Reference document 2009

RISK ASSESSMENT | CREDIT INSURANCE | DEBT COLLECTION

EULER HERMES
Business insured. Success ensured.

A company of Allianz

Contents

Profile

The world's leading credit insurer, with a market share of 36%*, Euler Hermes helps companies around the world develop their business safely. Unrivalled in its financial solidity, risk-analysis and integrated global structure, the Group provides companies of all sizes with the support they need to successfully manage their trade receivables.

** Source : ICISA (International Credit Insurance Association).*

2,085.7
million euros consolidated turnover

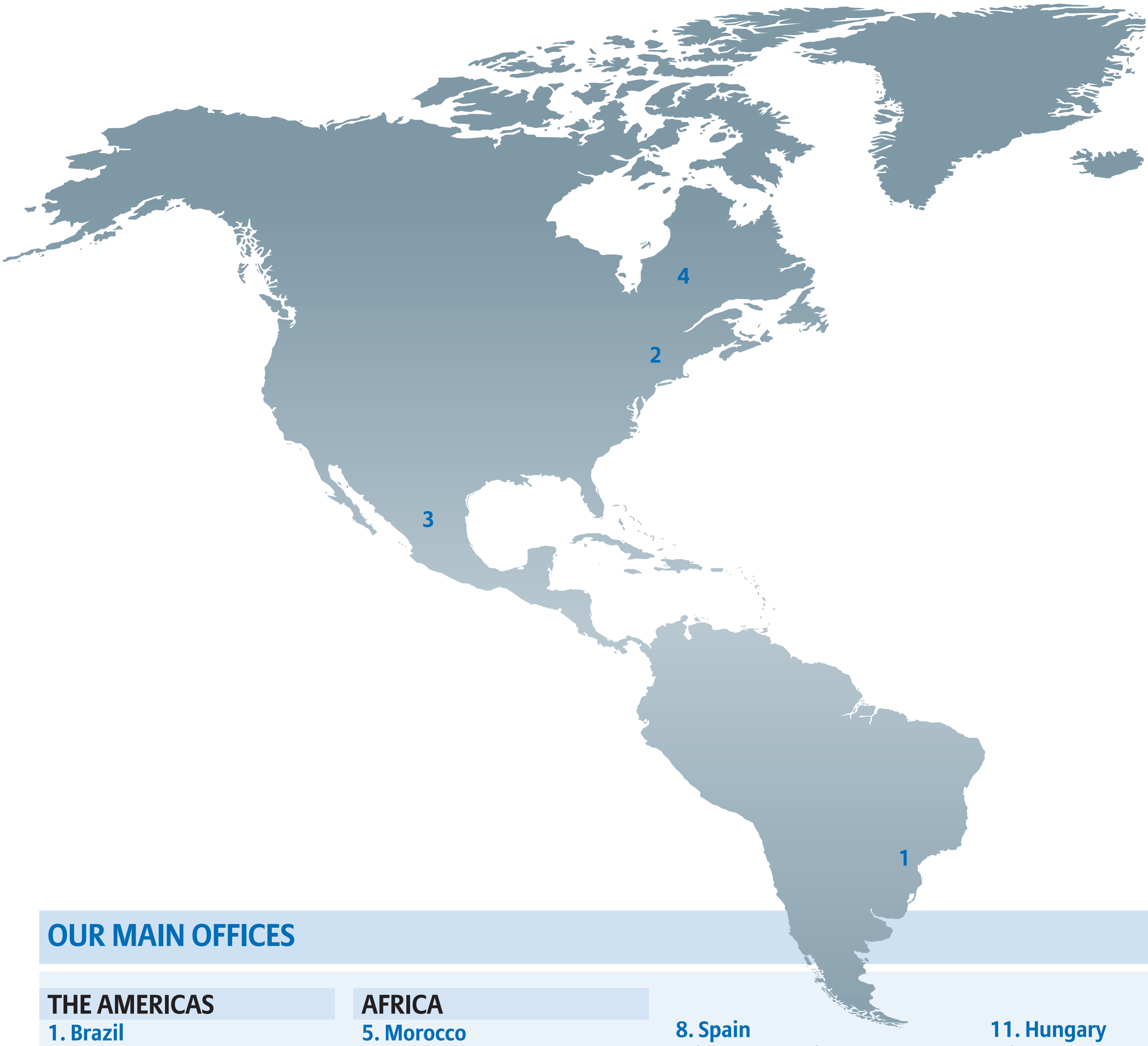
57.000
clients

6.201
employees worldwide

3.500
claims indemnified per week

AA-
Standard & Poor's rating (July 2009)

Simplified organization



OUR MAIN OFFICES

THE AMERICAS

1. Brazil
Euler Hermes Seguros de Crédito SA
São Paulo 100%

2. United States
Euler Hermes ACI Inc.
Owing Mills 100%

3. Mexico
Euler Hermes Seguros de Crédito SA
Mexico DF 100%

4. Canada
Euler Hermes Canada
Montreal Quebec

AFRICA

5. Morocco
Euler Hermes Acmar
Casablanca 55%

EUROPE

6. Germany
Euler Hermes
Kreditversicherungs-AG
Hamburg 100%

7. Belgium
Euler Hermes
Credit Insurance Belgium SA (NV)
Brussels 100%

8. Spain
Euler Hermes Crédito
Compañía de Seguros
y Reaseguros SA
Madrid 100%

9. France
Euler Hermes SA
Société mère Euler Hermes
SFAC SA
Paris 100%

10. Greece
Euler Hermes Emporiki
Athens 60%

11. Hungary
Euler Hermes Magyar
Hitelbiztosító Rt
Budapest 74.89%

12. Italy
Euler Hermes SIAC
Rome 100%

13. The Netherlands
Euler Hermes
Kredietverzekering NV
Hertogenbosch 100%

Simplified organization

14. Poland
Euler Hermes Zarzadzanie Ryzykiem S.p. Z.o.o.
Varsovie 100%

15. Czech Republic
Euler Hermes Cescob, uverova pojist'ovna, a.s.
Prague 100%

16. United-Kingdom
Euler Hermes UK Plc.
London 100%

17. Sweden
Euler Hermes Credit Insurance Nordic AB
Stockholm 100%

18. Switzerland
Euler Hermes Reinsurance AG
Zurich 100%

ASIA AND OCEANIA

19. Australia
Euler Hermes Trade Credit Underwritting Agents
Sydney 100%

20. Hong Kong
Euler Hermes Credit Underwriters Hong Kong Ltd.
Hong Kong 100%

21. New Zealand
Euler Hermes Trade Credit Ltd. Lumlay Center
Auckland 100%

22. Singapore
Euler Hermes Credit Insurance Agency (S) Pte. Ltd.
Singapore 100%

23. Japan
Euler Hermes Credit Services (Japan) Ltd.
Tokyo 100%

24. India
Euler Hermes Services India Pvt. Ltd.
Mumbai 100%

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Review of 2009

Review of 2009: the Big Recession

2009 will stand out in economic history for the severe contraction in the global economy, unprecedented since the end of World War II (down 2.2% at current exchange rates). The greater part of this contraction occurred in the winter of 2008-2009 when the sudden stop in world trade and drastic slump in activity that followed the financial crisis exceeded even the most pessimistic forecasts, temporarily raising the spectre of the Great Depression. It forced the various national statistics offices to repeatedly revise their quarterly growth forecasts downwards, dragging on 2008 performance (world growth finally revised to 1.9%) but also, and above all, on activity levels at the end of the winter. An upturn admittedly began to take shape during the spring, accompanied over the following months by a gradual rise in commodities prices, particularly oil which climbed back above $75 per barrel towards the end of the year, and a progressive rally by stock markets, in developing countries and above all in emerging countries. In technical terms, the global economy emerged from recession in the second quarter (with GDP growth of a little more than 2% on an annualised basis), thanks mainly to the momentum in Asian countries, particularly China, and to the stop in the economic downturn in some developed countries. The improvement was more marked in the third quarter (with growth of almost 5% on an annualised basis) when developed countries in general returned to growth. Their aggregate GDP, which represents around 66% of world GDP, began to grow again, very moderately (up 0.4% quarter-on-quarter) marking an end to five consecutive quarters of economic contraction. Most of the OECD countries, both in North America (Canada and the United States) and Europe (particularly Italy, Netherlands, Belgium, Austria and Switzerland) followed the path already taken by some of their partners during the previous quarter (Japan, Germany, France and Sweden). The pace of recovery differed significantly, however, from one country to another and there were some outstanding exceptions such as the United Kingdom, Spain and Greece. The economic recovery in developed countries was progressively confirmed in the last part of the year by most monthly economic indicators and surveys but the recovery was nonetheless far from enough to offset the past shock. All in all, GDP of OECD countries contracted by 3.6% for the year as a whole after remaining virtually flat (+0.3%) in 2008. On the whole, the emerging countries, which represent around 30% of global GDP (at current exchange rates) and which have been the main drivers of the acceleration in global economic growth in the recent past (accounting for 57% of the increase in world growth from 2005 to 2007) managed to avoid recession over the full year, thanks to a more precocious and dynamic economic upturn. Their aggregate GDP nonetheless marked a sharp slowdown (with growth of only 0.5% after an annual average of 6.2% from 2000 to 2008) which masks contrasted situations. At one end of the spectrum, there is emerging Asia driven by India and above all by China, which have gradually returned to their pre-crisis annualised growth rates, followed by the Latin American economies, fuelled by a strong rebound in Brazil and an upturn in commodities exports. At the other end of the spectrum, there are the countries most severely affected by the spread of the financial crisis and by the slump in developed countries – Central and Eastern Europe.

Outlook for 2010: a very fragile and contrasted emergence from recession

2010 began with the prospect of a return to economic growth for all but a few countries, but the conditions of a lasting recovery out of the recession aren't yet confirmed. The recovery is closely linked to the stimulus provided by highly expansionary monetary and budgetary policies, particularly in the United States and China, and by a progressive end to destocking. However, these two factors can provide only temporary support as the severe deterioration in public finances has significantly reduced many countries' room for manoeuvre. Their governments are now faced with a difficult but absolutely necessary budgetary consolidation. Above all, domestic growth drivers are likely to remain limited for several quarters yet as the economic contraction in the winter of 2008-2009 has generated significant production overcapacity and severely affected the employment markets, particularly in developed countries, most of which are unlikely to return to pre-crisis activity levels before the end of 2011. This will limit external growth drivers for emerging countries which will increasingly be forced to develop new sources of growth in their domestic markets. The global economic rebound is expected to remain moderate in 2010 (+2.6%) and be slower in the OECD countries (+1.4%) than in the rest of the world (+4.7%).

Trend in corporate insolvencies

Against this backdrop, Euler Hermes' Global Insolvencies Index, which summarises trends in global corporate insolvencies, is expected to post a record rise for the second year running, of around 33% in 2009. The economic and financial crisis had already resulted in a dramatic and unexpected increase in corporate insolvencies in 2008 (revised data show a 26% rise) even though the outlook had already been gloomy at the end of a first half marked by a global slowdown and soaring commodities prices. The intense contraction in global economic activity in the first months of 2009 was accompanied by an unprecedentedly severe deterioration in companies' financial situations and a corresponding increase in their payment difficulties, resulting in a sharp rise in corporate insolvencies despite the various measures of support extended to businesses (tax breaks, sector aid, etc.). The definitive figure for 2009, which will not be known until the second quarter of 2010, is expected to reach its highest levels, in volume terms, in more than a decade in some countries such as Sweden (1996), the United Kingdom (1993) and the United States (1992); it is likely to reach or come close to all-time highs in several other countries such as France, Spain, Netherlands, Belgium, Switzerland, Austria, Finland, Ireland and Portugal. The global economic recovery forecast for 2010 is unlikely to be enough, given the contraction in the winter of 2008-2009, to really restore companies' leeway. Corporate insolvencies are expected to remain at high levels in most countries in the first half and a clear improvement is not expected before the second half. For 2010 as a whole, corporate insolvencies are forecast to rise yet again in Western Europe (+3% after +43% in 2009 and +30% in 2008) but fall, although to still high levels, in the Americas (United States, Canada and Brazil) and in several Asian countries.

Review of 2009

Corporate insolvencies of more than €100 million in 2009 (list established at end-October)

Table of the largest corporate insolvencies in 2009 known at end October 2009, identified by Euler Hermes' subsidiaries in the following countries: United States, Canada, Japan, South Korea, Germany, France, Italy, Spain, Belgium, United Kingdom, Austria, Denmark, Czech Republic, Finland and Poland.

Countries	Companies	Last turnover known in € million	Sector	Date of insolvency
USA	General Motors Corporation	100,458	Automotive	06/09
USA	Chrysler LLC	32,164	Automotive	04/09
USA	Lyondell Chemical Company	19,720	Chemicals	01/09
Germany	Arcandor AG	19,400	Retailing	06/09
USA	Lear Corporation	9,228	Automotive suppliers	07/09
Canada	Nortel Networks	8,026	Telecom	01/09
Germany	Qimonda AG	7,010	Manuf. of tubes and other electronic components	01/09
USA	Visteon Corporation	6,490	Automotive suppliers	05/09
USA	Smurfit-Stone Container Corporation	5,100	Manuf. of paper and paper products	01/09
USA	Charter Communications Inc	4,406	Telecommunications	03/09
USA	Aleris International Inc	4,080	Manuf. of basic precious and non-ferrous metals	02/09
Japan	K.K. SFCG	2,542	Financial intermediation	02/09
Canada	Canwest Global Communications Corp	2,013	Telecom	10/09
Japan	The Japan General Estate Co., Ltd.	1,485	Real estate activities	02/09
Korea (South)	Ssangyong Motor Co Ltd	1,426	Vehicle manufacturing	02/09
UK	Camden Group Services ltd	1,330	Retailing	04/09
UK	Camden Group Services ltd	1,330	Other land transport	02/09
Japan	Pacific Holdings Inc.	1,230	Financial intermediation	03/09
Japan	K.K. Joint Corporation	1,110	Real estate activities	05/09
Germany	Edscha AG	1,108	Manuf. of parts and accessories for motor vehicles and their engines	02/09
UK	Surridge Dawson ltd	1,096	Wholesaling	08/09
UK	Nortel Networks UK ltd	1,042	Telecom	01/09
UK	Visiocorp plc	996	Manuf. of motor vehicles	03/09
Korea (South)	Daewoo Logistics	974	Maritime transportation	07/09
UK	Dairy Farmers of Britain ltd	888	Telecommunications	06/09
Germany	Plastal GmbH	850	Manuf. of parts and accessories for motor vehicles and their engines	03/09
Japan	New City Residence Investment Corporation	818	Financial intermediation	10/09
Germany	DWW Woolworth Deutschland GmbH & Co KG	750	Retailing	04/09
Japan	Pacific Realty Corporation	748	Real estate activities	03/09

Review of 2009

Countries	Companies	Last turnover known in € million	Sector	Date of insolvency
UK	Shelford Trading company ltd	713	Wholesaling	05/09
UK	Astec International Holdings ltd	700	Manuf. of electrical machinery and apparatus	07/09
UK	Monarch Realisations2 ltd	666	Construction	04/09
UK	Waterford Wedgwood uk plc	605	Adult and other education	01/09
Japan	Tsukasa Tatemono Kanri Y.K.	594	Real estate activities	03/09
Japan	Creed Corporation	590	Manuf. of office, accounting and computing machinery	01/09
Germany	Escada AG	580	Clothes	08/09
Japan	Spansion Japan K.K.	557	Real estate activities	02/09
Finland	Delta-Auto Oy	516	Sale of motor vehicles	09/09
UK	Premier Oil ONS ltd	508	Extraction of crude petroleum and natural gas	01/09
Germany	Wilhelm Karmann GmbH	500	Manuf. of parts and accessories for motor vehicles and their engines	04/09
Germany	DyStar Textilfarben GmbH	490	Manuf. of chemicals and chemical products	09/09
Japan	K.K. Osaka World Trade Center Buliding	483	Real estate activities	03/09
Spain	NOZAR S.A.	467	Real estate activities	10/09
Italy	ITTIERRE - SOCIETA' PER AZIONI	443	Dressing and dyeing of fur; Manuf. of articles of fur	02/09
Spain	Begar Construcciones y Contratas, S.A.	441	Construction	07/09
Germany	Kögel Fahrzeugwerke GmbH	440	Manuf. of bodies (coachwork) for motor vehicles; Manuf. of trailers and semi-trailers	08/09
France	Pôle Keyria (groupe Legris)	427	Manuf. of office, accounting and computing machinery	10/09
Denmark	Atlas Shipping A/S Under Konkurs	423	Sea and coastal water transport	2009
Germany	TDMi AG	410	Data processing	07/09
France	groupe RODRIGUEZ-BOAT SERVICE	410	Building and repairing of ships and boats	04/09
France	NORTEL NETWORKS	369	Telecom	05/09
Denmark	Selskabet af 1. September 2008 A/S Under Konkurs (Roskilde Bank A/S)	349	Monetary intermediation	2009
Spain	Atlantis Servicios nmobiliarios Sociedad Limitada	332	Real estate activities	01/09
Italy	MAIA DUE S.P.A. IN LIQUIDAZIONE	288	Wholesaling	01/09
Spain	Aurigacrown Car Hire, S.L.	276	Renting of transport equipment	10/09
France	EURO DISTRIBUTION ALIMENTAIRE (QUELLE)	252	Wholesaling	03/09
Italy	VINYLS ITALIA S.P.A.	252	Manuf. of basic chemicals	08/09
Spain	Grupo DicoObras y Construcciones Sociedad Anónima	240	Construction	04/09
Spain	Obrum urbanismo y Construcciones Sociedad Anónima	225	Construction	04/09
Korea (South)	Hyunjin Construction Co LTD	225	Construction	09/09

Review of 2009

Countries	Companies	Last turnover known in € million	Sector	Date of insolvency
Spain	AIFOS ARQUITECTURA Y PROMOCIONES INMOBILIARIAS SA	220	Real estate activities	07/09
Czech Republic	Kordárna, a.s.	216	Manuf. of textiles	05/09
France	LA SOURCE	200	Retailing	07/09
Italy	GRUPPO CAR S.P.A. "IN LIQUIDAZIONE"	193	Sale of motor vehicles	01/09
Spain	Leaf Business Holging Spain, SAU	189	Casting of metals	09/09
Czech Republic	Bohemia Crystalex Trading, a.s.	177	wholesaling of non-agricultural intermediate products, waste and scrap	01/09
Spain	Garasa Esñeco, S.A.,	172	Construction	10/09
France	SELECTIVE BEAUTY	170	Wholesaling	03/09
France	HEULIEZ	168	Manuf. of bodies (coachwork) for motor vehicles; Manuf. of trailers and semi-trailers	04/09
France	groupe RENCAST	166	Casting of metals	03/09
Belgium	Euro-Papier	156	Publishing, printing and reProd. of recorded media	06/09
Poland	PRONOX TECHNOLOGY S.A.	150	wholesaling of machinery, equipment and supplies	10/09
France	S.E.G.	150	Manuf. of bodies (coachwork) for motor vehicles; Manuf. of trailers and semi-trailers	09/09
Spain	Castellón Sociedad Anónima	141	Manuf. of parts and accessories for motor vehicles and their engines	03/09
Czech Republic	Karimpex, a.s.	139	retailing sale of automotive fuel	07/09
Austria	Preding GesmbH	138	Agriculture & primary industries	04/09
Finland	Delta Motor Group Oy	128	Sale of motor vehicles	09/09
Italy	CAFFARO CHIMICA S.R.L. - IN LIQUIDA-ZIONE	126	Manuf. of basic chemicals	06/09
Czech Republic	Moravia Energo, a.s.	125	Manuf. of gas; distribution of gaseous fuels through mains	03/09
Poland	MAFLOW POLSKA SP Z O O	124	Manuf. of wearing apparel, except fur apparel	07/09
Denmark	Sapa A/S Under Konkurs	122	Wholesaling	2009
Denmark	Netkoncept Service & Facility Managementa/S Under Konkurs	122	Wholesaling	2009
Italy	PLUS IT - SOCIETA' PER AZIONI	121	Dressing and dyeing of fur; Manuf. of articles of fur	02/09
Poland	PPHU DUDA BIS SP Z O O	120	Food products	07/09
Italy	C.P.L. IMPERIAL 2 S.P.A.	119	Wholesaling	02/09
France	NOVACARE	117	Manuf. of paper and paper products	10/09
Italy	ELETTRODATA SPA IN LIQUIDAZIONE	115	Software consultancy and supply	09/09
Finland	J. Kärkkäinen Oy	114	Retailing	08/09
Finland	Delta Motor Oy	112	Sale of motor vehicles	09/09

Review of 2009

Countries	Companies	Last turnover known in € million	Sector	Date of insolvency
Czech Republic	PA EXPORT, a.s.	108	Wholesaling	09/09
Italy	CABLELETTRA S.P.A.	108	Manuf. of parts and accessories for motor vehicles and their engines	06/09
Austria	Theresia Häupl GmbH	102	Agriculture & primary industries	03/09
Denmark	Jeh 53339 A/S Under Konkurs	100	Manuf. of food products and beverages	2009
Italy	AVICOLA MARCHIGIANA - SOCIETA'COO-PERATIVA IN LIQUIDAZIONE	100	Manuf. of grain mill products, starches and starch products, and prepared animal feeds	06/09

Euler Hermes' strategy

Euler Hermes' strategy can be divided into three axes in order to cope with the short, medium and long-term challenges:

1. Short-term strategy

Euler Hermes' short-term strategy focuses mainly on protecting its capital base whatever the macroeconomic conditions may be. This strategy becomes even essential in the present conditions, as most developed countries experienced a sharp contraction in economic activity in 2009 and the recovery forecast for 2010 remains vulnerable.

Protecting the capital base focuses on four areas:

- adequate management of risk based pricing applied to the commercial portfolio and tight management of the risk portfolio in order to keep the loss ratio below 75%;
- strict cost control designed to keep the combined ratio below 100%;
- a reinsurance cover that protects the capital base by offering adequate assignment of major risks to the reinsurance market, thus limiting the direct impact of a major claim to less than 5% of the group's shareholders' equity;
- prudent management of the financial portfolio by giving priority to low risk investments (government bonds, short-term deposits, etc.) with stable returns.

By executing this strategy, exceptional claims excluded, Euler Hermes targets a net profit, even in the recessionary macroeconomic environment of the past two years.

2. Medium-term strategy

Euler Hermes considers that its business is closely linked to global economic cycles consisting of alternating periods of growth and of contraction in activity that can vary in length. Over ten years, Euler Hermes aims to offer its shareholders a return on equity of around 15% based on an average combined ratio of 80% and an average return on its investment portfolio of 4%.

Euler Hermes also aims to reassure its policyholders as to its financial solidity by targeting an S&P rating of at least A+ at any moment of the cycle.

3. Long-term strategy

Euler Hermes' long-term strategy is to develop its core credit insurance business by focusing on four major axes:

a- Very strong leadership in the European market

Europe, including Eastern Europe, is Euler Hermes' core market. Euler Hermes is the market leader in most European countries and remains on the lookout for any opportunity to consolidate its position in the European market.

