

# Consolidated Financial Statements

For the 1<sup>st</sup> quarter ended March 31, 2010



**EULER HERMES**  
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# Consolidated statement of financial position

(in thousands)	Notes	March 31, 2010	December 31, 2009
Goodwill	3	105 759	103 582
Other intangible assets		88 746	90 752
<b>Intangible assets</b>		<b>194 505</b>	<b>194 334</b>
Investment property	4	15 207	24 917
Financial investments	5	2 896 247	2 840 735
Derivatives		4 150	4 313
<b>Investments- insurance businesses</b>		<b>2 915 604</b>	<b>2 869 965</b>
<b>Investments accounted for by the equity method</b>	<b>6</b>	<b>92 465</b>	<b>89 254</b>
<b>Share of assignees and reinsurers in the technical reserves and financial liabilities</b>	<b>8</b>	<b>567 273</b>	<b>517 581</b>
Operating property and other property and equipment		159 297	158 319
Acquisition costs capitalised		53 566	42 649
Deferred tax assets		38 148	42 938
Inwards insurance and reinsurance receivables		527 565	459 723
Outwards reinsurance receivables		66 361	114 795
Corporation tax receivables		28 213	34 724
Other receivables		203 773	183 879
<b>Other assets</b>		<b>1 076 923</b>	<b>1 037 027</b>
Cash	7	537 038	441 792
<b>TOTAL ASSETS</b>		<b>€ 5 383 808</b>	<b>€ 5 149 953</b>
Capital stock		14 426	14 426
Additional paid-in capital		451 981	451 959
Reserves		1 345 325	1 326 179
Net income, group share		47 606	18 988
Revaluation reserve		52 293	43 500
Translation reserve		(40 253)	(59 273)
<b>Shareholders' equity, group share</b>		<b>€ 1 871 378</b>	<b>€ 1 795 779</b>
Minority interests		21 525	20 698
<b>Total shareholders' equity</b>		<b>€ 1 892 903</b>	<b>€ 1 816 477</b>
<b>Provisions for risks and charges</b>		<b>150 176</b>	<b>165 035</b>
Bank borrowings		1 241	1 261
Other borrowings		405 197	405 882
<b>Borrowings</b>		<b>406 438</b>	<b>407 143</b>
Gross non-life technical reserves	8	1 961 460	1 836 551
<b>Liabilities related to contracts</b>		<b>1 961 460</b>	<b>1 836 551</b>
Deferred tax liabilities		337 525	326 055
Inwards insurance and reinsurance liabilities		180 106	208 197
Outwards reinsurance liabilities		168 559	170 400
Corporation tax payables		36 871	38 298
Other payables		249 770	181 797
<b>Other liabilities</b>		<b>972 831</b>	<b>924 747</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>€ 5 383 808</b>	<b>€ 5 149 953</b>

# Consolidated income statement

(in thousands excepted for the earnings per share)

1st quarter ended March 31,

	Notes	2010	2009
Premiums written		540 726	546 949
Premiums refunded		(28 596)	(15 176)
Change in unearned premiums		(94 746)	(83 474)
<b>Earned premiums</b>		<b>417 384</b>	<b>448 299</b>
Premium-related revenues		88 158	100 242
<b>Turnover</b>	9	<b>€ 505 542</b>	<b>€ 548 541</b>
Investment income		20 463	25 091
Investment management charges		(1 910)	(2 687)
Net gain (loss) on sales of investments less impairment and depreciation writebacks		17 608	33 715
Change in fair value of investments recognised at fair value through profit or loss		181	(509)
Change in investment impairment provisions		-	(1 373)
Net change in foreign currency		6 257	-
<b>Net investment income</b>		<b>42 599</b>	<b>54 237</b>
<b>Insurance services expense</b>		<b>(243 416)</b>	<b>(350 935)</b>
Outwards reinsurance income		(149 907)	(135 649)
Outwards reinsurance expense		126 627	132 199
<b>Net outwards reinsurance income or expense</b>	9	<b>(23 280)</b>	<b>(3 450)</b>
<b>Contract acquisition expense</b>		<b>(81 660)</b>	<b>(85 195)</b>
<b>Administration expense</b>		<b>(50 577)</b>	<b>(45 108)</b>
<b>Other ordinary operating income and expense</b>		<b>(82 144)</b>	<b>(74 979)</b>
<b>ORDINARY OPERATING INCOME</b>		<b>€ 67 064</b>	<b>€ 43 111</b>
<b>Other non ordinary operating income and expense</b>		-	-
<b>OPERATING INCOME</b>	9	<b>€ 67 064</b>	<b>€ 43 111</b>
Financing expense		(1 971)	(3 260)
Income from companies accounted for by the equity method	6	2 955	2 076
Corporation tax		(19 671)	(24 510)
<b>CONSOLIDATED NET INCOME</b>		<b>48 377</b>	<b>17 417</b>
<i>o/w</i>			
<b>NET INCOME, GROUP SHARE</b>		<b>€ 47 604</b>	<b>€ 16 535</b>
Minority interests		773	882
<b>Other comprehensive income elements</b>			
Change in fair market value of asset held for sale transferred through profits & losses (Gross amount)		(7 120)	(26 580)
Change in fair market value of asset held for sale transferred through profits & losses (Tax amount)		2 407	8 860
Change in fair market value of asset held for sale booked through equity (Gross amount)		19 180	(2 972)
Change in fair market value of asset held for sale booked through equity (Tax amount)		(5 618)	946
Other change in fair market value of asset held for sale booked through equity		(271)	-
Change in translation reserve (included impact on revaluation reserve) booked through equity (Gross amount)		28 880	15 376
Change in translation reserve (included impact on revaluation reserve) booked through equity (Tax amount)		(9 654)	(7 474)
<b>Total other comprehensive income net of taxes</b>		<b>€ 27 804</b>	<b>€ (11 844)</b>
<b>Total comprehensive income</b>		<b>€ 75 408</b>	<b>€ 4 691</b>
<b>Earnings per share</b>		<b>€ 1.09</b>	<b>€ 0.37</b>
<b>Diluted earnings per share</b>		<b>€ 1.09</b>	<b>€ 0.37</b>
<b>Earnings per share of continuing activities</b>		<b>€ 1.09</b>	<b>€ 0.37</b>
<b>Diluted earnings per share of continuing activities</b>		<b>€ 1.09</b>	<b>€ 0.37</b>

