(1 783)	-	-	(1 783)
Expense booked in 2008	(207)	(186)	(705)	(152)	(1 251)
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)

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 December 31, 2001. Under this plan, employees will be granted a pension on retirement (the normal age being 63 years), which will be a fraction of their salary upon retirement and based on their length of service within the company.
The company funds these rights through a dedicated fund. The retirement rights are revalued annually based on the constraints set by law, which provides for the mandatory application of different revaluation rates according to the vesting date of the rights.

The revaluation of certain rights, notably those earned prior to April 6, 1997, is not covered by a legal obligation, but is discretionary. The assumptions used to calculate the

commitment were reviewed in 2005 following the decision to no longer finance the revaluation of the discretionary increase in rights earned prior to 1997. This took into account the company's recent practice and the current position of the fund, factors that tend to reduce the probability of such discretionary revaluations being granted in the future. The commitment was reduced by £13.7 million at December 31, 2005. In this regard, £8.4 million was treated as actuarial gains and £5.7 million was recognised in the 2006 income statement as past service costs.

At December 31, 2008, the present value of pension commitments in respect of this plan came to £89.9 million, funded partly by the fund as the market value of the assets stood at £90.4 million.

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

31/12/2008	France			Italy	United Kingdom	Germany	Belgium	The Netherlands	Total
	Retirement indemnities	PSAD	CARDIF						
Actuarial liability at start of period	(4 933)	(4 497)	(2 792)	(9 791)	(131 573)	(311 943)	(14 824)	(3 146)	(483 499)
- Cost of services provided during the period	(277)	-	-	(431)	(2 462)	(8 322)	(721)	(238)	(12 451)
- Interest expense	(228)	-	(145)	(420)	(5 810)	(16 858)	(785)	(163)	(24 635)
- Employee contributions	-	-	-	-	-	(2 590)	(79)	(75)	(2 744)
- Change of pension plan	-	-	-	-	-	-	-	-	-
- Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-
- Reductions of pension plans	-	-	-	-	-	-	-	-	-
- Disposals of pension plans	-	-	-	-	-	-	-	-	-
- Exceptional events	-	-	-	-	-	-	-	(169)	(169)
- Actuarial gains (losses) due to a change in assumptions	218	67	212	-	11 951	19 647	401	343	32 839
- Actuarial gains (losses) due to a change in experience	(144)	(89)	74	-	803	2 985	(646)	-	2 983
- Benefits paid	384	481	152	1 205	2 424	9 369	280	1	14 296
- Translation differences	-	-	-	-	30 272	-	-	-	30 272
- Other	43	-	-	-	18	(15)	333	(41)	338
- Removal of the discretionary clause	-	-	-	-	-	-	-	-	-
Actuarial liability at end of period	(4 937)	(4 264)	(2 499)	(9 437)	(94 377)	(307 727)	(16 041)	(3 488)	(442 770)
Fair value of assets at start of period	1 164	-	3 320	-	128 235	264 265	11 038	2 528	410 551
- Actual return on plan assets	88	-	88	-	(9 839)	13 765	549	109	4 740
- Experience effect on returns from assets	-	-	-	-	-	(13 921)	(89)	-	(14 010)
- Employee contributions	-	-	-	-	-	6 229	79	158	6 466
- Employer contributions	692	-	-	-	8 576	2 590	1 193	533	13 584
- Acquisitions/disposals of subsidiaries	-	-	-	-	-	1 258	-	-	1 258
- Reductions of pension plans	-	-	(266)	-	-	(1 258)	-	-	(1 524)
- Disposals of pension plans	-	-	-	-	-	-	-	-	-
- Benefits paid	(384)	-	(152)	-	(2 424)	(6 126)	(280)	(1)	(9 367)
- Translation differences	-	-	-	-	(29 504)	-	-	-	(29 504)
- Other	-	-	-	-	(118)	(310)	-	21	(407)
Fair value of assets at end of period	1 540	-	2 990	-	94 927	266 492	12 490	2 839	381 278
Actuarial differences still to be amortised	502	-	491	-	(17 150)	(9 801)	442	12	(25 504)
Provision for defined benefit plan	(3 899)	(4 264)	-	(9 437)	17 699	(31 434)	(3 993)	(661)	(35 988)
Expenses for the period	(437)	(247)	-	(851)	(3 172)	(11 606)	(957)	(461)	(17 731)
- Cost of services provided during the period	(277)	-	-	(431)	(2 922)	(8 322)	(721)	(238)	(12 911)
- Financial cost (discounting effect)	(228)	(226)	-	(420)	(6 895)	(16 858)	(785)	(163)	(25 575)
- Expected return on plan assets	59	-	-	-	7 222	13 765	549	139	21 734
- Expected return on all other assets	-	-	-	-	-	-	-	-	-
- Amortisation of actuarial gains and losses	9	(21)	-	-	(457)	(191)	-	-	(660)
- Amortisation of past service costs	-	-	-	-	-	-	-	-	-
- Amortisation of initial unrecognised liability	-	-	-	-	-	-	-	-	-
- Profit or loss resulting from reduction or liquidation	-	-	-	-	-	-	-	-	-
- Asset ceiling	-	-	-	-	-	-	-	40	40
- Exceptional events	-	-	-	-	-	-	-	(193)	(193)
- Other	-	-	-	-	(120)	-	-	(46)	(166)
Actuarial assumptions									
- Discount rate	6,00%	6,00%	4,00%	6,00%	5,80%	5,50%	6,00%	6,00%	
- Rate of inflation	2,50%	2,50%	-	3,60%	3,11%	1,85%	2,50%	2,00%	
- Expected rate of return on plan assets	4,75%	-	4,00%	-	6,20%	5,20%	5,00%	6,00%	
- Expected rate of return on all reimbursement rights	-	-	-	-	-	-	-	-	
- Expected rate of salary increases	3,50%	-	-	4,20%	4,15%	2,40%	4,00%	2,00%	
- Rate of increase in medical costs	-	-	-	-	-	-	1,50%	2,00%	
- Rate of increase in annuities	-	2,35%	-	-	-	1,85%	-	1,00%	
- Retirement age	60	0	60	60-65	63	63	60	65	
- Remaining length of service	10	0	5	0	20	15	11	28	
- Other major assumptions used (1)	-	60,00%	-	-	-	-	-	-	
(1) the 60% on the PSAD plan corresponds to the reversion rate									
Structure of plan assets									
- Equities	-	-	23,00%	-	40,00%	20,34%	-	-	
- Bonds	100,00%	-	27,00%	-	60,00%	77,21%	-	-	
- Property	-	-	-	-	-	2,43%	-	-	
- Other	-	-	50,00%	-	-	0,02%	100,00%	100,00%	

The €53,688 thousand in note 13 corresponds to the provision for defined benefit plan at December 31, 2008 (€35,988 thousand) adjusted for the positive net commitment of €17,699 thousand in the United Kingdom.