Euler Hermes' profitability in its core market enables it to invest in new sources of growth outside Europe, in line with its clients' growing needs and in the regions with the most dynamic economies.

b- Significant new sources of growth, notably in the Americas and Asia

The main source of new growth outside Europe is North America, where Euler Hermes builds on a long-term growth strategy through improvement of its geographic coverage by enlargement of its sales network.

South America and Asia are also markets with strong potential where Euler Hermes intends to reinforce its investments in risk management capacity by consolidating its proprietary information databases and developing its risk underwriting capacities and sales networks.

c- Generalising the use of standardised and shared software tools throughout the group.

Euler Hermes began to introduce standardised software tools within the group in the early 2000s when it introduced the IRP application (Information, Risk and Policy management), developed in-house, which facilitates the extensive use of detailed information across the world. This software application has been used by all the group's subsidiaries since 2004.

Each group company is responsible for underwriting decisions for its own account in its geographical area of competence and for arbitrating underwriting requests from sister companies relating to credit risk in its area of regional competence.

Euler Hermes' strategy

Also, the sharing of Best Practices throughout the group continues to be an essential means of increasing productivity at all subsidiaries. In this respect, Euler Hermes has started in 2006 an harmonisation project of its claims handling processes by rolling out a new standard IT tool for claims management. Euler Hermes has also launched a standardisation project of its debt collection processes throughout the group by implementing a new group IT tool which allows to create a better interactivity with the policyholders and also to develop a commercial offer for clients that are not policyholders by using the same IT platform.

In 2008, the reinsurance activity completed the migration of all reinsurance agreements to a shared platform, thus enabling the automation of operating and accounting processes between the various group entities and the reinsurers.

Euler Hermes has also launched a project to harmonise accounting software throughout the group by rolling out SAP at all its main operational entities. At end-2009, all its large European subsidiaries had migrated to this shared platform and the North American subsidiary will migrate to the same platform in 2010.

Euler Hermes plans to modernize in 2010 its commercial management tools. This plan will cover the entire value chain from the prospects, the commercial contracts to the billing of the premiums and exchange of information with the policyholder.

d- A new operational governance structure implemented in 2009, which will accelerate the group's integration at operating level in order to cope with the globalisation of its markets

The Group Management Board has decided to review the group's governance structure, redefining the tasks and objectives. The Group Management Board's members will no longer be responsible for overseeing an individual operating entity but to each member will be assigned a global operational responsibility to be exercised throughout the group. The Group board of management will be composed of five members with the following positions: a Chief Executive Officer, a Chief Financial Officer, a Chief Operating Officer, a Group Head of Sales and Marketing and a Group Head of Risk;

The Group Management Board will be responsible for determining the group's short, medium and long-term strategies and ensuring that the operating entities have the resources needed to implement these strategies at local level.

To ensure that the strategies decided at group level are properly implemented, the Group Management Board has decided to group the local entities in six operating regions, each managed by a regional management team supervised by a Head of Region. Beside, international business is managed through Euler Hermes World Agency.

The Region Heads are members of an extended management board called the Leadership Management Team (LMT) together with the members of the Group Management Board and CEO of Euler Hermes World Agency.

In these LMT meetings, the Group Management Board will discuss the strategy plans determined at central level and validated by the Supervisory Board with the Region Heads. The group Management Board will communicate on the action plans to be implemented at regional level in order to achieve the targets set in the strategic plans.

This new organisation should accelerate the group's integration and improve its ability to respond efficiently to ever-more rapidly changing market conditions and lead to productivity gains through more standardised and automatic operating processes.

Key events of the period

2009 featured the following significant events:

Changes in the share capital and in share ownership

The Shareholders' General Meeting of May 15th, 2009 decided to distribute a dividend of €1.50 per share.

At end-December 2009, the Allianz group owned 30,744,048 shares out of a total of 45,083,210 shares, corresponding to 68.20% of the share capital of Euler Hermes, as a consequence of which Euler Hermes is included in Allianz's consolidation scope.

During 2009, 980 new shares were created by the exercise of options. At end-December 2009, Euler Hermes' share capital was composed of 45,083,210 shares, including 1,567,944 shares held in treasury stock.

Change in the retention rate

The premium retention rate is the ratio of premiums after reinsurance to premiums before reinsurance. This rate dropped from 77.4% at end-December 2008 to 65.6% at end-December 2009. Earned premiums net of reinsurance declined by 19.1% year on year, of which 14.6% was due to the lower retention rate.

SAFIM Factoring dispute

On July 21st, 2009, the Appeal Court of Rome rejected the appeal filed by the group's Italian subsidiary, Euler Hermes SIAC, in connection with a long-standing legal dispute initiated by SAFIM Factoring (in liquidation) against Euler Hermes SIAC en 1995.

The Appeal Court's rejection of the appeal filed by the group's Italian subsidiary reopens the appeal procedure initiated by the other party even though EH SIAC had won the first hearing and the risks linked to this dispute had up to now been assessed by the company and its legal advisors as being limited.

The judge has now appointed an expert to assess the potential financial prejudice to SAFIM Factoring. A final decision is not expected before the first half of 2010, but Euler Hermes has initiated a detailed review of the case with its legal advisors in order to reassess the related financial risks. An additional provision of €16 million has been booked in respect of this dispute in the fourth quarter of 2009.

One Euler Hermes

On September 10th, 2009, Euler Hermes announced the implementation of the "One Euler Hermes" project with effect from January 1st, 2010. This project focuses on implementing the organisational changes needed to create a client-oriented and more efficient group. A key objective is to put in place at all Group entities an organisation that enables them to adapt quickly to new client demands and provide a comprehensive range of solutions.

The new organisation will be in continuity with Euler Hermes' history, business model and corporate values. It is based on four pillars:

- a new governance system;
- stronger central functions;
- a balanced geographic organisation composed of six regions, each with full responsibilities;
- clear and transparent responsibilities for the employees.

Business

Consolidated turnover consists of premium income, comprising earned premiums generated by direct insurance and premiums from incoming reinsurance, and service revenues, premium-related or not.

Premiums

Credit insurance policies are designed to cover the risk of non-payment by the policyholder's customers.
The premiums are based mainly on our policyholders' sales or their outstanding customer risk, which also depends on their sales

Services revenues consist mainly of two types of service fees: information fees and collection fees:

- *Information fees*: these consist of billings for research and analysis carried out to provide our policyholders with the required credit insurance cover, and amounts billed for monitoring the solvency of their customers. All these revenues are directly related to our credit insurance business as Euler Hermes does not sell services offering access to business solvency information to third parties that are not policyholders.
- *Collection fees*: these correspond to the amounts billed for debt collection services provided to policyholders and to companies that are not policyholders.

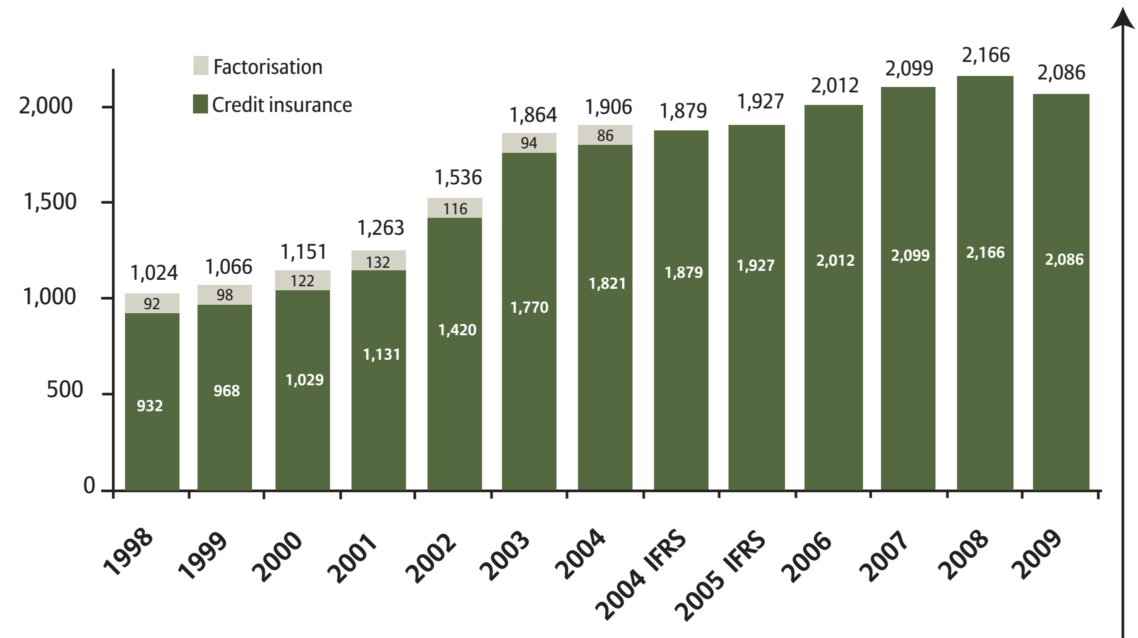
Factoring

Factoring activities within the Euler Hermes group were carried out exclusively through Eurofactor, which was jointly owned by Crédit Lyonnais and Euler Hermes until 2004. The Group's share of this joint venture was sold on December 14th, 2004.
Since the disposal of Eurofactor, Euler Hermes has not had any factoring activities.

Consolidated turnover

Annualized growth rate over the period 1998-2009: 6.7%

(in € million)

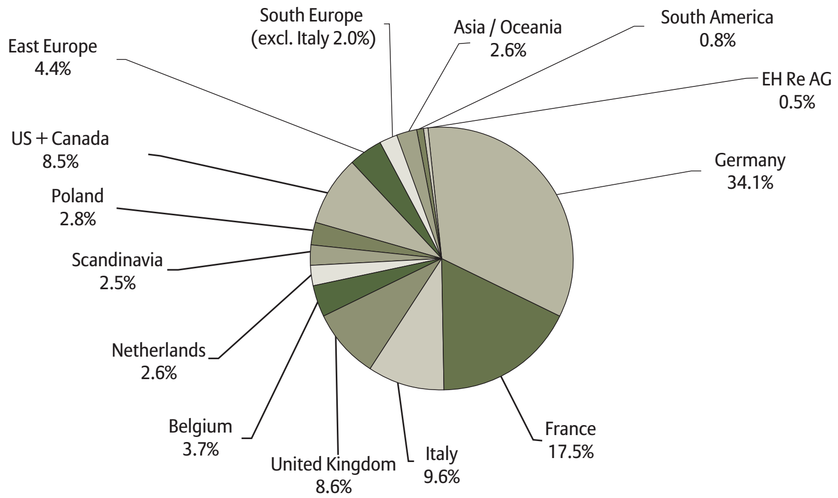


Historical data up to 2004, pro forma figures for 2005.

Turnover for 2009 equals to €2,085.7 million, down by 3.7% compared with €2,166.4 million in 2008.

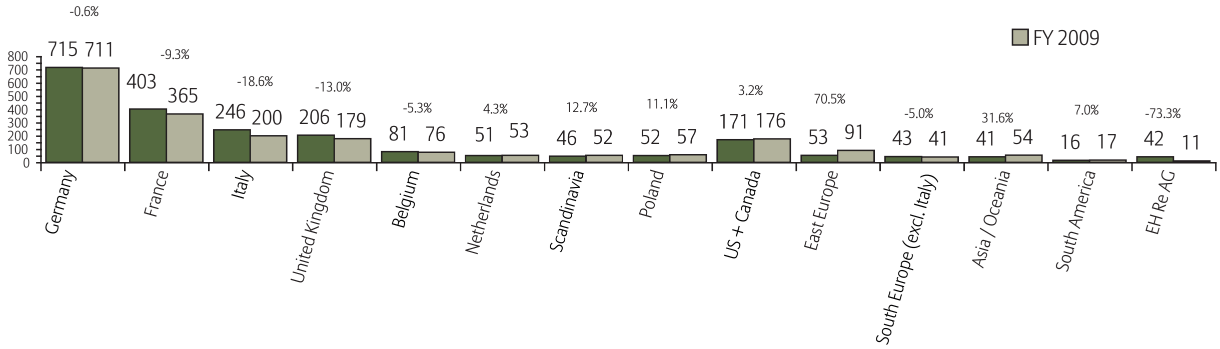
Business

Geographic analysis of turnover



Turnover

(in € million)



The chart above is based on 2009 turnover after adjusting for changes in consolidation scope and exchange rates and excluding accounting restatements.

The decline in turnover in 2009 is relatively small given the difficult crisis background. Turnover declined by 2.5% excluding changes in consolidation scope and currency effects.

While turnover continued to grow in new markets, the traditional European and North American markets were faced with a sharp contraction in clients' turnover, which impacted earned premiums volumes. This results in a 3.4% fall in turnover at constant scope and exchange rates.

In most countries, the rises in premium rates did not manage to offset the decrease in premium volume linked to the downturn in policyholders' turnover.

Breakdown of turnover between premium income and related revenues

(in € thousands)	2009	2008	Variation in amount	Variation %
Premium	1,694,486	1,773,959	-79,474	-4.5%
Other Revenues	391,226	392,492	-1,266	-0.3%
Total Credit insurance turnover	**2,085,712**	**2,166,451**	**-80,739**	**-3.7%**

Premiums equals to €1,694 million in 2009, down by 4.5% mainly as the result of the fall in insured sales caused by the difficult economic conditions. Premium-related revenues remained virtually stable, with the rise in debt collection business linked to the higher claims rate offsetting the fall in information services business.

Consolidated results

The information regarding the operating results and financial position is consistent with recommendations 27 to 32 CESR.
The loss ratio is defined as the cost of claims relative to earned premiums after deduction of policyholder refunds. The cost ratio is defined as the sum of the contract acquisition expense, administration expense, other underwriting income and expense after deduction of premium-related services, relative to earned premiums after deduction of refunds. Other non-technical income and expense is excluded from the cost ratio (with the exception of buildings used for operations).

Earned premiums

(in € thousands)	2009	2008	Variation %
Gross earned premiums	1,694,486	1,773,959	- 4.5%
Ceded premiums	-583,325	-400,740	45.6%
Net earned premiums	1,111,161	1,373,220	- 19.1%
Cession rate	**-34.4%**	**-22.6%**	

Gross earned premiums totalled €1,694.5 million, down 4.5% compared with 2008.

Net earned premiums fell by 19.1% due to the 45.6% increase in premiums ceded. This increase resulted from the group's decision to assign more business to reinsurers from 2009 onwards.

Consequently, the cession rate to reinsurers rate increased significantly in 2009 (by 11.8 points). Of the 19.1% drop in earned premiums net of reinsurance, 14.6% can be attributed to the drop in the retention rate.

Cost of claims

(in € thousands)	2009	2008	Variation %
Gross claims costs	-1,276,079	-1,307,430	-2.4%
Ceded claims costs	363,935	234,636	55.1%
Net claim costs	**-912,144**	**-1,072,794**	**-15.0%**
Gross Claims ratio	**75.3%**	**73.7%**	
Net Claims ratio	**82.1%**	**78.1%**	

The gross claims costs fell by 2.4% in 2009 compared with 2008. The slight improvement (€31.3 million) was the result of two opposing trends, with a relatively good performance in terms of cost of claims for the current attachment year (down 9.5% or €137.5 million) being partly offset by the substantial fall in prior-years run-offs (down by 75.2% or €106.4 million).

Claims ceded to reinsurers increased by a substantial 55.1% as the result of the higher cession rate fixed in the quota shares agreements. The higher cession of claims compared to ceded premiums is explained mainly by the geographic location of the claims and their cession rate to the reinsurance market.

Consequently, 2009 featured a significant fall in the net claims costs, down by €160.7 million or 15.0% relative to 2008.

However, as the decrease in the net claims costs was smaller than the drop in net premiums, the net loss ratio for 2009 equals to 82.1%, up by 4 points compared with 2008.

Consolidated results

Cost of claims for the present attachment year

(in € thousands)	2009	2008	Variation %
Gross claims costs current attachment year	-1,311,371	-1,448,875	-9.5%
Ceded claims costs current attachment year	414,612	275,650	50.4%
Net claim costs current attachment year	**-896,760**	**-1,173,225**	**-23.6%**
Cession rate current attachment year	**32%**	**19%**	

As from 2008 Euler Hermes put in place action plans designed to reduce its loss ratio. The effectiveness of these action plans together with the absence of any major claim in 2009 resulted in a 9.5% reduction in the gross claims amount. It is important to remind that a major claim (Woolworths) had been recorded in 2008 with a gross impact of nearly €59 million on the accounts for the year.

Therefore, despite the drop in gross earned premiums mentioned above, the gross loss ratio for the present attachment year improved by 4.3 points, to 77.4%.

The claims cession rate having increased by 13 points due to reduced retention, the net claims costs for the year was down by 23.6% compared with 2008.

Net liquidation surpluses/deficits

(in € thousands)	2009	2008	Variation %
Gross claims costs previous attachment years	35,293	141,445	-75.0%
Ceded claims costs previous attachment years	-50,677	-41,014	23.6%
Net claims costs previous attachment years	**-15,384**	**100,431**	**-115.3%**

Euler Hermes recorded a high decrease of 75% of the gross run-offs from previous attachment years totalling €35.3 million at end-December 2009 compared with €141.5 million at end of December 2008. This decrease is due to the fact that the positive run off booked in Germany, in Italy and France allowed to offset negative run offs registered in Eastern Europe, England and south America due to the higher loss ratio than expected for the 2008 attachment year. In addition, Euler Hermes needed to increase case reserves on SAFIM case.

Ceded run-offs in 2009 appear disproportionate relative to gross liquidation surpluses mainly because of the non-cession to reinsurers of the reserves linked to the Safim dispute on the one side and the cession of nearly 100% of the recoveries relating to the Parmalat claim on the other side.

After taking reinsurance into account, Euler Hermes recorded a net negative run-off of €15.4 million compared with a surplus of €100.4 million at the end of 2008.

Consolidated results

Operating expenses

(in € thousands)	2009	2008	Variation %
Personnel costs	-389,495	-380,688	2.3%
Other expenses linked to personnel	-45,233	-41,247	9.7%
Brokerage Fees	-208,690	-225,983	-7.7%
IT expenses	-63,476	-63,224	0.4%
Renting and maintenance expenses	-43,283	-39,225	10.3%
Depreciation	-31,692	-27,298	16.1%
Legal, advertising & consulting expenses	-30,678	-32,691	-6.2%
Other non recurring expenses	-5,790	17,562	-133.0%
Other recurring expenses	-114,008	-93,719	21.6%
Total expenses by nature	**-932,344**	**-886,512**	**5.2%**
Claims handling expenses allocated	-72,903	-63,479	14.8%
Investment management charges	-10,341	-10,936	-5.4%
Total Gross Expenses	**-849,100**	**-812,097**	**4.6%**

The increase by 5.2% (2.5% excluding non-recurrent items) was the result of opposing trends:

- a limited gross of personnel costs & other linked expenses (3%);
- commission down by 7.7%, in line with gross earned premium decrease;
- IT expenses virtually flat;
- an increase by more than €4 million of depreciations linked IT software going into production;
- a significant variation of non-recurrent items. Income in 2008 is mainly due to foreign exchange gains booked in technical expenses and reclassified in 2009 in financial income. Expenses in 2009 are due to the set up of the One Euler Hermes project and to cost related to the capital increase of Euler Hermes RE AG;
- a significant increase of the other recurrent expenses mainly explained on the one side by cost overruns generated by crisis management (information and debt collection expenses) and strong reduction of capitalization of internal costs linked to IT projects on the other side.

(in € thousands)	2009	2008	Variation %
Total recurrent expenses	-843,310	-829,660	1.6%
Total non recurrent expenses	-5,790	17,562	-133.0%
Total gross expenses	**-849,100**	**- 812,097**	**4.6%**
of which non technical expenses	**-12,153**	**- 3,081**	
Total gross technical expenses	-836,947	-809,017	3.5%
Service fees	391,226	392,492	-0.3%
Expenses net of fees	**-445,721**	**- 416,525**	**7.0%**
Gross earned premium	1,694,486	1,773,959	-4.5%
Reinsurance commission	194,073	154,743	25.4%
Ceded premiums	-583,325	-400,739	45.6%
Net technical expenses	-251,648	-261,782	-3.9%
Net premium	1,111,161	1,373,221	-19.1%
Gross technical expense ratio	26.3%	23.5%	
Net technical expense ratio	22.6%	19.1%	

Consolidated results

Despite the difficult economic conditions already described, Euler Hermes managed to limit the growth in operating expenses, excluding non-recurrent items, to 1.6%.

After deduction of premium-related income, expenses net of fees increased by 7%, a figure that should be viewed in the light of the 4.5% drop in earned premiums. This explains the 2.8 points rise in the gross cost ratio.

Reinsurance commissions on quota share treaties rose by 25.4%. The fall in commission rates was more than offset by higher commissions received due to higher ceded premiums to reinsurers.

Despite a 3.5% decrease in net operating expenses, the net cost ratio rose by 3.9 points as a logical result of the fall in net earned premiums (-19.1%).

Ordinary operating income before financial income

Ordinary operating income before financial income fell by 282.2%, resulting in a loss of €64.8 million. This loss can be attributed mainly to the significant decreases in liquidation surpluses and in net earned premiums, both of which are linked to the severe global economic and financial crisis.

(in € thousands)	2009	2008	Variation %
Net earned premium	1,111,161	1,373,220	-19.1%
Net claims costs	-912,144	-1,072,794	-15.0%
Net operating expenses	-251,648	-261,785	-3.9%
Other non techincal charges	-12,153	-3,081	294.5%
Ordinary Operating income excluding financial income	**-64,784**	**35,560**	**-282.2%**
Combined ratio	**-104.7%**	**-97.2%**	

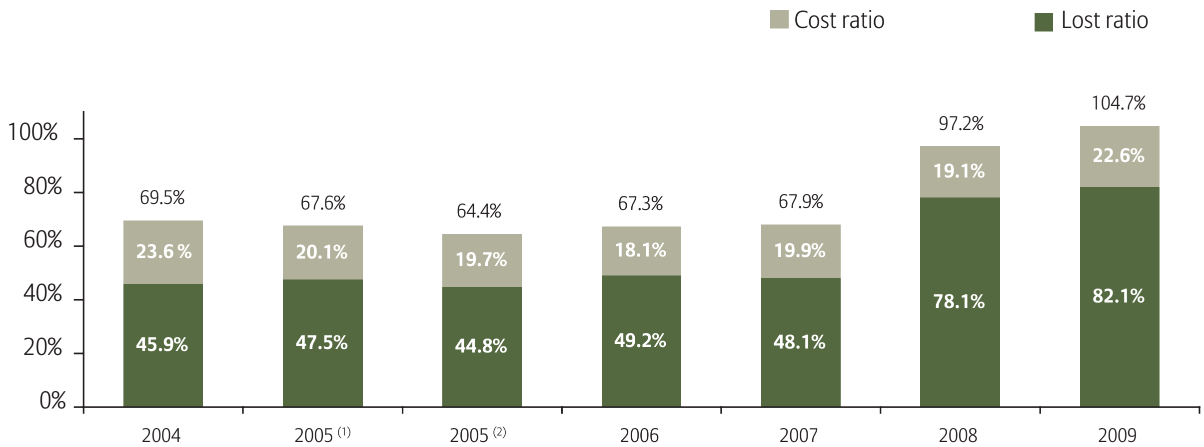
Net combined ratio

The net combined ratio after reinsurance equals to 104.7% for 2009, up by 7.5 points compared with 2008.