# Consolidated statement of cash flows

(In thousands)	Three months ended March 31,	
	2010	2009
<b>Net income, group share</b>	<b>€ 47 604</b>	<b>€ 16 535</b>
Corporation tax	19 461	25 287
Financing expense	1 951	3 414
<b>Operating income before tax</b>	<b>69 016</b>	<b>45 236</b>
Minority interests	773	882
Allocation to and writebacks of depreciation, amortisation and reserves	11 519	15 917
Change in technical reserves	66 618	69 595
Change in deferred acquisition costs	(6 653)	(5 389)
Change in fair value of financial instruments recognised at fair value through the income statement (excluding cash and cash equivalents)	(92)	510
Realised capital gains/(losses) net of writebacks	(17 620)	(33 389)
Unrealised foreign exchange gain (loss) in company accounts	(5 505)	1 393
Revenues and expenses linked to stock options and similar	112	111
Interest revenues received accrued	(466)	4 531
<b>Adjustment for elements included in operating income that do not correspond to cash flows and reclassification of financing and investment flows</b>	<b>48 686</b>	<b>54 162</b>
Income (loss) of companies accounted for by the equity method	(2 955)	(2 077)
Dividends received from companies accounted for by the equity method	-	3 438
Change in liabilities and receivables relating to insurance and reinsurance transactions	(46 195)	21 267
Change in inventories	-	-
Change in operating receivables and liabilities	27 118	(2 720)
Change in other assets and liabilities	(3 167)	(24 658)
Corporation tax	(11 179)	30 436
<b>Cash flow related to operating activities</b>	<b>(36 378)</b>	<b>25 685</b>
<b>Cash flow from operating activities</b>	<b>€ 81 324</b>	<b>€ 125 083</b>
Acquisitions of subsidiaries and joint ventures, net of acquired cash	5 218	-
Disposals of subsidiaries and joint ventures, net of acquired cash	-	-
Acquisitions of equity interests in companies accounted for by the equity method	-	-
Cessions de participations dans des entreprises mises en équivalence	-	-
Merger	-	-
<b>Cash flow linked to changes in the consolidation scope</b>	<b>5 218</b>	<b>-</b>
Disposals of AFS securities	221 365	629 326
Matured HTM securities	500	1 911
Disposals of investment properties	20 073	19 456
Disposals of securities held for trading	255	56
<b>Cash flow linked to disposals and redemptions of investments</b>	<b>242 193</b>	<b>650 749</b>
Acquisitions of AFS securities	(217 756)	(513 154)
Acquisitions of HTM securities	-	-
Acquisitions of investment properties	(154)	(73)
Acquisitions of trading securities	-	-
<b>Cash flow linked to acquisitions of investments</b>	<b>(217 910)</b>	<b>(513 227)</b>
Disposals of other investments and intangible assets	110 666	42 837
Acquisitions of other investments and intangible assets	(135 503)	(22 879)
<b>Cash flow linked to acquisitions and disposals of other investments and intangible assets</b>	<b>(24 837)</b>	<b>19 957</b>
<b>Cash flow from investing activities</b>	<b>€ 4 665</b>	<b>€ 157 480</b>

## Consolidated statement of cash flows

Increases and decreases in capital	22	-
<i>Increases in capital</i>	22	(1 040)
<i>Decreases in capital</i>	-	1 040
Change in treasury stock	-	(529)
Dividends paid	-	-
<b>Cash flow linked to transactions with the shareholders</b>	<b>22</b>	<b>(529)</b>
Change in non voting shares	-	-
Changes in loans and subordinated securities	326	(2 439)
<i>Issue</i>	445	300
<i>Repayment</i>	(119)	(2 739)
Interest paid	(153)	(410)
<b>Cash flow from group financing</b>	<b>173</b>	<b>(2 850)</b>
<b>Cash flow from financing activities</b>	<b>€ 194</b>	<b>€ (3 379)</b>
Impact of foreign exchange differences on cash and cash equivalents	5 944	3 336
Reclassification	3 118	(710)
<b>Other net changes in cash</b>	<b>€ 9 062</b>	<b>€ 2 626</b>
<b>Change in cash flows</b>	<b>95 245</b>	<b>281 810</b>
<b>Change in cash and cash equivalents</b>	<b>95 245</b>	<b>281 810</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>7</b>	<b>€ 441 442</b>
<b>Cash and cash equivalents at end of period</b>	<b>7</b>	<b>€ 536 688</b>

At March 31 2010, reclassification of € 3.1 million represents a cash equivalent not booked in the Euler Hermes Towarzystwo Ubezpieczeniowe opening cash.

# Consolidated statement of changes in equity

## 1<sup>st</sup> Quarter 2009

(in thousands)	Capital Stock	Additional paid-in-capital	Retained earnings	Revaluation reserve	Translation reserve	Treasury shares	Shareholders' equity, group share	Minority interests	Total shareholders' equity
<b>Opening Shareholders' equity</b>	<b>€ 14 426</b>	<b>€ 451 924</b>	<b>€ 1 476 216</b>	<b>€ 50 279</b>	<b>€ (73 191)</b>	<b>€ (84 697)</b>	<b>€ 1 834 957</b>	<b>€ 20 328</b>	<b>€ 1 855 285</b>
Available-for-sale assets (AFS)	-	-	-	-	-	-	-	-	-
Measurement gain / (loss) taken to shareholders' equity	-	-	-	(1 684)	-	-	(1 684)	(25)	(1 709)
Impact of transferring realised gains and losses to income statement	-	-	-	(17 707)	-	-	(17 707)	-	(17 707)
Other movements	-	-	-	-	-	-	-	-	-
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	-	-	-	-	7 843	-	7 843	(271)	7 572
Current and deferred tax taken directly to or transferred to shareholders' equity	-	-	-	-	-	-	-	-	-
<b>Net income recognised in shareholders' equity</b>	-	-	-	<b>(19 391)</b>	<b>7 843</b>	-	<b>(11 548)</b>	<b>(296)</b>	<b>(11 844)</b>
<b>Net income for the year</b>	-	-	<b>16 535</b>	-	-	-	<b>16 535</b>	<b>882</b>	<b>17 417</b>
<b>Total revenues and losses recognised for the period</b>	-	-	<b>€ 16 535</b>	<b>€ (19 391)</b>	<b>€ 7 843</b>	-	<b>€ 4 987</b>	<b>€ 586</b>	<b>€ 5 573</b>
Capital movements	-	-	-	-	-	(529)	(529)	-	(529)
Dividend distributions	-	-	-	-	-	-	-	-	-
Shareholders' equity component of share-based payment plans	-	-	111	-	-	-	111	-	111
Cancellation of gains/losses on treasury shares	-	-	-	-	-	-	-	-	-
Other movements	-	-	557	-	-	-	557	35	592
<b>Closing Shareholders' equity</b>	<b>€ 14 426</b>	<b>€ 451 924</b>	<b>€ 1 493 419</b>	<b>€ 30 888</b>	<b>€ (65 348)</b>	<b>€ (85 226)</b>	<b>€ 1 840 083</b>	<b>€ 20 949</b>	<b>€ 1 861 032</b>

## 1<sup>st</sup> Quarter 2010

(in thousands)	Capital Stock	Additional paid-in-capital	Retained earnings	Revaluation reserve	Translation reserve	Treasury shares	Shareholders' equity, group share	Minority interests	Total shareholders' equity
<b>Opening Shareholders' equity</b>	<b>€ 14 426</b>	<b>€ 451 959</b>	<b>€ 1 430 684</b>	<b>€ 43 500</b>	<b>€ (59 273)</b>	<b>€ (85 517)</b>	<b>€ 1 795 779</b>	<b>€ 20 698</b>	<b>€ 1 816 477</b>
Available-for-sale assets (AFS)	-	-	-	-	-	-	-	-	-
Measurement gain / (loss) taken to shareholders' equity	-	-	-	13 582	-	-	13 582	(20)	13 562
Impact of transferring realised gains and losses to income statement	-	-	-	(4 713)	-	-	(4 713)	-	(4 713)
Other movements	-	-	-	(271)	-	-	(271)	-	(271)
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	-	-	-	195	19 020	-	19 215	73	19 288
Current and deferred tax taken directly to or transferred to shareholders' equity	-	-	-	-	-	-	-	-	-
<b>Net income recognised in shareholders' equity</b>	-	-	-	<b>8 793</b>	<b>19 020</b>	-	<b>27 813</b>	<b>53</b>	<b>27 866</b>
<b>Net income for the year</b>	-	-	<b>47 606</b>	-	-	-	<b>47 606</b>	<b>773</b>	<b>48 379</b>
<b>Total revenues and losses recognised for the period</b>	-	-	<b>€ 47 606</b>	<b>€ 8 793</b>	<b>€ 19 020</b>	-	<b>€ 75 419</b>	<b>€ 826</b>	<b>€ 76 245</b>
Capital movements	-	22	-	-	-	-	22	-	22
Dividend distributions	-	-	-	-	-	-	-	-	-
Shareholders' equity component of share-based payment plans	-	-	112	-	-	-	112	-	112
Cancellation of gains/losses on treasury shares	-	-	-	-	-	-	-	-	-
Other movements	-	-	46	-	-	-	46	1	47
<b>Closing Shareholders' equity</b>	<b>€ 14 426</b>	<b>€ 451 981</b>	<b>€ 1 478 448</b>	<b>€ 52 293</b>	<b>€ (40 253)</b>	<b>€ (85 517)</b>	<b>€ 1 871 378</b>	<b>€ 21 525</b>	<b>€ 1 892 903</b>

