

# Condensed Consolidated Financial Statements

For the 1<sup>st</sup> quarter ended March 31, 2011



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# Consolidated statement of financial position

(in thousands)	Notes	March 31, 2011	December 31, 2010
Goodwill	3	104 290	107 713
Other intangible assets		65 950	65 554
<b>Intangible assets</b>		<b>170 240</b>	<b>173 267</b>
Investment property	4	7 973	9 323
Financial investments	5	3 472 227	3 438 756
Derivatives		5 974	5 099
<b>Investments- insurance businesses</b>		<b>3 486 174</b>	<b>3 453 178</b>
<b>Investments accounted for by the equity method</b>	6	<b>101 510</b>	<b>98 066</b>
<b>Share of assignees and reinsurers in the technical reserves and financial liabilities</b>	8	<b>542 355</b>	<b>500 364</b>
Operating property and other property and equipment		150 858	151 262
Acquisition costs capitalised		53 261	45 671
Deferred tax assets		29 909	43 209
Inwards insurance and reinsurance receivables		534 742	478 913
Outwards reinsurance receivables		96 796	112 420
Corporation tax receivables		64 901	77 777
Other receivables		228 718	218 854
<b>Other assets</b>		<b>1 159 185</b>	<b>1 128 106</b>
Cash	7	373 871	306 201
<b>TOTAL ASSETS</b>		<b>€ 5 833 335</b>	<b>€ 5 659 182</b>
Capital stock		14 441	14 433
Additional paid-in capital		453 480	452 625
Reserves		1 654 175	1 363 344
Net income, group share		75 299	294 452
Revaluation reserve		11 850	39 399
Translation reserve		(49 549)	(33 832)
<b>Shareholders' equity, group share</b>		<b>€ 2 159 696</b>	<b>€ 2 130 421</b>
Minority interests		19 076	18 015
<b>Total shareholders' equity</b>		<b>€ 2 178 772</b>	<b>€ 2 148 436</b>
<b>Provisions for risks and charges</b>		<b>226 366</b>	<b>230 187</b>
Bank borrowings		257 025	255 118
Other borrowings		251 287	249 168
<b>Borrowings</b>		<b>508 312</b>	<b>504 286</b>
Non-life technical reserves	8	1 884 721	1 781 394
<b>Liabilities related to contracts</b>		<b>1 884 721</b>	<b>1 781 394</b>
Deferred tax liabilities		346 876	365 633
Inwards insurance and reinsurance liabilities		204 400	194 625
Outwards reinsurance liabilities		186 843	172 356
Corporation tax payables		14 634	14 612
Other payables		282 411	247 653
<b>Other liabilities</b>		<b>1 035 164</b>	<b>994 879</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>€ 5 833 335</b>	<b>€ 5 659 182</b>

# Consolidated statement of cash flows

(in thousands excepted for the earnings per share)

1st quarter ended March 31,

	Notes	2011	2010
Premiums written		565 550	540 726
Premiums refunded		(31 092)	(28 596)
Change in unearned premiums		(81 860)	(94 746)
<b>Earned premiums</b>		<b>452 598</b>	<b>417 384</b>
Premium-related revenues		91 509	88 158
<b>Turnover</b>	9	<b>€ 544 107</b>	<b>€ 505 542</b>
Investment income		23 015	20 463
Investment management charges		(1 846)	(1 910)
Net gain (loss) on sales of investments less impairment and depreciation writebacks		13 383	17 608
Change in fair value of investments recognised at fair value through profit or loss		398	181
Change in investment impairment provisions		(116)	-
Net change in foreign currency		(1 932)	6 257
<b>Net investment income</b>		<b>32 902</b>	<b>42 599</b>
<b>Insurance services expense</b>		<b>(189 830)</b>	<b>(243 416)</b>
Outwards reinsurance income		(162 218)	(149 907)
Outwards reinsurance expense		101 642	126 627
<b>Net outwards reinsurance income or expense</b>	9	<b>(60 576)</b>	<b>(23 280)</b>
<b>Contract acquisition expense</b>		<b>(89 225)</b>	<b>(81 660)</b>
<b>Administration expense</b>		<b>(52 262)</b>	<b>(50 577)</b>
<b>Other ordinary operating income</b>		<b>8 076</b>	<b>7 190</b>
<b>Other ordinary operating expense</b>		<b>(89 770)</b>	<b>(89 334)</b>
<b>ORDINARY OPERATING INCOME</b>		<b>€ 103 422</b>	<b>€ 67 064</b>
<b>Other non ordinary operating income and expense</b>		(1 233)	-
<b>OPERATING INCOME</b>	9	<b>€ 102 189</b>	<b>€ 67 064</b>
Financing expense		(4 316)	(1 971)
Income from companies accounted for by the equity method	6	5 692	2 955
Corporation tax		(27 192)	(19 671)
<b>CONSOLIDATED NET INCOME</b>		<b>76 373</b>	<b>48 377</b>
<b>o/w</b>			
<b>NET INCOME, GROUP SHARE</b>		<b>€ 75 299</b>	<b>€ 47 604</b>
Minority interests		1 074	773
<b>Other comprehensive income elements</b>			
Change in fair market value of asset held for sale transferred through profits & losses (Gross amount)		(10 472)	(7 120)
Change in fair market value of asset held for sale transferred through profits & losses (Tax amount)		2 988	2 407
Change in fair market value of asset held for sale booked through equity (Gross amount)		(25 373)	19 180
Change in fair market value of asset held for sale booked through equity (Tax amount)		5 748	(5 618)
Change in fair market value of asset held for sale booked - minority interests share net of corporation tax		-	-
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)		(24 077)	28 880
Change in translation reserve (included impact on revaluation reserve) booked through equity (Tax amount)		7 922	(9 654)
<b>Total other comprehensive income net of taxes</b>		<b>€ (43 264)</b>	<b>€ 27 804</b>
<b>Total comprehensive income</b>		<b>€ 33 109</b>	<b>€ 76 181</b>
Total comprehensive income, group share		32 035	75 408
Total comprehensive income, minority interests		1 074	773
<b>Earnings per share</b>		<b>€ 1,72</b>	<b>€ 1,09</b>
<b>Diluted earnings per share</b>		<b>€ 1,71</b>	<b>€ 1,09</b>
<b>Earnings per share of continuing activities</b>		<b>€ 1,72</b>	<b>€ 1,09</b>
<b>Diluted earnings per share of continuing activities</b>		<b>€ 1,71</b>	<b>€ 1,09</b>