The rise reflects the increases in both the loss and cost ratios.

Net combined ratio after reinsurance

In % of net earned premium



(1) Historical datas.
(2) New definition *(rebates deducted from premium, non technical expense excluded)*.

Consolidated results

Financial markets

2009 was marked by the co-ordinated action taken by governments and central banks to avoid a systemic crisis.

Investors had, at the beginning of the year, feared the financial system could implode.

This fear, following on Lehman's collapse in 2008, triggered a slump in the equity markets that lasted until March. The S&P 500 index fell by 25% over the period.

However, the government and central bank support extended to the banking system to re-launch the interbank market, the substantial economic stimulus packages implemented, the first signs of economic stabilisation and very attractive valuation levels paved the way for an upturn in the financial markets.

Finally, all the equity markets ended 2009 with positive performances, with the euro zone index up 21%, the US index up 23% and the emerging markets index up by 75%.

Other asset classes (corporate bonds and commodities) also benefited from these movements thanks to the zero interest rate policy maintained by the US Federal Reserve and the cuts in key rates implemented by the ECB and Bank of England, to 1% and 0.5% respectively.

This enabled a return to more normal conditions in the interbank markets and the euro zone overnight rate ended 2009 at 0.40% compared with 2.35% a year earlier.

Similarly, risk premiums in the credit market, which had soared to record highs in March when risk aversion was at its height, gradually returned to pre-crisis levels.

In the bond markets, the search for risky assets as from the second quarter enabled loans that had been very adversely affected in 2008 (such as Italian government bonds) to perform well, ending the year with positive performances.
In contrast, rates rose for AAA-rated sovereign issuers, which had been favoured by investors at the end of 2008, mainly on the long term issues.

In the foreign exchange markets, the US dollar rose steadily over the early months of the year, confirming its role as a refuge currency and it gained 9% against the euro to 1.27. Subsequently, as investors regained their confidence, the dollar once again weakened against the euro, dropping to 1.50 before ending the year at a firmer level (1.43) due to the uncertainties linked to the economic situations of Greece, Portugal and Spain.

Lastly, the commodities markets benefited to the full from the abundance of liquidity. The price of oil rose 31.7% to $79.4 per barrel and gold reached a record high at $1,200 per ounce, before dropping back to end the year at $1,091/oz, up 23% for the year as a whole.

Consolidated results

Financial income

Against a backdrop of very tense financial markets, the group's financial income came to €148.4 million, thanks in particular to realised capital gains of €71.3 million compared with €16.5 million realized in 2008.

These capital gains, realised mainly on sales of bonds and investment property, offset the fall in investment revenues resulting from the drop in short-term interest rates and higher foreign exchange losses.

(in € thousands)	2009	2008	Variation%
Income from investment property	**5,741**	**7,159**	**-19.8%**
Income from securities	**74,524**	**86,940**	**-14.3%**
Other financial income	**16,711**	**37,805**	**-55.8%**
Investments income	**96,976**	**131,905**	**-26.5%**
Investment expenses	**(10,341)**	**(10,936)**	**-5.4%**
Net FX result	**(9,525)**	**(4,549)**	**109.4%**
Net gains and losses on sales of investments less impairment and amortisation	**71,300**	**16,521**	**331.6%**
Net financial income (excluding financing expense)	**148,409**	**132,940**	**11.6%**

At end-December 2009, the market value of the group's investment portfolio was virtually unchanged (up by €0.8 million) at €3,339.9 million.

Taking into account the capital gains realised (€71.3 million) and the overall evolution of the markets, unrealised capital gains reserves decreased only by €39.2 million to €101.8 million, corresponding to a little more than 3.0% of the investment portfolio.

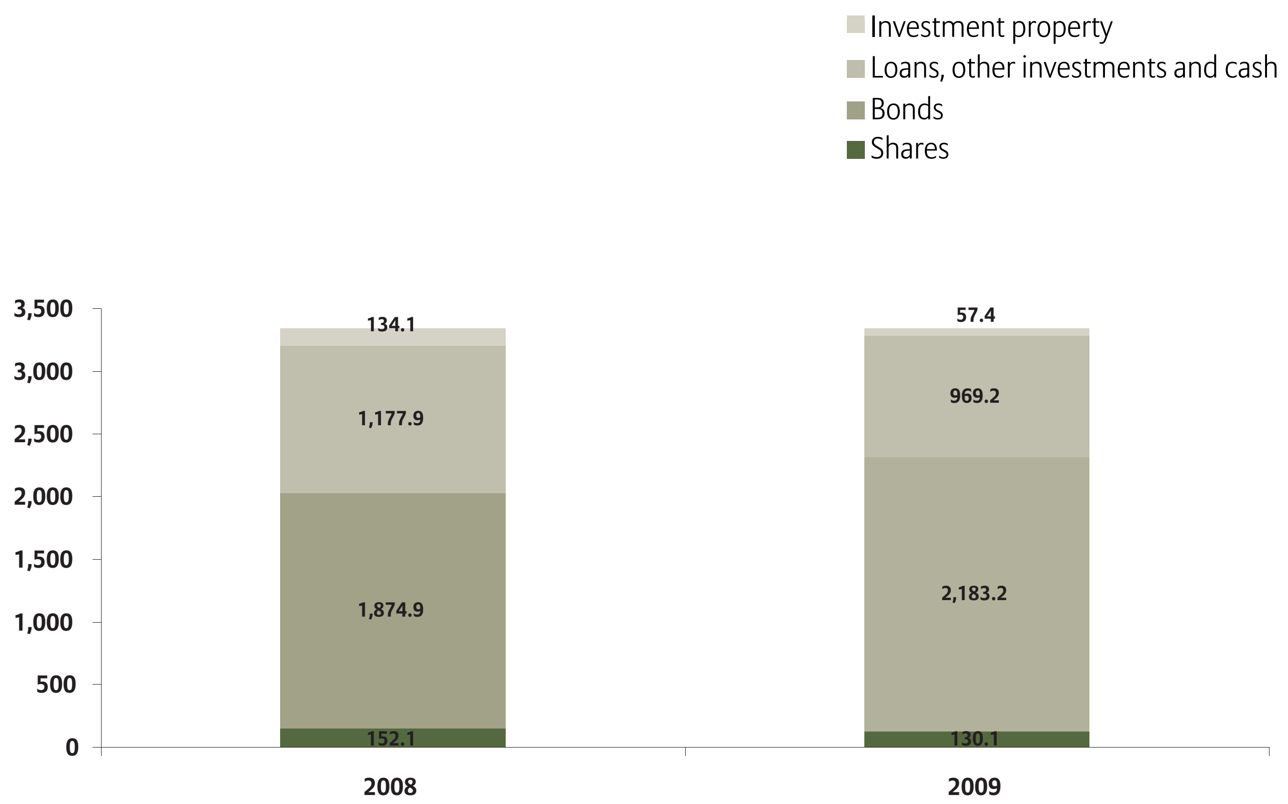
Despite these difficult conditions, the economic performance of the investment portfolio net of expenses held firm at 4.5% in 2009.

(in € thousands)	12/31/09					12/31/08				
	Amortised cost	Unrealised gain reserve	Net book value	Market value	Unrealised gains and losses	Amortised cost	Unrealised gain reserve	Net book value	Market value	Unrealised gains and losses
- Shares:	110,646	19,428	130,074	130,074	-	136,083	16,064	152,147	152,147	-
- Bonds:	2,133,361	49,850	2,183,211	2,183,211	-	1,812,265	62,584	1,874,849	1,874,903	54
- Loans and other investments:	527,450	-	527,450	,527,450	-	563,990	-	563,990	563,990	-
Total financial investments	**2,771,457**	**69,278**	**2,840,735**	**2,840,735**	**-**	**2,512,338**	**78,648**	**2,590,986**	**2,591,040**	**54**
Build third party use	-	-	24,917	57,391	32,474			71,834	134,139	62,305
Cash	-	-	441,792	441,792	-			613,907	613,907	-
Total	**-**	**-**	**3,307,444**	**3,339,918**	**32,474**			**3,276,727**	**3,339,086**	**62,359**

Consolidated results

Investment Portfolio

€ million – Market value as at 12/31/2009



Ordinary operating income

After including net financial income, ordinary operating income from the credit insurance business amounted to €83.6 million in 2009 compared with €168.5 million in 2008.

(in € thousands)	2009	2008	Variation %
Technical result	(64,783)	35,561	-282.2%
Financial income net of expenses	148,409	132,940	11.6%
Ordinary operating income	**83,625**	**168,501**	**-50.4%**

Consolidated results

Consolidated net income

After interest expense and tax, consolidated net income came to €19 million, down by 77.3% compared with 2008.

(in € thousands)	2009	2008	Variation %
Ordinary operating income	**83,625**	**168,500**	**-50.4%**
Other non ordinary income and expense	-8,856	0	n/a
Financing expenses	-10,013	-16,089	-37.8%
Income from companies accounted for by equity method	6,644	7,875	-15.6%
Corporation tax	-48,259	-72,196	-33.2%
Minority interest	-4,153	-4,498	-7.7%
Consolidated net income	**18,988**	**83,592**	**-77.3%**
Tax rate	**-67.6%**	**-45.0%**	

In 2009, Euler Hermes booked non-recurrent expenses totalling €8.9 million in connection with the restructuring plan implemented at its Italian subsidiary.

The tax rate remained high at 67.6% at end of 2009, penalizing the net income due to significant parent/subsidiary tax rate differentials (mainly in the UK and Switzerland) and special tax situations in the Baltic and Asian branches of EH KV that did not enable the group to record deferred tax assets.

Performance of the group's main geographic segments

The Euler Hermes Group segments its activities by geographic area based on the location of its insurance assets and liabilities.

Germany

This segment includes the direct insurance and reinsurance activities carried out by the German companies in their home market.

(in € thousands)	2009	2008	Variation %
Earned premiums	637,486	631,949	0.9%
Premium-related revenues	172,103	175,950	-2.2%
Turnover	**809,589**	**807,899**	**0.2%**
Net financial income	53,943	60,782	-11.3%
Total revenues from ordinary activities	**863,532**	**868,681**	**-0.6%**
Insurance services expense	(489,053)	(370,867)	31.9%
Reinsurance and retrocession expense	37,784	(376)	-10148.9%
Other expenses	(335,709)	(306,931)	9.4%
Total other expenses	**(786,978)**	**(678,174)**	**16.0%**
Ordinary operating income	**76,554**	**190,507**	**-59.8%**
Net combined ratio	*95.0%*	*52.8%*	

Turnover remained stable in 2009 for the Germany zone, which was a better performance than that achieved by the group as a whole (-3.7%). This stable performance was attributable to the 0.9% increase in earned premiums, which offset a 2.2% fall in premium-related revenues.

The fall in premium-related revenues was attributable to a decline in information sales and monitoring fees.

The drop in financial income is due essentially to lower interest rate returns on the bond portfolio.

Insurance service expense increased by 31.9% in 2009. This increase reflects the sharp rise in claims for the year, both in terms of number and amount, resulting from the downturn in the global economy, and a 2.3% drop in run-offs.

Reinsurance income increase as the result of the significant increase in claims assigned for the attachment year.

Operating expense increased by 9.4%, due mainly to the higher cost of purchasing information.

Operating income fell sharply, principally as the result of the increase in claims for the year and higher information costs.

Performance of the group's main geographic segments

Eastern and Northern Europe IDC (International Development Centre)

This segment includes the direct insurance and reinsurance activities carried out in Eastern European (Hungary, Poland, Czech Republic, Romania and Slovakia) and North European countries (Baltic countries, Finland, Sweden, Denmark and Norway).

(in € thousands)	2009	2008	Variation %
Earned premiums	105,597	99,109	6.5%
Premium-related revenues	48,532	53,055	-8.5%
Turnover	**154,129**	**152,164**	**1.3%**
Net financial income	2,159	3,891	-44.5%
Total revenues from ordinary activities	**156,288**	**156,055**	**0.1%**
Insurance services expense	(148,840)	(81,509)	82.6%
Reinsurance and retrocession expense	55,483	17,640	214.5%
Other expenses	(61,222)	(65,078)	-5.9%
Total other expenses	**(154,579)**	**(128,947)**	**19.9%**
Ordinary operating income	**1,709**	**27,108**	**-93.7%**

Turnover increased by 1.3% in 2009 thanks to strong growth (6.5%) in the insurance business, despite the significant depreciation of local currencies against the euro, which was the main explanation for the fall in premium-related revenues.

The drop in financial income was due mainly to the fall in interest rates on the bond portfolio and to the depreciation of the local currencies against the euro.

Insurance services expense increased strongly in 2009 versus 2008 due to the very severe global downturn which resulted in a significant rise in claims in Eastern and Northern Europe.

The zone posted reinsurance income thanks to a higher cession of claims to reinsurers.

Other expenses decreased, mainly as the result of the fall in services activities which led to a reduction in information purchases.

All in all, ordinary operating income was down sharply, by 93.7%.

Performance of the group's main geographic segments

Asia/Pacific IDC

This segment includes the services activities carried out by branches based in Asia, Australia and New Zealand.

(in € thousands)	2009	2008	Variation %
Earned premiums	-	-	-
Premium-related revenues	12,418	16,921	-26.6%
Turnover	**12,418**	**16,921**	**-26.6%**
Net financial income	(663)	-	100.0%
Total revenues from ordinary activities	**11,755**	**16,921**	**-30.5%**
Insurance services expense	-	-	-
Reinsurance and retrocession expense	-	-	-
Other expenses	(9,596)	(17,392)	-44.8%
Total other expenses	**(9,596)**	**(17,392)**	**-44.8%**
Ordinary operating income	**2,159**	**(471)**	**-558.4%**

Turnover from premium-related services fell sharply, by 26.6% or €4.5 million, in 2009. This fall was attributable mainly to the decreases in premium-related revenues recorded in Hong Kong and Singapore, of €2.7 million and €1.5 million respectively.

Premiums, and more generally the insurance business, in Asia, are underwritten directly by EH KV AG and are therefore included in the Germany segment. Earned premiums corresponding to the Asia zone amounted to €42.4 million in 2009, up by 55.3% relative to 2008 (€27.3 million). The net loss ratio was 116.23% in the Asia zone in 2009.

Other expenses fell by 44.8% or €7.8 million, reflecting mainly the fall in information costs linked to the decline in premium-related activities, combined with the cost cutting programs policy implemented by the group.

Ordinary operating income was up by 558.4% to €2.2 million

France & IDC

This segment includes all the activities carried out by the French companies in their home market as well as those carried out in Spain, Morocco and Greece.

(in € thousands)	2009	2008	Variation %
Earned premiums	327,131	363,651	-10.0%
Premium-related revenues	89,144	93,497	-4.7%
Turnover	**416,275**	**457,148**	**-8.9%**
Net financial income	73,204	72,060	1.6%
Total revenues from ordinary activities	**489,479**	**529,208**	**-7.5%**
Insurance services expense	(167,943)	(237,245)	-29.2%
Reinsurance and retrocession expense	(23,547)	14,014	-268.0%
Other expenses	(168,042)	(176,156)	-4.6%
Total other expenses	**(359,532)**	**(399,387)**	**-10.0%**
Ordinary operating income	**129,947**	**129,821**	**0.1%**
Net combined ratio	*79.8%*	*76.6%*	

Performance of the group's main geographic segments

Turnover declined by 8.9%, reflecting the significant fall in policyholders' insured turnover which was only partly offset by premium rate rises. Premium-related revenues also fell due to a drop in surveillance activities.

Financial income grew slightly relative to the previous year thanks to capital gains on sales of bonds and investment property, which more than offset the lower interest rate returns on the bond portfolio.

The loss ratio dropped substantially compared with 2008, down from 144% to 72% in Spain, from 120% to 41% in Greece and down by 8 points in France. The pace of new claims slowed in the second half thanks to the action plans put in place to reduce the loss ratio and to a slight improvement in the economic conditions.

Operating expenses decreased, reflecting a drop in brokerage fees resulting from the drop in earned premiums and the strict cost control implemented throughout the zone.

Despite the drop in premiums, ordinary operating income before reinsurance was up substantially compared with 2008 thanks to tight cost control and the reduction in claims. Ordinary income after reinsurance was virtually unchanged relative to 2008 due to the impact of reinsurance, which was negative in 2009 and which had been positive in 2008.

Italy

This segment includes all the activities carried out by the group's Italian companies.

(in € thousands)	2009	2008	Variation %
Earned premiums	161,025	202,353	-20.4%
Premium-related revenues	44,534	49,161	-9.4%
Turnover	**205,559**	**251,514**	**-18.3%**
Net financial income	12,719	9,158	38.9%
Total revenues from ordinary activities	**218,278**	**260,672**	**-16.3%**
Insurance services expense	(85,141)	(203,640)	-58.2%
Reinsurance and retrocession expense	(38,064)	22,332	-270.4%
Other expenses	(92,964)	(107,851)	-13.8%
Total other expenses	**(216,169)**	**(289,159)**	**-25.2%**
Ordinary operating income	**2,109**	**(28,487)**	**-107.4%**
Net combined ratio	*110.6%*	*131.7%*	

Earned premiums fell sharply, by €41.4 million or 20.4%, which was attributable to policy cancellations for €18.6 million, to the decrease in policyholders' insured turnover for €21.3 million and to a drop in new production. Premium-related revenues fell by 9.4% compared with 2008, reflecting a 14.4% drop in limit fees and a 28.5% fall in investigation fees, which were both partially offset by the 28.8% rise in debt collection fees. Turnover as a whole fell by 18.3%, or €45.9 million.

Financial income increased by 38.9% or €3.6 million thanks mainly to the realized gains on bonds' sales in June 2009.

Insurance service expense was down by 58.2% or €118.4 million relative to 2008 thanks to a positive run off of €40.9 million in 2009 (including €20.8 million relating to Parmalat) and to lower number of claims and average claim amounts recorded in 2009 compared to 2008.

The impact of reinsurance turned negative as overall claims situation has improved.

Performance of the group's main geographic segments

Operating expenses fell by 13.8%, corresponding to savings of €14.9 million, thanks to a €4.7 million decrease in brokerage fees and a €20.1 million decrease in information costs, both being partially offset by increases in acquisition costs (€3.6 million), collection expenses (€3.7 million) and other income (€2.8 million).

The subsidiary booked an additional case reserve of €16 million in respect of the SAFIM case.

The combined ratio dropped by 21.1 points to 110.6% thanks to the drop in operating expenses and the substantial decrease in insurance service expense.

United Kingdom

This segment includes all the activities carried out by group companies located in the United Kingdom.

(in € thousands)	2009	2008	Variation %
Earned premiums	168,585	192,466	-12.4%
Premium-related revenues	18,497	22,173	-16.6%
Turnover	**187,082**	**214,639**	**-12.8%**
Net financial income	7,926	9,519	-16.7%
Total revenues from ordinary activities	**195,008**	**224,158**	**-13.0%**
Insurance services expense	(129,240)	(182,359)	-29.1%
Reinsurance and retrocession expense	(3,265)	29,700	-111.0%
Other expenses	(78,304)	(85,176)	-8.1%
Total other expenses	**(210,809)**	**(237,835)**	**-11.4%**
Ordinary operating income	**(15,801)**	**(13,677)**	**15.5%**
Net combined ratio	*126.7%*	*119.8%*	

Turnover declined by 12.8% in the United Kingdom, reflecting a 12.4% drop in earned premiums and a 16.6% fall in premium-related revenues. At constant exchange rates, turnover was down only by 3.34%.

The fall in earned premiums is essentially attributable to the decline in insured turnover while the fall in premium-related revenues was linked to a decrease in limit fees.

The decline in financial income is essentially attributable to low interest rates on financial portfolio and the depreciation of the British pound against the euro.

Insurance services expense decreased by a significant 29.1%. Note that in 2008, Euler Hermes was affected by a major claim (Woolworth), whose gross impact on the financial statements came to nearly €59 million.

The strong decrease in reinsurance and retrocession charges reflects the decrease in claims cession in 2009.

Other income and expense fell by 8.1%. At constant exchange rates, it increased by 1.9%.

The decrease in financial income combined to the negative impact of the reinsurance result explains the 15.5% fall in ordinary operating income.

Performance of the group's main geographic segments

United States & IDC

This segment includes all the direct activities carried out in the United States, Mexico, Brazil, Argentina and Colombia, the reinsurance activities and the business carried out by EH ACI through its Canadian office.

(in € thousands)	2009	2008	Variation %
Earned premiums	170,279	163,454	4.2%
Premium-related revenues	28,223	29,562	-4.5%
Turnover	**198,502**	**193,016**	**2.8%**
Net financial income	13,121	5,695	130.4%
Total revenues from ordinary activities	**211,623**	**198,711**	**6.5%**
Insurance services expense	(136,311)	(133,814)	1.9%
Reinsurance and retrocession expense	7,829	14,934	-47.6%
Other expenses	(78,132)	(72,811)	7.3%
Total other expenses	**(206,614)**	**(191,691)**	**7.8%**
Ordinary operating income	**5,009**	**7,020**	**-28.6%**
Net combined ratio	*109.8%*	*98.4%*	

Turnover increased by 2.8% for this segment compared with 2008. The North America zone posted turnover of €179.2 million, up by 4.7% versus 2008. At constant exchange rates, the increase came to only 0.72% as the dollar strengthened slightly against the euro. The South America zone posted a 4.95% increase in turnover to €19.3 million, corresponding to an increase of 13.66% at constant exchange rates.

The very strong 130.4% increase in financial income reflects mainly the capital losses recorded in 2008 and the gain on the sale of US government bonds and treasury bills for €2 million in 2009.

Insurance services expense increased by 1.9%, remaining high in both North and South America given the rise in the number and amounts of claims linked to the severe global downturn suffered in 2008 and 2009.

Loss ratios contrasted sharply, however, between zones. In North America the loss ratio equals to 79.25%, up by 0.05 points compared with 2008, whereas it equals to 115.26% in South America, due mainly to Brazil where the loss ratio reached 168.8% at end 2009.

Net reinsurance and retrocession income fell by 47.6%, reflecting the negative impact of the reinsurance result in 2009.

Other income and charges increased by 7.3% reflecting mainly the rise in brokerage fees in the United States and services expense in Mexico and Canada.

Ordinary operating income was down by 28.6% as the result of the rise in claims and the negative impact of the reinsurance result.