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 assumptions	467	230	295	-	12 225	30 777	(275)	29	43 748
- Actuarial gains (losses) due to a change in experience	88	88	(63)	-	(1 638)	1 494	1 124	(29)	1 064
- Benefits paid	296	485	151	1 783	3 409	10 817	980	-	17 921
- Translation differences	-	-	-	-	12 183	-	-	-	12 183
- Other	-	-	-	-	582	327	-	91	1 000
- Removal of the discretionary clause	-	-	-	-	-	-	-	-	-
Actuarial liability at end of period	(4 933)	(4 497)	(2 792)	(9 791)	(131 573)	(311 943)	(14 824)	(3 146)	(483 499)
Fair value of assets at start of period	838	-	3 301	-	135 294	258 878	9 418	2 941	410 670
- Actual return on plan assets	35	-	221	-	5 960	13 048	419	(310)	19 373
- Experience effect on returns from assets	-	-	-	-	-	(8 420)	69	-	(8 351)
- Employee contributions	-	-	-	-	1	2 552	74	55	2 682
- Employer contributions	664	-	-	-	2 691	5 885	2 038	149	11 427
- Acquisitions/disposals of subsidiaries	-	-	-	-	-	-	-	-	-
- Reductions of pension plans	-	-	(51)	-	-	-	-	-	(51)
- Disposals of pension plans	-	-	-	-	-	-	-	(480)	(480)
- Benefits paid	(296)	-	(151)	-	(3 409)	(7 678)	(980)	29	(12 485)
- Translation differences	-	-	-	-	(11 720)	-	-	-	(11 720)
- Other	(77)	-	-	-	(582)	-	-	(160)	(819)
Fair value of assets at end of period	1 164	-	3 320	-	128 235	264 265	11 038	2 528	410 551
Actuarial differences still to be amortised	427	-	528	-	(18 657)	(18 703)	496	161	(35 748)
Provision for defined benefit plan	(4 196)	(4 497)	-	(9 791)	15 319	(28 975)	(4 282)	(779)	(37 201)
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	-	-	-	-	-	-	-	(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 December 31, 2007 (€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	-	-	-	-	-	-	-	-	-
- Actuarial gains (losses) due to a change in assumptions	-	-	-	-	(2 256)	26 082	412	447	24 685
- Actuarial gains (losses) due to a change in experience	(46)	(145)	222	-	(389)	(6 256)	-	(437)	(7 051)
- Benefits paid	377	488	122	1 489	3 156	8 505	200	1	14 338
- Translation differences	-	-	-	-	(2 837)	-	-	-	(2 837)
- Other	-	-	-	-	210	(166)	461	(1 817)	(1 312)
- Removal of the discretionary clause	-	-	-	-	3 623	-	-	446	4 069
Actuarial liability at end of period	(5 278)	(5 078)	(3 040)	(10 364)	(147 090)	(329 006)	(15 138)	(4 219)	(519 213)

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	20 621
- 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)
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Provision for defined benefit plan	(4 157)	(5 078)	-	(10 364)	18 328	(26 803)	(5 298)	(1 168)	(34 540)
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Expenses for the period	(513)	(530)	1 473	(1 245)	4 255	(11 078)	(994)	(955)	(9 587)
- Cost of services provided during the period	(345)	-	-	(978)	(3 970)	(9 761)	(761)	(416)	(16 231)
- Financial cost (discounting effect)	(198)	(192)	(185)	(267)	(6 585)	(13 525)	(573)	(171)	(21 696)
- Expected return on plan assets	35	-	185	-	7 690	12 310	340	5	20 565
- Expected return on all other assets	-	-	-	-	-	-	-	-	-
- Amortisation of actuarial gains and losses	(2)	-	-	-	(1 324)	(2 027)	-	-	(3 353)
- Amortisation of past service costs	-	-	-	-	-	1 925	-	200	2 125
- Amortisation of initial unrecognised liability	-	-	-	-	-	-	-	-	-
- Profit or loss resulting from reduction or liquidation	(3)	-	1 473	-	-	-	-	8	1 478
- Asset ceiling	-	-	-	-	-	-	-	-	-
- Exceptional events	-	-	-	-	-	-	-	-	-
- Other (see explanatory note above)	-	(338)	-	-	8 444	-	-	(581)	7 525

Actuarial assumptions									
- Discount rate	4,00%	4,60%	4,00%	4,50%	5,10%	4,60%	4,50%	4,60%	
- Rate of inflation	2,00%	2,00%	-	2,00%	3,15%	1,50%	2,00%	2,00%	
- Expected rate of return on plan assets	4,00%	-	4,00%	-	6,40%	5,00%	4,50%	4,60%	
- Expected rate of return on all reimbursement rights	-	-	-	-	-	-	-	-	
- Expected rate of salary increases	3,00%	-	-	2,50%	4,15%	2,40%	3,50%	2,00%	
- Rate of increase in medical costs	-	-	-	-	-	-	-	2,00%	
- Rate of increase in annuities	-	1,90%	-	-	3,15%	1,50%	-	-	
- Retirement age	60	-	60	60-65	63	63	60	65	
- Remaining length of service	10	-	5	-	20	15	12	28	
- Other major assumptions used (1)	-	60,00%	-	-	-	-	-	-	

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

Structure of plan assets									
- Equities	-	-	23,00%	-	49,00%	20,34%	-	-	
- Bonds	100,00%	-	27,00%	-	31,00%	77,21%	-	-	
- Property	-	-	-	-	-	2,43%	-	-	
- Other	-	-	50,00%	-	20,00%	0,02%	100,00%	100,00%	

The €52,868 thousand in note 13 corresponds to the provision for defined benefit plan at December 31, 2006 (€34,540 thousand) adjusted for the positive net commitment of €18,328 thousand in the United Kingdom.