# Notes to the consolidated financial statements

## Note 1 Significant events

The following significant events occurred in the first quarter 2010:

### Changes in the share capital and in share ownership

As at March 31, 2010, the Allianz group owned 30,744,048 shares out of a total of 45,084,010 shares, corresponding to 68.20% of the share capital of Euler Hermes.

During the first quarter 2010, 800 new shares were created by the exercise of options. As at March 31 2010, Euler Hermes' share capital was composed of 45,084,010 shares, including 1,567,944 shares held in treasury stock.

### Evolution of the retention rate

The premium retention rate is the ratio of premiums after reinsurance to premiums before reinsurance. This rate decreases from 70% at end-March 2009 to 64% at end-March 2010. Earned premiums net of reinsurance decreased by 14% end-March 2009 compared to end-March 2010; 7.55% is explained by the decrease in premium retention rate.

## Note 2 IFRS accounting and valuation rules

The financial statements of the Euler Hermes group as at March 31, 2010 were approved by the Board of Director's of 7 may 2010.

### 2.1. General Principles

In accordance with European regulation no. 1606/2002 of July 19, 2002, the interim consolidated financial statements published at March 31, 2010 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 March 31, 2010 adopted by the European Union,
- Guidance provided in CNC recommendation no. 2009-R05 relating to the format of financial statements prepared by insurance firms under international accounting guidelines.

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.

Euler Hermes group has applied the update of IFRS 7 – Financial Instruments – Fair Value Hierarchy for the 2009 year closing. The three levels and their details are the following:

- Level 1: The fair value corresponds to a quoted price on an active market;
- Level 2: The quotation is given by a third party (broker, dealer...) or by a mathematical model using observable data on an active market;
- Level 3: The evaluation is built on non observable estimates.

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.

### 2.2. Consolidation scope

The consolidation scope didn't change during the first quarter 2010.



# Notes to the consolidated financial statements

## 2.3. 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 of reference document 2009.

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

Estimate		Communicated Information
Note 3	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.
Note 5	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 8	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 8	Provisions for salvages & recoveries	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. They take into consideration a provision for administration charges determined in accordance with actual observed expenses.
Note 8	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 8	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 8	IBNR reserve	In credit-insurance, the IBNR are calculated to cover: 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  They are determined based on statistical models integrating historical data as well as future developments based on estimates.  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.
Note not published	Employee benefits	The related commitments are measured in accordance with IAS 19 and are reviewed yearly by independent actuaries. The commitment is recognised in the balance sheet using the projected unit credit method, based on the group actuarial assumptions.
Note not published	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 3 Goodwill

In accordance with IFRS 3, goodwill is not amortized but instead is subject to annual impairment testing or to an impairment testing when an indicator of a decrease in value appears.

(in thousands)	March 31, 2010							December 31, 2009
	France	Italy	United Kingdom	United States	Benelux countries	Other	Total	Total
<b>Opening balance</b>								
Gross value	393	6 229	61 922	29 431	8 242	8 045	114 262	110 609
Impairment losses	-	(409)	(10 271)	-	-	-	(10 680)	(7 931)
<b>Net carrying amount</b>	<b>€ 393</b>	<b>€ 5 820</b>	<b>€ 51 651</b>	<b>€ 29 431</b>	<b>€ 8 242</b>	<b>€ 8 045</b>	<b>€ 103 582</b>	<b>€ 102 678</b>
<b>Change during the year</b>								
Opening net carrying amount	393	5 820	51 651	29 431	8 242	8 045	103 582	102 678
Changes in gross value	-	-	-	-	-	-	-	-
Outgoing entities & Held for sale transfer	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Changes in foreign currency translation adjustments	-	-	(99)	2 025	-	251	2 177	3 103
Impairment losses	-	-	-	-	-	-	-	(2 199)
<b>Closing net carrying amount</b>	<b>393</b>	<b>5 820</b>	<b>51 552</b>	<b>31 456</b>	<b>8 242</b>	<b>8 296</b>	<b>105 759</b>	<b>103 582</b>
<b>Closing Balance</b>								
Gross value	393	6 229	61 804	31 456	8 242	8 296	116 420	114 262
Impairment losses	-	(409)	(10 252)	-	-	-	(10 661)	(10 680)
<b>Net carrying amount</b>	<b>€ 393</b>	<b>€ 5 820</b>	<b>€ 51 552</b>	<b>€ 31 456</b>	<b>€ 8 242</b>	<b>€ 8 296</b>	<b>€ 105 759</b>	<b>€ 103 582</b>

# Notes to the consolidated financial statements

## Note 4 Investment and operating property

(in thousands)	March 31, 2010		December 31, 2009	
	Investment property	Operating property	Investment property	Operating property
<b>Balance as opening period</b>				
Gross value	35 663	185 370	91 071	195 192
Depreciation	(10 746)	(48 801)	(19 237)	(61 878)
Impairment losses	-	(6 797)	-	(554)
<b>Net carrying amount</b>	<b>€ 24 917</b>	<b>€ 129 772</b>	<b>€ 71 834</b>	<b>€ 132 760</b>
<b>Change during the year</b>				
Net carrying amount as opening period	24 917	129 772	71 834	132 760
Acquisitions	-	154	-	1 318
Change in consolidation scope	-	-	-	-
Disposals	(9 628)	-	(45 423)	(73)
Reclassifications	-	1	-	(169)
Changes in foreign currency translation adjustments	-	107	-	(54)
Net depreciation	(82)	(1 028)	(1 494)	(4 010)
Net provisions for impairment	-	-	-	-
Other changes	-	-	-	-
<b>Net carrying amount at the end of the period</b>	<b>15 207</b>	<b>129 006</b>	<b>24 917</b>	<b>129 772</b>
<b>Balance at the end of the period</b>				
Gross value	22 660	185 640	35 663	185 370
Depreciation	(7 453)	(66 902)	(10 746)	(48 801)
Impairment losses	-	-	-	(6 797)
<b>Net carrying amount</b>	<b>€ 15 207</b>	<b>€ 129 006</b>	<b>€ 24 917</b>	<b>€ 129 772</b>
<b>Fair value</b>	<b>€ 29 911</b>	<b>€ 206 205</b>	<b>€ 57 391</b>	<b>€ 221 122</b>

Amounts recorded in the income statement	Three months ended March 31,	
	2010	2009
<b>Investment property</b>		
Rental revenues from investment property	516	5 741
Direct operating expenses relating to property	(46)	(1 812)

As at March 31, 2010, disposals in investment property concern sales realized by:

- Euler Hermes SFAC for € 17,6 million, carrying the realized profit to € 9,1 million ;
- Euler Hermes SFAC Crédit for € 2,5 million, carrying the realized profit to € 1,3 million.