Performance of the group's main geographic segments

Belgium

This segment includes the activities of the Belgian subsidiaries.

(in € thousands)	2009	2008	Variation %
Earned premiums	61,374	66,363	-7.5%
Premium-related revenues	18,628	17,052	9.2%
Turnover	**80,002**	**83,415**	**-4.1%**
Net financial income	4,174	3,580	16.6%
Total revenues from ordinary activities	**84,176**	**86,995**	**-3.2%**
Insurance services expense	(72,307)	(62,722)	15.3%
Reinsurance and retrocession expense	5,324	4,644	14.6%
Other expenses	(28,292)	(23,772)	19.0%
Total other expenses	**(95,275)**	**(81,850)**	**16.4%**
Ordinary operating income	**(11,099)**	**5,145**	**-315.7%**
Net combined ratio	*140.3%*	*96.3%*	

Earned premiums fell by 7.5% due mainly to the decrease in insured sales. This drop was partly offset by a 9.2% increase in premium-related revenues, reflecting increased demand for information services and growth in the debt collection business.

The increase in financial income is mainly the result of a €1 million capital gain realised on the sale of bonds.

Insurance services expense increased by 15.3% due to the very severe global downturn which has resulted in an increase in average claim amounts, and to a lesser extent, in their frequency.

The change in net reinsurance and retrocession income reflects the increase in the cost of claims assigned in 2009.

The increase in net other expense is mainly attributable to the higher net running costs in the Retail activity.

Netherlands

This segment includes the activities of the Dutch subsidiaries.

(in € thousands)	2009	2008	Variation %
Earned premiums	40,793	39,634	2.9%
Premium-related revenues	15,505	14,847	4.4%
Turnover	**56,298**	**54,481**	**3.3%**
Net financial income	1,577	1,308	20.6%
Total revenues from ordinary activities	**57,875**	**55,789**	**3.7%**
Insurance services expense	(25,304)	(20,194)	25.3%
Reinsurance and retrocession expense	(2,814)	(3,076)	-8.5%
Other expenses	(25,758)	(26,523)	-2.9%
Total other expenses	**(53,876)**	**(49,793)**	**8.2%**
Ordinary operating income	**3,999**	**5,996**	**-33.3%**
Net combined ratio	*88.6%*	*76.3%*	

Performance of the group's main geographic segments

Turnover increased by 3.3%, reflecting a 2.9% increase in premiums combined with a 4.4% increase in premium-related revenues. The growth in earned premiums is attributable to the positive impact of the new sales organisation put in place in 2008. The growth in premium-related revenues reflects an increase of debt collection services.

Financial income increased by 20.6% as the result of realised gains on financial portfolio in 2009.

The higher cost of claims reflects the increased frequency of claims as well as a 25.3% increase in the average claim amount compared with 2008.

Other income and expense fell by 2.9% relative to 2008 thanks to the group's cost reduction policy.

The combined effects of all these factors resulted in a 12.3% increase in the combined ratio up compared with 2008.

Group reinsurance

This segment includes the group reinsurance activities in Luxembourg and Switzerland.

Turnover grew by a substantial 15.4% reflecting the centralisation, since 2008, at the Luxembourg and Swiss subsidiaries of all cession done by group subsidiaries. The biggest part of this turnover is eliminated at group level in the consolidated financial statements.

(in € thousands)	2009	2008	Variation %
Earned premiums	703,153	609,434	15.4%
Premium-related revenues	-	-	0.0%
Turnover	**703,153**	**609,434**	**15.4%**
Net financial income	(2,079)	(3,432)	- 39.4%
Total revenues from ordinary activities	**701,074**	**606,002**	**15.7%**
Insurance services expense	(583,401)	(519,771)	12.2%
Reinsurance and retrocession expense	23,633	41,420	-42.9%
Other expenses	(215,410)	(230,821)	-6.7%
Total other expenses	**(775,178)**	**(709,172)**	**9.3%**
Ordinary operating income	**(74,104)**	**(103,170)**	**-28.2%**
Net combined ratio	*130.9%*	*124.9%*	

The 12.2% increase in the cost of claims (which remain high) was due in part to the new reinsurance structure set up at group level in 2008 (the greater part of these charges are subsequently eliminated in the consolidated financial statements) and in part to the increase in claims experienced by nearly all the group's subsidiaries as the result of the very severe deterioration in global economic conditions in 2008 and 2009.

The 42.9% decrease in reinsurance and retrocession expense is attributable to the drop in reinsurance commission rates in 2009 and to the increase in premiums paid in excess of claims in order to improve the group's cover against exceptional risks.

The high level of net other expenses is linked to the new reinsurance structure set up at group level in 2008 (the greater part of these charges are subsequently eliminated in the consolidated financial statements).

Consolidated shareholders' equity and adjusted capital

Consolidated shareholders' equity

At end-December 2009, consolidated shareholders' equity amounted to €1,816.5 million compared with €1,855.3 million at the end of 2008. The table below describes the main changes in shareholders' equity during the year.

(in € thousands)	Capital stock	Additional paid-in capital	Retained earnings	Revaluation reserve	Other		Sharehol-ders' equity, group share	Minority interests	Total share-holders' equity
					Translation reserve	Treasury shares			
Shareholders' equity as at December 31st,2008 - IFRS	**14,426**	**451,924**	**1,476,216**	**50,279**	**(73,191)**	**(84,697)**	**1,834,957**	**20,328**	**1,855,285**
Available-for-sale assets (AFS)									
Measurement gain/(loss) taken to shareholders' equity				23,936			23,936	(39)	23,897
Impact of transferring realised gains and losses to income statement				(29,207)			(29,207)		(29,207)
Other variations				(1,529)			(1,529)	26	(1,503)
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				20	13,918		13,938		13,938
Current and deferred tax taken directly to or transferred to shareholders' equity									
Net income recognised in shareholders' equity				**(6,779)**	**13,918**		**7,138**	**(13)**	**7,125**
Net income for the year			18,988				18,988	4,153	23,141
Total revenues and losses recognised for the period			**18,988**	**(6,779)**	**13,918**		**26,127**	**4,140**	**30,267**
Capital movements		35				(820)	(785)		(785)
Dividend distributions			(65,274)				(65,274)	(3,712)	(68,986)
Shareholders' equity component of share-based payment plans			444				444		444
Cancellation of gains/losses on treasury shares									
Other movements			310				310	(58)	252
Shareholders' equity as at December 31st, 2009 - IFRS	**14,426**	**451,959**	**1,430,684**	**43,500**	**(59,273)**	**(85,517)**	**1,795,779**	**20,698**	**1,816,477**

Consolidated shareholders' equity and adjusted capital

At end-December 2009, Euler Hermes' share capital was composed of 45,083,210 fully paid in shares, including 1,567,944 treasury shares. In accordance with IAS 39, available for sale securities have been restated at fair value through the revaluation reserve without any impact on the income statement. The change in the revaluation reserve for the period came to €6.8 million net of tax. The financial markets recovered in 2009, unlike in 2008 when they fell sharply.

The change in translation differences for the year relates mainly to the US dollar, for a negative impact of €5.3 million, and the British pound, which had a positive impact of €18.6 million.

980 new shares were created as the result of the exercise of stock options in 2009. As a result, the share premium of Euler Hermes SA increased by €0.04 million.

The movement of €0.444 million corresponds to the expenses relating to stock option plans in application of IFRS 2.

Adjusted capital

The group's adjusted capital after tax corresponds to its consolidated shareholders' equity after adjusting for the following:

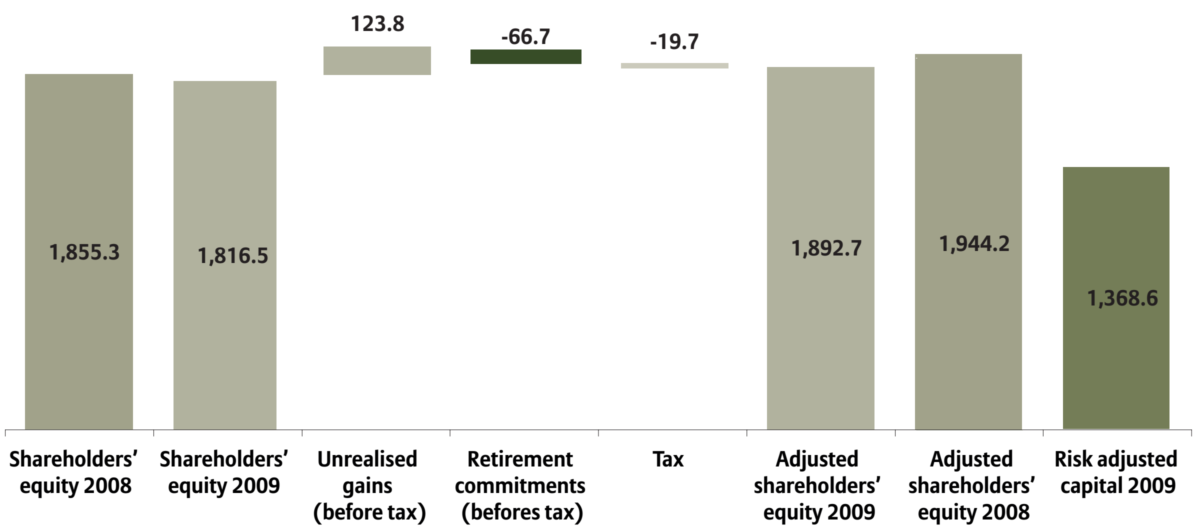
- Unrealised gains on assets not recognised at fair value (mainly investment property and property used in the group's operations),
- Retirement commitments (IAS 19 corridor),
- Tax effect on unrealised capital gains and retirement commitments

Adjusted capital after tax amounted to €1,892.7 million versus €1,944.2 million at end-2008, corresponding to a drop of 2.6%. This was the result of:

- The decrease in shareholders' equity resulting from the Group's share of net income being lower in 2009 than the dividend paid out in May 2009.
- A 23.9% decrease in unrealised capital gains, attributable to the decrease in investment property resulting from sales of property, mainly explained by sales.
- A 261.6% increase in non-amortised actuarial differences on retirement commitments.

Adjusted capital after tax

(in € million)



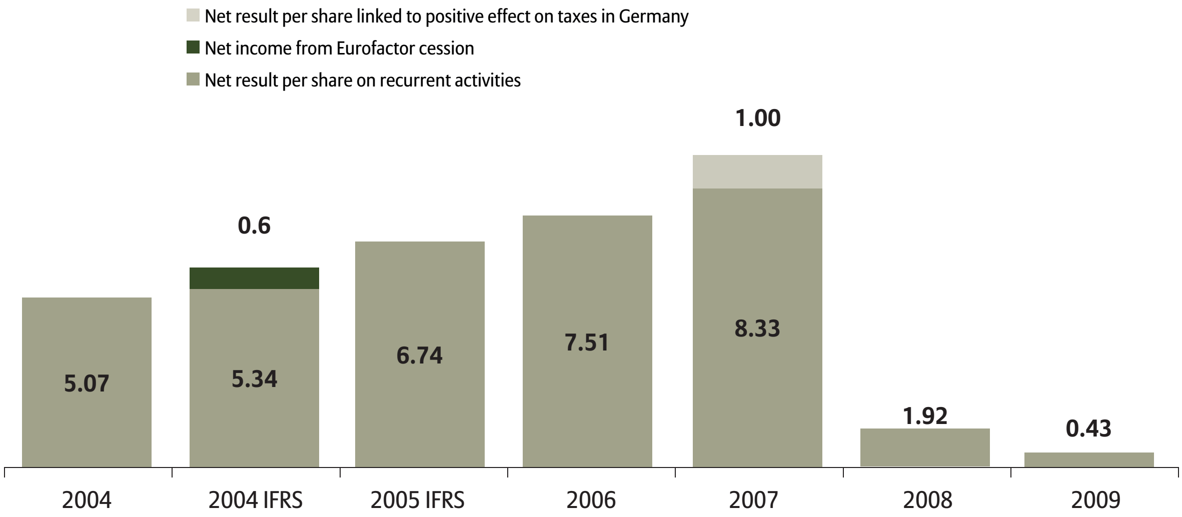
Creation of value for the shareholder

Earnings per share

Earnings per share before dilution came to €0.43 in 2009 versus €1.92 in 2008.

Net result per Euler Hermes share

(in euros)

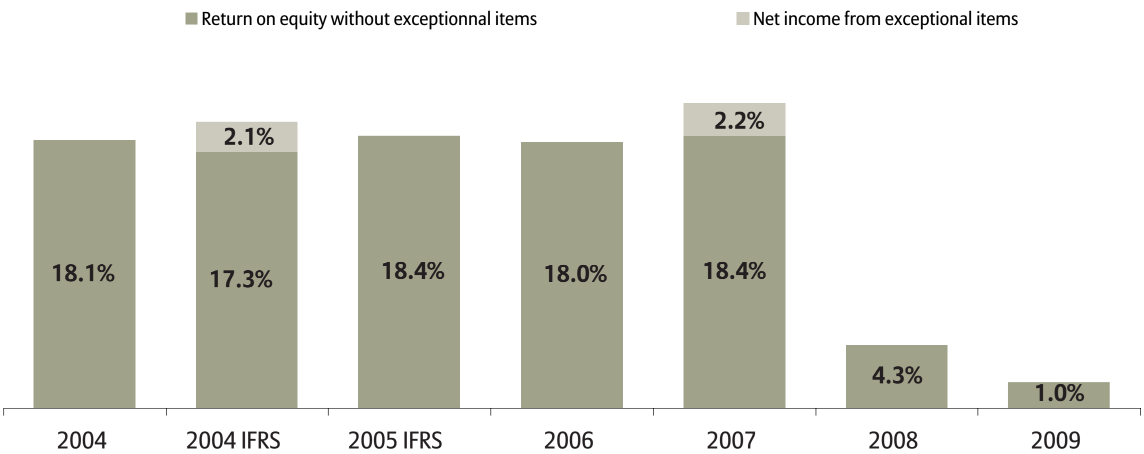


Return on equity

The return on equity in accounting terms[1] equals to 1.05%, down by 3.25 points relative to 2008 at comparable scope and excluding non-recurrent items.

Return on equity

(in %)



(1) Calculated on the basis of net income, group share relative to the average of shareholders' equity (excluding minority interests) at end-December 2008 and end-December 2009.

Creation of value for the shareholder

Return on allocated capital

As a member of the Allianz group, Euler Hermes uses the concept of return on allocated capital as an indicator of performance and of the creation of shareholder value. This indicator measures the surplus value created by the company's operations in relation to the cost of the capital allocated to those operations.

The operating contribution of the activity is measured using the method applied in the Allianz group. This consists of replacing actual results with standardised results so as to determine as accurately as possible the underlying economic performance of the group's businesses. The operating result thus obtained replaces actual financial income with a standardised financial income based on the expected medium-term return on each asset class, independently of market volatility, and takes into account the opportunity cost of surplus capital.

Total capital allocated to the business amounted to €1,667.8 million in 2009. The return on allocated capital was 0.8%, down by 4 points relative to 2008 due to the lower contribution from operating activities. This change resulted from:

- the sharp fall in net income, group share before tax and in financial income;
- the decrease in standardised financial income;
- an increase in the effective tax rate.

The following table sets out the main elements of the calculation of return on allocated capital:

(in € thousands)	2009	2008	Variation %
Net income, Group share	18,988	83,593	-77.3%
Cancellation of actual financial income	-148,410	-132,940	11.6%
Standardised financial income	125,361	155,533	-19.4%
Opportunity cost of surplus capital	-1,522	-7,164	-78.8%
Cancellation of actual tax	48,261	72,196	-33.2%
Standardised tax	-28,845	-77,117	-62.6%
Operating contribution of activity	**13,833**	**94,101**	**-85.3%**
Allocated capital (based on S&Ps quotation A and not AA)	1,667,767	1,966,433	-15.2%
Return on allocated capital	**0.8%**	**4.8%**	

Evolution of the activity of Euler Hermes SA

Euler Hermes SA is the parent company of the Euler Hermes group. It does not conduct any commercial or industrial activities and generates the bulk of its revenues from shareholdings.

Acquisition of subsidiaries and participating interests

En 2009, Euler Hermes subscribed the totality of the capital increases of Euler Hermes Reinsurance AG and Euler Hermes World Agency in amounts of, respectively €119.1 million and €2.8 million.

Sale of subsidiaries and participating interests

In 2009, Euler Hermes sold its entire shareholdings in Euler Hermes Hitelbiztosito Rt and Euler Hermes Magyar Követeléskezelö Kft to Euler Hermes Kreditversicherungs-AG. These sales generated a net capital gain of €0.6 million.

Comments on the results

Net income for the year came to €171.9 million compared with €193.5 million in 2008. The table below shows the main components of the company's income:

(in € thousands)	2009	2008	Variation%
Income from participating interests (1)	174,776	233,531	-25.2%
Other net financial expenses (2)	-11,117	-24,822	-55.2%
Net operating expenses (3)	-18,426	-8,641	113.2%
Provision for (-) or writeback of (+) depreciation of treasury shares	26,162	-30,359	-186.2%
Ordinary Income	**171,396**	**169,708**	**1.0%**
Exceptional items (4)	972	-51	-1 987.5%
Corporation tax (5)	-492	23,800	-102.1%
Net Income	**171,875**	**193,457**	**-11.2%**

(1) Revenue from investments in associates decreased by €58.8 million.

(2) This heading comprised mainly interest expense on financial debt taken out with associates for €16.2 million, including accrued interest amounting to €1 million, foreign exchange gains for €2.6 million and interest on intra-group loans for €1.6 million.
The 55.2% or €13.7 million decrease relative to 2008 is attributable mainly to a decrease in interest on intra-group loans for €6.7 million, a €3 million provision for impairment of LIP, SAP and RSU in 2008 and lower realised gains on disposals of investment property for €0.9 million.

(3) The €9.8 million increase in net operating expense compared with 2008 is attributable mainly to an increase of the external expense linked mainly to the One EH project and to operating expenses for the IRP system and to the development of the Global Reporting and Collection projects, to less capitalized IT costs than in 2008 (€-3.7 million) and to an increase of €1.9 million in payroll related costs.

(4) Non-recurrent items include mainly amounts received in connection with the guarantee of Eurofactor liabilities, in an amount of €0.4 million

(5) Euler Hermes SA also heads the tax group for French companies that are more than 95%-owned. In 2009, the tax group resulted in a surplus of €1.6 million compared with €19.6 million in 2008. The income tax charge came to €1.1 million and deferred tax liabilities came to €1 million.

LIABILITIES

Extract from Balance sheet at December 31st, 2009

(in euros)	12/31/2009
Suppliers overdue invoices	8,946.14
Suppliers invoices not received	3,181,848.50
Dettes fournisseurs et comptes rattachées	**3,190,794.64**

Evolution of the activity of Euler Hermes SA

Dividends

As recommended by the Group Management Board, the Supervisory Board proposes to the General Meeting that no dividend should be paid in cash.

Proposed allocation of income (in € thousands)	**2009**
Source	
Retained earning from previous year	171,455
Net income for the year	171,875
	343,330
Allocation	
Allocation to reserves:	
Legal reserve	0
Special reserve for long-term capital gains	0
Proposed dividend:	0
Retained earnings	343,330
	343,330

The table below shows the dividend per share paid for the past five years.

	2009 (1)	**2008 (2)**	**2007**	**2006 (2)**	**2005 (2)**	**2004 (2)**
Global amount (in thousands of euros)	0	67,623	225,263	174,193	151,824	103,621
Amount per share before tax credit (3)	0.00 €	1.50 €	5.00 €	4.00 €	3.50 €	2.50 €
Amount per share after tax (4)						
Montant par action après avoir fiscal	**0.00 €**	**1.50 €**	**5.00 €**	**4.00 €**	**3.50 €**	**2.50 €**

(1) Dividend proposed to the shareholders at General Meeting.

(2) Dividend for the year, paid the following year.

(3) The dividend per share is calculated based on the number of shares in issue.

(4) The historical rate wich was from 50% for natural persons and legal persons benefiting from the parent company regime.

Outlook

The global economy has experienced a sharp slowdown in growth in all parts of the world since the beginning of 2008, which resulted in an economic recession in North America and Europe in 2009. Euler Hermes is expecting a generalised but weak recovery, as these economies are now faced with major challenges: domestic household consumption depressed by the sharp rise in unemployment, governments faced with strong growth in public debt and which will be forced to make greater efforts to contain the public deficit, thereby reducing the resources available to stimulate GDP growth.

The weak global economic recovery is likely to maintain corporates' high awareness of risks, particularly risks that could affect their cash situations and operating cash flows. This is likely to push them to underwrite credit insurance. These more difficult economic conditions are also likely to favour a better remuneration of risk through higher premium rates but also require Euler Hermes to build closer relations with its policyholders in order to better understand their needs and adjust the risk coverage offered accordingly. Constant dialogue is a key element of Euler Hermes strategy for 2010, with the priority aim of optimising clients' loyalty when their policies come up for renewal.

However, Euler Hermes' premiums are directly linked to policyholders' turnover which tends to stagnate or even decline during recessions. The economic recession has so far resulted in a decline in premiums of 5% in the second quarter of 2009 and of 10% in the second half of the year. Euler Hermes foresees an increase of premiums in the first semester 2010 compared to the second semester 2009, but lower overall premium volume than the one recorded in the first semester of 2009. Depending on the scale of economic growth in 2010, the second half of the year could feature more dynamic premium growth.

The very difficult economic environment in which Euler Hermes is conducting its business requires a risk underwriting policy adapted to the circumstances. The group has put in place a permanent risk monitoring programme for its portfolio, with specific monitoring plans for large and small risks. Euler Hermes' objective is to avoid any deterioration in the quality of its portfolio so as to limit the negative impact of the sharp rise in corporate insolvencies in all the major economies. This proactive risk management enabled Euler Hermes to avoid major claims in 2009 and benefit from a progressive improvement in the loss ratio throughout the year, with a loss ratio of 70% for the fourth quarter of 2009; which enabled it to generate a positive underwriting result. Our goal for 2010 is to consolidate the improvement in underwriting results achieved in recent quarters and bring the combined ratio for 2010 to below 100%.

Reinsurance continues to be an essential tool for managing Euler Hermes risk capital requirements. At the end of 2008, confronted with a strong rise in the loss ratio, Euler Hermes decided it was appropriate to increase external cession to reinsurers and therefore decided to lower the retention rate from 78% to 70% in 2009. The group had also decided to improve its major claims risk cover by reducing the impact of a major claim to a maximum of between €80 million and €90 million of its net technical result compared with €110 million in 2008.

Given the present uncertain macroeconomic environment, the group has decided to leave its reinsurance policy unchanged, maintaining a retention rate of 70% for its credit insurance business line and keeping cover against major risks at more and less €100 million in 2010, slightly higher than in 2009.

The new reinsurance cover will allow limiting risk capital requirements to €1.5 billion in 2010 to be compared to net equity of €1,816 million at the end of 2009.