# Consolidated statement of cash flows

Three months ended March 31,

(In thousands)	2011	2010
<b>Net income, group share</b>	<b>€ 75 299</b>	<b>€ 47 604</b>
Corporation tax	27 915	19 461
Financing expense	4 628	1 951
<b>Operating income before tax</b>	<b>107 843</b>	<b>69 016</b>
Minority interests	1 074	773
Allocation to and writebacks of depreciation, amortisation and reserves	10 391	11 519
Change in technical reserves	97 762	66 618
Change in deferred acquisition costs	(7 041)	(6 653)
Change in fair value of financial instruments recognised at fair value through the income statement (excluding cash and cash equivalents)	(1 174)	(92)
Realised capital gains/(losses) net of writebacks	(13 400)	(17 620)
Unrealised foreign exchange gain (loss) in company accounts	934	(5 505)
Revenues and expenses linked to stock options and similar	-	112
Interest revenues received accrued	(19 522)	(466)
<b>Adjustment for elements included in operating income that do not correspond to cash flows and reclassification of financing and investment flows</b>	<b>69 024</b>	<b>48 686</b>
Income (loss) of companies accounted for by the equity method	(5 692)	(2 955)
Dividends received from companies accounted for by the equity method	932	-
Change in liabilities and receivables relating to insurance and reinsurance transactions	8 222	(46 195)
Change in inventories	-	-
Change in operating receivables and liabilities	29 576	27 118
Change in other assets and liabilities	(2 751)	(3 167)
Corporation tax	(8 428)	(11 179)
<b>Cash flow related to operating activities</b>	<b>21 859</b>	<b>(36 378)</b>
<b>Cash flow from operating activities</b>	<b>€ 198 727</b>	<b>€ 81 324</b>
Acquisitions of subsidiaries and joint ventures, net of acquired cash	2 458	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	270	-
Others	-	-
<b>Cash flow linked to changes in the consolidation scope</b>	<b>2 728</b>	<b>5 218</b>
Disposals of AFS securities	236 750	221 365
Matured HTM securities	400	500
Disposals of investment properties	4 181	20 073
Disposals of securities held for trading	766	255
<b>Cash flow linked to disposals and redemptions of investments</b>	<b>242 097</b>	<b>242 193</b>
Acquisitions of AFS securities	(271 556)	(217 756)
Acquisitions of HTM securities	-	-
Acquisitions of investment properties	(782)	(154)
Acquisitions of trading securities	(465)	-
<b>Cash flow linked to acquisitions of investments</b>	<b>(272 803)</b>	<b>(217 910)</b>

## Consolidated statement of cash flows

Disposals of other investments and intangible assets	314 482	110 666
Acquisitions of other investments and intangible assets	(409 542)	(135 503)
<b>Cash flow linked to acquisitions and disposals of other investments and intangible assets</b>	<b>(95 060)</b>	<b>(24 837)</b>
<b>Cash flow from investing activities</b>	<b>€ (123 039)</b>	<b>€ 4 665</b>
Increases and decreases in capital	863	22
<i>Increases in capital</i>	863	22
<i>Decreases in capital</i>	-	-
Change in treasury stock	(3 619)	-
Dividends paid	-	-
<b>Cash flow linked to transactions with the shareholders</b>	<b>(2 756)</b>	<b>22</b>
Change in non voting shares	-	-
Changes in loans and subordinated securities	(49)	326
<i>Issue</i>	447	445
<i>Repayment</i>	(496)	(119)
Interest paid	(606)	(153)
<b>Cash flow from group financing</b>	<b>(655)</b>	<b>173</b>
<b>Cash flow from financing activities</b>	<b>€ (3 411)</b>	<b>€ 194</b>
Impact of foreign exchange differences on cash and cash equivalents	(4 606)	5 944
Reclassification	-	3 118
<b>Other net changes in cash</b>	<b>€ (4 606)</b>	<b>€ 9 062</b>
<b>Change in cash flows</b>	<b>67 670</b>	<b>95 245</b>
<b>Change in cash and cash equivalents</b>	<b>67 670</b>	<b>95 245</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>12</b>	<b>€ 305 851</b>
<b>Cash and cash equivalents at end of period</b>	<b>12</b>	<b>€ 373 521</b>

# Consolidated statement of changes in equity

## 1<sup>st</sup> Quarter 2011

(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>	€ 14 433	€ 452 625	€ 1 724 455	€ 39 399	€ (33 832)	€ (66 659)	€ 2 130 421	€ 18 015	€ 2 148 436
Available-for-sale assets (AFS)	-	-	-	-	-	-	-	-	-
Measurement gain / (loss) taken to shareholders' equity	-	-	-	(19 625)	-	-	(19 625)	21	(19 604)
Impact of transferring realised gains and losses to income statement	-	-	-	(7 484)	-	-	(7 484)	-	(7 484)
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	-	-	-	(440)	(15 717)	-	(16 157)	-	(16 157)
Current and deferred tax taken directly to or transferred to shareholders' equity	-	-	-	-	-	-	-	-	-
<b>Net income recognised in shareholders' equity</b>	-	-	-	(27 549)	(15 717)	-	(43 266)	21	(43 245)
<b>Net income for the year</b>	-	-	75 299	-	-	-	75 299	1 074	76 373
<b>Total revenues and losses recognised for the period</b>	-	-	€ 75 299	€ (27 549)	€ (15 717)	-	€ 32 033	€ 1 095	€ 33 128
Capital movements	8	855	-	-	-	(3 619)	(2 756)	-	(2 756)
Dividend distributions	-	-	-	-	-	-	-	-	-
Shareholders' equity component of share-based payment plans	-	-	-	-	-	-	-	-	-
Cancellation of gains/losses on treasury shares	-	-	-	-	-	-	-	-	-
Other movements	-	-	(2)	-	-	-	(2)	(34)	(36)
<b>Closing Shareholders' equity</b>	€ 14 441	€ 453 480	€ 1 799 752	€ 11 850	€ (49 549)	€ (70 278)	€ 2 159 696	€ 19 076	€ 2 178 772

## 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>	€ 14 426	€ 451 959	€ 1 430 684	€ 43 500	€ (59 273)	€ (85 517)	€ 1 795 779	€ 20 698	€ 1 816 477
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>	-	-	-	8 793	19 020	-	27 813	53	27 866
<b>Net income for the year</b>	-	-	47 606	-	-	-	47 606	773	48 379
<b>Total revenues and losses recognised for the period</b>	-	-	€ 47 606	€ 8 793	€ 19 020	-	€ 75 419	€ 826	€ 76 245
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>	€ 14 426	€ 451 981	€ 1 478 448	€ 52 293	€ (40 253)	€ (85 517)	€ 1 871 378	€ 21 525	€ 1 892 903

# Notes to the consolidated financial statements

## Note 1 Significant events

The following significant events occurred in the first quarter 2011:

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

As at March 31, 2011, the Allianz group owned 30,744,048 shares out of a total of 45,128,067 shares, corresponding to 68.13% of the share capital of Euler Hermes. Consequently, Euler Hermes is integrated into Allianz scope of consolidation.