Estimation of future contributions

The table below presents the estimated future benefit payments that will be met by the pension funds or by Euler Hermes Group:

<i>(in thousands of euros)</i>	Pension & Post-Retirement Benefits
2008	14 618
2009	14 341
2010	15 234
2011	15 954
2012	18 850
2013	18 979
2014 - 2018	115 523

Note 15 Borrowings

Breakdown by type

<i>(in thousands of euros)</i>	31/12/2008	31/12/2007
Subordinated debt	-	-
Term loans and other term borrowings	2 313	-
Demand accounts	-	-
Borrowings from banking sector businesses	2 313	-
Other borrowings	295 433	295 746
Total borrowings	297 746	295 746

“Other borrowings” include three loans to Euler Hermes SA from AGF amounting to €292,321 thousand of which €321 thousand of accrued interests with a maturity of 3 months or less (€145 thousand) and between 3 months and 1 year (€176 thousand) (see note 27 Related parties). The balance represents mainly a borrowing by the Greek subsidiary from its shareholder Banque Emporiki (€1.2 million).

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

The borrowing from banking sector businesses is a credit roll-over contracted by the Belgian subsidiary toward Fortis and wrongly accounted in 2007 in other debts.

Breakdown by maturity

<i>(in thousands of euros)</i>	31/12/2008				
	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total borrowings	5 570	157 176	135 000	-	297 746

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

	Value	Rate	2009	2010
Loan 2009	90	Euribor 6m + 146,5bp	2,0	
Loan 2010	135	Euribor 6m + 20bp	4,3	2,1
Loan 2009	67	Euribor 6m + 144,3bp	1,5	
		Total	7,8	2,1

	Euribor	12/12/2008	31/12/2008
6m		3,369	2,971

Note 16 Technical reserves

<i>(in thousands of euros)</i>	31/12/2007	Net provisions	Foreign exchange differences	Other changes	31/12/2008
Reserve for unearned premiums	260 291	28 170	(17 565)	43 795	314 691
Reserve for claims	1 045 565	422 500	(38 082)	(7 373)	1 422 610
Reserve for no-claims bonuses and refunds	120 285	(4 885)	(1 486)	2 483	116 397
Gross technical reserves	1 426 141	445 785	(57 133)	38 905	1 853 698
Reserve for unearned premiums	48 242	3 654	4 340	(8 383)	47 853
Reserve for claims	297 351	49 238	9 653	(3 056)	353 186
Reserve for no-claims bonuses and refunds	19 862	(3 775)	225	627	16 939
Reinsurers' share of technical reserves	365 455	49 117	14 218	(10 812)	417 978
Net technical reserves	1 060 686	396 668	(71 351)	49 717	1 435 720

The other variations are mainly coming from an adjustment on the unearned premium reserves in counterpart of the written premiums in the United-Kingdom and Italy.

The rule is now to account a premium based on the contractual life duration and not a premium related to the insured invoicing. An unearned premium reserve is booked which correspond to the portion of written premiums covering the period after the balance sheet date.

This change of accounting presentation has no impact on the group turnover since it is communicated after integration of unearned premium reserves.

Cost of claims

<i>(in thousands of euros)</i>	31/12/2008			31/12/2007		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Cost of claims for the current period	1 584 352	(297 550)	1 286 802	1 001 864	(212 185)	789 679
of which, claims paid	388 147	(79 180)	308 967	278 505	(64 017)	214 488
of which, claims reserves	1 115 597	(209 989)	905 608	660 716	(146 115)	514 601
of which, claims handling expenses	80 608	(8 381)	72 227	62 643	(2 053)	60 590
Recoveries for the current period	(135 477)	21 900	(113 577)	(77 944)	15 805	(62 139)
Recoveries received	(17 222)	2 976	(14 246)	(14 349)	4 644	(9 705)
Change in reserves for recoveries	(118 255)	18 924	(99 331)	(63 595)	11 161	(52 434)
Cost of claims from prior periods	(82 801)	34 941	(47 860)	(71 013)	41 396	(29 617)
of which, claims paid	597 720	(120 980)	476 740	580 932	(146 083)	434 849
of which, claims reserves	(669 188)	155 481	(513 707)	(647 912)	177 292	(470 620)
of which, claims handling expenses	(11 333)	440	(10 893)	(4 033)	10 187	6 154
Recoveries from prior periods	(58 644)	6 073	(52 571)	(98 844)	10 777	(88 067)
Recoveries received	(147 352)	20 038	(127 314)	(155 996)	29 132	(126 864)
Change in reserves for recoveries	88 708	(13 965)	74 743	57 152	(18 355)	38 797
Cost of claims	1 307 430	(234 636)	1 072 794	754 063	(144 207)	609 856

Claims reserves

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

Breakdown by type of reserve

(in thousands of euros)

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

Note 17 Insurance and reinsurance receivables

Breakdown by type

(in thousands of euros)

	31/12/2008	31/12/2007
Policyholders' guarantee deposits and miscellaneous	100 158	106 316
Due to policyholders and agents	95 014	58 489
Liabilities arising from inwards insurance and reinsurance transactions	195 172	164 805
Due to reinsurers and assignors	56 232	48 642
Deposits received from reinsurers	40 465	43 374
Outwards reinsurance liabilities	96 697	92 016
Total insurance and reinsurance liabilities	291 869	256 821

Breakdown by maturity

(in thousands of euros)

	31/12/2008				
	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total insurance and reinsurance liabilities	217 684	72 009	-	2 176	291 869

Note 18 Other liabilities

Breakdown by nature

(in thousands of euros)

	31/12/2008	31/12/2007
Tax and social liabilities	95 249	96 179
Other operating liabilities	117 199	140 348
Deferred income	7 509	11 378
Other accrued expenses	4	3 850
Other liabilities	12 299	14 099
Total other liabilities	232 260	265 854

The other liabilities are mainly liabilities under service agreement for €12.1 million.

Breakdown by maturity

(in thousands of euros)

	31/12/2008				
	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total other liabilities	192 969	38 930	361	-	232 260