The establishment of the reinsurance cover in 2010 was nonetheless accompanied by higher excess of loss premiums and a decline of the minimum variable reinsurance commissions paid by the reinsurers on premiums ceded by Euler Hermes through quota-share treaties. The additional cost of the reinsurance program of 2010 compared to 2009 can be estimated at €20 million.

The group intends to continue to harmonise its IT tools so as to improve service quality, maintain its competitive edge and keep costs under control.

Euler Hermes will also pursue its prudent investment portfolio management policy. It significantly reduced its exposure to equities in 2007 and 2008 and does not intend to increase exposure to equities in the short term. The group expects the bond portfolio to be the main contributor for its financial income in 2010 but expects a substantial decrease of realised capital gains in 2010, compared to €71.3 million realized gains in 2009, representing 48.4% of net financial income.

Euler Hermes intends to pursue its international expansion by continuing to invest in new economic powers (China and India, but also Russia) and in regional leaders, such as Turkey, Israel, Brazil and Argentina, in order to accompany its clients' development.

Outlook

Credit insurance is a business based on economies of scale and Euler Hermes has proved its capacity to keep up with changes in international trade so as to offer quality service. As well as significant internal investment, the group will continue to examine any acquisition opportunities that arise in the trade receivables financing and management market.

The group has confidence in its strategy. Euler Hermes has a strong financial structure and efficient management tools that should enable it to emerge from the crisis in a strong position. The uncertain macroeconomic outlook makes it difficult to set precise financial targets, but Euler Hermes' internal goal is to keep the combined ratio below 100%, providing it does not experience a major claim with an impact of more than €100 million.

Sustainable development

Generating sustainable performances

Involving group employees in coherent and efficient action to win clients' trust is the role of the leadership values adopted by all the staff.
Since 2001, Euler Hermes has focused on promoting the five values that are shared throughout the Allianz group. These values guide the actions of each employee to enable the group to achieve its objectives, satisfy its clients and strengthen its foundations a little more each day.

Align strategy and communication

By ensuring the consistency of its actions, strategy, communications and commitments, Euler Hermes offers clients and the business world in general a clear and transparent view.
Thanks to this coherence, its staff can commit to assisting clients' business development and insure their trade risk. The transparency of Euler Hermes' approach, its organisation, the interaction between the various entities, its methods and its tools are a further guarantee of coherency and reliability.

Promote a culture of excellence

Euler Hermes sees performance as the principal factor of excellence and sustainable growth. Seeking to achieve excellence is a constant motor for progress so as meet the challenges of economic globalisation.

All the group's staff share and contribute to achieving the same goal: be the preferred partner for trade receivables management worldwide. Each employee has a role in attaining this goal. Euler Hermes promotes initiative and encourages each employee to take part in achieving improved performances.

Focus on its clients

The group has taken numerous steps to adapt its organisation to its environment: information systems, sharing of best practices, training, mobility, etc. All these initiatives place the client as the focal point of reflection. How to improve service? How to respond better to clients' needs? These are the questions that must be asked each day so that the group's strategy can progress.

Encouraging its staff's development

Euler Hermes exists thanks only to its clients and employees. The staff's skills, knowhow and commitment are the group's strength and driving force. Euler Hermes therefore undertakes to provide ongoing training and encourage mobility and diversity so as to create a climate of excellence, trust and commitment to better serve clients.

Build on mutual trust and feedback

The global leader in credit insurance must be a trusted partner. To develop this trust and ensure lasting growth, Euler Hermes must found its relations with all its staff and partners on the same basis of mutual trust and commitment.

Developing talent to encourage performance

The skills, knowhow and daily commitment of Euler Hermes' employees at the service of its clients are the bases of the group's performance. Its human resources policy is designed to develop talent and encourage cultural diversity to meet the challenges of a globalised economy.

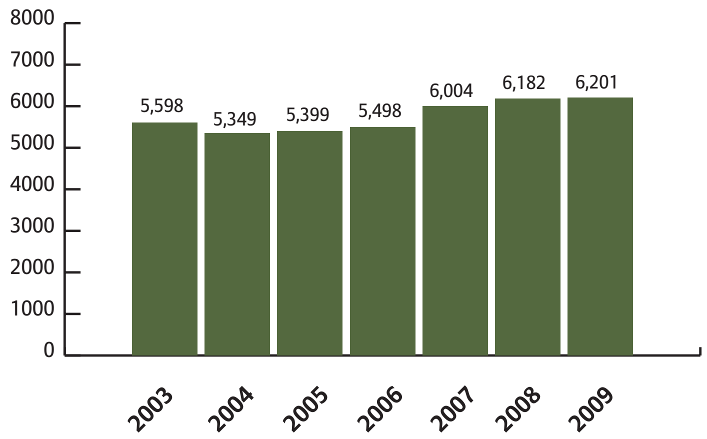
The essence of the Euler Hermes group consists of its 6,201 employees spread throughout more than 50 countries. They work together on a daily basis to insure clients' trade receivables throughout the world. Each employee works as part of a network with correspondents everywhere in the world to respond to the needs of local businesses. All their talents are used to achieve this goal.

Workforce at December 31st, 2009

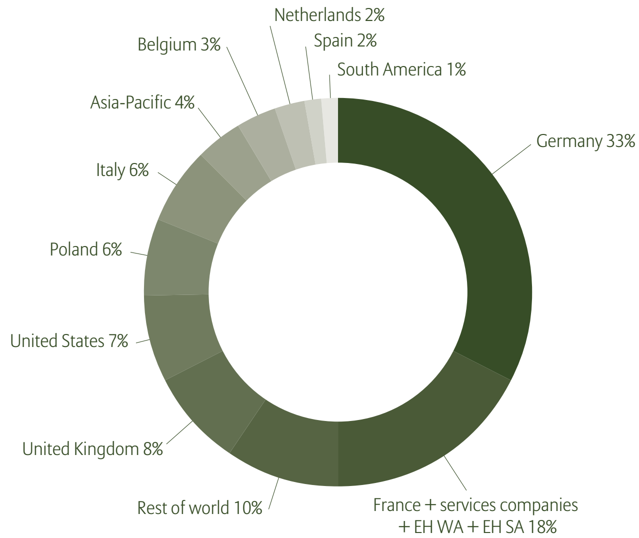
In 2009, 640 new employees were recruited and 592 people left the group. The average age of employees is 40 years and the average length of service is 11 years.
In each country in which Euler Hermes operates, work organisation and working hours conform strictly to local regulations and labour agreements.

Sustainable development

Changes in the workforce



Breakdown of workforce by geographic region



A global training policy

Euler Hermes has built its reputation and position as global leader on its professionalism and an experience acquired over more than a century. All the group's employees share the same values, methods and tools. It is essential to recruit the best talent and integrate it into a strong corporate culture to ensure consistency at group level and the same quality of service throughout the world. Training is a means of developing employees' talents. All the group's credit analysts attend seminars on Euler Hermes' Risk Business Model to learn to use the same methods and tools. This guarantees consistency in the grading of companies and facilitates mobility between the various group entities.

Other training is provided to respond to employees' needs, such as the Management Development Seminar for young staff with high potential.

Trust, consistency and shared objectives are the necessary bases for working in an international and decentralised group. They are the key factors of the success of Euler Hermes' business model.

In 2009 a budget of €4.1 million was allocated to training.This budget represented 1.48% of total payroll expense.

Sustainable development

Fostering diversity

Both at the local and international levels, Euler Hermes' success relies on the talent and cultural diversity of its staff. Euler Hermes' sees cultural diversity as a valuable asset for gaining a better understanding of the mechanisms of world trade and providing businesses with services adapted to their needs. For this reason the group launched the Diversity project in 2008 to coordinate and harmonise human resources policies at all group entities. This project is based on essential concepts such as gender balance and equal treatment: access to employment and training, pay, career progress, etc. Diversity Awareness Workshops have been organised to heighten managers' awareness of these issues and enable them to respond to them. This project continued in 2009.

Contributing to sustainable development

Euler Hermes contributes to sustainable and harmonious development of the world economy by helping its clients to build and secure their businesses. Alongside its clients, the group's strategy is guided by its values and sense of corporate social responsibility.

Environmental responsibility

The impact of any company's activities on the environment is a vital element that must be considered in every aspect of its strategy. These concerns have been taken into account in general insurance operations, but the issues are less obvious for a credit insurance activity.
The group's activities, by their nature, have very little impact on the environment. The group's commitment to sustainable development is more particularly reflected in its relations with partners and clients.
However, the group has taken steps to increase awareness and responsibility, and numerous initiatives are taken to ensure more efficient use of human resources, equipment and natural resources.
Direct consumption of water and non-renewable energy resources is limited in the credit insurance business. Neither is there any risk of accidental pollution that could have consequences outside the company.
Electrical and heating equipment is nonetheless regularly reviewed and replaced so that it complies with the required standards in terms of safety, consumption and comfort.
In view of the activity carried out by the group, utilisation of the ground or the production of waste that could contaminate the water, air or ground is minimal or non-existent. The group's choice of suppliers takes into account their commitment to collecting and recycling end-of-life equipment. In many subsidiaries, waste is systematically sorted for recycling.
Consumption of paper is a major concern for the company. Group companies send several million items of mail and millions of computer printouts are made each year. Over the past few years, the group has developed Internet-based computer links with its clients thus enabling rapid, precise and inexpensive daily communication.
For internal consumption, the policy is to use recycled paper; furthermore, the configuration and development of micro-computing has increased electronic storage capacity, enabling filing space to be saved and reducing the creation of "paper" files.

Lastly, a central function in each group entity – usually the General Resources department – is responsible for drafting operating guidelines to ensure that the technical maintenance and management of property conforms to local regulations. Regular checks are effected to detect the presence of bacteria or asbestos. Other checks, equivalent to Veritas checks, are carried out on electrical installations.

Sustainable development

Some examples of the Group's social responsibility and commitment to sustainable development at local level

Germany
At the German entity, the various departments compete in terms of energy savings. The department that achieves the largest energy savings relative to the previous year receives an award.

United States
For the past ten years, Euler Hermes ACI has operated a scheme of financial aid for the Johns Hopkins Children's Center. Seventy percent of the staff have contributed, raising a total of $17,000 for the centre. Euler Hermes ACI for its part increased to $35,000 the aid granted to sick children and their families.

France
Dematerialisation is an integral part of Euler Hermes SFAC's processes. The vast majority of communications and exchanges of documents with clients are now electronic via the EOLIS extranet system and no longer by post or fax.
Electronic documents undergo various processes to ensure their integrity, duration and traceability. Each client has an electronic safe.

Hong Kong
The group's Hong Kong subsidiary encourages its staff to take part in charity events throughout the year. In 2009, many of the staff took part in Green Power Hike and the Community Chest's Dress Special Day.

Italy
In 2009, the Italian entity once again showed its strong commitment to helping children by adopting ten children at a distance in different parts of the world and supporting various other initiatives, such as the City of Children and thirteen joint actions with Allianz Italy. For several years now, Euler Hermes SIAC has also been supporting the development, educational and healthcare projects implemented by the not-for-profit association AMRE in Africa.

Poland
Euler Hermes' Polish subsidiary invests heavily in staff training, enabling 80 employees to obtain post-master diplomas in finance with a specialisation in insurance. In addition, 220 employees have attended foreign language courses and 45 have attended management courses. All the sales staff also received sales training while the other departments have received training in their specific areas.

Corporate governance

Insuring trade credit: a responsible role

Insurance plays a fundamental role in the sustainable development of any company by preventing risks and limiting the impact of claims. As the world leader in credit insurance, Euler Hermes contributes to developing business activity in a globalised economy with all its attendant risks. In highly contrasted economic environments, Euler Hermes helps its clients to control their customer risk, consolidate their growth and ensure their future.

The group is managed by a Group Management Board that is in turn supervised by a Supervisory Board, which has set up two board committees, the Audit Committee and the Remuneration and Appointments Committee.

Group Management Board

The Group Management Board is the group's decision-taking body. Its function is to manage, co-ordinate and control the group. All of the powers of the Group Management Board are exercised collectively although individual Board members are assigned responsibility for supervising cross-company functions for the group and its subsidiaries. The Group Management Board meets as often as required in the company's interest. In 2009, it met 23 times, approximately bi-monthly.

At December 31st, 2009 the members of the Group Management Board were:

Membres	Date of first appointment	Date of renewal	End of term of office
Wilfried Verstraete Chairman	04/01/2009	-	03/31/2012
Dr Gerd-Uwe Baden	05/25/2004	05/04/2007	03/31/2012
Nicolas Hein	05/25/2004	05/04/2007	03/31/2012
Michel Mollard	05/25/2004	05/04/2007	03/31/2012
Michaël Hörr	01/01/2008	-	01/31/2010 (Resignation)

The Supervisory Board meeting of December 2nd, 2009 approved the proposal by the Remuneration and Appointments Committee to appoint Mr Dirk Oevermann as a member of the Group Management Board with effect from February 1st, 2010 to replace Mr Michael Hörr who has decided to take a new position at Allianz France.

Supervisory Board

The Supervisory Board exercises permanent control over the Group Management Board's management of the company and provides it with the necessary authorisations as required by law or the Articles of Association. The Supervisory Board also appoints the members of the Group Management Board as well as its chairman. In 2009 the Supervisory Board met five times.

In accordance with Article 11 of the Articles of Association, the Supervisory Board is composed of at least three members and at most twelve members, who are appointed by the shareholders' Ordinary General Meeting. In accordance with the principles of corporate governance, the Supervisory Board has four independent members.

The independent members are considered as such within the sense of the AFEP/MEDEF recommendations, to which the group adheres. They have no relationship of any kind whatsoever with the company, its group, its management or any shareholder with more than 10% of the capital, that could compromise their freedom of judgement.

The members of the Supervisory Board comply with the provisions of the French law on New Economic Regulations (NRE) No. 2001-420 of May 15th, 2001, covering the number of directorships they hold. This constitutes an important guarantee of their commitment and availability to the group.

At December 31st, 2009 the members of the Supervisory Board were Jean-Philippe Thierry (Chairman), François Thomazeau (Vice-Chairman), Charles de Croisset, Robert Hudry, Jean-Hervé Lorenzi, Yves Mansion, Philippe Carli and Clement Booth.

Corporate governance

Audit Committee

The Audit Committee is responsible for supervising procedures for external and internal audits of group companies. Specifically, it is reported to by:
- the head of group audit on the planning and outcome of audit assignments in the group and its subsidiaries;
- accounting and financial managers on the company financial statements;
- the independent auditors on their work.

The Audit Committee met four times in 2009.
The members of the committee are Robert Hudry (Chairman), Yves Mansion and François Thomazeau.

Remuneration and Appointments Committee

The Remuneration and Appointments Committee is composed of three members of the Supervisory Board. Its task is to make recommendations to the Supervisory Board concerning the remuneration of members of the Group Management Board and the allocation of share options to employees of the group. It met three times in 2009.
The members of the committee are François Thomazeau (Chairman), Charles de Croisset and Jean-Hervé Lorenzi.

Management of cross-company functions

Euler Hermes has a matrix-type management organisation, of which the cross-functional managers on the one hand, and managers of subsidiaries, on the other, are the cornerstones.

Cross-functional managers and managers of subsidiaries implement the strategy determined by the Group Management Board and report to its members on their specific responsibilities.

In 2009, cross-company functions were managed by:

Philippe Bastié	Risks
Benoît des Cressonnières	Reinsurance
Jean-François Decroocq	Risk management
Raphaële Hamel	Communication
Nicolas Hein (1)	Finance and accounting
Ralf Hillgner	Sales and marketing
Michael Hörr (1)	Operations
Francis Lallemant	Audit and support
Jorg-Uwe Lerch	Strategy
Arnaud Roger	General Secretariat
Elisabeth Sfez	Career management and international mobility

(1) Members of the Group Management Board.

Since January 2010, a new organisation and corporate governance has been in place as part of the One Euler Hermes project. The Chairman of the Group Management Board is responsible for Internal Audit, Human Resources and Communication. Responsibility for the group's key functions (risk, marketing/sales and distribution, finance/legal and compliance, and operations) is divided among the four other Group Management Board members.

Directors' remuneration

Management of the main subsidiaries

Each local entity is managed by a Chief Executive Officer (CEO) who is responsible for implementing the group's strategy, its business model and for determining local strategies.

The Chief Executive Officers of the main subsidiaries are as follows:

Germany	Euler Hermes Kreditversicherung	Dr Gerd-Uwe Baden (1)
Belgium	Euler Hermes Credit Insurance	Jean Luc Louis
United States	Euler Hermes ACI	Paul Overeem
France	Euler Hermes SFAC	Michel Mollard (1)
Italy	Euler Hermes SIAC	Michele Pignotti
Netherlands	Euler Hermes Kredietverzekering	Gerard van Kaathoven
Scandinavia	Euler Hermes Nordic	Lars Gustafsson
Poland	Euler Hermes Towarzystwo	Krzysztof Chechlacz
United Kingdom	Euler Hermes UK	Fabrice Desnos
Switzerland	Euler Hermes Reinsurance	Benoît des Cressonnières
World Agency	Euler Hermes World Agency	Roland van Malderghem

(1) Members of the Group Management Board.

The new organisation adopted in January 2010 is based on the six regions in which the Group operates (Americas, Asia-Pacific, France, Germany/Austria/Switzerland, Mediterranean countries/Africa and Northern Europe). Each region is managed by a Region Head who is responsible for applying the decisions taken by the Group Management Board.

Group Management Board

Remuneration for members of the Group Management Board is set by the Remuneration and Appointments Committee and approved by the Supervisory Board. The gross remuneration and benefits of all kinds paid to members of the Group Management Board in 2009 amounted to € 2,767 thousand. The fixed portion of remuneration for members of the Group Management Board is determined by the analysis of comparable market data. The principles of the performance-related or variable portion of remuneration of members of the Group Management Board are described in the section entitled "General Information".

The variable portion of remuneration for company officers is based on three sets of criteria:
- consolidated group sales, operating income, the combined ratio and EVA;
- the achievement of operating objectives;
- the achievement of personal qualitative objectives.

The members of the Group Management Board are also eligible for the Mid-Term Bonus (MTB) system, which was introduced by Allianz to improve the loyalty of its senior management. The system is based on a three-year period: if the objectives are achieved over the three-year period, an additional bonus will be paid at the end of the period.

The potential bonus is a set amount plus a possible 20% upside. It is divided into two parts, each equally weighted and based on the EVA and strategic objectives, respectively. If an average rate of between 70% and 120% is achieved for both parts, the bonus will be calculated proportionally to the degree of achievement of the objectives.

The 2008-2010 Mid-Term Bonus period ended on December 31st, 2009.

From January 1st, 2010 new rules for the variable portion of remuneration were put in place within the Allianz group. The variable remuneration now comprises a short-term bonus and a medium-term bonus over a three-year period. These bonuses are conditional upon performance and limited to a certain amount.

Directors' remuneration

	Period	Fixed paid in 2009	Specific allowances	Variable remuneration paid in 2009 in respect of 2008	Mid-Term Bonus Plan (2008-2010) Plan closed Dec 2009 Payout in 2010	SAR exercised in 2009	Variable remuneration to be paid in 2010 in respect of 2009	Benefits in kind (car)	Benefits in kind (other)	Total 2009
Group Management Board										
Clemens Von Weichs	01/01/09 to 03/31/09	107,500	72,500	147,449	-		-	-	-	327,449
Wilfried Verstraete	04/01/09 to 12/31/09	337,500	299,910 (1)	-	150,000		337,500	-	1,891	639,301
Gerd-Uwe Baden	01/01/09 to 12/31/09	400,000	-	162,741	90,315	None	88,750	22,866		585,607
Nicolas Hein	01/01/09 to 12/31/09	350,000	-	111,105	72,252		90,000	6,104		467,209
Michel Mollard	01/01/09 to 12/31/09	300,000	-	138,531 (2)	72,252		130,000(4)	2,886		441,417
Michael Hörr	01/01/09 to 12/31/09	230,000	-	70,263 (3)	51,608		54,000 (5)	5,367		305,630
Total		**1,725,000**	**372,410**	**630,089**	**436,427**		**700,250**	**37,223**	**1,891**	**2,766,613**

(1) Housing allowance and international mobility allowance, social charges included for the latter.

(2) €117,112 paid in bonuses and €21,419 in respect of profit sharing and incentive schemes.

(3) €22,579 paid in bonuses and €47,684 in respect of profit sharing and incentive schemes.

(4) €103,184 paid in bonuses and €26,816 in respect of profit sharing and incentive schemes.

(5) €25,280 paid in bonuses and €28,720 in respect of profit sharing and incentive schemes.

Lastly, under the global incentive plan for Allianz group management, the members of the Group Management Board were allocated SAR (Stock Appreciation Rights) and RSU (Restricted Stock Units). The value of these incentives is linked to changes in the Allianz share price over seven years in the case of SAR and over five years in the case of RSU.

Euler Hermes stock options and Allianz SAR and RSU were allocated as follows:

Stock-options and other equity-based incentives in 2009 (in units)

	Euler Hermes options allocated in 2009	Options exercised in 2009	RSUs allocated in 2009	SARs allocated in 2009	RSUs exercised in 2009
Clemens von Weichs	None	None	377	767	None
Wilfried Verstraete			-	-	
Gerd-Uwe Baden			367	747	
Nicolas Hein			301	612	
Michel Mollard			286	582	
Michael Hörr			196	399	
Total			**1,527**	**3,107**	

Some members of the Group Management Board who are solely corporate officers and are not employees are protected by special agreements in the event they are removed from office. These agreements are intended to replace the statutory provisions protecting salaried employees in the event of dismissal. These specific measures concern Messrs Wilfried Verstraete and Gerd-Uwe Baden and provide for the payment of gross compensation of 200% and 50%, respectively, of the amount of their last annual remuneration. In accordance with the law, the payment of such compensation is subject to the achievement of performance conditions.

Messrs Wilfried Verstraete and Gerd-Uwe Baden also benefit from an Allianz group supplementary defined contribution pension plan.

Directors' remuneration

Supervisory Board

Attendance fees paid to members of the Supervisory Board amounted to €360 thousand gross in 2009 and break down as follows:

(in € thousands)	2009
Jean-Philippe THIERRY	55.7
Charles de CROISSET	55.7
Robert HUDRY	55.7
Yves MANSION	55.7
François THOMAZEAU	55.7
Jean-Hervé LORENZI	55.7
Philippe CARLI	12.8
Clement BOOTH	12.8
Total	**360.00**

In addition, in accordance with Article L. 225-102-1, paragraph 2 of the French Commercial Code, the remuneration and benefits of all kinds received by each of the corporate officers of Allianz France and Allianz AG, the companies that control Euler Hermes amounted to:

- Jean-Philippe THIERRY: €1,433.7 thousand, as follows:
  - set annual gross salary paid in 2009 of €700 thousand;
  - performance-related remuneration paid in 2009 in respect of 2008 of €620 thousand;
  - attendance fees of €55.7 thousand;
  - benefits-in-kind of €58 thousand.