During the first quarter 2011, 25,335 new shares were created by the exercise of options. As at March 31 2011, Euler Hermes' share capital was composed of 45,128,067 shares, including 1,320,644 shares held in treasury stock.

### Evolution of the retention rate

The premium retention rate is the ratio of premiums after reinsurance to earned premiums before reinsurance. This rate remains stable at 64% from end-March 2010 to end-March 2011.

Earned premiums gross of reinsurance increased by 8.4% end-March 2010 compared to end-March 2011, the earned premiums net of reinsurance increased by 8.6% end-March 2010 compared to end-March 2011.

### Creation of a insurance company in Turkey

After five years operations through its parent company Allianz, the world leading credit insurer has now obtained its licence to operate in the Turkish market as an insurance company.

Euler Hermes and Allianz have been cooperating in Turkey since 2005. The opening of the Euler Hermes subsidiary in Turkey –Euler Hermes Sigorta- is a further step on the way to expand private credit insurance cover both for Turkish firms and for companies exporting to Turkey.

## Note 2 IFRS accounting and valuation rules

Euler Hermes SA is a company domiciled in France. The head quarter of Euler Hermes SA is located 1 rue Euler 75008 Paris. The consolidated financial statements as at March 31, 2011 include Euler Hermes SA and its subsidiaries (the whole designated as "the Group" and each subsidiary individually as "the entities of the Group") and the quota-share of the Group in its associated companies or joint ventures.

Euler Hermes SA is registered in RCS with the reference number 552 040 594.

The financial statements of the Euler Hermes group as at March 31, 2011 were approved by the Board of Director's of May 5, 2011 and presented to the Supervisory Board of May 6, 2011.

### 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, 2011 were prepared in accordance with IAS 34 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, 2011 as 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 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.



# Notes to the consolidated financial statements

## 2.2. Consolidation scope

In the 1st quarter 2011, Euler Hermes integrates with full method the activity of credit insurance in Turkey with its subsidiary Euler Hermes Sigorta Anonim Sirketi.

## 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 the 2010 Registration Document.

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 not published	Provisions for risks and charges	Provisions for risks and charges are measured in accordance with IAS 37 and are reviewed and adjusted at each balance sheet date to reflect the best estimate at this date.
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.

# Notes to the consolidated financial statements

## 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, 2011						December 31, 2010	
	France	Italy	United Kingdom	United States	Benelux countries	Other	Total	Total
<b>Opening balance</b>								
Gross value	-	6 229	63 890	31 731	8 242	8 628	118 720	114 262
Impairment losses	-	(409)	(10 598)	-	-	-	(11 007)	(10 680)
<b>Net carrying amount</b>	<b>-</b>	<b>€ 5 820</b>	<b>€ 53 292</b>	<b>€ 31 731</b>	<b>€ 8 242</b>	<b>€ 8 628</b>	<b>€ 107 713</b>	<b>€ 103 582</b>
<b>Change during the year</b>								
Opening net carrying amount	-	5 820	53 292	31 731	8 242	8 628	107 713	103 582
Changes in gross value	-	-	-	-	-	-	-	-
Outgoing entities & Held for sale transfer	-	-	-	-	-	-	-	(393)
Other changes	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Changes in foreign currency translation adjustments	-	-	(1 384)	(1 887)	-	(152)	(3 423)	4 524
Impairment losses	-	-	-	-	-	-	-	-
<b>Closing net carrying amount</b>	<b>-</b>	<b>5 820</b>	<b>51 908</b>	<b>29 844</b>	<b>8 242</b>	<b>8 476</b>	<b>104 290</b>	<b>107 713</b>
<b>Closing Balance</b>								
Gross value	-	6 229	62 231	29 844	8 242	8 476	115 022	118 720
Impairment losses	-	(409)	(10 323)	-	-	-	(10 732)	(11 007)
<b>Net carrying amount</b>	<b>-</b>	<b>€ 5 820</b>	<b>€ 51 908</b>	<b>€ 29 844</b>	<b>€ 8 242</b>	<b>€ 8 476</b>	<b>€ 104 290</b>	<b>€ 107 713</b>

# Notes to the consolidated financial statements

## Note 4 Investment and operating property

(in thousands)	March 31, 2011		December 31, 2010	
	Investment property	Operating property	Investment property	Operating property
<b>Balance as opening period</b>				
Gross value	13 232	184 231	35 663	185 370
Depreciation	(3 909)	(50 234)	(10 746)	(48 801)
Impairment losses	-	(6 797)	-	(6 797)
<b>Net carrying amount</b>	<b>€ 9 323</b>	<b>€ 127 200</b>	<b>€ 24 917</b>	<b>€ 129 772</b>
<b>Change during the year</b>				
Net carrying amount as opening period	9 323	127 200	24 917	129 772
Acquisitions	-	782	-	3 825
Change in consolidation scope	-	-	-	-
Disposals	(1 313)	-	(16 958)	(4 074)
Reclassifications	-	(1)	1 621	1 891
Changes in foreign currency translation adjustments	-	(163)	-	109
Net depreciation	(37)	(1 092)	(257)	(4 323)
Net provisions for impairment	-	-	-	-
Other changes	-	-	-	-
<b>Net carrying amount at the end of the period</b>	<b>7 973</b>	<b>126 726</b>	<b>9 323</b>	<b>127 200</b>
<b>Balance at the end of the period</b>				
Gross value	11 450	184 835	13 232	184 231
Depreciation	(3 477)	(51 313)	(3 909)	(50 234)
Impairment losses	-	(6 797)	-	(6 797)
<b>Net carrying amount</b>	<b>€ 7 973</b>	<b>€ 126 726</b>	<b>€ 9 323</b>	<b>€ 127 200</b>
<b>Fair value</b>	<b>€ 18 770</b>	<b>€ 226 881</b>	<b>€ 23 070</b>	<b>€ 227 650</b>
<b>Amounts recorded in the income statement</b>				
	<b>Three months ended March 31,</b>			
<b>Investment property</b>	<b>2011</b>	<b>2010</b>		
Rental revenues from investment property	310	516		
Direct operating expenses relating to property	(59)	(46)		