## Note 5 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.

# Notes to the consolidated financial statements

## Classification by investment category

(in thousands)	March 31, 2010						December 31, 2009					
	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Listed	Non listed	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Listed	Non listed
<b>Held-to-maturity assets</b>												
Bonds	1 172	-	1 172	1 172	706	466	1 674	-	1 674	1 674	1 208	466
<b>Total held-to-maturity assets</b>	<b>€ 1 172</b>	<b>-</b>	<b>€ 1 172</b>	<b>€ 1 172</b>	<b>€ 706</b>	<b>€ 466</b>	<b>€ 1 674</b>	<b>-</b>	<b>€ 1 674</b>	<b>€ 1 674</b>	<b>€ 1 208</b>	<b>€ 466</b>
<b>Available-for-sale assets</b>												
Equities	116 574	18 855	135 429	135 429	2 264 808	82 297	110 646	19 428	130 074	130 074	2 251 408	60 203
Bonds	2 148 280	63 396	2 211 676	2 211 676	-	-	2 131 687	49 850	2 181 537	2 181 537	-	-
<b>Total Available-for-sale assets</b>	<b>€ 2 264 854</b>	<b>€ 82 251</b>	<b>€ 2 347 105</b>	<b>€ 2 347 105</b>	<b>€ 2 264 808</b>	<b>€ 82 297</b>	<b>€ 2 242 333</b>	<b>€ 69 278</b>	<b>€ 2 311 611</b>	<b>€ 2 311 611</b>	<b>€ 2 251 408</b>	<b>€ 60 203</b>
<b>Loans, deposits and other financial investments</b>												
	547 970	-	547 970	547 970	-	-	527 450	-	527 450	527 450	-	-
<b>Total loans, deposits and other financial investments</b>	<b>€ 547 970</b>	<b>-</b>	<b>€ 547 970</b>	<b>€ 547 970</b>	<b>-</b>	<b>-</b>	<b>€ 527 450</b>	<b>-</b>	<b>€ 527 450</b>	<b>€ 527 450</b>	<b>-</b>	<b>-</b>
<b>Total Financial investments (excluded investments in consolidated enterprise)</b>	<b>€ 2 813 996</b>	<b>€ 82 251</b>	<b>€ 2 896 247</b>	<b>€ 2 896 247</b>	<b>€ 2 265 514</b>	<b>€ 82 763</b>	<b>€ 2 771 457</b>	<b>€ 69 278</b>	<b>€ 2 840 735</b>	<b>€ 2 840 735</b>	<b>€ 2 252 616</b>	<b>€ 60 669</b>

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.

(in thousands)	March 31, 2010				December 31, 2009			
	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Amortized cost	Revaluation reserve	Net carrying amount	Fair value
- Equities:	116 574	18 855	135 429	135 429	110 646	19 428	130 074	130 074
- Bonds:	2 149 452	63 396	2 212 848	2 212 848	2 133 361	49 850	2 183 211	2 183 211
- Loans and other investments	547 970	-	547 970	547 970	527 450	-	527 450	527 450
<b>Total Financial investments</b>	<b>€ 2 813 996</b>	<b>€ 82 251</b>	<b>€ 2 896 247</b>	<b>€ 2 896 247</b>	<b>€ 2 771 457</b>	<b>€ 69 278</b>	<b>€ 2 840 735</b>	<b>€ 2 840 735</b>

EH Group didn't account any significant impairment as of March 31, 2010. 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.

### Fair value hierarchy

The application of IFRS 7 – Fair Value Hierarchy is detailed in Note 2 IFRS accounting and valuation rules 2.1. General principles. The split into three levels of the fair value is detailed in the following statement:

(in thousands)	March 31, 2010		
	Level 1	Level 2	Level 3
Available-for-sale assets	<b>€ 2 127 274</b>	<b>€ 182 614</b>	<b>€ 37 216</b>

The level 1 is mainly composed of listed bonds and stocks on an active market.

The level 2 is mainly composed of parts of Allianz 3 years € 514 million bond (for an amount of € 160 million).

The level 3 is mainly composed of participation in a Private Equity Funds, non consolidated shares and of Moroccan & Hungarian non listed government bond.

# Notes to the consolidated financial statements

## Investment variation

(in thousands)	March 31, 2010			December 31, 2009	
	Held-to-maturity investments	Available-for-sale investments	Loans, deposits and other financial investments	Total	Total
<b>Net carrying amount as opening period</b>	<b>€ 1 674</b>	<b>€ 2 311 611</b>	<b>€ 527 450</b>	<b>€ 2 840 735</b>	<b>€ 2 590 986</b>
Increase in gross value	-	217 756	131 588	349 344	1 911 831
Decrease in gross value	(500)	(214 202)	(110 647)	(325 349)	(1 657 243)
Revaluation	-	11 988	-	11 988	(9 660)
Impairment	-	-	-	-	(942)
Changes in foreign currency translation adjustments	-	21 930	2 966	24 896	8 058
Reclassifications	-	2	(3 394)	(3 392)	4 017
Other changes	(2)	(1 979)	6	(1 975)	(6 312)
<b>Net carrying amount as closing period</b>	<b>€ 1 172</b>	<b>€ 2 347 106</b>	<b>€ 547 969</b>	<b>€ 2 896 247</b>	<b>€ 2 840 735</b>

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

## Note 6 Investments accounted for by the equity method

### Information on equity-accounted investments

(in thousands)	March 31, 2010					
Company	Country	Assets <sup>(1)</sup>	Shareholders' equity <sup>(2)</sup>	Turnover	Net income	% of capital held
OeKB Beteiligungs- und Management A.G.	Austria	195 125	110 520	15 712	359	49,00%
Graydon Holding N.V.	Netherlands	56 123	17 636	18 601	4 502	27,50%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	99 791	40 878	10 191	2 172	50,00%
Israel Credit Insurance Company Ltd	Israel	57 792	30 201	5 305	1 365	33,33%
		<b>€ 408 831</b>	<b>€ 199 236</b>	<b>€ 49 809</b>	<b>€ 8 398</b>	

<sup>(1)</sup> Assets based on company financial statements as at December 31, 2009.

<sup>(2)</sup> Shareholders' equity based on company financial statements as at December 31, 2009 including goodwill.