Note 19 Breakdown of income net of reinsurance

<i>(in thousands of euros)</i>	31/12/2008			31/12/2007		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<i>Premiums and commissions</i>	1 878 779	(419 979)	1 458 800	1 829 672	(473 049)	1 356 623
<i>Premiums refunded</i>	(78 383)	12 667	(65 716)	(74 780)	18 372	(56 408)
Gross premiums written - credit insurance	1 800 396	(407 312)	1 393 084	1 754 892	(454 677)	2 656 838
Change in unearned premiums	(26 437)	6 572	(19 865)	(28 189)	(3 566)	(31 755)
Earned premiums	1 773 959	(400 740)	1 373 219	1 726 703	(458 243)	2 625 083
Premium-related revenues	392 492	-	392 492	372 745	-	372 745
Turnover	2 166 451	(400 740)	1 765 711	2 099 448	(458 243)	2 997 828
Net investment income	132 940	-	132 940	185 159	-	185 159
<i>Claims paid</i>	(821 293)	177 146	(644 147)	(689 092)	176 324	(512 768)
<i>Claims reserves expense</i>	(416 862)	49 549	(367 313)	(6 361)	(23 984)	(30 345)
<i>Claims handling expense</i>	(69 275)	7 941	(61 334)	(58 610)	(8 133)	(66 743)
Insurance services expense	(1 307 430)	234 636	(1 072 794)	(754 063)	144 207	(609 856)
<i>Brokerage commissions</i>	(225 983)	-	(225 983)	(203 003)	-	(203 003)
<i>Other acquisition costs</i>	(99 711)	-	(99 711)	(101 114)	-	(101 114)
<i>Change in acquisition costs capitalised</i>	14 188	-	14 188	1 603	-	1 603
Contract acquisition expense	(311 506)	-	(311 506)	(302 514)	-	(302 514)
Impairment of portfolio securities and similar	-	-	-	-	-	-
Administration expense	(220 563)	-	(220 563)	(214 270)	-	(214 270)
Commissions received from reinsurers	-	154 740	154 740	-	182 925	182 925
Other ordinary operating income and expense	(280 028)	-	(280 028)	(304 959)	-	(304 959)
Ordinary operating income	179 864	(11 364)	168 500	708 801	(131 111)	577 690

Note 20 Net financial income

<i>(in thousands of euros)</i>	31/12/2008	31/12/2007
Revenues from investment property	7 159	7 460
Revenues from securities	86 940	82 298
<i>Available for sale assets through equity</i>	86 707	81 699
<i>Trading assets</i>	-	396
<i>Held to maturity</i>	233	203
Revenues from loans, deposits and other financial investments	36 076	29 181
Other financial income	6 244	6 022
Investment income	136 419	124 961
Depreciation of investment property	(2 499)	(2 361)
Investment management expenses	(7 014)	(5 369)
Interest paid to reinsurers	(1 423)	(920)
Other financial expenses	(9 063)	(3 680)
Investment expense	(19 999)	(12 330)
Profits (losses) on sales of property	14 062	1 070
Profits (losses) on sales of securities	15 102	77 640
<i>Available for sale assets through equity</i>	15 102	77 861
<i>Trading assets</i>	-	14
<i>Held to maturity</i>	-	(235)
Profits (losses) on sales of participating interests	10 780	(66)
Net gain (loss) on sales of investments less impairment and depreciation writebacks	39 944	78 644
Change in fair value of derivatives	-	(1 891)
Change in fair value of trading assets	-	(299)
Change in fair value of investments recognised at fair value through the income statement	-	(2 190)
Reserve for impairment of investments	(23 424)	(3 926)
Change in impairment of investments	(23 424)	(3 926)
Net financial income (excluding financing expense)	132 940	185 159

Note 21 Operating leases

<i>(in thousands of euros)</i>		31/12/2008				
	United Kingdom	United States	Netherlands	France	Scandinavia	
Less than 1 year	139	1 510	0	0	352	
1 to 5 years	2 722	4 512	415	0	454	
More than 5 years	506	5 281	0	0	130	
Total	3 367	11 303	415	0	935	

<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	

Note 22 Other ordinary operating revenues and expenses

<i>(in thousands of euros)</i>	31/12/2008	31/12/2007
Other technical income	54 482	21 749
Other technical expense	(331 429)	(334 834)
Other non-technical income	6 417	26 055
Other non-technical expense	(1 666)	(4 983)
Employee profit sharing and bonuses	(7 832)	(12 946)
Other ordinary operating income and expense	(280 028)	(304 959)

The other non-technical expenses are mainly personal costs linked to the granted of EH stock options of September 22, 2006 and June 22, 2008 for €1.5 million (compared to €2.2 million in 2007).

The decrease in other non-technical income (€(19.6) million) is due to the change in presentation (from other non-technical income to other technical income) of the income on assets from defined benefit plans in Germany (€11.5 million at the end of 2007) in the United Kingdom (€8.2 million at the end of 2007).

The rise of other technical income is mainly due to a foreign exchange gain of €20.2 million.

Note 23 Corporation tax

Breakdown of tax charge

	2008
Tax payable:	
Corporation tax	78 978
Adjustments relating to prior years	(526)
Total	78 452
Deferred tax:	
Timing differences	17 998
Change in tax rate or new tax	-
Reclassification of tax payable as deferred tax	(2 431)
Tax benefits relating to prior years	(20 999)
Tax on dividends paid	-
Other	(824)
Total	(6 256)
Total tax charge in the income statement	72 196

Tax proof

	2008	
Income before tax	160 286	
Tax at theoretical tax rate	55 186	34,43%
Impact of differences between group and local tax rates	6 464	4,03%
Impact of permanent differences between taxable and accounting income	14 771	9,22%
Impact of specific tax situations	(4 816)	-3,00%
Impact of income taxed at reduced rates	591	0,37%
Impact of using the liability method	-	0,00%
Tax at effective tax rate	72 196	45,04%

The tax proof provides an explanation of items making up the difference between the tax charge at the theoretical tax rate of 34.43%, i.e. the parent company's tax rate, and the actual tax charge recorded in the income statement giving an effective tax rate of 45.04%.

The main variances are due to the difference between local tax rate of each entity and the Group tax rate, permanent differences reported by each entity, reduced rates and specific tax positions.

Note 24 Earnings per share and dividend per share

Earnings per share

	31/12/2008	31/12/2007
Distributable net income (<i>in thousands of euros</i>)	83 592	406 958
Weighted average number of ordinary shares before dilution	43 614 387	43 601 953
Earnings per share (€)	1,92	9,33

	31/12/2008	31/12/2007
Distributable net income (<i>in thousands of euros</i>)	83 592	406 958
Weighted average number of ordinary shares after dilution	43 650 585	43 765 878
Diluted earnings per share (€)	1,92	9,30

The dilution impact takes into account the exercise of options. The average number of shares resulting from dilution is 36,198 in 2008 (163,925 in 2007). The group share of net income is used as the basis for this calculation.

Dividend per share

A dividend of €218,180 thousand was approved by the Ordinary General Meeting of 2008.

Note 25 Segment data

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

Segment profit and loss comprises income and expense resulting from operating activities that are directly attributable to a given segment and the relevant portion of income and expense that can reasonably be assigned to the segment, notably income and expense relating to sales to external customers and income and expense relating to transactions with other segments of the same company.