As at March 31, 2011, disposals in investment property concern sales realized by Euler Hermes SFAC for a selling price of € 4.1 million, carrying the realized profit to € 2.8 million (before tax impact);

The row "Acquisitions" on operating property concerns the repairing of two buildings in Paris (Euler Hermes SFAC) and in Louisville (Euler Hermes ACI) and the restoration of the facade of the German subsidiary head office.

# Notes to the consolidated financial statements

## 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.

### Classification by investment category

(in thousands)	March 31, 2011						December 31, 2010					
	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	671	-	671	671	300	371	1 071	-	1 071	1 071	700	371
<b>Total held-to-maturity assets</b>	<b>€ 671</b>	<b>-</b>	<b>€ 671</b>	<b>€ 671</b>	<b>€ 300</b>	<b>€ 371</b>	<b>€ 1 071</b>	<b>-</b>	<b>€ 1 071</b>	<b>€ 1 071</b>	<b>€ 700</b>	<b>€ 371</b>
<b>Available-for-sale assets</b>												
Equities	119 798	17 619	137 417	137 417	2 532 920	56 841	119 523	22 517	142 040	142 040	2 546 894	58 960
Bonds	2 444 126	8 218	2 452 344	2 452 344	-	-	2 423 654	40 162	2 463 816	2 463 816	-	-
<b>Total Available-for-sale assets</b>	<b>€ 2 563 924</b>	<b>€ 25 837</b>	<b>€ 2 589 761</b>	<b>€ 2 589 761</b>	<b>€ 2 532 920</b>	<b>€ 56 841</b>	<b>€ 2 543 177</b>	<b>€ 62 679</b>	<b>€ 2 605 856</b>	<b>€ 2 605 856</b>	<b>€ 2 546 894</b>	<b>€ 58 960</b>
<b>Loans, deposits and other financial investments</b>												
	881 795	-	881 795	881 795	-	-	831 829	-	831 829	831 829	-	-
<b>Total loans, deposits and other financial investments</b>	<b>€ 881 795</b>	<b>-</b>	<b>€ 881 795</b>	<b>€ 881 795</b>	<b>-</b>	<b>-</b>	<b>€ 831 829</b>	<b>-</b>	<b>€ 831 829</b>	<b>€ 831 829</b>	<b>-</b>	<b>-</b>
<b>Total Financial Investments (excluded investments in consolidated enterprise)</b>	<b>€ 3 446 390</b>	<b>€ 25 837</b>	<b>€ 3 472 227</b>	<b>€ 3 472 227</b>	<b>€ 2 532 220</b>	<b>€ 57 212</b>	<b>€ 3 376 077</b>	<b>€ 62 679</b>	<b>€ 3 438 756</b>	<b>€ 3 438 756</b>	<b>€ 2 547 594</b>	<b>€ 59 331</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 mortgage bonds (Pfandbriefe).

(in thousands)	March 31, 2011				December 31, 2010			
	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Amortized cost	Revaluation reserve	Net carrying amount	Fair value
- Equities:	119 798	17 619	137 417	137 417	119 523	22 517	142 040	142 040
- Bonds:	2 444 797	8 218	2 453 015	2 453 015	2 424 725	40 162	2 464 887	2 464 887
- Loans and other investments	881 795	-	881 795	881 795	831 829	-	831 829	831 829
<b>Total Financial investments</b>	<b>€ 3 446 390</b>	<b>€ 25 837</b>	<b>€ 3 472 227</b>	<b>€ 3 472 227</b>	<b>€ 3 376 077</b>	<b>€ 62 679</b>	<b>€ 3 438 756</b>	<b>€ 3 438 756</b>

EH Group didn't account any significant impairment as of March 31, 2011. EH Group hadn't any financial assets such as "dynamic treasury mutual funds" or "subprime investments".

### Fair value hierarchy

(in thousands)	March 31, 2011		
	Level 1	Level 2	Level 3
Available-for-sale assets	2 385 098	164 046	40 617

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 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

## Classification by investment category

(in thousands)	March 31, 2011			December 31, 2010	
	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>€ 1 071</b>	<b>€ 2 605 854</b>	<b>€ 831 829</b>	<b>€ 3 438 754</b>	<b>€ 2 840 735</b>
Increase in gross value	-	271 558	402 713	674 271	2 127 270
Decrease in gross value	(400)	(226 208)	(313 411)	(540 019)	(1 552 630)
Revaluation	-	(35 712)	-	(35 712)	(7 326)
Impairment	-	(96)	-	(96)	(2 997)
Changes in foreign currency translation adjustments	-	(19 676)	(1 255)	(20 931)	42 646
Reclassifications	-	(2 901)	578	(2 323)	6 910
Other changes	-	(3 058)	(38 659)	(41 717)	(15 852)
<b>Net carrying amount as closing period</b>	<b>€ 671</b>	<b>€ 2 589 761</b>	<b>€ 881 795</b>	<b>€ 3 472 227</b>	<b>€ 3 438 756</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, 2011					
Company	Country	Assets <sup>(1)</sup>	Shareholders' equity <sup>(2)</sup>	Turnover	Net income	% of capital held
OeKB Beteiligungs- und Management A.G.	Austria	182 087	117 180	19 333	6 757	49,00%
Graydon Holding N.V.	Netherlands	52 718	18 596	17 973	3 745	27,50%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	107 066	44 730	9 700	1 954	50,00%
Israel Credit Insurance Company Ltd	Israel	65 424	32 766	6 733	1 122	33,33%
		<b>€ 407 295</b>	<b>€ 213 272</b>	<b>€ 53 739</b>	<b>€ 13 579</b>	

<sup>(1)</sup> Assets based on company financial statements as at December 31, 2010 excluded Graydon Holding N.V. (30/09/2010)

<sup>(2)</sup> Shareholders' equity based on company financial statements as at December 31, 2010 including goodwill.