(in thousands)	December 31, 2009		March 31, 2009			
Company	Country	Assets	Shareholders' equity	Turnover	Net income	% of capital held
OeKB Beteiligungs- und Management A.G.	Austria	197 790	109 118	14 393	1 353	49,00%
Graydon Holding N.V.	Netherlands	54 886	2 455	17 720	4 720	27,50%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	104 897	40 418	8 894	(186)	50,00%
Israel Credit Insurance Company Ltd	Israel	53 107	24 776	4 248	627	33,33%
		<b>€ 410 680</b>	<b>€ 176 767</b>	<b>€ 45 254</b>	<b>€ 6 514</b>	-

### Movements during the period

(in thousands)	March 31, 2010	December 31, 2009
<b>Balance as opening period</b>	<b>€ 89 254</b>	<b>€ 93 550</b>
Increases	-	-
Decreases	-	-
Reclassification	-	-
Share of income for the period	2 955	6 644
Dividends paid	-	(10 554)
Impairment	-	-
Foreign exchange differences	200	(319)
Other changes	56	(67)
<b>Net book value as closing period</b>	<b>€ 92 465</b>	<b>€ 89 254</b>

# Notes to the consolidated financial statements

## Contribution to shareholders' equity (without equity method income of 2010)

(in thousands)		March 31, 2010	December 31, 2009
OeKB Beteiligungs- und Management A.G.	Austria	54 155	53 468
Graydon Holding N.V.	Netherlands	4 850	675
Companhia de Seguro de Creditos SA (COSEC)	Portugal	20 439	20 209
Israel Credit Insurance Company Ltd	Israel	10 066	8 258
<b>Share of shareholders' equity</b>		<b>€ 89 510</b>	<b>€ 82 610</b>

## Contribution to income

(in thousands)		Three months ended March 31,	
		2010	2009
OeKB Beteiligungs- und Management A.G.	Austria	176	663
Graydon Holding N.V.	The Netherlands	1 238	1 298
Companhia de Seguro de Creditos SA (COSEC)	Portugal	1 086	(93)
Israel Credit Insurance Company Ltd	Israel	455	209
<b>Share of total income</b>		<b>€ 2 955</b>	<b>€ 2 077</b>

## Note 7 Cash and cash equivalents

(in thousands)	March 31, 2010	December 31, 2009
Cash in bank and at hand	436 054	403 762
Cash pooling	100 983	38 030
<b>Total cash</b>	<b>€ 537 037</b>	<b>€ 441 792</b>
<b>Total cash per balance sheet</b>	<b>537 037</b>	<b>441 792</b>
Cash equivalents reflected in the cash flow statement	-	-
Cash pooling creditor with Allianz	(349)	(350)
<b>Total cash and cash equivalents</b>	<b>€ 536 688</b>	<b>€ 441 442</b>

## Note 8 Technical reserves

(in thousands)	December 31, 2009	Allowance net of writebacks	Foreign exchange differences	Other changes	March 31, 2010
Reserve for unearned premiums	298 736	94 742	5 407	1 498	400 383
Reserve for claims	1 424 760	967	13 317	(230)	1 438 814
Reserve for no-claims bonuses and refunds	113 055	9 311	(140)	37	122 263
<b>Gross technical reserves</b>	<b>1 836 551</b>	<b>105 020</b>	<b>18 584</b>	<b>1 305</b>	<b>1 961 460</b>
Reserve for unearned premiums	68 952	31 406	271	(7 547)	93 082
Reserve for claims	427 226	20 267	4 580	(509)	451 564
Reserve for no-claims bonuses and refunds	21 403	2 733	146	(1 655)	22 627
<b>Reinsurers' share of technical reserves</b>	<b>517 581</b>	<b>54 406</b>	<b>4 997</b>	<b>(9 711)</b>	<b>567 273</b>
<b>Net technical reserves</b>	<b>€ 1 318 970</b>	<b>€ 50 614</b>	<b>€ 13 587</b>	<b>€ 11 016</b>	<b>€ 1 394 187</b>

# Notes to the consolidated financial statements

## Cost of claims

(in thousands)	1st quarter ended March 31,					
	2010			2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Cost of claims for the current period</b>	<b>325 916</b>	<b>(112 378)</b>	<b>213 538</b>	<b>387 764</b>	<b>(97 984)</b>	<b>289 780</b>
of which, claims paid	41 118	(26 269)	14 849	33 815	(15 367)	18 448
of which, claims reserves	263 633	(84 735)	178 898	335 053	(81 669)	253 384
of which, claims handling expenses	21 165	(1 374)	19 791	18 896	(948)	17 948
<b>Recoveries for the current period</b>	<b>(56 744)</b>	<b>30 437</b>	<b>(26 307)</b>	<b>(33 374)</b>	<b>8 196</b>	<b>(25 178)</b>
Recoveries received	(28 951)	23 457	(5 494)	(211)	642	431
Change in reserves for recoveries	(27 793)	6 980	(20 813)	(33 163)	7 554	(25 609)
<b>Cost of claims from prior periods</b>	<b>(23 830)</b>	<b>(6 392)</b>	<b>(30 222)</b>	<b>19 219</b>	<b>91</b>	<b>19 310</b>
of which, claims paid	252 998	(71 170)	181 828	272 120	(47 269)	224 851
of which, claims reserves	(273 614)	64 696	(208 918)	(253 442)	48 172	(205 270)
of which, claims handling expenses	(3 214)	82	(3 132)	541	(812)	(271)
<b>Recoveries from prior periods</b>	<b>(1 926)</b>	<b>233</b>	<b>(1 693)</b>	<b>(22 674)</b>	<b>772</b>	<b>(21 902)</b>
Recoveries received	(43 734)	7 626	(36 108)	(40 898)	6 296	(34 602)
Change in reserves for recoveries	41 808	(7 393)	34 415	18 224	(5 524)	12 700
<b>Cost of claims</b>	<b>€ 243 416</b>	<b>€ (88 100)</b>	<b>€ 155 316</b>	<b>€ 350 935</b>	<b>€ (88 925)</b>	<b>€ 262 010</b>

## Claims reserves

(in thousands)	March 31, 2010			December 31, 2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Claims reserves gross of recoveries</b>	<b>1 729 527</b>	<b>(520 169)</b>	<b>1 209 358</b>	<b>1 727 088</b>	<b>(494 645)</b>	<b>1 232 443</b>
Current period	278 093	(88 464)	189 629	978 315	(322 827)	655 488
Prior periods	1 451 434	(431 705)	1 019 729	748 773	(171 818)	576 955
<b>Recoveries to be received</b>	<b>(290 711)</b>	<b>68 605</b>	<b>(222 106)</b>	<b>(302 327)</b>	<b>67 419</b>	<b>(234 908)</b>
Current period	(29 322)	8 832	(20 490)	(127 752)	36 507	(91 245)
Prior periods	(261 389)	59 773	(201 616)	(174 575)	30 912	(143 663)
<b>Claims reserves</b>	<b>€ 1 438 816</b>	<b>€ (451 564)</b>	<b>€ 987 252</b>	<b>€ 1 424 761</b>	<b>€ (427 226)</b>	<b>€ 997 535</b>

## Breakdown by type of reserve

(in thousands)	March 31, 2010			December 31, 2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Reserves for unearned premiums</b>	<b>400 383</b>	<b>(93 082)</b>	<b>307 301</b>	<b>298 736</b>	<b>(68 952)</b>	<b>229 784</b>
<b>Claims reserves</b>	<b>1 438 814</b>	<b>(451 564)</b>	<b>987 250</b>	<b>1 424 760</b>	<b>(427 226)</b>	<b>997 534</b>
of which, reserves for known claims	1 108 744	(358 893)	749 851	1 157 922	(348 067)	809 855
of which, reserves for late claims	516 105	(152 557)	363 548	461 422	(137 999)	323 423
of which, reserves for claims handling expenses	106 623	(8 718)	97 905	109 030	(8 580)	100 450
of which, other technical reserves	(1 947)	(1)	(1 948)	(1 286)	1	(1 285)
of which, recoveries to be received	(290 711)	68 605	(222 106)	(302 328)	67 419	(234 909)
<b>No-claims bonuses and rebates</b>	<b>122 263</b>	<b>(22 627)</b>	<b>99 636</b>	<b>113 055</b>	<b>(21 403)</b>	<b>91 652</b>
<b>Technical reserves</b>	<b>€ 1 961 460</b>	<b>€ (567 273)</b>	<b>€ 1 394 187</b>	<b>€ 1 836 551</b>	<b>€ (517 581)</b>	<b>€ 1 318 970</b>