In addition, he received 4,819 SARs (Stock Appreciation Rights) and 2,367 RSUs (Restricted Stock Units). Mr Jean-Philippe Thierry did not exercise any SARs or RSUs in 2009

- François THOMAZEAU: €791.8 thousand, as follows:
  - set annual gross salary paid in 2009 of €440 thousand;
  - performance-related remuneration paid in 2009 in respect of 2008 of €286 thousand;
  - €4.7 thousand in respect of profit-sharing and incentive plans;
  - attendance fees of €55.7 thousand;
  - benefits-in-kind of €5.4 thousand.

In addition, he received 4,484 SARs (Stock Appreciation Rights) and 2,202 RSUs (Restricted Stock Units).

- Clement BOOTH (member of the Supervisory Board since September 18th, 2009): €1,446. 8 thousand, as follows:
  - set annual gross salary paid in 2009 of €700 thousand;
  - performance-related remuneration paid in 2009 in respect of 2008 of €624 thousand;
  - attendance fees of €12.8 thousand;
  - benefits-in-kind of €110 thousand.

In addition, he received 18,789 SARs (Stock Appreciation Rights) and 15,977 RSUs (Restricted Stock Units).

List of posts and offices held by directors

Name	Company	Country	Post/Function	Date of first appointment	Date of expiry of mandate
GROUP MANAGEMENT BOARD					
Wilfried Verstraete	Euler Hermes SA	France	Chairman of the Group Management Board	03/31/2009	03/31/2012
	Euler Hermes UK	United Kingdom	Director	06/25/2009	02/01/2012
	Euler Hermes ACI	United States	Chairman of the Board	11/13/2009	
	Euler Hermes Kreditversicherungs-AG	Germany	Chairman of the Board	04/27/2009	Shareholders meeting called to approve the financial statements for 2012
	Euler Hermes SIAC	Italy	Chairman of the Board	04/22/2009	Shareholders meeting called to approve the financial statements for 2009
	Immobel	Belgium	Independent director	08/29/2007	05/26/2011
	Celtel B.V	Netherlands	Director		
Clemens von Weichs	Euler Hermes SA	France	Chairman of the Group Management Board	05/25/2004	Resigned on 04/01/2009
Gerd-Uwe Baden	Euler Hermes SA	France	Member of the Group Management Board	05/25/2004	03/31/2012
	Euler Hermes Kreditversicherungs-AG	Germany	Chairman of the Management Board	06/01/2004	12/31/2009
	Prisma Kreditvesicherungs-AG	Austria	Vice-Chairman of the Supervisory Board	05/28/2004	Shareholders meeting called to approve the financial statements for 2009
	Euler Hermes Towarzystwo Ubezpieczeniowe SA	Poland	Chairman of the Supervisory Board	05/18/2005	Shareholders meeting called to approve the financial statements for 2009
Michel Mollard	Euler Hermes SA	France	Member of the Group Management Board	05/25/2004	03/31/2012
	Euler Hermes SFAC	France	Chairman of the Management Board	05/13/2008	Resigned on 12/31/2009
	Euler Hermes UK Plc	United Kingdom	Director	06/17/2002	02/28/2012
	Euler Hermes Holdings UK Plc	United Kingdom	Director	06/17/2002	02/28/2012
	Euler Hermes ACI	United States	Vice-Chairman of the Supervisory Board	12/19/2002	No expiry date
	Perfectis Private Equity	France	Chairman of the Supervisory Board	09/28/2006	12/31/2010
	COSEC	Portugal	Director	03/27/2008	03/26/2010
	Euler Hermes Acmar	Morocco	Chairman of the Board of Directors	11/09/2006	06/30/2013
Michael Hörr	Euler Hermes SA	France	Member of the Group Management Board	01/01/2008	Resigned on 01/31/2010
	Euler Hermes Tech SAS	France	Chairman		Resigned on 01/31/2010

List of posts and offices held by directors

Name	Company	Country	Post/Function	Date of first appointment	Date of expiry of mandate
GROUP MANAGEMENT BOARD					
	S.3.R. (société de réassurance des risques relatifs aux applications spatiales)	France	Member of the Board		
Nicolas Hein	Euler Hermes SA	France	Member of the Group Management Board	05/25/2004	03/31/2012
	Euler Hermes ACI	United States	Director	03/31/2004	No expiry date
	Euler Hermes ACI Holding Inc	United States	Director	03/18/2004	No expiry date
	Euler Hermes Credit Insurance Belgium	Belgium	Director	05/10/2006	05/13/2009
	Euler Hermes Kredietverzekering NV	Netherlands	Director	11/26/2004	
	Euler Hermes Kreditversicherungs -AG	Germany	Member of the Supervisory Board	01/01/2006	Shareholders meeting called to approve the financial statements for 2012
	Euler Hermes SFAC	France	Vice-Chairman of the Supervisory Board	05/18/2004	Shareholders meeting called to approve the financial statements for 2010
	Euler Hermes SIAC	Italy	Vice-Chairman	04/23/2004	Shareholders meeting called to approve the financial statements for 2009
	Euler Hermes UK Plc	United Kingdom	Director	12/08/2004	Shareholders meeting called to approve the financial statements for 2009
	Euler Hermes Holdings UK Plc	United Kingdom	Director	05/27/2004	Shareholders meeting called to approve the financial statements for 2009
	Euler Hermes Reinsurance AG	Switzerland	Director	11/22/2005	No expiry date

List of posts and offices held by directors

Name	Company	Country	Post/Function	Date of first appointment	Date of expiry of mandate
SUPERVISORY BOARD					
Clement Booth	Euler Hermes SA	France	Chairman of the Supervisory Board	01/01/2010	Shareholders meeting called to approve the financial statements for 2011
	Allianz Australia Ltd.	Australia	Director	01/01/2006	No expiry date
	Allianz Australia Insurance Ltd.	Australia	Director	01/01/2006	No expiry date
	CIC Allianz Insurance Ltd.	Australia	Director	01/01/2006	No expiry date
	Allianz Australia Life Insurance Ltd.	Australia	Director	01/01/2006	No expiry date
	Allianz SE	Germany	Member of the Group Management Board	01/01/2006	No expiry date
	Allianz Global Corporate & Specificity AG	Germany	Chairman of the Supervisory Board	11/16/2005	No expiry date
	AZ Irish Life Holding	Ireland	Director	01/01/2006	No expiry date
	Allianz UK Ltd.	United Kingdom	Chairman of the Management Board	01/01/2006	No expiry date
	Allianz Holdings Plc.	United Kingdom	Chairman of the Management Board	01/01/2006	No expiry date
	Allianz Insurance Plc.	United Kingdom	Chairman of the Management Board	01/01/2006	No expiry date
	Association of British Insurers (ABI)	United Kingdom	Member	07/15/2009	
Jean-Philippe Thierry	Euler Hermes SA	France	Chairman of the Supervisory Board	02/27/2001	12/31/2009
			Member of the Supervisory Board	12/31/2009	Resignation 03/10/2010
	Allianz France SA	France	Chairman of the Board of Directors	06/05/2001	Resignation 12/31/2009
	Tocqueville Finance Holding SAS	France	Director		
	Tocqueville Finance SA	France	Director		
	Allianz Holding France SAS	France	Chairman	09/03/2007	
	Mondial Assistance AG	Switzerland	Chairman of the Supervisory Board	12/16/2005	
	Allianz SE	Germany	Member of the Group Management Board	01/01/2006	Resignation 01/01/2010
	Société Financière Foncière et de Participations (FFP)	France	Director	09/15/2005	Shareholders meeting called to approve the financial statements for 2010
	PPR	France	Director	09/05/2006	
	Compagnie Financière de Saint-Honoré SA	France	Non-voting member		
	Baron Philippe de Rotschild SA	France	Non-voting member	06/01/2002	Shareholders meeting called to approve the financial statements for 2012

List of posts and offices held by directors

Name	Company	Country	Post/Function	Date of first appointment	Date of expiry of mandate
SUPERVISORY BOARD					
	Eurazeo	France	Non-voting member	05/31/2004	Shareholders meeting called to approve the financial statements for 2015
	Paris Orléans	France	Non-voting member	10/29/2004	Shareholders meeting called to approve the financial statements for 2012
	Concordia	France	Director		
	Atos Origin	France	Director		
François Thomazeau	Euler Hermes SA	France	Vice-Chairman of the Supervisory Board	04/25/2001	Shareholders meeting called to approve the financial statements for 2009
	Allianz Africa (formerly AGF Afrique)	France	Chairman of the Board of Directors	11/28/2001	Shareholders meeting called to approve the financial statements for 2015
	Allianz Global investors France (formerly AGF Asset Management)	France	Director	02/02/2006	Shareholders meeting called to approve the financial statements for 2012
	Allianz France (formerly AGF SA)	France	Deputy CEO	01/01/2006	Shareholders meeting called to approve the financial statements for 2012
			Director	09/18/2003	Shareholders meeting called to approve the financial statements for 2010
	AGF Holding	France	Deputy CEO	09/18/2003	Mandate expired 06/17/2009 (company absorbed)
			Director	06/03/1998	
	Allianz Iard (formerly AGF IART)	France	Director	06/03/1998	Shareholders meeting called to approve the financial statements for 2010
	Allianz France International (formerly AGF International)	France	CEO	06/07/2001	Shareholders meeting called to approve the financial statements for 2012
	AGF Private Equity	France	Chairman of the Supervisory Board	05/18/2006	Shareholders meeting called to approve the financial statements for 2011
	Allianz Vie (formerly AGF Vie)	France	Director	06/03/1998	Shareholders meeting called to approve the financial statements for 2010
	Allianz Banque (formerly Banque AGF)	France	Permanent representative of Allianz France-Director	03/05/2003	Shareholders meeting called to approve the financial statements for 2011
	GIE Allianz Informatique (formerly AGF Informatique)	France	Member of the Supervisory Board	05/22/2003	Shareholders meeting called to approve the financial statements for 2012
	Allianz Holding France SAS	France	Chief Executive Officer	09/03/2007	Resigned 11/30/2009
	GIE Allianz Investment Management Paris	France	Director	12/19/2007	Shareholders meeting called to approve the financial statements for 2011
	AAAM (Allianz Alternative Asset Management)	France	Director	05/30/1996	Shareholders meeting called to approve the financial statements for 2014
	ACAR	France	Chairman of the Board of Directors	06/27/2002	Shareholders meeting called to approve the financial statements for 2012
	Bolloré	France	Director	03/22/2007	Shareholders meeting called to approve the financial statements for 2014

List of posts and offices held by directors

Name	Company	Country	Post/Function	Date of first appointment	Date of expiry of mandate
SUPERVISORY BOARD					
	Carene	France	Director	04/07/2006	Mandate expired 12/17/2009 (company absorbed)
	Château Larose Trintaudon	France	Chairman of the Board of Directors	05/30/2007	Shareholders meeting called to approve the financial statements for 2012
	Cofitem Cofimur	France	Director	05/24/2000	Shareholders meeting called to approve the financial statements for 2012
	Foncière des 6ème et 7ème arrondissements	France	Director	02/20/2006	Shareholders meeting called to approve the financial statements for 2012
	Locindus	France	Vice-Chairman of the Board of Directors	11/26/2008	Shareholders meeting called to approve the financial statements for 2014
	Noam Europe Expansion Sicav	France	Non-voting member	12/19/2003	Shareholders meeting called to approve the financial statements for 2016
	PHRV Paris Hôtel Roissy Vaugirard	France	Director	04/10/2003	Shareholders meeting called to approve the financial statements for 2015
	Protexia France	France	Director	02/21/2006	Shareholders meeting called to approve the financial statements for 2010
	Allianz Belgium (formerly AGF Belgium Insurance)	Belgium	Chairman of the Board of Directors	06/06/2001	Shareholders meeting called to approve the financial statements for 2013
	AGF Brasil seguros	Brazil	Chairman of the Board of Directors	03/23/2005	Resigned 08/02/2009
	Allianz seguros y reaseguros	Spain	Director	05/23/2001	Shareholders meeting called to approve the financial statements for 2014
	Allianz Nederland Groep	Netherlands	Member of the Supervisory Board	08/29/2001	Shareholders meeting called to approve the financial statements for 2011
	AGF Ras Holding	Netherlands	Vice-Chairman of the Board of Directors	06/06/2001	
	AGF Holdings UK	United Kingdom	Chairman of the Board of Directors	06/11/2001	
	AGF Insurance	United Kingdom	Chairman of the Board of Directors	06/11/2001	
	Thompson Clive (Jersey n°3) Ltd	United Kingdom	Director	04/15/1997	Shareholders meeting called to approve the financial statements for 2011
	Mondial Assistance AG	Switzerland	Deputy vice-chairman	03/24/2003	Mandate expired 11/25/2009
	MAG SAS	France	Member of the Supervisory Board	11/25/2009	Mandate expired 12/31/2009
	Compania colombiana de inversion colseguros	Colombia	Chairman of the Board of Directors	03/31/2004	Shareholders meeting called to approve the financial statements for 2011
	IDI SCA	France	Member of the Supervisory Board	06/30/2008	Shareholders meeting called to approve the financial statements for 2011
Yves Mansion	Euler Hermes SA	France	Member of the Supervisory Board	01/01/1992	Shareholders meeting called to approve the financial statements for 2011
	Société Foncière Lyonnaise	France	Chief Executive Officer	03/22/2002	Shareholders meeting called to approve the financial statements for 2010

List of posts and offices held by directors

Name	Company	Country	Post/Function	Date of first appointment	Date of expiry of mandate
SUPERVISORY BOARD					
	Parholding SAS	France	Chairman	10/06/2009	Shareholders meeting called to approve the financial statements for 2010
	Autorité des Marchés Financiers	France	Member of the College	11/01/2003	05/29/2011
	Mansions SAS	France	Chairman	06/13/2007	No expiry date
	Aviva France	France	Member of the Supervisory Board	10/01/2008	Shareholders meeting called to approve the financial statements for 2012
	Aviva Participations	France	Director		
John Coomber	Euler Hermes SA		Member of the Supervisory Board	04/23/2003	Shareholders meeting of May 15th, 2009
	Swiss Re GB Plc	United Kingdom	Director	May 1992	May 2008
	Swiss Reinsurance Company		Director	Feb. 2006	02/01/2009
Jean-Hervé Lorenzi	Euler Hermes	France	Member of the Supervisory Board	11/19/2004	Shareholders meeting called to approve the financial statements for 2009
	Compagnie Financière de Saint-Honoré SA	France	Member of the Supervisory Board	06/25/2004	Shareholders meeting called to approve the financial statements for 2009
	Edmond de Rotschild Private Equity Partners SAS	France	Chairman of the Supervisory Board	12/12/2006	Shareholders meeting called to approve the financial statements for 2010
	Edmond de Rotschild Capital Partners SAS	France	Chairman of the Supervisory Board	12/12/2006	Shareholders meeting called to approve the financial statements for 2010
	Edmond de Rotschild Investment Partners SAS	France	Chairman of the Supervisory Board	12/12/2006	Shareholders meeting called to approve the financial statements for 2010
	Newstone Courtage SA	France	Member of the Supervisory Board	04/13/2007	Shareholders meeting called to approve the financial statements for 2009
	SIACI SA	France	Member of the Supervisory Board	04/13/2007	Shareholders meeting called to approve the financial statements for 2009
	Assurances & Conseils Saint-Honoré SA	France	Member of the Supervisory Board	04/13/2007	Shareholders meeting called to approve the financial statements for 2009
	Novespace SA	France	Permanent representative of Compagnie Edmond de Rotschild Banque on the Board of Directors		
	Associés en Finance SA	France	Non-voting member		
	BNP Paribas Assurances SA	France	Director	05/14/2007	Shareholders meeting called to approve the financial statements for 2009
	Crédit Foncier de France SA	France	Non-voting member		
	Editis	France	Member of the Supervisory Board	07/02/2008	Mandate expired March 6th, 2009
	Editis	France		12/17/2008	Shareholders meeting called to approve the financial statements for 2009

List of posts and offices held by directors

Name	Company	Country	Post/Function	Date of first appointment	Date of expiry of mandate
SUPERVISORY BOARD					
	Eramet	France	Director	02/01/2009	
	GFI SA	France	Director	12/14/2007	Shareholders meeting called to approve the financial statements for 2013
Robert Hudry	Euler Hermes	France	Member of the Supervisory Board	04/07/2000	Shareholders meeting called to approve the financial statements for 2009
	Dofasco Steel Strategic Stitching	France	Member of the Supervisory Board		
Charles de Croisset	Euler Hermes	France	Member of the Supervisory Board		Shareholders meeting called to approve the financial statements for 2009
	Fondation du Patrimoine	France	Chairman	Dec. 2006	
	Bouygues	France	Director	Sept. 2003	Shareholders meeting called to approve the financial statements for 2009
	Renault	France	Director	April 2004	Shareholders meeting called to approve the financial statements for 2011
	Thalès	France	Director	May 2004	Resigned on May 19, 2009
	Thalès Holdings plc UK	United Kingdom	Director	2006	Resigned on May 19, 2009
	SA des Galeries Lafayette	France	Member of the College of Censors	May 2004	Shareholders meeting called to approve the financial statements for 2011
	LVMH	France	Director	05/01/2008	Shareholders meeting called to approve the financial statements for 2010
Philippe Carli	Euler Hermes SA	France	Member of the Supervisory Board	05/15/2009	Shareholders meeting called to approve the financial statements for 2011
	Siemens Healthcare Diagonostics SAS	France	Member of the Board of Directors	03/31/2008	03/31/2010
	Trench France	France	Member of the Board of Directors	06/30/2005	03/31/2010
	Siemens T&D SAS	France	Member of the Board of Directors	10/20/2005	
	Siemens SAS	France	Chairman	10/01/2002	03/31/2012
	Siemens SAS	France	Chairman of the Board of Directors	03/28/2003	03/31/2012
	Siemens France Holding	France	Member of the Audit Committee	11/20/2002	
	Siemens France Holding	France	Chairman of the Board of Directors	03/01/2004	03/31/2012

Transactions carried out under the share-buy-back programme

The eleventh resolution of the Ordinary and Extraordinary General Meeting of shareholders held on May 15th, 2009 authorised the Group Management Board, with the option to delegate this power to the Chairman, to implement a share buy-back programme, for a period of eighteen months. The said programme was implemented as from May 16th, 2009, i.e. the day after the Ordinary and Extraordinary General Meeting.

1. Breakdown by objectives of capital securities held

The breakdown by objectives of the number of shares thus held at March 31st, 2010 was as follows:

- 283,100 shares earmarked for allocation to employees or managers of the company or of its subsidiaries in respect of their entitlement to profit sharing, a share option plan, bonus issue of existing shares or a company savings plan;
- 984,344 shares available to be used as a means of exchange in connection with acquisitions or the issue of securities giving access to the company's capital;
- 300,500 shares in connection with a liquidity contract entered into with Rothschild & Cie Banque, shares initially allocated to acquisitions.

2. Transactions in own shares from April 1st, 2009 to March 31st, 2010

Capital directly and indirectly held at March 31st, 2010	1,567,944 shares, i.e. 3.48% of the capital
Number of shares cancelled in the past 24 months	0
Number of shares held in the portfolio at March 31st, 2010	1,567,944 shares, i.e. 3.48% of the capital
Portfolio carrying amount at March 31st, 2010	€83,665,097
Portfolio market value at March 31st, 2010 (on the basis of the share price at March 31st, 2010, i.e. €55.20)	€86,550,509

3. Issuer's statement of trading in own shares under the share buy-back programme authorised by the General Meeting of Shareholders of May 15th, 2009 (period from May 16th, 2009 to March 31st, 2010)

	Cumulative gross flows		Positions open on March 31st, 2010			
	Purchases	Sales/ Transfers	Open purchasing positions		Open selling positions	
			Calls purchased	Forward purchases	Calls sold	Forwardsales
Number of shares	3,500					
Maximum average maturity	Nil	Nil	Nil	Nil	Nil	Nil
Average transaction price (1)	44,0072 €					
Average exercise price (1)		-				
Amount in euro (1)	154,025.2	-				

(1) Cumulative gross purchasing flows apply exclusively to transactions carried out under the liquidity contract signed with Rothschild and Cie Banque. No calls were exercised between May 16th, 2009 and March 31st, 2010.

Observations of the Supervisory Board on the report of the Group Management Board

The Group Management Board has presented you with its report on Euler Hermes' situation and on its activities during the year ended December 31st, 2009.

In 2009, the global economy experienced the worst recession in more than sixty years. All sectors were affected but the situation was particularly difficult for credit insurers as the strong rise in corporate insolvencies and payment default resulted in an exponential rise in risk and claims losses. Given the deterioration in the solvency of many buyers, credit insurers were forced to review their most sensitive exposures and reduce them.

Despite the severity of the crisis, Euler Hermes rapidly took adequate measures in the areas of risk and commercial development to protect its clients and its business. The Group thereby strengthened its leadership in the trade receivables management market, while conserving the AA- rating assigned by Standard & Poor's. Euler Hermes' financial results remained positive in 2009 despite a slight fall in turnover.

The Supervisory Board approves the group's strategy of ensuring the appropriate management of its client and risk portfolios combined with rigorous cost control, and its reinsurance policy aimed at protecting the group's capital base through the appropriate reinsurance of major risks in particular. It also approves the group's prudent financial portfolio management, which gives preference to low-risk investments providing stable returns.

More generally, the Supervisory Board approves, without exception, all the Group Management Board's strategic choices and initiatives.

The Supervisory Board's Audit Committee paid particular attention to the adequacy of the group's technical reserves in relation to its commitments and to the correct application of accounting standards. It is satisfied as to the degree of prudence with which the group has constituted its provisions.

The Supervisory Board has examined the Group Management Board's report and the financial statements for the year ended December 31st, 2009. It recommends that you approve the resolutions submitted to the Annual General Meeting by the Group Management Board.

The Supervisory Board confirms its confidence in the Group Management Board. It will continue to give it all the support it can, particularly during the present phase of reorganisation designed to make Euler Hermes a truly integrated group. Lastly, it would like to thank all staff members for the professionalism and commitment they have shown during this particularly difficult year. The Supervisory Board will continue to encourage them to achieve the ambitious goals set for the group in 2010.

Chairman's report pursuant to Article L. 225-37 of the French Commercial Code

To the shareholders,

As a complement to the report of the Group Management Board, I wish to report to you on the conditions under which the work of the Supervisory Board and the Group Management Board is prepared and organised, and on the internal control procedures implemented by Euler Hermes SA.

REGULATORY OBLIGATIONS

The French Financial Security Act (*loi de sécurité financière,* or *LSF*) was promulgated on August 1st, 2003, and has since been completed by the act to improve confidence and modernise the economy (*loi pour la confiance et la modernisation de l'économie*) and by the act adapting French company law to community law of July 3rd, 2008 (*loi d'adaptation du droit des sociétés au droit communautaire*). It requires the Chairman of the Board of Directors or the Supervisory Board of a French public limited company (*société anonyme*) to disclose, in a report attached to the management report:

- the conditions under which the Board's work is prepared and organised;
- the limits on the powers of the Chief Executive Officer; and
- the internal control procedures.