(in thousands)	December 31, 2010			March 31, 2011		
Company	Country	Assets	Shareholders' equity	Turnover	Net income	% of capital held
OeKB Beteiligungs- und Management A.G.	Austria	181 349	105 955	15 712	359	49,00%
Graydon Holding N.V.	Netherlands	52 718	4 135	18 601	4 502	27,50%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	103 646	38 106	10 191	2 172	50,00%
Israel Credit Insurance Company Ltd	Israel	63 893	30 474	5 305	1 365	33,33%
		<b>€ 401 606</b>	<b>€ 178 670</b>	<b>€ 49 809</b>	<b>€ 8 398</b>	-

# Notes to the consolidated financial statements

## Movements during the period

(in thousands)	March 31, 2011	December 31, 2010
<b>Balance as opening period</b>	<b>€ 98 066</b>	<b>€ 89 254</b>
Increases	-	-
Decreases	(980)	-
Reclassification	-	(1)
Share of income for the period	5 692	15 802
Dividends paid	(932)	(7 918)
Impairment	-	-
Foreign exchange differences	(210)	291
Other changes	(126)	638
<b>Net book value as closing period</b>	<b>€ 101 510</b>	<b>€ 98 066</b>

## Contribution to shareholders' equity (without equity method income of 2011)

(in thousands)		March 31, 2011	December 31, 2010
OeKB Beteiligungs- und Management A.G.	Austria	57 418	51 917
Graydon Holding N.V.	Netherlands	5 114	1 137
Companhia de Seguro de Creditos SA (COSEC)	Portugal	22 365	19 053
Israel Credit Insurance Company Ltd	Israel	10 921	10 157
<b>Share of shareholders' equity</b>		<b>€ 95 818</b>	<b>€ 82 264</b>

## Contribution to income

(in thousands)		Three months ended March 31,	
		2011	2010
OeKB Beteiligungs- und Management A.G.	Austria	3 311	176
Graydon Holding N.V.	The Netherlands	1 030	1 238
Companhia de Seguro de Creditos SA (COSEC)	Portugal	977	1 086
Israel Credit Insurance Company Ltd	Israel	374	455
<b>Share of total income</b>		<b>€ 5 692</b>	<b>€ 2 955</b>

# Notes to the consolidated financial statements

## Note 7 Cash and cash equivalents

(in thousands)	March 31, 2011	December 31, 2010
Cash in bank and at hand	281 469	255 774
Cash pooling	92 402	50 427
<b>Total cash</b>	<b>€ 373 871</b>	<b>€ 306 201</b>
<b>Total cash per balance sheet</b>	<b>373 871</b>	<b>306 201</b>
Cash equivalents reflected in the cash flow statement	-	-
Cash pooling creditor with Allianz	(350)	(350)
<b>Total cash and cash equivalents</b>	<b>€ 373 521</b>	<b>€ 305 851</b>

## Note 8 Technical reserves

(in thousands)	31/12/2010	Allowance net of writebacks	Foreign exchange differences	Other changes	31/03/2011
Reserve for unearned premiums	303 689	81 919	(6 107)	262	379 763
Reserve for claims net of forecasts of recoveries	1 327 195	36 075	(10 923)	899	1 353 246
Reserve for no-claims bonuses and refunds	150 510	1 169	(404)	437	151 712
<b>Gross technical reserves</b>	<b>1 781 394</b>	<b>119 163</b>	<b>(17 434)</b>	<b>1 598</b>	<b>1 884 721</b>
Reserve for unearned premiums	50 510	29 112	941	11 901	92 464
Reserve for claims net of forecasts of recoveries	418 760	1 592	(3 443)	874	417 783
Reserve for no-claims bonuses and refunds	31 094	660	(109)	463	32 108
<b>Reinsurers' share of technical reserves</b>	<b>500 364</b>	<b>31 364</b>	<b>(2 611)</b>	<b>13 238</b>	<b>542 355</b>
<b>Net technical reserves</b>	<b>€ 1 281 030</b>	<b>€ 87 799</b>	<b>€ (14 823)</b>	<b>€ (11 640)</b>	<b>€ 1 342 366</b>

## Cost of claims

(in thousands)	Three months ended March 31,					
	2011			2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Cost of claims for the current period</b>	<b>269 632</b>	<b>(68 635)</b>	<b>200 997</b>	<b>325 916</b>	<b>(112 378)</b>	<b>213 538</b>
of which, claims paid	6 826	(1 749)	5 077	41 118	(26 269)	14 849
of which, claims reserves	241 961	(65 935)	176 026	263 633	(84 735)	178 898
of which, claims handling expenses	20 845	(951)	19 894	21 165	(1 374)	19 791
<b>Recoveries for the current period</b>	<b>(25 700)</b>	<b>6 590</b>	<b>(19 110)</b>	<b>(56 744)</b>	<b>30 437</b>	<b>(26 307)</b>
Recoveries received	125	(1)	124	(28 951)	23 457	(5 494)
Change in reserves for recoveries	(25 825)	6 591	(19 234)	(27 793)	6 980	(20 813)
<b>Cost of claims from prior periods</b>	<b>(53 960)</b>	<b>14 429</b>	<b>(39 531)</b>	<b>(23 830)</b>	<b>(6 392)</b>	<b>(30 222)</b>
of which, claims paid	166 527	(50 848)	115 679	252 998	(71 170)	181 828
of which, claims reserves	(225 570)	64 815	(160 755)	(273 614)	64 696	(208 918)
of which, claims handling expenses	5 083	462	5 545	(3 214)	82	(3 132)
<b>Recoveries from prior periods</b>	<b>(141)</b>	<b>468</b>	<b>327</b>	<b>(1 926)</b>	<b>233</b>	<b>(1 693)</b>
Recoveries received	(39 979)	7 843	(32 136)	(43 734)	7 626	(36 108)
Change in reserves for recoveries	39 838	(7 375)	32 463	41 808	(7 393)	34 415
<b>Cost of claims</b>	<b>€ 189 831</b>	<b>€ (47 148)</b>	<b>€ 142 683</b>	<b>€ 243 416</b>	<b>€ (88 100)</b>	<b>€ 155 316</b>