# Notes to the consolidated financial statements

## Note 9 Breakdown of income net of reinsurance

(in thousands)	1st quarter ended March 31,					
	2010			2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Premiums and commissions	540 726	(190 702)	350 024	546 949	(194 665)	352 284
Premiums refunded	(28 596)	9 392	(19 204)	(83 474)	55 138	(11 298)
Gross premiums written - credit insurance	512 130	(181 310)	330 820	531 773	(190 787)	340 986
Change in unearned premiums	(94 746)	31 403	(63 343)	(83 474)	55 138	(28 336)
<b>Earned premiums</b>	<b>417 384</b>	<b>(149 907)</b>	<b>267 477</b>	<b>448 299</b>	<b>(135 649)</b>	<b>312 650</b>
Premium-related revenues	88 158	-	88 158	100 242	-	100 242
<b>Turnover</b>	<b>€ 505 542</b>	<b>€ (149 907)</b>	<b>€ 355 635</b>	<b>€ 548 541</b>	<b>€ (135 649)</b>	<b>€ 412 892</b>
<b>Net investment income</b>	<b>42 599</b>	<b>-</b>	<b>42 599</b>	<b>54 237</b>	<b>-</b>	<b>54 237</b>
Claims paid	(221 430)	66 356	(155 074)	(264 825)	55 698	(209 127)
Claims reserves expense	(4 035)	20 452	16 417	(66 672)	31 467	(35 205)
Claims handling expense	(17 951)	1 292	(16 659)	(19 438)	1 760	(17 678)
<b>Insurance services expense</b>	<b>(243 416)</b>	<b>88 100</b>	<b>(155 316)</b>	<b>(350 935)</b>	<b>88 925</b>	<b>(262 010)</b>
Brokerage commissions	(47 627)	-	(47 627)	(52 167)	-	(52 167)
Other acquisition costs	(39 250)	-	(39 250)	(41 175)	-	(41 175)
Change in acquisition costs capitalised	5 217	-	5 217	8 147	-	8 147
<b>Contract acquisition expense</b>	<b>(81 660)</b>	<b>-</b>	<b>(81 660)</b>	<b>(85 195)</b>	<b>-</b>	<b>(85 195)</b>
<b>Impairment of portfolio securities and similar</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Administration expense</b>	<b>(50 577)</b>	<b>-</b>	<b>(50 577)</b>	<b>(45 108)</b>	<b>-</b>	<b>(45 108)</b>
Commissions received from reinsurers	-	38 527	38 527	-	43 274	43 274
Other ordinary operating income and expense	(82 144)	-	(82 144)	(74 979)	-	(74 979)
<b>Ordinary operating income</b>	<b>€ 90 344</b>	<b>€ (23 280)</b>	<b>€ 67 064</b>	<b>€ 46 561</b>	<b>€ (3 450)</b>	<b>€ 43 111</b>

## Note 10 Earnings per share and dividend per share

### Earnings per share

	1st quarter ended March 31,	
	2010	2009
Distributable net income (in thousands of euros)	47 604	16 535
Weighted average number of ordinary shares before dilution	43 515 119	44 703 739
<b>Earnings per share (€)</b>	<b>€ 1.09</b>	<b>€ 0.37</b>
Distributable net income (in thousands of euros)	47 604	16 535
Weighted average number of ordinary shares after dilution	43 558 139	44 706 907
<b>Diluted earnings per share (€)</b>	<b>€ 1.09</b>	<b>€ 0.37</b>

The dilution impact takes into account the exercise of options.

The average number of shares resulting from dilution is 43,020 in 2010 (3,168 in 2009). The group share of net income is used as the basis for this calculation.

## Note 11 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.

# Notes to the consolidated financial statements

Since January 1st, 2010, the implementation of the project One Euler Hermes has generated a new well-balanced geographical organization. These changes aroused the creation of six completely given responsibilities regions: Germany/Swiss/Austria, Americas, Asia/Pacific, France, Northern Europe and Mediterranean Countries and Africa.

## Profit & loss by segment

(in thousands)										
1st quarter ended March 31, 2010										
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter-segment eliminations	GROUP
Premiums written	195 644	84 180	132 814	65 965	47 267	8 954	251 320	-	(245 418)	540 726
Premiums refunded	(19 763)	(5 497)	(3 784)	19	-	118	(13 777)	-	14 088	(28 596)
Net premiums written	175 881	78 683	129 030	65 984	47 267	9 072	237 543	-	(231 330)	512 130
Change in unearned premiums	(34 818)	(3 488)	(33 408)	(17 379)	(7 555)	1 549	(32 227)	-	32 580	(94 746)
<b>Earned premiums - non-group</b>	<b>141 063</b>	<b>75 195</b>	<b>95 622</b>	<b>48 605</b>	<b>39 712</b>	<b>10 621</b>	<b>205 316</b>	-	<b>(198 750)</b>	<b>417 384</b>
Premium-related revenues - non-group	41 288	17 714	15 740	11 528	6 835	3 869	-	5 310	(14 126)	88 158
<b>Turnover - intra-sectoral</b>	<b>€ 182 351</b>	<b>€ 92 909</b>	<b>€ 111 362</b>	<b>€ 60 133</b>	<b>€ 46 547</b>	<b>€ 14 490</b>	<b>€ 205 316</b>	<b>€ 5 310</b>	<b>€ (212 876)</b>	<b>€ 505 542</b>
Investment income	8 933	20 310	3 467	2 700	2 470	3 024	2 620	724	(1 649)	42 599
<i>Of which, dividends</i>	-	-	-	-	-	-	-	-	-	-
<b>Total ordinary income</b>	<b>191 284</b>	<b>113 219</b>	<b>114 829</b>	<b>62 833</b>	<b>49 017</b>	<b>17 514</b>	<b>207 936</b>	<b>6 034</b>	<b>(214 525)</b>	<b>548 141</b>
Insurance services expense	(82 840)	(30 135)	(60 966)	(24 563)	(20 789)	(5 806)	(107 441)	(18 500)	107 624	(243 416)
Outwards reinsurance expense	(81 032)	(30 312)	(56 576)	(31 487)	(25 452)	(6 177)	(117 621)	-	198 750	(149 907)
Outwards reinsurance income	70 002	20 875	53 413	20 485	19 699	5 283	96 164	-	(159 294)	126 627
Other income and expense	(86 777)	(36 891)	(41 993)	(28 716)	(19 970)	(5 917)	(54 030)	(5 882)	65 795	(214 381)
<b>Total other income and expense</b>	<b>(180 647)</b>	<b>(76 463)</b>	<b>(106 122)</b>	<b>(64 512)</b>	<b>(46 512)</b>	<b>(12 617)</b>	<b>(182 928)</b>	<b>(24 382)</b>	<b>212 875</b>	<b>(481 077)</b>
<b>Ordinary operating income</b>	<b>€ 10 637</b>	<b>€ 36 756</b>	<b>€ 8 707</b>	<b>€ (1 448)</b>	<b>€ 2 505</b>	<b>€ 4 897</b>	<b>€ 25 008</b>	<b>€ (18 348)</b>	<b>€ (1 650)</b>	<b>€ 67 064</b>
Autres produits et charges opérationnels	-	-	-	-	-	-	-	-	-	-
<b>Operating income</b>	<b>€ 10 637</b>	<b>€ 36 756</b>	<b>€ 8 707</b>	<b>€ (1 448)</b>	<b>€ 2 505</b>	<b>€ 4 897</b>	<b>€ 25 008</b>	<b>€ (18 348)</b>	<b>€ (1 650)</b>	<b>€ 67 064</b>
Financing expense	(34)	(29)	(515)	(29)	(100)	(3)	(6)	(2 902)	1 647	(1 971)
Income from companies accounted for by the equity method	1 414	1 541	-	-	-	-	-	-	-	2 955
Corporation tax	(2 967)	(9 603)	(2 321)	24	(448)	(103)	(4 557)	304	-	(19 671)
<b>Consolidated net income</b>	<b>9 050</b>	<b>28 665</b>	<b>5 871</b>	<b>(1 453)</b>	<b>1 957</b>	<b>4 791</b>	<b>20 445</b>	<b>(20 946)</b>	<b>(3)</b>	<b>48 377</b>
<i>a/w</i>										
<b>Net income, group share</b>	<b>€ 8 420</b>	<b>€ 28 547</b>	<b>€ 5 787</b>	<b>€ (1 394)</b>	<b>€ 1 957</b>	<b>€ 4 791</b>	<b>€ 20 445</b>	<b>€ (20 946)</b>	<b>€ (3)</b>	<b>€ 47 604</b>
Minority interests	630	118	84	(59)	-	-	-	-	-	773