In a report attached to their general report, the Independent auditors must submit their remarks on the part of the Chairman of the Supervisory Board's report on internal control and risk management procedures relating to the preparation and processing of accounting and financial information. These provisions apply as from the 2003 financial year. Euler Hermes is a French public limited company with a Group Management Board and a Supervisory Board and must therefore comply with the provisions of the French Financial Security Act.

The Sarbanes-Oxley Act adopted in the United States on July 25th, 2002, and which has applied since the end of 2006 to European companies listed on the New York Stock Exchange, introduced measures to increase financial and accounting transparency and to emphasize directors' responsibility. These measures relate in particular to:

- certification by the CEO (Chief Executive Officer) and the CFO (Chief Financial Officer) that procedures and controls relating to published information have been defined, established, tested and maintained, and in addition that the effectiveness of these procedures and controls has been evaluated (Section 302 of the Sarbanes-Oxley Act);
- assessment of the internal controls in a report by the directors stating the responsibility of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting, an assessment of the effectiveness of this system, and certification by external auditors (Section 404 of the Sarbanes-Oxley Act).

The Allianz group, of which Euler Hermes forms a part, was subject to the obligations set out in the Sarbanes-Oxley Act and took steps to comply with them as from the financial statements drawn up at December 31st, 2004. Despite the fact that Allianz has been delisted from the New York Stock exchange in October 2009, the measures related to Sarbanes Oxley are always applied within the Group.
The work performed by Euler Hermes in the context of Allianz's requests in this regard is coordinated with the work required in relation to the French Financial Security Act.

There are three parts to this report:

- conditions under which the Supervisory Board's work is prepared and organised:
  - the role of the Supervisory Board and how it is organised,
  - the role of the Group Management Board and how it is organised,
  - the conditions for shareholders to participate in General Meetings;
- internal control procedures and the control environment;
- internal control procedures with regard to accounting and financial information.

CONDITIONS UNDER WHICH THE SUPERVISORY BOARD'S WORK IS PREPARED AND ORGANISED

In general, the group is run by a Management Board, which is itself supervised by a Supervisory Board. In addition, the group has set up an Audit Committee and a Remuneration and Appointments Committee. These structures are completed by managers of cross-company functions, who report to the Group Management Board and who form the group's operational management structure.
In terms of corporate governance, Euler Hermes adheres to the recommendations constituting the AFEP-MEDEF (the French association of private businesses and the French business confederation) code, which may be consulted at its registered office, 1 rue Euler, 75008 Paris.

Chairman's report pursuant to Article L. 225-37 of the French Commercial Code

The role of the Supervisory Board and how it is organised

In accordance with the law and under the terms of Article 11 of the Articles of Association, the Supervisory Board is responsible for permanent supervision of the company's management by the Group Management Board and gives this Board the prior authorisations required under the law or the Articles of Association.

Composition of the Supervisory Board

In accordance with the company's Articles of Association, the Supervisory Board has at least three and no more than twelve members who are appointed by Ordinary General Meetings of the shareholders. The number of members of the Supervisory Board aged 70 years or older may not exceed one-third of the members in office. If this limit is exceeded, the oldest member must automatically resign. As at December 31st, 2009, the Supervisory Board had 8 members.

If the Supervisory Board considers it useful, it may, when so proposed by its Chairman, appoint non-voting members of the Board (censors), for a term that it chooses. These non-voting members may be individuals or legal entities and may but need not be shareholders. The Board determines the amounts and terms and conditions of their remuneration. This remuneration is taken from the annual amount allocated to the Supervisory Board for members' fees by the Ordinary General Meeting. These non-voting members may be called to attend and participate in all Supervisory Board meetings but solely in a consultative capacity. There was no designation of non-voting members in 2009.

The Supervisory Board elects a Chairman and a Vice-Chairman from among its members. The Chairman and, in his absence, the Vice-Chairman, is responsible for convening Board meetings and chairing their deliberations. Members of the Supervisory Board must each own at least five shares during their term of office. In order to change members regularly, members serve a three-year term, although they may be re-elected. The composition of the Supervisory Board is partly changed each year at the Ordinary General Meeting of the shareholders, depending on the number of members in office, such that changes are made as regularly as possible and so that all members have changed by the end of each three-year period.

In the event of a vacant position, following the death or resignation of one or more members of the Supervisory Board, a provisional replacement may be elected by the remaining members, with the appointment being subject to ratification by the next Ordinary General Meeting of the shareholders.

The members of the Supervisory Board may receive remuneration in the form of Supervisory Board members' fees, the amount of which is fixed by the Ordinary General Meeting of the shareholders, and exceptional remuneration under the conditions provided for by law. In addition, the Chairman and the Vice-Chairman may receive special remuneration, the amount of which is set by the Supervisory Board.

In accordance with the principles of the corporate governance code, the Supervisory Board includes a number of independent members (members are considered independent when they do not have any relationship with the company, its group or its general management that may compromise their freedom of opinion). There were four independent members of the Supervisory Board at December 31st, 2009. Furthermore, the members of the Supervisory Board comply with the provisions of the French law on New Economic Regulations (NRE) no. 2001-420 of May 15th, 2001, covering the number of directorships they may hold. This is an important guarantee of their commitment and availability to the group.

The Supervisory Board appoints the members of the Group Management Board, decides on their number, and appoints the Chairman and Chief Executive Officers where appropriate. It also sets their remuneration. It may remove one or more members of the Group Management Board from office or recommend that the Ordinary General Meeting do so.

The functioning of the Supervisory Board

Throughout the year, the Supervisory Board carries out the checks and controls it considers appropriate and can publish any documents that it considers useful for the completion of its mission. At least once a quarter, the Group Management Board presents a report to the Supervisory Board. The Supervisory Board can call shareholders' meetings and set the agenda. The Supervisory Board can decide to create committees and it sets their composition and assignments. These carry out their activities under the Board's responsibility, without said assignments having the purpose of delegating the powers attributed to the Supervisory Board by law or the Articles of Association, nor having the effect of reducing or limiting the powers of the Group Management Board.

In addition, the following decisions of the Group Management Board are subject to prior authorisation from the Supervisory Board:

- the sale of property and the total or partial sale of shareholdings and the constitution of sureties on company assets where the transaction exceeds €30,000,000;

Chairman's report pursuant to Article L. 225-37 of the French Commercial Code

- direct transactions or equity holdings that might significantly affect the group's strategy and materially modify its financial structure or scope of activity where these exceed €5,000,000;
- the issue of securities, of any kind, that may result in a modification of the registered capital regardless of the amount involved;
- transactions aimed at granting or contracting any borrowings or loans, credits or advances where these exceed €75,000,000;
- transactions aimed at constituting sureties, guarantees, deposits or bonding where these exceed €30,000,000.

When a transaction exceeds the specified amount, the approval of the Supervisory Board is required in each case.

The Supervisory Board met five times in 2009. The average attendance rate was 81%. The Supervisory Board met one time more than last year because of the appointment of a new member of the Management Board to replace a leaving member.

Within the Supervisory Board, there is an Audit Committee and a Remuneration and Appointments Committee.

The Audit Committee

The Audit Committee consists of three members of the Supervisory Board and is responsible for supervising the methods used for the internal and external control of group companies. Its task is to be kept informed by:

- the group head of audit on the activities and planned schedule of audit assignments covering the group and its subsidiaries;
- accounting and financial managers on the company and consolidated financial statements;
- the independent auditors on their findings.

Such information may be provided outside the presence of the company's general management.

It meets prior to each meeting of the Supervisory Board at which the company's activities and results are to be discussed. The Audit Committee met four times in 2009. Its Chairman reports to the Board on the work of the Committee.

The Remuneration and Appointments Committee

The Remuneration and Appointments Committee consists of three members of the Supervisory Board. Its task is to submit recommendations to the Supervisory Board regarding remuneration of the members of the Group Management Board and the granting of share subscription or purchase options to group employees. It also ratifies decisions taken by the Group Management Board regarding the remuneration of the directors of the group's main subsidiaries. Its Chairman reports to the Board on the Committee's work. It met three times in 2009.

The principles and amount of the remuneration paid to members of the Group Management Board are set by the Remuneration and Appointments Committee and approved by the Supervisory Board. The remuneration comprises a fixed portion and a variable portion, the latter being based on three criteria: the first is linked to the group's consolidated turnover, its operating income, the combined ratio and economic value added (EVA), the second to the achievement of operational contribution objectives, and the third to achievement of qualitative personal objectives. The objectives are proposed by the Remuneration and Appointments Committee and approved by the Supervisory Board.

At the end of each year, the Committee evaluates the extent to which each objective has been achieved and submits the calculation of the variable portion of remuneration to the Supervisory Board for its assessment.

Members of the Group Management Board may also be allocated share purchase and/or subscription options. These are intended to give senior managers an interest in the company's long-term development and profitability and are submitted by the Remuneration and Appointments Committee to the Supervisory Board for approval. In compliance with the Act of December 30th, 2006, members of the Group Management Board are required to hold in registered form a certain percentage of shares derived from share options until their term of office expires. On the recommendation of the Remuneration and Appointments Committee, on May 15th, 2008 the Supervisory Board set the percentage of shares that must be held in registered form by each member of the Group Management Board at 10%.
As part of the worldwide incentive plan for senior managers of the Allianz group, members of the Group Management Board may be allocated SAR (Stock Appreciation Rights) and RSU (Restricted Stock Units), the amounts of which are linked to changes in the Allianz share price over maximum periods of 7 and 5 years, respectively. The SAR and RSU allocations are also submitted by the Remuneration and Appointments Committee to the Supervisory Board for approval.

The members of the Group Management Board are also members of a Mid-Term Bonus (MTB) system, which was introduced by Allianz to improve the loyalty of its senior management. The system is based on a three-year period: if the objectives are achieved over the three-year period, an additional bonus will be paid at the end of the period.

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The potential bonus is a set amount plus a possible 20% upside. It is divided into 2 parts, each equally weighted and based on the EVA and the strategic objectives, respectively. If an average rate of between 70% and 120% is achieved for both parts, a proportional calculation will be made to reflect the degree of achievement of the objectives. The Mid-Term Bonus is subject to the same approval rules as share options, SAR and RSU.

In addition, some members of the Group Management Board who are solely corporate officers and are not employees are protected by special agreements in the case of removal from office. These agreements are intended to replace the statutory provisions protecting salaried employees in the event of dismissal. They provide for the payment of gross compensation of between 50% and 200% of the amount of their last annual remuneration. In compliance with Article L.225-90-1 of the French Commercial Code, payment of such compensation is subject to meeting a performance criterion. Concerning supplementary retirement plans, only Messrs Wilfried Verstraete and Gerd-Uwe Baden are beneficiaries under an Allianz group supplementary retirement plan.

Assessment of the Supervisory Board

In accordance with good practice, the Supervisory Board assesses its capacity to respond to the needs of the shareholders, by which they are appointed to administer the company, through periodic reviews of its composition, organisation and functioning. Regular reviews are carried out to see whether its functioning and organisation are appropriate to its role, and to verify that important issues are properly prepared and debated.
In accordance to the AFEP/MEDEF recommendations, an assessment of the Supervisory Board's work was carried out in the form of a self-assessment questionnaire distributed to the Board members. The summary of questionnaire results, presented to the Supervisory Board meeting of November 9th, 2009, did not raise any particular comment with regard to the functioning of the Supervisory Board.

The role of the Group Management Board and how it is organised

In accordance with the law and under the terms of Article 15 of the Articles of Association, the Group Management Board is the group's collective decision-making body. The function of the Group Management Board is to manage, organise and control the group. All the Group Management Board's powers are exercised collectively although Board members are assigned specific responsibility for supervising cross-company functions for the group and its subsidiaries. The Group Management Board consists of at least two and no more than six members appointed by the Supervisory Board; a member of the Supervisory Board cannot be a member of the Group Management Board. Since January 1st, 2008 the Group Management Board has comprised five members.
The number of offices held by the members of the Group Management Board complies with Article 11 of the NRE law no. 2001-420 of May 15th, 2001. Members of the Group Management Board must be individuals under the age of 65. This age limit is effective from the completion of the nearest General Meeting of shareholders. However, when a member of the Group Management Board reaches this age, the Supervisory Board can, on one or more occasions, extend his functions for a total term that may not exceed three years.

The Group Management Board is appointed for a period of three years and its members may be re-elected. They can be removed from office by the Supervisory Board or by the General Meeting of shareholders on the recommendation of the Supervisory Board. The Supervisory Board sets the method and amount of remuneration for each of the members of the Group Management Board when they are appointed.
In accordance with the law and under the terms of Article 16 of the company's Articles of Association, the Supervisory Board appoints one of the members of the Group Management Board as Chairman (CEO). The Chairman exercises his functions for the period of his office as a member of the Group Management Board. He represents the company in its relations with third parties.
Agreements concerning the company and any commitments undertaken in its name are signed by the Chairman of the Group Management Board or, if the Chairman of the Group Management Board is absent or unable to sign, by any member of the Group Management Board who has been appointed General Manager by the Supervisory Board or by any member especially empowered for this purpose.

In accordance with the law and under the terms of Article 17 of the company's Articles of Association, the Group Management Board is invested with the most extensive powers to act in all circumstances in the name of the company. It exercises these powers within the limits defined by the corporate purpose, subject to those powers expressly allocated to the Supervisory Board and to General Meetings by the law and the Articles of Association.

The Group Management Board can give one or more of its members or any outside person special assignments that it decides upon, which may be permanent or temporary, and can delegate to them the powers that it considers appropriate for one or more particular cases, with or without the option of sub delegation.

The Group Management Board operates according to "internal regulations" which are designed to complement the operating principles stipulated in the Articles of Association, while respecting the collegial principle of the Group Management Board and facilitating the work of the Supervisory Board. In addition, the regulations define the practical procedures for holding meetings and recording minutes. These regulations are regularly updated as a

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function of the company's requirements and the missions the Group Management Board sets for itself and its members.
The Group Management Board can set up committees. It decides on their composition and attributes, and they carry out their activity under its responsibility, but it cannot delegate its powers to such committees.
The Group Management Board meets as often as required in the interests of the company, usually twice a month. It met 23 times in 2009.
The members of the Group Management Board divide among themselves the supervision of the business of the Euler Hermes group and the group functions. The Chairman of the Group Management Board (CEO) alone represents the company in its relations with third parties.
In addition, the Chairman (CEO) is in charge of organising and coordinating the business of all group companies. Currently, he supervises at group level the areas of internal audit, human resources, communications and the activities of other members of the Group Management Board and relations with shareholders.

The four other members of the Group Management Board share supervision of the remaining cross-company functions, i.e. risks and commitments, sales and marketing, finance and accounting, reinsurance, and operations, which includes in particular supervision of the information technology function.
The person responsible for each cross-company function sets the limits of powers granted to the managers of subsidiaries in each of the areas in question.
In addition, each member of the Group Management Board acts as the representative of the shareholder in respect of certain group companies.

Lastly, the members of the Group Management Board must inform each other about the following:
- the most significant decisions taken in their entity or in the area of business for which they are responsible within the group and in particular actions aimed at developing or adapting the group's business;
- events whose scope, even if they take place within their area of responsibility, involves several entities and in particular changes in procedures or operational methods which, although not requiring formal approval by the members of the Group Management Board, may affect other group companies.

More generally, the Group Management Board deals with all actions related to implementation of the group's general strategy, in accordance with the procedure set out in the Group Management Board's internal regulations.
These regulations may be changed or added to by the Supervisory Board on the proposal of its Chairman.

New organisation and new governance structure

Since January 2010, as part of a project known as "One Euler Hermes", a new, more integrated, organisation and governance structure have been put in place. In concrete terms, this consists of:
- a geographic organisation with the creation of six regions (Americas, Asia-Pacific, France, Germany/Austria/Switzerland, Mediterranean countries/Africa and Northern Europe) each managed by a Region Head responsible for applying the decisions taken by the Group Management Board;
- a governance structure based on two bodies: the Group Management Board composed of the Chief Executive Officer and four other members, each responsible for a key group function (Risk, Marketing/Commercial/Distribution, Finance/Legal and Compliance and Operations), and the Leadership Team, which is responsible for applying the Group Management Board's decisions, ensuring their implementation and defining the priority initiatives to be taken within the group. The Leadership Team comprises the six Region Heads and the five members of the Group Management Board.

The conditions for shareholders to participate in General Meetings

In accordance with Article 20 of the company's Articles of Association, shareholders' General Meetings are convened and deliberate in the conditions provided for by law.

General Meetings are held either at the registered office or at any other location specified in the notice convening the meeting.

Ordinary General Meetings are open to all shareholders who, in accordance with the conditions set out below, hold at least one share. Special General Meetings are open to all holders of the class of share concerned who, in accordance with the conditions set out below, hold at least one share of that class.

The right of admission to General Meetings of shareholders is withdrawn in respect of any shares on which amounts called up have not been paid, which are ignored when calculating the quorum.

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Each shareholder has the right, on proof of identity, to participate in General Meetings either in person or by returning the postal voting form or designating a proxy (a spouse or another shareholder), subject to the above provisions and to registration of the shares in the shareholder's name or in the name of an intermediary registered on the shareholder's behalf:
- in the share register kept by the company for the holders of registered shares, or;
- in the share register kept by the intermediary account holder for the holders of bearer shares.

The above formalities must be completed by 00:00 hours Paris time on the third business day preceding the General Meeting.

General Meetings are chaired by the Chairman of the Supervisory Board or, in his absence, by the Vice-Chairman or a member of the Supervisory Board specifically delegated for that purpose by the Supervisory Board. In default of the preceding, the General Meeting elects its own Chairman.

The two members of the General Meeting holding the largest number of votes act as scrutineers, provided they are willing to do so.

The officers of the General Meeting appoint the secretary, who need not be a shareholder.

Each member of the General Meeting has one vote for each share held or represented.

In all General Meetings the voting right is held by the usufructuary.

The first time an Ordinary General Meeting is convened it may deliberate validly only if the shareholders present, represented or having voted by post, hold at least one quarter of the shares carrying voting rights; a quorum is not required on second convocation of the Ordinary General Meeting.

An Extraordinary General Meeting may deliberate validly only if the shareholders present, represented or having voted by post, hold at least one third of the shares carrying voting rights on first convocation or one quarter of the shares carrying voting rights on second convocation.

A Special General Meeting may deliberate validly only if the shareholders present, represented or having voted by post, hold at least one half of the shares carrying voting rights on first convocation or one quarter of the shares carrying voting rights on second convocation.

Votes at an Ordinary General Meeting are carried by a simple majority of the votes of shareholders present, represented or having voted by post.

Votes at an Extraordinary General Meeting or a Special General Meeting are carried by a two thirds majority of the votes of shareholders present, represented or having voted by post.

In calculating the quorum and the majority, shareholders participating in a General Meeting by videoconference or by telecommunications methods that enable shareholders to be identified, and the type and conditions of which have been determined by decree issued by the French Conseil d'Etat, are deemed to be present.

Minutes of General Meetings are prepared and copies are certified and delivered in accordance with the law.

INTERNAL CONTROL PROCEDURES AND THE CONTROL ENVIRONMENT

The Euler Hermes group operates mainly in the fields of credit insurance and bonding and guarantees

Existing regulatory obligations

Legal obligations (the French Financial Security Act, the Sarbanes-Oxley Act in the United States) have been added to the existing set of regulations under which a company's management is directly responsible for all the company's business, including its internal control system; i.e. the achievement of objectives and the design and implementation of resources making it possible to control them. These regulations include those issued by the Insurance and Mutual Society Control Commission (*Autorité de Contrôle des Assurances et des Mutuelles*) and the Banking Commission (*Commission Bancaire*) as well as accounting standards and the recommendations made in reports on corporate governance. All these rules and regulations have been taken into account in group procedures.

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Internal control

On January 22nd, 2007, the Autorité des Marchés Financiers, the French securities regulator, published its guidelines for internal control, defined as follows:
Internal control forms part of a company's systems and is defined and implemented under its responsibility with a view to ensuring:

- compliance with laws and regulations;
- the application of instructions and strategies set by the General Management or by the Management Board;
- the correct functioning of the company's internal procedures, notably those intended to safeguard its assets;
- the reliability of financial information;

and, more generally, to contribute to the control of its activities, the effectiveness of its operations and the efficient use of its resources.

As part of the measures taken to comply with the Sarbanes-Oxley Act, and for consistency's sake, Euler Hermes uses the internal control principles laid down by the COSO (Committee of Sponsoring Organizations of the Treadway Commission), which apply within the Allianz group. These principles are internationally acknowledged.

It defines internal control as a process implemented by an entity's Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of financial reporting;
- compliance with applicable laws and regulations.

COSO's definition of internal control breaks it down into five separate areas:

- the control environment (increasing staff awareness of the need for controls);
- the assessment of risks (factors likely to affect achievement of objectives);
- control activities (particularly the application of standards and procedures);
- information and communication of data to manage and control activities.
- the monitoring of control systems.

Internal control is designed to provide reasonable assurance regarding the achievement of the following objectives:

- financial performance, by the efficient and appropriate use of the group's assets and resources and protection against the risk of losses within the company;
- precise and regular knowledge of the data required for decision-making and risk management;
- adherence to internal and external rules;
- prevention and detection of fraud and mistakes;
- accuracy and completeness of accounting records and preparation of reliable accounting and financial information in a timely manner.

Internal control, in accordance with the COSO's description, is described below.

The control environment

The control environment inside the Euler Hermes group and its subsidiaries consists of the following:

- control structures;
- rules of conduct;
- the definition of responsibilities and control of individual objectives.

The principles of corporate governance

The Euler Hermes group has applied the principles of corporate governance by organising the structures of the holding company so as to supervise and control its subsidiaries. It has set up the following structures within its largest subsidiaries (Euler Hermes SFAC, Euler Hermes SIAC, Euler Hermes UK, Euler Hermes ACI, Euler Hermes Credit Insurance Belgium, Euler Hermes Kredietverzekering, Euler Hermes Kreditversicherungs-AG, Euler Hermes Nordic).

Governance structures

- A Board of Directors or Supervisory Board, depending on the entity. It includes the representative(s) of the shareholder (the group), directors from outside the group and meets 4 times a year in the presence of the CEO. Its task is to define the strategic orientations and control the business activities of the subsidiary and of its CEO. It reviews the subsidiary's financial statements, main projects, legal risks and development. Its work is based on group reports drawn up by Group Management Control and specific indicators in the sales and marketing, risks, and litigation areas in particular.