# Notes to the consolidated financial statements

## Claims reserves

(in thousands)	31/03/2011			31/12/2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Claims reserves gross of recoveries</b>	<b>1 567 495</b>	<b>(468 648)</b>	<b>1 098 847</b>	<b>1 557 083</b>	<b>(470 718)</b>	<b>1 086 365</b>
Current period	262 349	(72 921)	189 428	819 386	(247 103)	572 283
Prior periods	1 305 146	(395 727)	909 419	737 697	(223 615)	514 082
<b>Recoveries to be received</b>	<b>(214 249)</b>	<b>50 865</b>	<b>(163 384)</b>	<b>(229 888)</b>	<b>51 958</b>	<b>(177 930)</b>
Current period	(25 735)	6 570	(19 165)	(89 986)	19 163	(70 822)
Prior periods	(188 514)	44 295	(144 219)	(139 902)	32 795	(107 107)
<b>Claims reserves</b>	<b>€ 1 353 246</b>	<b>€ (417 783)</b>	<b>€ 935 463</b>	<b>€ 1 327 195</b>	<b>€ (418 760)</b>	<b>€ 908 435</b>

## Breakdown by type of reserve

(in thousands)	31/03/2011			31/12/2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
<b>Reserves for unearned premiums</b>	<b>379 763</b>	<b>(92 464)</b>	<b>287 299</b>	<b>303 689</b>	<b>(50 510)</b>	<b>253 179</b>
<b>Claims reserves</b>	<b>1 353 246</b>	<b>(417 783)</b>	<b>935 463</b>	<b>1 327 195</b>	<b>(418 760)</b>	<b>908 435</b>
of which, reserves for known claims	934 036	(309 916)	624 120	922 871	(313 706)	609 165
of which, reserves for late claims	525 561	(148 369)	377 192	532 256	(146 324)	385 932
of which, reserves for claims handling expenses	100 907	(7 591)	93 316	94 995	(7 842)	87 153
of which, other technical reserves	6 991	(2 772)	4 219	6 960	(2 846)	4 114
of which, recoveries to be received	(214 249)	50 865	(163 384)	(229 887)	51 958	(177 929)
<b>No-claims bonuses and rebates</b>	<b>151 712</b>	<b>(32 108)</b>	<b>119 604</b>	<b>150 510</b>	<b>(31 094)</b>	<b>119 416</b>
<b>Technical reserves</b>	<b>€ 1 884 721</b>	<b>€ (542 355)</b>	<b>€ 1 342 366</b>	<b>€ 1 781 394</b>	<b>€ (500 364)</b>	<b>€ 1 281 030</b>

## Note 9 Breakdown of income net of reinsurance

(in thousands)	Three months ended March 31,					
	2011			2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Premiums and commissions	565 550	(202 239)	363 311	540 726	(190 702)	350 024
Premiums refunded	(31 092)	9 133	(21 959)	(28 596)	9 392	(19 204)
Gross premiums written - credit insurance	534 458	(193 106)	341 352	512 130	(181 310)	330 820
Change in unearned premiums	(81 860)	30 888	(50 972)	(94 746)	31 403	(63 343)
<b>Earned premiums</b>	<b>452 598</b>	<b>(162 218)</b>	<b>290 380</b>	<b>417 384</b>	<b>(149 907)</b>	<b>267 477</b>
Premium-related revenues	91 509	-	91 509	88 158	-	88 158
<b>Turnover</b>	<b>€ 544 107</b>	<b>€ (162 218)</b>	<b>€ 381 889</b>	<b>€ 505 542</b>	<b>€ (149 907)</b>	<b>€ 355 635</b>
<b>Net investment income</b>	<b>32 902</b>	<b>-</b>	<b>32 902</b>	<b>42 599</b>	<b>-</b>	<b>42 599</b>
Claims paid	(133 547)	44 755	(88 792)	(221 430)	66 356	(155 074)
Claims reserves expense	(29 969)	1 903	(28 066)	(4 035)	20 452	16 417
Claims handling expense	(26 314)	489	(25 825)	(17 951)	1 292	(16 659)
<b>Insurance services expense</b>	<b>(189 830)</b>	<b>47 147</b>	<b>(142 683)</b>	<b>(243 416)</b>	<b>88 100</b>	<b>(155 316)</b>
Brokerage commissions	(52 280)	-	(52 280)	(47 627)	-	(47 627)
Other acquisition costs	(42 905)	-	(42 905)	(39 250)	-	(39 250)
Change in acquisition costs capitalised	5 960	-	5 960	5 217	-	5 217
<b>Contract acquisition expense</b>	<b>(89 225)</b>	<b>-</b>	<b>(89 225)</b>	<b>(81 660)</b>	<b>-</b>	<b>(81 660)</b>
Impairment of portfolio securities and similar	-	-	-	-	-	-
<b>Administration expense</b>	<b>(52 262)</b>	<b>-</b>	<b>(52 262)</b>	<b>(50 577)</b>	<b>-</b>	<b>(50 577)</b>
Commissions received from reinsurers	-	54 495	54 495	-	38 527	38 527
Other ordinary operating income and expense	(81 694)	-	(81 694)	(82 144)	-	(82 144)
<b>Ordinary operating income</b>	<b>€ 163 998</b>	<b>€ (60 576)</b>	<b>€ 103 422</b>	<b>€ 90 344</b>	<b>€ (23 280)</b>	<b>€ 67 064</b>



# Notes to the consolidated financial statements

## Note 10 Earnings per share and dividend per share

### Earnings per share

	1st quarter ended March 31,	
	2011	2010
Distributable net income (in thousands of euros)	75 299	47 604
Weighted average number of ordinary shares before dilution	43 837 378	43 515 119
<b>Earnings per share (€)</b>	<b>€ 1,72</b>	<b>€ 1,09</b>
Distributable net income (in thousands of euros)	75 299	47 604
Weighted average number of ordinary shares after dilution	43 931 529	43 558 139
<b>Diluted earnings per share (€)</b>	<b>€ 1,71</b>	<b>€ 1,09</b>

The dilution impact takes into account the exercise of options. The average number of shares resulting from dilution is 94 151 in 2011 (43 020 in 2010). The group share of net income is used as the basis for this calculation.

### Dividend per share

Euler Hermes group has decided to submit to the approval of the General Meeting of May 20, 2011 the payment of a dividend of 4€ by share concerning the 2010 period.

