

Paris, 16 February 2007

## Euler Hermes 2006 net profits up 14% at 326 million euros

The Directoire presented the results for 2006 to the Euler Hermes Supervisory Board on 16 February 2007.

### Key figures

in millions of euro	2006	2005	Variation in amount	Variation in %
Turnover	2 011,8	1 927,4	84,5	4,4%
Ordinary Operating income excluding financial income	340,1	318,3	21,8	6,9%
Net financial income (excluding financing costs)	149,8	128,4	21,4	16,7%
Operating income	489,9	446,6	43,3	9,7%
<b>Net consolidated result</b>	<b>326,1</b>	<b>286,1</b>	<b>40,0</b>	<b>14,0%</b>
AZ Net combined ratio (1)	77,0%	72,6%		
Euler Hermes Net combined ratio (included Service margin) (1)	67,3%	64,4%		

### 1. Activity

In the euro zone, Euler Hermes turnover was buoyed by strong growth in activity in France (6.9%), Italy (5.8%), Benelux (4.2%), and the Nordic countries (6.3%).

In Germany, Euler Hermes terminated its inwards reinsurance contracts as anticipated, which impacted 2006 turnover, falling 2.6%.

In the United Kingdom, activity was down by 5.6%. Premiums were forced down following a period of very low claims ratio.

In the United States, the activity continued its upward trend with revenues up 7.5% compared with 2005 (9.7% at constant consolidation and exchange rates).

In the new markets (Central and Eastern Europe, Southern Europe, Latin America and Asia), revenue growth was extremely dynamic and amounted to nearly 61 million euros, up over 43% compared with 2005. These markets now account for 10% of the group's consolidated revenues.

(1) For consistency with figures published by its majority shareholders, AGF/Allianz, and the insurance market, Euler Hermes has made two adjustments:

- Premium rebates are now deducted from turnover and are no longer considered as claims expenses
- Similarly, non-technical charges and revenues except those related to operating properties are not included in the combined ratio

For comparative purposes, the figures published in 2005 have been restated in accordance with these changes.

**Revenues by country (based on earned premiums):**

in €millions	31/12/2006	31/12/2005 (1)	31/12/2005 (2)	Change 2006/2005	Change 2006/2005 pro forma
Germany	700.1	718.7	714.8	-2.6%	-2.1%
France	383.1	358.5	358.5	6.9%	6.9%
Italy	225.7	213.3	213.3	5.8%	5.8%
United Kingdom	200.4	212.2	212.6	-5.6%	-5.7%
United States	138.8	129.1	126.5	7.5%	9.7%
Belgium	74.5	72.8	72.8	2.3%	2.3%
Netherlands	47.8	44.5	44.5	7.4%	7.4%
Nordic countries	40.9	38.5	38.7	6.3%	5.7%
<b>Sub-total for main countries</b>	<b>1,811.3</b>	<b>1,787.6</b>	<b>1,781.7</b>	<b>1.3%</b>	<b>1.7%</b>
<b>- eurozone share</b>	<b>1,472.2</b>	<b>1,446.3</b>	<b>1,442.6</b>	<b>1.8%</b>	<b>2.0%</b>
<b>Sub-total for new markets (3)</b>	<b>200.5</b>	<b>139.8</b>	<b>159.7</b>	<b>43.4%</b>	<b>25.6%</b>
<b>Euler Hermes</b>	<b>2,011.8</b>	<b>1,927.4</b>	<b>1,941.3</b>	<b>4.4%</b>	<b>3.6%</b>

Note: (1) IFRS turnover pro forma after deduction of premium rebates  
(2) Pro forma figures after deduction of premium rebates from turnover, adjusted for currency translation differentials and changes in consolidation scope: Euler Hermes' consolidated revenues are calculated using average exchange parities for the whole year 2006.  
(3) In view of the expansion of the Polish insurance company, the methods for determining its revenues were revised in 2006. In order to provide a comparable basis, the data for the previous year have been restated pro forma.

## **2. Operating income**

The **combined ratio for 2006** came to **67.3%** versus 64.5% in 2005 (\*).

After a very favourable year in terms of run-off from previous years, this increase is the result of two opposing trends:

- An increase in the loss ratio from 44.8% to 49.2%, mainly due to a reduction in run-off from previous year
- Constant improvement in the group's productivity due to its consolidation and the optimisation of its reinsurance structures, leading a decrease of the net cost ratio from 19.7% to 18.1%

**Financial income** in 2006 partly derived from an increase in net income from investments, up 6.9 million euros, and partly from the increase in net realised capital gains mainly on the equity portfolio, totalling 17 million euros.

The market value of the financial portfolio came to 3,349 million euros compared with 3,107 million euros at 31 December 2005, up 242 million euros. This increase was mainly due to the reinvestment of cash flow from operations. Despite realisations, unrealised capital gains remained relatively stable at 233 million euros, representing 7% of the investment portfolio.

The good performance of both the underwriting result and financial income produced **operating income** of **489.9 million euros**, up 9.7%.

(\* ) The definition of the combined ratio was amended in 2006. Accordingly, non-technical charges are excluded from the costs ratio and premium refunds from the claims ratio. Premium refunds are deducted from premiums, the common denominator for the two ratios. The effect of this change on the combined net ratio of 2005 is -3.2 points.

### 3. Net income

After financial expenses and tax, Euler Hermes' **net income** amounted to **326.1 million euros**, up 14.0% compared with 2005. Earnings per share came to 7.51 euros as against 6.74 euros in 2005.

### 4. Dividend

On the basis of these earnings per share of 7.51 euros, Euler Hermes will propose to the Annual General Meeting of 9 May 2007 the payment of a cash **dividend** of **4.00 euros per share**, up 14% from the dividend of 2005. The dividend payment date will be 11 May 2007.

### 5. Shareholders' equity

The group's shareholders' equity totalled 1,911.5 million euros compared with 1,744.9 million euros at the end of 2005, representing growth of 9.6% and **return on equity** of **18.0%**, above Euler Hermes' medium-term objectives.

### 6. Outlook for 2007

Euler Hermes is anticipating its 2007 performance with confidence.

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**Euler Hermes** is the worldwide leader in credit insurance and one of the leaders in bonding and guarantees. With 5,500 employees in 48 countries, Euler Hermes offers a complete range of services for the management of customer receivables. The group posted a 2 billion euro turnover in 2006.

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

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