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

The eight main geographic segments correspond to the geographic regions covering the majority of the activity and which are therefore monitored in detail. These segments are Germany and its IDC, France & its IDC, Italy, the United Kingdom, North & South America, the Netherlands, Belgium and the Group reinsurance.

Primary segment data: geographic segments

Profit & loss by segment

(in thousands of euros)													31/12/2008	
	Germany	IDC Germany Europe	IDC Germany Asia	France & IDC	Italy	United Kingdom	North & South America	Belgium	Netherlands	Group Reinsurance	Group services	Inter-segment eliminations	GROUP	
Premiums written	686 540	104 411	-	384 936	200 144	199 687	167 821	70 034	41 144	651 078	-	(627 016)	1 878 779	
Premiums refunded	(44 054)	(4 715)	-	(22 611)	2 059	(3 110)	-	(2 978)	(1 391)	(31 985)	-	30 402	(78 383)	
Net premiums written	642 486	99 696	-	362 325	202 203	196 577	167 821	67 056	39 753	619 093	-	(596 614)	1 800 396	
Change in unearned premiums	(10 537)	(587)	-	1 326	150	(4 111)	(4 367)	(693)	(119)	(9 659)	-	2 160	(26 437)	
Earned premiums - non-group	631 949	99 109	-	363 651	202 353	192 466	163 454	66 363	39 634	609 434	-	(594 454)	1 773 959	
Premium-related revenues - non-group	175 950	53 055	16 921	93 497	49 161	22 173	29 562	17 052	14 847	-	-	(79 726)	392 492	
Turnover - Intra-sectoral	807 899	152 164	16 921	457 148	251 514	214 639	193 016	83 415	54 481	609 434	-	(674 180)	2 166 451	
Investment income	60 782	3 891	-	72 060	9 158	9 519	5 695	3 580	1 308	(3 432)	235 385	(265 006)	132 940	
<i>Of which, dividends</i>	18 794	-	-	-	-	-	-	-	-	-	235 387	(254 151)	-	
Total ordinary income	868 681	156 055	16 921	529 208	260 672	224 158	198 711	86 995	55 789	606 002	235 385	(939 186)	2 299 391	
Insurance services expense	(370 867)	(81 509)	-	(237 245)	(203 640)	(182 359)	(133 814)	(62 722)	(20 194)	(519 771)	-	504 691	(1 307 430)	
Outwards reinsurance expense	356 959	97 669	-	107 193	105 895	105 137	93 285	29 142	16 773	253 424	-	(776 101)	389 376	
Outwards reinsurance income	(357 335)	(80 029)	-	(93 179)	(83 563)	(75 437)	(78 351)	(24 498)	(19 849)	(212 004)	-	623 505	(400 740)	
Other income and expense	(306 931)	(65 078)	(17 392)	(176 156)	(107 851)	(85 176)	(72 811)	(23 772)	(26 523)	(230 821)	(13 554)	313 968	(812 097)	
Total other income and expense	(678 174)	(128 947)	(17 392)	(399 387)	(289 159)	(237 835)	(191 691)	(81 850)	(49 793)	(709 172)	(13 554)	666 063	(2 130 891)	
Ordinary operating income	190 507	27 108	(471)	129 821	(28 487)	(13 677)	7 020	5 145	5 996	(103 170)	221 831	(273 123)	168 500	
Financing expense	(17)	1	-	(101)	(194)	-	(13)	(570)	-	(3)	(22 878)	7 686	(16 089)	
Income from companies accounted for by the equity method	5 659	-	-	2 216	-	-	-	-	-	-	-	-	7 875	
Corporation tax	(56 666)	(5 488)	(258)	(48 013)	7 720	3 155	(3 362)	(588)	(1 547)	21 107	11 644	-	(72 196)	
Consolidated net income	139 583	21 621	(729)	83 923	(20 961)	(10 522)	3 645	3 987	4 449	(82 066)	210 597	(265 437)	88 090	
<i>of</i>														
Net income, group share	136 411	20 847	(729)	83 371	(20 961)	(10 522)	3 645	3 987	4 449	(82 066)	210 597	(265 437)	83 592	
Minority interests	3 172	774	-	552	-	-	-	-	-	-	-	-	4 498	

(in thousands of euros)													31/12/2007	
	Germany	IDC Germany Europe	IDC Germany Asia	France & IDC	Italy	United Kingdom	North & South America	Belgium	Netherlands	Group Reinsurance	Group services	Inter-segment eliminations	GROUP	
Premiums written	696 948	96 279	-	382 162	210 207	214 516	167 341	70 706	39 430	376 569	-	(424 486)	1 829 672	
Premiums refunded	(45 942)	(4 774)	-	(13 909)	(2 361)	(2 699)	-	(2 461)	(1 116)	(17 948)	-	16 430	(74 780)	
Net premiums written	651 006	91 505	-	368 253	207 846	211 817	167 341	68 245	38 314	358 621	-	(408 056)	1 754 892	
Change in unearned premiums	(15 767)	(2 874)	-	(729)	(477)	(8 300)	(3 314)	(3 974)	433	(10 155)	-	17 498	(28 189)	
Earned premiums - non-group	635 239	88 631	-	367 524	207 369	202 987	163 367	64 931	38 747	348 466	-	(390 558)	1 726 703	
Premium-related revenues - non-group	162 584	39 562	13 035	91 386	46 110	23 293	32 995	14 633	11 684	4	-	(62 541)	372 745	
Turnover - Intra-sectoral	797 823	128 193	13 035	458 910	253 479	226 280	196 362	79 564	50 431	348 470	-	(453 099)	2 099 448	
Investment income	93 354	2 834	4	70 531	15 561	23 923	15 393	10 631	3 228	5 073	182 534	(237 907)	185 159	
<i>Of which, dividends</i>	18 494	-	-	-	-	-	-	-	-	-	182 534	(163 741)	-	
Total ordinary income	891 177	131 027	13 039	529 441	269 040	250 203	211 755	90 195	53 659	353 543	182 534	(691 006)	2 284 607	
Insurance services expense	(229 159)	(37 268)	-	(152 587)	(108 006)	(80 753)	(81 706)	(41 296)	(17 546)	(167 468)	-	161 728	(754 063)	
Outwards reinsurance expense	272 855	56 937	-	76 010	69 959	60 972	72 054	17 572	16 032	-	-	(315 259)	327 132	
Outwards reinsurance income	(366 725)	(69 975)	-	(91 271)	(86 744)	(81 515)	(83 253)	(25 717)	(19 876)	(26 454)	-	393 287	(458 243)	
Other income and expense	(329 608)	(54 355)	(11 797)	(171 433)	(106 494)	(97 847)	(72 768)	(18 430)	(22 989)	(140 845)	(10 485)	215 308	(821 743)	
Total other income and expense	(652 637)	(104 861)	(11 797)	(329 281)	(231 285)	(199 143)	(165 673)	(87 871)	(44 379)	(334 767)	(19 485)	455 062	(1 706 917)	
Ordinary operating income	238 540	26 366	1 242	199 160	37 755	51 060	46 082	22 324	9 280	18 776	172 049	(235 944)	577 690	
Financing expense	(16)	-	(18)	(138)	-	-	(48)	-	(109)	(2)	(16 104)	3 517	(12 918)	
Income from companies accounted for by the equity method	6 036	-	-	2 241	-	-	-	-	-	-	-	-	8 277	
Corporation tax	(28 200)	(6 432)	(454)	(67 717)	(20 522)	(14 425)	(16 239)	(6 641)	(1 988)	(3 416)	3 949	-	(162 085)	
Consolidated net income	216 360	19 934	770	124 546	17 233	36 635	29 795	15 683	7 183	15 358	159 894	(232 427)	410 964	
<i>of</i>														
Net income, group share	213 737	19 721	770	123 452	17 233	36 580	29 795	15 682	7 183	15 358	159 894	(232 427)	406 958	
Minority interests	2 623	213	-	1 094	-	75	-	1	-	-	-	-	4 006	