## 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.

### Profit & loss by segment

(in thousands)	1st quarter ended March 31 2011									
	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter-segment eliminations	GROUP
Premiums written	194 461	88 378	129 014	73 489	58 173	14 258	287 746	-	(279 969)	565 550
Premiums refunded	(15 746)	(8 162)	(4 179)	(1 521)	(905)	(446)	(16 850)	-	16 717	(31 092)
Change in unearned premiums	(30 659)	(3 656)	(19 740)	(17 929)	(10 631)	(104)	(19 307)	-	20 166	(81 860)
<b>Earned premiums - non-group</b>	<b>148 056</b>	<b>76 560</b>	<b>105 095</b>	<b>54 039</b>	<b>46 637</b>	<b>13 708</b>	<b>251 589</b>	-	<b>(243 086)</b>	<b>452 598</b>
Premium-related revenues - non-group	39 810	18 549	17 453	13 934	7 490	4 256	-	5 646	(15 629)	91 509
<b>Turnover - intra-sectoral</b>	<b>187 866</b>	<b>€ 95 109</b>	<b>€ 122 548</b>	<b>€ 67 973</b>	<b>€ 54 127</b>	<b>€ 17 964</b>	<b>€ 251 589</b>	<b>€ 5 646</b>	<b>€ (258 715)</b>	<b>€ 544 107</b>
Investment income	5 981	16 486	3 243	1 942	2 533	(2 717)	6 715	(84)	(1 197)	32 902
<i>Of which, dividends</i>	-	-	-	-	-	-	-	-	-	-
<b>Total ordinary income</b>	<b>193 847</b>	<b>111 595</b>	<b>125 791</b>	<b>69 915</b>	<b>56 660</b>	<b>15 247</b>	<b>258 304</b>	<b>5 562</b>	<b>(259 912)</b>	<b>577 009</b>
Insurance services expense	(53 730)	(34 193)	(44 745)	(21 406)	(23 997)	(8 402)	(100 439)	-	97 082	(189 830)
Outwards reinsurance expense	(84 190)	(42 918)	(70 084)	(37 727)	(32 059)	(8 382)	(129 944)	-	243 086	(162 218)
Outwards reinsurance income	55 836	30 131	48 141	26 709	24 717	7 824	72 668	-	(164 384)	101 642
Other income and expense	(77 829)	(37 637)	(46 693)	(29 230)	(22 733)	(9 575)	(68 271)	(14 143)	82 930	(223 181)
<b>Total other income and expense</b>	<b>(159 913)</b>	<b>(84 617)</b>	<b>(113 381)</b>	<b>(61 654)</b>	<b>(54 072)</b>	<b>(18 535)</b>	<b>(225 986)</b>	<b>(14 143)</b>	<b>258 714</b>	<b>(473 587)</b>
<b>Ordinary operating income</b>	<b>33 934</b>	<b>€ 26 978</b>	<b>€ 12 410</b>	<b>€ 8 261</b>	<b>€ 2 588</b>	<b>€ (3 288)</b>	<b>€ 32 318</b>	<b>€ (8 581)</b>	<b>€ (1 198)</b>	<b>€ 103 422</b>
Autres produits et charges opérationnels	-	-	(33)	-	-	-	-	(1 200)	-	(1 233)
<b>Operating income</b>	<b>33 934</b>	<b>€ 26 978</b>	<b>€ 12 377</b>	<b>€ 8 261</b>	<b>€ 2 588</b>	<b>€ (3 288)</b>	<b>€ 32 318</b>	<b>€ (9 781)</b>	<b>€ (1 198)</b>	<b>€ 102 189</b>
Financing expense	(44)	(27)	(299)	(81)	(1)	(2)	(168)	(4 850)	1 156	(4 316)
Income from companies accounted for by the equity method	4 341	1 351	-	-	-	-	-	-	-	5 692
Corporation tax	(9 485)	(6 599)	(2 500)	(2 862)	(1 260)	389	(7 035)	2 160	-	(27 192)
<b>Consolidated net income</b>	<b>28 746</b>	<b>21 703</b>	<b>9 578</b>	<b>5 318</b>	<b>1 327</b>	<b>(2 901)</b>	<b>25 115</b>	<b>(12 471)</b>	<b>(42)</b>	<b>76 373</b>
<i>o/w</i>	-	-	-	-	-	-	-	-	-	-
<b>Net income, group share</b>	<b>28 099</b>	<b>€ 21 594</b>	<b>€ 9 578</b>	<b>€ 5 000</b>	<b>€ 1 327</b>	<b>€ (2 901)</b>	<b>€ 25 115</b>	<b>€ (12 471)</b>	<b>€ (42)</b>	<b>€ 75 299</b>
Minority interests	647	109	-	318	-	-	-	-	-	1 074

# Notes to the consolidated financial statements

(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	(34 816)	(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>(64 281)</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

## Depreciation, amortisation and provisions by segment

(in thousands)

1st quarter ended March 31 2011

	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter-segment eliminations	GROUP
<b>Provisions for loans and receivables</b>	<b>63</b>	<b>(108)</b>	<b>48</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>251</b>	<b>-</b>	<b>€ 245</b>

(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
<b>Provisions for loans and receivables</b>	<b>51</b>	<b>(63)</b>	<b>(10)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130</b>	<b>-</b>	<b>€ 99</b>

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 2010 and 2011 financial statements.

## Balance sheet by segment

(in thousands)

31/03/2011

	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter-segment eliminations	GROUP
Goodwill	-	-	63 809	7 803	29 844	2 836	-	(2)	-	104 290
Other intangible assets	29 028	11 411	7 294	2 820	3 723	977	1 470	11 493	(2 266)	65 950
Investments - insurance businesses	581 916	779 116	79 500	151 151	81 019	12 520	220 971	1 831 758	(251 777)	3 486 174
Investments accounted for by the equity method	66 874	34 637	-	-	-	-	-	(1)	-	101 510
Share of assignees and reinsurers in the technical reserves and financial liabilities	242 234	71 823	229 413	188 948	76 776	33 779	294 164	110	(594 892)	542 355
Insurance and reinsurance receivables	82 751	77 213	224 912	64 071	76 505	19 703	279 079	(47)	(192 649)	631 538
Other assets	348 334	168 563	147 098	102 183	66 767	(19 871)	44 369	158 751	(114 676)	901 518
<b>Total assets</b>	<b>€ 1 351 137</b>	<b>€ 1 142 763</b>	<b>€ 752 026</b>	<b>€ 516 976</b>	<b>€ 334 634</b>	<b>€ 49 944</b>	<b>€ 840 053</b>	<b>€ 2 002 062</b>	<b>€ (1 156 260)</b>	<b>€ 5 833 335</b>
Technical reserves	498 010	245 248	494 348	374 898	208 672	57 182	603 927	5 048	(602 611)	1 884 722
Liabilities related to inwards insurance and reinsurance transactions	19 489	66 603	34 853	26 166	4 722	4 079	13 505	575	34 408	204 400
Liabilities related to outwards reinsurance transactions	38 623	13 848	66 554	44 546	26 511	464	192 319	43	(196 065)	186 843
Other liabilities	437 519	259 105	132 093	76 724	42 457	7 970	6 529	730 541	(314 343)	1 378 595
<b>Total liabilities</b>	<b>€ 993 641</b>	<b>€ 584 804</b>	<b>€ 727 848</b>	<b>€ 522 334</b>	<b>€ 282 362</b>	<b>€ 69 695</b>	<b>€ 816 280</b>	<b>€ 736 207</b>	<b>€ (1 078 611)</b>	<b>€ 3 654 560</b>