(in thousands)										
For the 1st quarter ended March 31, 2009										
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter-segment eliminations	GROUP
Premiums written	193 588	90 996	115 196	74 844	54 000	9 631	197 622	-	(188 928)	546 949
Premiums refunded	(6 851)	(6 093)	(3 170)	1 779	-	(96)	(7 054)	-	6 309	(15 176)
Net premiums written	186 737	84 903	112 026	76 623	54 000	9 535	190 568	-	(182 619)	531 773
Change in unearned premiums	(33 155)	(3 741)	(20 128)	(17 261)	(8 325)	(307)	(11 803)	-	11 246	(83 474)
<b>Earned premiums - non-group</b>	<b>153 582</b>	<b>81 162</b>	<b>91 898</b>	<b>59 362</b>	<b>45 675</b>	<b>9 228</b>	<b>178 765</b>	-	<b>(171 373)</b>	<b>448 299</b>
Premium-related revenues - non-group	46 631	20 847	21 413	12 998	7 342	3 921	-	4 488	(17 398)	100 242
<b>Turnover - intra-sectoral</b>	<b>€ 200 213</b>	<b>€ 102 009</b>	<b>€ 113 311</b>	<b>€ 72 360</b>	<b>€ 53 017</b>	<b>€ 13 149</b>	<b>€ 178 765</b>	<b>€ 4 488</b>	<b>€ (188 771)</b>	<b>€ 548 541</b>
Investment income	10 780	28 660	6 617	5 632	4 415	(53)	1 457	(196)	(3 075)	54 237
<i>Of which, dividends</i>	-	-	-	-	-	-	-	-	-	-
<b>Total ordinary income</b>	<b>210 993</b>	<b>130 669</b>	<b>119 928</b>	<b>77 992</b>	<b>57 432</b>	<b>13 096</b>	<b>180 222</b>	<b>4 292</b>	<b>(191 846)</b>	<b>602 778</b>
Insurance services expense	(99 775)	(50 901)	(92 241)	(40 647)	(41 636)	(23 708)	(148 902)	-	146 875	(350 935)
Outwards reinsurance expense	(80 972)	(16 626)	(46 805)	(28 688)	(22 685)	(4 863)	(108 667)	-	173 657	(135 649)
Outwards reinsurance income	75 155	12 673	59 859	28 971	26 933	15 246	115 241	-	(201 879)	132 199
Other income and expense	(83 502)	(39 868)	(41 514)	(30 706)	(20 882)	(3 904)	(54 055)	(1 458)	70 607	(205 282)
<b>Total other income and expense</b>	<b>(189 094)</b>	<b>(94 722)</b>	<b>(120 701)</b>	<b>(71 070)</b>	<b>(58 270)</b>	<b>(17 229)</b>	<b>(196 383)</b>	<b>(1 458)</b>	<b>189 260</b>	<b>(559 667)</b>
<b>Ordinary operating income</b>	<b>€ 21 899</b>	<b>€ 35 947</b>	<b>€ (773)</b>	<b>€ 6 922</b>	<b>€ (838)</b>	<b>€ (4 133)</b>	<b>€ (16 161)</b>	<b>€ 2 834</b>	<b>€ (2 586)</b>	<b>€ 43 111</b>
Autres produits et charges opérationnels	-	-	-	-	-	-	-	-	-	-
<b>Operating income</b>	<b>€ 21 899</b>	<b>€ 35 947</b>	<b>€ (773)</b>	<b>€ 6 922</b>	<b>€ (838)</b>	<b>€ (4 133)</b>	<b>€ (16 161)</b>	<b>€ 2 834</b>	<b>€ (2 586)</b>	<b>€ 43 111</b>
Financing expense	(5)	(77)	6	(61)	(105)	(4)	-	(5 042)	2 028	(3 260)
Income from companies accounted for by the equity method	1 960	116	-	-	-	-	-	-	-	2 076
Corporation tax	(7 863)	(14 321)	714	(2 322)	(64)	(108)	2 780	(2 482)	(844)	(24 510)
<b>Consolidated net income</b>	<b>15 991</b>	<b>21 665</b>	<b>(53)</b>	<b>4 539</b>	<b>(1 007)</b>	<b>(4 245)</b>	<b>(13 381)</b>	<b>(4 690)</b>	<b>(1 402)</b>	<b>17 417</b>
<i>a/w</i>										
<b>Net income, group share</b>	<b>€ 15 271</b>	<b>€ 21 539</b>	<b>€ (1)</b>	<b>€ 4 451</b>	<b>€ (1 007)</b>	<b>€ (4 245)</b>	<b>€ (13 381)</b>	<b>€ (4 690)</b>	<b>€ (1 402)</b>	<b>€ 16 535</b>
Minority interests	720	126	(52)	88	-	-	-	-	-	882



# Notes to the consolidated financial statements

## Depreciation, amortisation and provisions by segment

(in thousands)										
1st quarter ended March 31, 2010										
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter-segment eliminations	GROUP
Provisions for loans and receivables	51	(63)	(10)	(9)	-	-	-	130	-	€ 99

(in thousands)										
1st quarter ended March 31, 2009										
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter-segment eliminations	GROUP
Provisions for loans and receivables	(206)	(1 870)	(16)	(9)	-	-	-	(302)	-	€ (2 403)

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 2009 and 2010 financial statements.