Depreciation, amortisation and provisions by segment

(in thousands of euros)													31/12/2008	
	Germany	IDC Germany Europe	IDC Germany Asia	France & IDC	Italy	United Kingdom	North & South America	Belgium	Netherlands	Group Reinsurance	Group services	Inter-segment eliminations	GROUP	
Provisions for loans and receivables	(8 863)	-	-	(5 816)	(509)	(4)	(518)	(420)	(14)	-	(897)	-	(17 041)	

(in thousands of euros)													31/12/2007	
	Germany	IDC Germany Europe	IDC Germany Asia	France & IDC	Italy	United Kingdom	North & South America	Belgium	Netherlands	Group Reinsurance	Group services	Inter-segment eliminations	GROUP	
Provisions for loans and receivables	(1 232)	-	-	(2 608)	(32)	(862)	-	-	(219)	-	(2 477)	-	(7 230)	

Amortisation and impairment charges on non-current assets are now analysed by function. Consequently, the breakdown is no longer directly visible in the income statement in the 2007 and 2008 financial statements.

Balance sheet by segment

<i>(in thousands of euros)</i>												31/12/2008	
	Germany	IDC Germany Europe	IDC Germany Asia	France & IDC	Italy	United Kingdom	North & South America	Belgium	Netherlands	Group Reinsurance	Group services	Inter-segment eliminations	GROUP
Goodwill	-	3 340	2 221	2 376	5 820	50 213	30 466	3 893	4 349	-	-	-	102 678
Other intangible assets	29 324	1 606	-	11 454	5 795	6 608	2 252	6 104	2 774	1 537	15 781	-	83 235
Investments - insurance businesses	464 765	14 913	(12 421)	685 547	144 064	(31 213)	56 774	37 244	27 487	143 371	1 401 061	(265 720)	2 665 872
Investments accounted for by the equity method	64 135	-	-	29 477	-	-	-	-	-	-	-	-	93 550
Share of assignees and reinsurers in the technical reserves and financial liabilities	253 674	56 030	-	87 001	176 396	62 972	46 352	28 020	11 991	169 566	-	(474 024)	417 978
Insurance and reinsurance receivables	93 345	37 798	-	133 605	80 912	76 349	52 734	104 566	3 041	111 201	-	(99 118)	594 433
Other assets	322 036	48 973	21 196	287 845	107 158	56 182	101 132	23 878	16 708	121 430	101 894	(109 083)	1 099 349
Total assets	1 227 279	162 660	10 996	1 237 305	520 145	221 111	289 710	203 705	66 350	547 105	1 518 736	(948 007)	5 057 095
Technical reserves	519 928	73 537	-	344 021	396 467	206 605	158 481	114 874	27 893	490 550	-	(478 658)	1 853 698
Liabilities related to inwards insurance and reinsurance transaction	53 092	82	-	90 199	26 456	17 972	3 445	2 385	383	29 289	-	(28 131)	195 172
Liabilities related to outwards reinsurance transactions	8 204	32 209	-	16 885	36 914	13 257	51 795	9 190	2 264	67 021	-	(141 042)	96 697
Other liabilities	316 039	20 334	15 475	258 569	62 996	24 131	26 916	26 067	12 188	19 798	527 541	(253 811)	1 056 243
Total liabilities	897 263	126 162	15 475	709 674	522 833	261 965	240 637	152 516	42 728	606 658	527 541	(901 642)	3 201 810

<i>(in thousands of euros)</i>												31/12/2007	
	Germany	IDC Germany Europe	IDC Germany Asia	France & IDC	Italy	United Kingdom	North & South America	Belgium	Netherlands	Group Reinsurance	Group services	Inter-segment eliminations	GROUP
Goodwill	-	3 373	2 073	2 376	5 820	64 891	28 802	3 893	4 349	-	-	-	115 577
Other intangible assets	23 669	955	-	7 718	6 147	7 046	984	2 221	1 642	819	7 077	-	58 278
Investments - insurance businesses	509 358	21 207	(8 199)	875 743	196 643	38 898	51 606	29 634	26 418	119 890	1 424 252	(236 186)	3 049 084
Investments accounted for by the equity method	21 295	-	-	30 973	-	-	-	-	-	-	-	-	52 206
Share of assignees and reinsurers in the technical reserves and financial liabilities	192 779	34 697	-	64 504	145 478	51 002	31 343	22 939	10 025	-	-	(187 312)	365 455
Insurance and reinsurance receivables	91 224	42 648	-	126 079	93 622	19 615	50 730	95 796	3 567	41 575	-	(69 700)	495 156
Other assets	243 637	46 967	15 385	191 818	66 708	53 713	46 153	36 267	25 241	50 419	69 127	(93 865)	751 790
Total assets	1 082 162	149 867	9 259	1 299 211	514 238	235 165	209 618	190 750	71 242	212 703	1 500 456	(587 125)	4 887 546
Technical reserves	414 432	48 913	-	300 091	316 438	130 850	121 076	91 512	23 697	171 087	-	(191 957)	1 426 141
Liabilities related to inwards insurance and reinsurance transaction	26 589	523	-	71 440	43 173	14 356	4 213	7 440	311	(684)	-	(2 556)	164 805
Liabilities related to outwards reinsurance transactions	25 595	41 559	-	39 679	53 207	8 974	23 367	18 024	3 654	(3 955)	-	(118 088)	92 016
Other liabilities	323 373	18 817	11 572	304 738	69 242	44 250	21 958	27 624	23 505	32 129	475 921	(226 465)	1 126 664
Total liabilities	789 989	109 812	11 572	715 948	482 060	198 430	170 616	144 600	51 167	198 577	475 921	(539 066)	2 809 626