# Notes to the consolidated financial statements

(in thousands)

31/12/2010

	Germany, Austria, Switzerland	France	Northern Europe	Mediterranean Countries & Africa	Americas	Asia Pacific	Reinsurance group	Group services	Inter-segment eliminations	GROUP
Goodwill	-	-	65 117	7 803	31 731	3 064	-	(2)	-	107 713
Other intangible assets	29 662	10 849	8 363	3 125	3 571	977	1 371	9 902	(2 266)	65 554
Investments - insurance businesses	551 257	782 450	149 059	151 836	87 926	9 877	193 776	1 843 071	(316 074)	3 453 178
Investments accounted for by the equity method	63 715	34 352	-	-	-	-	-	(1)	-	98 066
Share of assignees and reinsurers in the technical reserves and financial liabilities	222 274	61 825	221 549	167 103	69 183	28 497	283 996	110	(554 173)	500 364
Insurance and reinsurance receivables	94 718	80 982	196 466	53 264	61 565	17 930	241 015	(47)	(154 560)	591 333
Other assets	304 794	154 907	134 938	87 539	76 993	(14 930)	51 180	170 069	(122 513)	842 977
<b>Total assets</b>	<b>€ 1 266 420</b>	<b>€ 1 125 365</b>	<b>€ 775 492</b>	<b>€ 470 670</b>	<b>€ 330 969</b>	<b>€ 45 415</b>	<b>€ 771 338</b>	<b>€ 2 023 102</b>	<b>€ (1 149 586)</b>	<b>€ 5 659 185</b>
Technical reserves	461 371	234 352	482 308	352 984	194 756	49 544	553 208	48	(547 177)	1 781 394
Liabilities related to inwards insurance and reinsurance transactions	19 962	69 770	32 885	21 697	3 402	4 581	(6 923)	442	48 809	194 625
Liabilities related to outwards reinsurance transactions	36 356	10 664	108 235	36 389	24 679	433	211 053	43	(255 497)	172 355
Other liabilities	423 890	264 267	131 753	68 605	43 456	6 989	9 088	732 439	(318 115)	1 362 372
<b>Total liabilities</b>	<b>€ 941 579</b>	<b>€ 579 053</b>	<b>€ 755 181</b>	<b>€ 479 675</b>	<b>€ 266 293</b>	<b>€ 61 547</b>	<b>€ 766 426</b>	<b>€ 732 972</b>	<b>€ (1 071 980)</b>	<b>€ 3 510 746</b>

## Note 12 Related parties

Euler Hermes is owned mainly by the Allianz France 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 SA	26 864 230	59,53%
Allianz Vie	3 879 818	8,60%
Treasury shares	1 320 644	2,93%
<b>Sub-total</b>	<b>32 064 692</b>	<b>71,05%</b>
Public (bearer securities)	13 063 375	28,95%
<b>Total</b>	<b>45 128 067</b>	<b>100,00%</b>

## Transactions

(in thousands)

1st quarter ended March 31,

	2011				2010			
	Allianz SE	Allianz Belgium	Allianz SA & International	Related companies and joint ventures	Allianz SE	Allianz Belgium	Allianz France SA	Related companies and joint ventures
Operating income	13 453	-	-	3 980	10 044	1	-	3 670
Insurance services expense	556	-	-	(3 054)	(7 302)	-	-	513
Net income or expense on reinsurance	(10 268)	-	-	(26)	54 682	-	-	(14)
Financing expense	-	(1 364)	(752)	-	-	(403)	(1 396)	-
Other financial net incomes	(842)	-	-	(672)	(2 549)	-	-	(241)

## Receivables and liabilities

(in thousands)

March 31, 2011

December 31, 2010

	March 31, 2011				December 31, 2010			
	Allianz SE	Allianz Belgium	Allianz France SA & International	Related companies and joint ventures	Allianz SE	Allianz Belgium	Allianz France SA & International	Related companies and joint ventures
Financial Investments (Allianz SE bond)	160 000	-	-	-	160 000	-	-	-
Current accounts (accrued interests included)	297	-	(237)	1 693	(22 854)	-	(237)	(200)
Net operating receivables	2 419	-	-	1 517	1 831	-	-	3 087
Borrowings (accrued interests included)	-	139 243	111 688	-	-	137 879	110 936	-
Operating liabilities	(3 460)	-	108	160	1 140	-	201	237

The following entities invested 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.

# Notes to the consolidated financial statements

Borrowings correspond to two loans contracted with Allianz France International and Allianz Belgium:

- 2009 loan of €110 million maturing in September 2012, at fixed interest rate Mid-Swaps 3 years + 60 basis points;
- 2010 loan of €135 million maturing in June 2020, at the annual fixed rate of 4,04 %.

## Note 13 Commitments received and given

(in thousands)	March 31, 2011	December 31, 2010
<b>Commitments received</b>	<b>€ 10 310</b>	<b>€ 11 125</b>
* Deposits, sureties and other guarantees	10 310	11 125
<b>Commitments given</b>	<b>€ 18 814</b>	<b>€ 14 519</b>
* Deposits, sureties and other guarantees	18 814	14 519
<i>o/w</i> - Commitments associated with membership of an EIG	51	54
- Securities buyback agreement	-	-

## Note 14 Subsequent events

No subsequent events occurred since March 31, 2011 closing which would impact the hypothesis of the annual closing.