## Balance sheet by segment

(in thousands)										
March 31, 2010										
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter-segment eliminations	GROUP
Goodwill	-	393	63 324	7 803	31 454	2 785	-	-	-	105 759
Other intangible assets	42 178	12 995	15 697	5 903	2 931	891	1 472	8 320	(1 641)	88 746
Investments - insurance businesses	498 975	659 173	87 943	175 243	121 010	8 991	119 930	1 570 305	(325 966)	2 915 604
Investments accounted for by the equity method	60 420	32 045	-	-	-	-	-	-	-	92 465
Share of assignees and reinsurers in the technical reserves and financial liabilities	273 475	41 863	225 500	184 298	67 182	27 787	347 422	110	(600 364)	567 273
Insurance and reinsurance receivables	95 455	64 732	282 800	78 821	67 745	14 195	104 168	(47)	(113 943)	593 926
Other assets	331 249	294 871	145 038	93 076	92 264	(15 060)	89 664	123 158	(134 225)	1 020 035
<b>Total assets</b>	<b>€ 1 301 752</b>	<b>€ 1 106 072</b>	<b>€ 820 302</b>	<b>€ 545 144</b>	<b>€ 382 586</b>	<b>€ 39 589</b>	<b>€ 662 656</b>	<b>€ 1 701 846</b>	<b>€ (1 176 139)</b>	<b>€ 5 383 808</b>
Technical reserves	542 189	227 718	514 897	399 256	200 829	49 301	606 133	16 048	(594 911)	1 961 460
Liabilities related to inwards insurance and reinsurance transactions	26 507	70 599	28 969	33 453	6 120	2 242	68 403	(5)	(56 182)	180 106
Liabilities related to outwards reinsurance transactions	28 475	(5 831)	126 973	50 536	88 198	332	82 664	43	(202 831)	168 559
Other liabilities	372 890	259 268	105 835	69 159	28 874	5 551	6 280	609 525	(276 602)	1 180 780
<b>Total liabilities</b>	<b>€ 970 061</b>	<b>€ 551 754</b>	<b>€ 776 674</b>	<b>€ 552 404</b>	<b>€ 324 021</b>	<b>€ 57 426</b>	<b>€ 763 480</b>	<b>€ 625 611</b>	<b>€ (1 130 526)</b>	<b>€ 3 490 905</b>

(in thousands)										
December 31, 2009										
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter-segment eliminations	GROUP
Goodwill	-	393	63 285	7 803	29 429	2 672	-	-	-	103 582
Other intangible assets	42 388	13 485	16 375	6 244	2 555	979	1 517	8 849	(1 640)	90 752
Investments - insurance businesses	481 472	637 519	85 014	163 037	114 326	4 538	125 218	1 570 516	(311 675)	2 869 965
Investments accounted for by the equity method	59 007	30 247	-	-	-	-	-	-	-	89 254
Share of assignees and reinsurers in the technical reserves and financial liabilities	238 286	32 884	210 535	169 369	58 348	31 209	315 185	110	(538 345)	517 581
Insurance and reinsurance receivables	102 501	79 633	248 372	83 021	56 540	15 805	130 478	(47)	(141 785)	574 518
Other assets	270 377	255 762	120 386	92 377	65 993	(9 295)	92 855	127 434	(111 588)	904 301
<b>Total assets</b>	<b>€ 1 194 031</b>	<b>€ 1 049 923</b>	<b>€ 743 967</b>	<b>€ 521 851</b>	<b>€ 327 191</b>	<b>€ 45 908</b>	<b>€ 665 253</b>	<b>€ 1 706 862</b>	<b>€ (1 105 033)</b>	<b>€ 5 149 953</b>
Technical reserves	492 332	218 417	480 485	393 646	175 404	55 671	558 730	48	(538 182)	1 836 551
Liabilities related to inwards insurance and reinsurance transactions	20 907	70 814	24 596	34 835	4 186	3 334	98 323	(5)	(46 385)	210 605
Liabilities related to outwards reinsurance transactions	13 769	(2 217)	99 467	40 219	82 534	482	121 682	43	(185 579)	170 400
Other liabilities	347 795	239 705	104 584	58 878	23 861	9 746	9 953	610 667	(289 269)	1 115 920
<b>Total liabilities</b>	<b>€ 874 803</b>	<b>€ 526 719</b>	<b>€ 709 132</b>	<b>€ 527 578</b>	<b>€ 285 985</b>	<b>€ 69 233</b>	<b>€ 788 688</b>	<b>€ 610 753</b>	<b>€ (1 059 415)</b>	<b>€ 3 333 476</b>

# Notes to the consolidated financial statements

## Note 12 Related parties

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

	Number of shares	%
Allianz France SA	26 864 230	59.59%
Allianz Vie	3 879 818	8.61%
Treasury shares	1 567 944	3.48%
<b>Sub-total</b>	<b>32 311 992</b>	<b>71.67%</b>
Public (bearer securities)	12 772 018	28.33%
<b>Total</b>	<b>45 084 010</b>	<b>100.00%</b>

## Transactions

(in thousands)	1st quarter ended March 31,					
	2010			2009		
	Allianz SE	Allianz France SA	Related companies and joint ventures	Allianz SE	Allianz France SA	Related companies and joint ventures
Operating income	10 045	-	3670	3 738	-	12 516
Insurance services expense	(7 302)	-	513	(4 377)	-	(10 004)
Net income or expense on reinsurance	54 682	-	(14)	(53 832)	-	(114)
Financing expense	(403)	(1 396)	0	(4)	(3 013)	-
Other financial net incomes	(2 549)	-	(241)	(3 049)	-	(4 417)

## Receivables and liabilities

(in thousands)	March 31, 2010			December 31, 2009		
	Allianz SE	Allianz France SA	Related companies and joint ventures	Allianz SE	AGF SA	Related companies and joint ventures
Financial Investments (Allianz SE bond)	160 000	-	-	160 000	-	-
Current accounts (accrued interests included)	75 132	(12)	(1 796)	37 940	-	44
Net operating receivables	2 225	-	977	1 458	-	594
Borrowings (accrued interests included)	135 434	269 411	-	135 031	268 016	-
Operating liabilities	(258)	201	228	2 046	220	113

The following entities invested in Allianz SE 3 years corporate bond for a total amount of €160 million:

- Euler Hermes Reinsurance A.G.;
- Euler Hermes Kreditversicherungs A.G.;
- Euler Hermes holdings UK Plc.;
- Euler Hermes SIAC spa;
- Euler Hermes SFAC S.A..

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 four loans contracted with Allianz France SA, Allianz Belgium and AGF International

- 2004 loan of €90 million maturing in June 2010, at 6-month Euribor + 64.4 basis points;
- 2005 loan of €135 million maturing in June 2010, at 6-month Euribor + 20 basis points;
- 2006 loan of €67 million maturing in June 2010, at 6-month Euribor + 64.4 basis points;
- 2009 loan of €110 million maturing in September 2012, at fixed interest rate Mid-Swaps 3 years + 60 basis points.

# Notes to the consolidated financial statements

## Note 13 Commitments received and given

(in thousands)	March 31, 2010	December 31, 2009
<b>Commitments received</b>	<b>€ 12 374</b>	<b>€ 12 770</b>
* Deposits, sureties and other guarantees	12 374	12 770
<b>Commitments given</b>	<b>€ 27 223</b>	<b>€ 27 611</b>
* Deposits, sureties and other guarantees	27 223	27 611
o/w - Commitments associated with membership of an EIG	11 508	11 897
- Securities buyback agreement	630	630

## Note 14 Subsequent events

On April, 15th 2010 the management of Euler Hermes Credit Insurance Belgium communicated its decision to liquidate its retail business. It will imply the implementation of a restructuring plan whose details remain to define during the future negotiations with the social partners.