Secondary segment data: business segments

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

Turnover

<i>(in thousands of euros)</i>	31/12/2008	31/12/2007
Credit insurance	1 896 611	1 840 461
Other	269 841	258 986
Total	2 166 452	2 099 447

Total of assets

<i>(in thousands of euros)</i>	31/12/2008	31/12/2007
Credit insurance	3 526 589	3 337 459
Other	1 530 506	1 550 087
Total	5 057 095	4 887 546

Note 26 Related parties

Euler Hermes is owned mainly by the AGF group, which in turn is 100%-owned by the Allianz group.

The breakdown of the Euler Hermes group is as follows:

	Number of shares	%
AGF Holding	21 421 782	47,52%
Assurances Générales de France	5 442 444	12,07%
AGF Vie	3 879 818	8,61%
AGF-IART	4	0,00%
Treasury shares	1 540 644	3,42%
Others	110 671	0,25%
Sub-total	32 395 363	71,86%
Public (bearer securities)	12 686 867	28,14%
Total	45 082 230	100,00%

Transactions

	31/12/2008			31/12/2007		
	Allianz SE	AGF SA	Related companies and joint ventures	Allianz SE	AGF SA	Related companies and joint ventures
Operating income	(803)	-	52 836	(85)	-	23 960
Insurance services expense	-	-	(31 069)	-	-	(7 501)
Net income or expense on reinsurance	(39 395)	-	(174)	39 652	-	(108)
Financing expense	-	(15 193)	-	-	(12 709)	-
Other financial net incomes	2 737	-	(8 939)	(2 690)	76	(8 385)

Receivables and liabilities

	31/12/2008			31/12/2007		
	Allianz SE	AGF SA	Related companies and joint ventures	Allianz SE	AGF SA	Related companies and joint ventures
Current accounts (accrued interests included)	74 314	-	1 825	75 137	-	472
Net operating receivables	5 565	-	12 195	4 742	-	2 544
Borrowings (accrued interests included)	-	292 321	-	-	292 379	-
Operating liabilities	15 576	-	2 099	(22 663)	-	141

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 in June 2009, at 6-month Euribor + 146.5 basis points
- 2005 loan of €135 million maturing in September 2010, at 6-month Euribor + 20 basis points
- 2006 loan of €67 million maturing in June 2009, at 6-month Euribor + 144.3 basis points

Remuneration of senior executives:

Members of the group Management Board

	<u>31/12/2008</u>	<u>31/12/2007</u>
- salaries and other short term benefits for the year	2 581	3 872
- benefits in kind	40	36
- Other indemnities	50	48
	2 671	3 956
Share-based attribution (number)		
- Euler Hermes options	32 500	-
- SAR/RSU	12 857	18 228

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

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

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

Members of the Supervisory Board

	<u>31/12/2008</u>	<u>31/12/2007</u>
- salaries and other short term benefits for the year	2 740	7 151
- capital gain following the takeover of Allianz during the 1st half of 2007	-	41 163
- capital gain from SAR/RSU exercise	33	-
- benefits in kind	212	171
	2 985	48 485
Share-based payments (number)		
- SAR/RSU	21 804	37 398

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

	31/12/2008	31/12/2007
Euler Hermes Kreditversicherungs (Germany)	1 816	1 852
Euler Hermes SFAC (France)	1 073	1 023
Euler Hermes United Kingdom	522	472
Euler Hermes A.C.I. (United States)	465	438
Euler Hermes SIAC (Italy)	431	394
Euler Hermes Zarzadzanie Ryzykiem Sp.Z.o.o. (Poland)	355	354
Euler Hermes Credit Insurance (Belgium)	218	214
Euler Hermes Kreditversicherungs (Sweden)	129	125
Euler Hermes Credit Insurance Kredietverzekering (Netherlands)	125	103
Euler Hermes Servicios (Spain)	97	100
Euler Hermes Emporiki SA (Greece)	61	61
Euler Hermes Kreditversicherungs Service (Switzerland)	61	59
Euler Hermes Magyer Hitelbiztosito (Hungary)	59	55
Euler Hermes Ceskob AS (Czech Republic)	44	41
Euler Hermes Acmar (Morocco)	39	30
Euler Hermes Seguro de Credito S.A. (Mexico)	37	29
Euler Hermes Guarantee PLC	31	31
EH Credit Insurance Agency (Singapore)	31	26
UAB Euler Hermes Services Baltic (Lithuania)	26	22
Euler Hermes Serviços (Brazil)	26	19
Euler Hermes Services Serwis SRO Bratislava (Slovakia)	24	22
Euler Hermes Servicii Financiare S.R.L (Romania)	17	14
Euler Hermes Trade Credit Underwriting Agents (Australia)	17	8
Euler Hermes Services (HK) Ltd	12	12
Euler Hermes Services SIA Riga, Latvia (Latvia)	10	15
Euler Hermes Services OÜ Tallinn (Estonia)	8	5
Euler Hermes Credit Services (Japan)	7	7
Euler Hermes Argentina	7	5
EH Information Consulting (Shanghai) Co. Ltd (China)	7	-
Euler Hermes Trade Credit Ltd. Lumley Centre (New-Zealand)	6	4
EH Colombia	4	-
Euler Hermes Services India Private Limited	2	-
TOTAL	5 767	5 540

Staff costs totalled €380,688 thousand for the year ended December 31, 2008. Remuneration paid to members of the Group Management Board during the year came to € 2,671 thousand and €2,985 thousand for members of the Supervisory Board.

The staff numbers shown correspond to the full-time equivalent headcount. For companies consolidated using the proportional method, the headcount shown is based on the proportion of the company included in the consolidated financial statements (concerns only N.V. Interpolis

Kreditverzekeringen). The headcount of companies accounted for by the equity method is not taken into account.

Note 28 Commitments received and given

<i>(in thousands of euros)</i>	31/12/2008	31/12/2007
Commitments received	15 913	16 060
* Deposits, sureties and other guarantees	15 913	16 060
Commitments given	22 753	38 474
* Deposits, sureties and other guarantees	22 753	38 474
<i>o/w</i> - Commitments associated with membership of an EIG	9 743	7 841
- Securities buyback agreement	798	1 202

Note 29 Stock option plans

Amount charged in the consolidated income statement

<i>(in thousands of euros)</i>	2008	2007
Charge in respect of the 27 June 2005 allocation of share subscription options	-	471
Charge in respect of the 22 September 2006 allocation of share purchase options	1267	1692
Charge in respect of the 22 June 2008 allocation of share purchase options	222	-
Total	1 489	2 163

Characteristics of the share option plans

Euler Hermes uses the "Cox-Ross-Rubinstein" model to measure the personnel expense related to options granted.

The assumptions used were as follows:

	Subscription plans				Purchase plans			
	Aug-98	Jul-03	Jul-04	Jun-05	Apr-00	Feb-01	Sep-06	Jun-08
Fair value of options allocated	5,22	8,93	11,66	13,10	14,77	12,74	22,29	6,83
Characteristics								
Date of EGM	29/04/1997	23/04/2003	23/04/2003	23/04/2003	07/04/2000	07/04/2000	22/05/2006	22/05/2006
Period of validity of options	10 ans	8 ans	8 ans	8 ans	8 ans	8 ans	8 ans	8 ans
Rights vesting period	2 ans	2 ans	2 ans	2 ans	2 ans	2 ans	2 ans	2 ans
Assumptions								
Risk-free interest rate	5,10%	3,80%	4,16%	3,01%	5,63%	5,09%	4,01%	4,72%
Expected volatility*	20%	30%	30%	25%	23%	20%	25%	33%
Rate of return on shares	2%	2,81%	4,14%	3,98%	2,63%	2,65%	3,74%	10,51%

*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 2008, the following options were potentially exercisable:

Allocation date	Subscription plans				Purchase plans			
	Aug-98	Jul-03	Jul-04	Jun-05	Apr-00	Feb-01	Sep-06	Jun-08
Number of options outstanding	0	51 325	90 305	143 950	0	19 410	153 100	130 000
End of subscription period	Aug-08	Jul-11	Jul-12	Jun-13	Apr-08	Feb-09	Sep-14	Jun-14
Exercise price of valid options at end of period	18,27	27,35	44,41	63,08	50,11-52,74	49,31-52,65	91,82	55,67

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

** The EGM of April 7, 2000 authorised the allocation of share purchase options to all Euler Hermes group employees in the context of a general stock option plan and to certain executives of its subsidiaries under a discretionary scheme. The EGM of May 22, 2006 authorised the allocation of share purchase and/or subscription options to all Euler Hermes Group employees and possibly to its corporate officers. The options granted in September 2006 were purchase options only. The Directoire of June 20, 2008 approved the request from the Conseil de Surveillance of June 15, 2008 related to the granted of purchase plan (which is authorised by the EGM of May 22, 2006).

Transactions under the share option plans since January 1, 2007 may be summarised as follows:

	Dec-08				
	Average exercise price (€)	Number of options	Average price of EH share on exercise dates (€)	Average residual term (years)	Exercise price range of options still outstanding at end of period (€)
Start of period	60,34	529 719	0,00	0	0
Allocation	55,67	130 000	0,00	0	0
Exercise	32,71	49 519	59,97	0	0
Cancellation	38,93	23 060	0,00	0	0
End of period	62,53	587 140	0,00	5,03	27,35-91,82

	Dec-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	0	0	0
Allocation	0,00	0	0	0	0
Exercise	37,97	145 508	102,98	0	0
Cancellation	66,64	11 315	0	0	0
End of period	60,34	529 719	0	4,69	18,27-91,82

Allianz Group Equity Incentive plans

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

Characteristics of the SAR and RSU plans

<i>(in thousands of euros)</i>	SAR Plans									
	Apr-00	Apr-01	Apr-02	May-03	May-04	May-05	May-06	Mar-07	Mar-08	Total
Fair value at 31 December 2008 (in euros)	0,00	0,00	0,01	21,66	15,08	11,48	5,04	2,23	4,20	
Total commitment	0	0	0	0	501	485	197	80	98	1 361
Opening commitment	0	0	0	0	1 945	2 074	1 040	381	0	5 440
Charge recognised during the period	0	0	0	0	-1 444	-1 590	-843	-286	37	-4 126
Exercise of options	0	0	0	0	0	0	0	-21	0	-21
Closing commitment	0	0	0	0	501	485	197	74	37	1 293

<i>en milliers d'euros</i>	RSU Plans				
	May-03	Mar-07	Mar-07	Mar-08	Total
Fair value at 31 December 2008 (in euros)	0,00	59,07	64,24	54,08	
Total commitment	0	1 071	11	610	1 691
Opening commitment	474	382	3	0	860
Charge recognised during the period	0	32	1	102	134
Exercise of options	-474	-21	0	0	-495
Closing commitment	0	393	4	102	498

SAR

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

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

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

RSU

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

Impact on the consolidated financial statements as at 31 December 2008

The fair value of the liabilities resulting from the SAR and RSU plans is reassessed at each balance sheet date based on the Allianz share price, until expiry of the obligation, and is calculated using the Cox-Ross-Rubinstein binomial valuation model. The charge is recognised as the rights are vested, and is thus spread over two years for the SAR and five years for the

RSU. At December 31, 2008, the liability relating to the SAR and RSU still to be exercised amounted to €1,722 thousand.

Information on plans currently in effect

Allocation date	Dec-08								
	SAR			RSU			RSU		
	Rights vesting period (years)	Reference price (€)	SAR granted	SAR cancelled	SAR exercised	Rights vesting period (years)	RSU granted	RSU cancelled	RSU exercised
Apr-00	2	332,10	9 734	- 9 734	-	-	-	-	-
Apr-01	2	322,14	9 961	- 9 961	-	-	-	-	-
Apr-02	2	239,80	10 682	-	-	-	-	-	-
May-03	2	65,91	-	-	-	5	3 645	-	3 645
May-04	2	83,47	33 229	-	-	-	-	-	-
May-05	2	92,87	42 220	-	-	-	-	-	-
May-06	2	132,41	37 779	1 277	-	-	-	-	-
Mar-07	2	160,13	38 151	- 2 130	-	5	19 366	- 1 072	-
Mar-08	2	117,38	23 258	-	-	5	11 285	-	-

The attribution for 2008 for the group Management Board is:

SAR 8656
RSU 4201

Note 30 Subsequent events

No subsequent events occurred since December 31, 2008 closing which would impact the hypothesis of the annual closing.