Chairman's report pursuant to Article L. 225-37 of the French Commercial Code

- A Board Audit Committee. This consists of two or three directors and generally meets, with the subsidiary's management, on the day before Board of Directors' meetings. It carries out a detailed review of the subsidiary's financial statements, internal controls and the activity of internal and external auditors. The internal and external auditors take part in the work. They may discuss matters outside the presence of the company's general management at the request of members of the Committee or its Chairman. The Committee reports to the Board of Directors.
- A Remuneration Committee. This consists of the CEO, the representative of the shareholder and a non-executive chairman. The Committee decides on the remuneration of the members of the subsidiary's Management Committee on the basis of the CEO's proposals. The Group Remuneration Committee is informed of its decisions.
- A Finance Committee whose role is defined in the chapter entitled "Internal control procedures with regard to accounting and financial information".

Management structures

- A Management Committee or Management Board, depending on the entity, chaired by the CEO. This consists of the main managers and meets at least once a month. It manages the subsidiary's business operationally on the basis of reports drawn up by Management Control and specific indicators. Its Chairman reports to the Board of Directors.
- A Management Audit Committee. This committee consists of members of the Management Committee and its Chairman (or his deputy). It meets between four and eight times a year. It reviews in detail internal audit reports, is responsible for communicating the contents of the report within the company and monitors the implementation of recommendations and the completion of the internal audit programme.

The former Hermes group companies have similar structures based on the Supervisory Board and the German "Vorstand" model of a Management Board.

The smaller subsidiaries have an Audit Committee, which plays the same role as in the larger subsidiaries.
The group's General Management launched the "One Euler Hermes" project to define a new organisation with effect from January 1st, 2010. The new organisation is characterised by central operating functions and geographic division of the world into six regions.

Action as regards compliance

The role of Group Compliance Officer was created in 2003, and strengthened in 2006 by the appointment of a Group Compliance Manager and the setting up of a network of nine compliance correspondents at the larger subsidiaries. The CEO has responsibility for this function in the smaller subsidiaries. The Group Compliance Manager acts as the contact person for compliance functions within Allianz France and Allianz SE. Compliance reports are sent every quarter from local entities to the Euler Hermes and Allianz central functions, covering major compliance topics such as legal and judicial proceedings in progress, regulatory and tax audits, fraud and other potential compliance issues.
Other concrete actions are taken, such as regular checks of lists of designated terrorist organisations and the introduction of codes of conduct based on compliance rules drawn up by the Allianz group and adapted to comply with local laws and regulations.
Measures have been taken by EH operating entities to prevent money laundering, to comply with the rules set by the "Autorité Prudentielle" in France as well as with local legislation in the respective countries.
A priority for the compliance function in 2009 was to further improve employees' knowledge of compliance standards, in the framework of a program already started in 2008. Training sessions were organised and a presentation kit was developed.
As of January 1st, 2010 the group compliance function will be further strengthened in that it will functionally steer the regions' compliance activities through a network of regional compliance officers. At group level the Global Compliance Officer will report directly to the Group Chief Financial Officer.
Strict rules are in place to prevent insider trading. Potential insiders within EH are regularly identified and trained on regulation as well as on their obligations. Blackout periods are implemented for selected staff, two weeks prior to the publication of quarterly results and six weeks prior to annual results.

Regarding fraud prevention, a group anti-fraud policy has been in place since 2006, outlining the mandatory principles to be met by all of the group's major companies, such as the appointment of a local anti-fraud manager who is responsible for local implementation of anti-fraud standards; a dedicated Whistle Blowing system; sound background checks for new brokers or agents; clearly defined powers, separation of duties or the requirement for dual verification; clear reporting principles as regards cases of fraud or suspected fraud.

To further strengthen anti-fraud standards short and mid-term, a group-wide assessment of fraud risk was performed for the entities' main business and support processes HR, procurements, finance, expenses, commercial and risk underwriting, claims and collection. The assessment was conducted in cooperation with the business functions involved. A cartograpy of group-wide fraud risk was drawn up. Follow-up measures from the assessment will be implemented in 2010. Where needed, short term actions were already taken to ensure necessary improvements of local anti-fraud standards.

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Definition of functions and control of individual objectives

The level of skills is ensured by recruitment procedures, supported by job descriptions. All staff undergo annual appraisals that make it possible to review their performance and set annual targets that are consistent with the entity's objectives with their line manager.

Risk assessment

Risk mapping

Risks were first mapped in 2002, by listing the operational risks with the managers of the subsidiaries. Business activity is divided into 9 main functions:

- 4 operational functions: sales and marketing, risk management, indemnification and litigation and debt collection;
- 5 functions for support activities: management, human resources, finance and accounting, procurement and information technology.

These functions have been organised into 34 sub-functions. Seven categories of generic risks have been defined: cessation of operations, unreliable information, disclosure of sensitive information, loss of assets, loss of competitiveness, excessive costs and failure to comply with the law. These risks, which are specific to each function, are classified by category. For example, the risk of payment of a claim above the amount covered falls within the category of excessive costs/indemnification and litigation.

These risks are assessed for each sub-function in terms of probability of occurrence, significance in the event of occurrence and control as regards audit. A level of risk is thus determined for each function and each sub-function.

The results of risk mapping are submitted to management audit committees and the Board's Audit Committee. This review takes place systematically when audit programmes are defined. The risk map was updated in 2009, on the basis of audit reports validated in collaboration with the managers of the subsidiaries.

The risk control function

The group has set up a risk control function with a view not only to monitoring risks but also to quantifying risks. Recent and prospective changes in the regulatory framework influenced the implementation of such a structure, which also addresses management's need to optimise the allocation of financial resources as a function of the risk and to strengthen this aspect of internal control and transparency.

The role of the risk management function is to analyse and quantify all types of risk, including financial, credit, premium-related and operational risks, using appropriate applications and methods, as part of an ongoing interaction with all cross-company functions and in liaison with all group entities. Control procedures reinforce this structure. They enable information at all levels of the Group to be harmonised and reported in order to establish risk objectives in line with the implementation of limits on the various types of risk.

The decisions underlying this function are taken by the group risk committee, which also approves the measures required for the pro-active management of risks, in relation with the committees of other cross-company functions or in conjunction with the Group Management Board. This closer management of risks is carried out as a complement to and in collaboration with the existing control structures under the independent review of the risk control function. Risk management actions are relayed to the entities by their corresponding structures, which interact with the group's structures. The various committees and information flows within the group's structures and at group level provide for the management and control of the changing risk environment and of any exceptional risk event that may require the implementation of specific measures.

This function uses risk capital to measure quantitative risks, and procedures and *ad-hoc* reports to measure qualitative risks.

The role of the group actuarial function is to coordinate and control reserves held by the entities and to oversee the application of methods for estimating reserves. This role is carried out mainly through dedicated committees formed between the group function and the local entities responsible for maintaining the reserves. The committees review the calculation assumptions, the methods applied and the key events that could affect reserves. Changes in reserves over time and their adequacy, as well as any excess reserves, are analysed in detail. This approach ensures consistency in the methods and practices used to determine consolidated amounts and provides an explanation of variances while also providing support and a framework for local entities, which remain responsible for maintaining their reserves.

Organisation of internal control activities

There are two levels of internal controls: control of the implementation of rules and procedures by management and control by audits.

Implementation of rules by management

Euler Hermes' rules and general principles were defined in 1999 by the group's cross-functional managers, in agreement with the Group Management Board, in the areas of risk, litigation, collections, sales and marketing, finance, accounting, reinsurance, information technology, audit, communication and human resources. In the area of risks and sales and marketing, these rules were updated in 2003, 2004 and again in 2008. They have been implemented in the main entities as procedures that include in particular the thresholds of individual responsibility and the organisation of specific risk and sales and marketing committees.

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It should be noted that the following models have been introduced in all the main subsidiaries:
- a risk business model and quality standards in terms of the management of debtor risk,
- a collection business model and quality standards in terms of the collection of receivables.

First level of control

At group level, there are cross-company functions for the risk/litigation, sales and marketing, and strategy/international development operational areas and for the operations, information technology, finance and accounting, reinsurance, internal audit, human resources, communication and risk management support areas. A member of the Group Management Board is responsible for each function and monitors the implementation of group directives at the subsidiaries.

For example, the risk (credit) cross-company function monitors all the credit risk business. To do this, it uses the monthly group reports drawn up by Group Management Control and monthly reports on sensitive risks. Corrective action is coordinated within a Group Risk Committee whose members include subsidiaries' risk managers. This committee, chaired by the head of the cross-company risk function, meets every two months. Each subsidiary's risk manager reports to this committee. Local risk business is supervised by a local risk committee, of which the CEO is generally a member, and by a system of delegation of powers.

Procedures describing the processes and the main related controls have been drawn up for each department. The documentation of the control system was extended in 2004 to those departments not covered initially.

Controls are carried out by the operational units themselves. These controls may be integrated into the processing of transactions (first level) and some may be integrated into automated systems. In addition, they may be carried out by units or individuals that are independent of the above-mentioned operational units or distinct from those that carried out the first level controls (second level).

Second level of control, internal audit

The internal audit structure is decentralised. The group has a central audit function and audit structures within the largest units. The group had 32 internal auditors (25.5 FTE) in 2009. This organisation will be reviewed at the beginning of 2010. The group audit manager reports to the Euler Hermes Audit Committee and to the Chairman of the group and is a permanent member of subsidiaries' audit committees along with the local audit manager.

An annual programme of audit assignments is drawn up. This programme, based on a map of risks and a pragmatic approach to requirements, has a local part (2/3 of the activity) and a group part that includes global audits of subsidiaries, and audits of cross-functional processes carried out simultaneously in the main subsidiaries. It is drawn up in accordance with a structured procedure in the second half of the year. It is the subject of a discussion, communication and validation process with operational staff, general management and audit committees. The last stage of the validation process is the presentation of the programme to the Euler Hermes Audit Committee for approval in November. The audit programme is adapted to obtain coverage of risk over five years in accordance with Allianz's directives while ensuring more frequent coverage of the most sensitive risks. Seven independent audits (audit of subsidiaries) and five cross-functional audits and six information systems audits were carried out in 2009.
Group audit also carries out quality control assignments on one or two local audit structures each year. The Belgian and American audit structures were reviewed in 2009; no material shortcomings were identified.

The audit activity is based on an audit charter. The version validated in April 2001 was updated in 2008 and validated by the Audit Committee and the Supervisory Board in October 2008. It precisely defines the assignment, the organisation of the various levels of control within the Euler Hermes group and its subsidiaries and the terms and conditions of intervention by group and local audit departments. It is completed by the development of audit standards and procedures at local and group levels.

In 2006, the Allianz group audit function issued two documents (Allianz Group Audit Policy and the Standard Audit Manual), which the Euler Hermes group has adopted.

Allianz France SA conducted a quality audit of the group's audit structure in 2008. The audit findings regarding the implementation of Allianz France SA recommendations were very satisfactory.

In addition, and at the request of Allianz's internal audit function, the Euler Hermes group's entities and internal audit function carried out a self-assessment of their audit practices. The results of the self-assessment were satisfactory.

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Specific procedures for information systems

Security procedures within the group are carried out by two principal functions:
- the group security function;
- the group information systems security function.

Security

The head of group security is responsible for:
- the implementation of security policies and procedures within the group;
- ensuring compliance with those policies and procedures by group entities;
- defining new policies and procedures, where required;
- coordinating the business continuity management plans within the group. A review of major entities' plans is currently underway.

More particularly, he has responsibility for user aspects of security, and coordinates a network of correspondents in the business units (two workshops annually).

Information systems security

The Group information systems security responsible is responsible for:
- Ensure the implementation of technical means within the Euler Hermes Group to improve IT security (Firewall systems for the corporate network, Anti virus software to protect our network from attacks from outside, Encryption software to protect confidential data, Authentication and authorization software to make sure, that every user can only access those data he is allowed to);
- Establish and monitor controls to ensure compliance to the EH information security policies, e.g.;
- Assess the IT security risks in the Euler Hermes Group Security Risk Log and propose mitigation activities to the Group Security Committee.

The group information systems security manager in the group's Information Technology management team is in charge of coordinating action relating to security with the security managers in the subsidiaries, in particular as regards the introduction of information system security technical standards and more specifically the Allianz group's standards. Allianz standards cover the following:
- Data classification;
- E-mail security;
- Data encryption;
- Incident management;
- Internet access;
- Network access;
- Increasing awareness of security issues;
- Physical security;
- Protecting systems against viruses and unauthorised entry;
- Security of applications;
- Secure access to systems/applications.

Within the framework of the Sarbanes-Oxley project initiated in 2004 and implemented within the Euler Hermes group under the responsibility of the various group companies, controls have been identified and documented to secure the information systems used in group companies, and also to introduce procedures to protect information in general against any unauthorised use, disclosure or modification, and against any damage or loss (logical access controls ensuring that only authorised users have access to systems, data and programmes).
All the controls identified have been described and documented in detail.

IT quality assurance and new developments

The group IT function oversees the design and development of software applications by the IT departments of the largest group entities. Quality audits (IT Architecture and Quality – ITAQ) are also organised when requested by the Group IT Director, a local IT manager or the group IT Architecture and Strategy department.

Consolidation and harmonisation of systems

The Euler Hermes group's IT systems are undergoing consolidation. Subsidiaries are inter-connected by means of a long-distance network, which was available 99.98% of the time in 2009.

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The resources (data, equipment) required to manage the group's credit insurance commitments are centralised at one site. There is a back-up site in the event of any problem and data recovery tests are carried out regularly (two technical tests and a user test were carried out in 2009).

The group production centre and local production centres apply data backup procedures and use off-site data storage.

In accordance with Allianz's policy, in 2009 Euler Hermes updated and tested the business continuity plans introduced throughout the group in 2004.

In 2009, the Group Production Centre managed to significantly reduce recovery time in the event of a major disaster by implementing replication systems that are expected to cut disaster recovery time from 72 to 24 hours. Maximum acceptable data loss will also be reduced from 24 hours to less than one hour. The entire system is due to be validated at the next technical test, scheduled in April 2010.

The group is pursuing its policy of systems (infrastructure and applications) harmonisation and integration: risks (IRP), sales and marketing, litigation and collections, and reporting (Rebus). Their roll out within the group will help to reinforce access control procedures and the standardisation of subsidiaries' internal control systems.

The group's internal audit structure and group subsidiaries' audit teams work together on reviews of IT projects or reviews of recently implemented applications.

Procedures for the assessment of financial internal controls by the group

At the request of Allianz, from 2004 the Euler Hermes group had to comply with the requirements of sections 302 and 404 of the Sarbanes-Oxley Act which consist, especially for section 404, in identifying, documenting and evaluating all process risks and controls that contribute significantly to financial and accounting reports.

In 2004, 2005, 2006, 2007, 2008 and 2009, the Sarbanes-Oxley (SOX) project concerned five subsidiaries, Euler Hermes SFAC, Euler Hermes Kreditversicherungs-AG, Euler Hermes UK, Euler Hermes ACI and Euler Hermes SIAC. The project basically consisted in identifying the five COSO internal control areas in each of the subsidiaries, identifying for operational reasons those control activities that are performed throughout the production process.

This work was coordinated by the group's Chief Financial Officer, on the basis of Allianz directives. After the scope of the project was identified, work was undertaken locally within the scope of the SOX project to document the procedures and internal controls providing a reasonable assurance of the accuracy of the financial statements and documents, to test the design and effectiveness of existing controls, and lastly, to implement measures to reinforce existing controls when necessary.

The process did not identify any major shortcomings.

The Allianz Group has been delisted from the New York stock exchange in October 2009, but decided nevertheless to keep all procedures related to SOX.

INTERNAL CONTROL PROCEDURES WITH REGARD TO ACCOUNTING AND FINANCIAL INFORMATION

The organisation of controls

Accounting and financial controls are carried out by the Group Finance function. This is organised in three departments:

- the Consolidation department;
- the Management Control department;
- the Assets/Liabilities Management department.

Under the authority of the group's Chief Financial Officer, these three departments monitor and regularly check accounting and financial information and management indicators that are characteristic of the business.

The general system of organisation is based on a division into geographical areas, with the Consolidation and Management Control departments being divided in the same way. This makes it possible to assign a functional two-person team consisting of a consolidator and a management controller to each geographical area.

The Consolidation department

Euler Hermes is consolidated by the Allianz group, which has prepared its consolidated financial statements under IAS and IFRS since 1998.

Euler Hermes has presented its consolidated financial statements in IFRS format since 2005.

All the principles and rules that apply to companies in the Euler Hermes group are described in a consolidation manual that is provided to all entities.

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The IFRS accounting and measurement rules are described in section 2 of the notes to the 2009 consolidated financial statements presented under IFRS.

The Consolidation department has five consolidators who report to the department manager.
Its role is, firstly, to prepare the consolidated financial statements published by the Euler Hermes group and, secondly, to provide the principal shareholders with the information required to integrate Euler Hermes' financial statements into their own consolidated financial statements, in the form of a consolidation package.
The Consolidation department is directly in touch with the accounting and financial managers of the consolidated entities and the principal shareholders' consolidation departments.

All the group companies that meet the legal and regulatory conditions are consolidated except for those expressly excluded for clear and stated reasons.

The Euler Hermes group's consolidated financial statements are drawn up on a quarterly basis. They are prepared by the Euler Hermes' Group Management Board and submitted to the Group Audit Committee and then to the Supervisory Board.

They are published four times a year on the basis of quarterly and annual reports in accordance with AMF regulations. At June 30 they are subject to a limited review by the Independent auditors while the annual financial statements are audited at the levels of the individual accounts of the consolidated entities and of the consolidated financial statements themselves.

In addition, a certificate of compliance signed by the subsidiary's chairman and financial manager is used with regard to quarterly accounts drawn up by group companies and sent to the Consolidation department.
An identical certificate signed by the Chairman of the Group Management Board and the group's Chief Financial Officer is sent to the principal shareholders.

The consistency and uniformity of the consolidated data are ensured by the use of standard consolidation packages, the regular updating of group instructions and controls to ensure these are applied.
A standard chart of accounts enabling the upstreaming of relevant information compliant with the principal shareholders' own regulations has been put in place in all group companies.

Consolidation package
This is a standard document configured and formatted with SAP software, used by all group companies and has three modules:
- financial statements: statement of financial position, income statement, cash flow statement, tax proof and attached tables;
- statistical statements, which provide details of the information reported in the financial statements and analyse it in a variety of ways;
- statements relating to commitments given and received, which are periodically inventoried and assessed.

Instruction manual
This document, which is available to all consolidated entities on the group's intranet site, describes the general accounting principles that apply to the group, the methods of measuring and recording items on the statement of financial position and in the income statement and provides the instructions required to supply information for the consolidation package.

The Management Control department

Three levels of internal organisation
Management control is carried out jointly by the management control departments within each subsidiary and the Group Finance function's Management Control department.
The way it is organised allows the Group Management Control department, which is organised by geographical area, to act as a second-level control.
Group Management Control is placed under the responsibility of a member of the Group Management Board.
The controls exercised by the principal shareholders (Allianz and Allianz France) are superimposed onto this internal organisation.

Direct dependence on corporate governance bodies
Group Management Control submits the group's results to the Group Management Board, the Audit Committee and the Supervisory Board each quarter.

Management control tasks
The main responsibilities of management control are as follows:
- drawing up budgets and adjusting annual forecasts;
- analysing changes in business each month using operational and financial indicators.

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And, in addition, at group level:
- consolidating operating data and reports sent by subsidiaries;
- drawing up budgets and adjusting annual forecasts for the holding company and central entities;
- making comparisons between subsidiaries;
- preparing reports for shareholders;
- checking the consistency of the data contained in consolidation packages.

Tools are standardised throughout the group

The controls carried out are based on standardised reports that are defined by Group Management Control. This standardisation makes comparison and benchmarking possible (especially relating to costs).
Reports sent by subsidiaries contain written commentaries on the business that are drawn up by the financial manager and validated by the CEO. These must highlight material deviations from month to month or as compared with the budget or updated forecasts.

A data analysis process that covers the entire business

Regardless of the event in question (monthly analysis, quarterly closing, updating of forecasts or preparation of the budget), controls are carried out mainly on the following data:
- exogenous data: reinsurance conditions, financial assumptions, rate of tax in particular;
- endogenous data: commercial production (premiums, premium rates, etc.), changes in loss ratios and overheads, headcount in particular;
- adherence to accounting rules: reserves booked for premiums, reserves booked for claims, monitoring the liquidation of reserves;
- analysis of the economic value added contributed by subsidiaries and consolidation of the group's economic value added.

This analysis is by business line.

Specific features of the procedures for drawing up budgets and updating forecasts

Budgets are drawn up according to the following cycle:
- Group Management Control sends guidelines validated by the Group Management Board, together with a harmonised budget package (mid-July);
- the subsidiaries transmit their own budget instructions and their internal assumptions for the purpose of checking the consistency of these assumptions (endogenous and exogenous) against the mid-year results,
- preparation of the budget within each subsidiary, validation by the CEO and transmission of budget packages (mid-September),
- budget arbitration meetings attended by the Group Management Board, Group Management Control and the representative of the principal shareholder for the group and the CEO, the financial manager and, where applicable, the head of management control for the subsidiaries,
- presentation of the budget to the principal shareholders for validation (mid November).

A full and detailed review of the annual forecasts is carried out once a year, in September. This review is used to adjust the budgets in accordance with the most recent changes in business. This is a formal procedure, giving rise to the issuance of guidelines and the transmission of a budgetary package to the group, which is subject to in-depth discussions between the subsidiaries and the group.
A "flash forecast" procedure implemented monthly provides for the rapid identification of any developments in the subsidiaries that may have an impact on the group's results.

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The Assets/Liabilities Management department

The role of this department is to ensure the consistency of financial investment policies between the subsidiaries and the compliance of these policies with group instructions.
These relate to the breakdown of portfolios by category of assets, the determination of benchmark indices, and the choice of portfolio managers and institutions in charge of the custody of securities.
This supervision takes the form of monthly finance committee meetings attended by the subsidiary’s Chief Executive Officer and financial manager, representatives of the asset management institution and the group finance function.
The committee makes recommendations regarding the purchase and sale of securities and the reinvestment strategy for operational cash flows.
Euler Hermes’ Group Management Board acts as arbitrator.

In addition, the Assets/Liabilities Management department organises two group finance committee meetings each year attended by the Group Management Board and by representatives of the principal shareholders. This committee receives reports on past management and determines future strategies.

Lastly, the Assets/Liabilities Management department manages the holding company’s debt, and negotiates new loans and related hedging instruments. It reports to the Group Management Board for prior approval.

CONCLUSION

This report has been presented to and approved by the Audit Committee and the Supervisory Board.

In accordance with the organisational methods common to Euler Hermes group entities, as described previously, and the existing measures and procedures, the Supervisory Board and its Chairman, the Group Management Board and the relevant parts of the group are kept regularly informed of internal controls and of the level of exposure to risk, the areas for improvement and the progress made with regard to the corrective measures adopted.

Paris, March 22 nd, 2010

Clement Booth
Chairman of Euler Hermes’ Supervisory Board

Report of the independent auditors on the report of the Chairman of the Supervisory Board

YEAR ENDED DECEMBER 31ST, 2009

To the shareholders,

In our capacity as independent auditors of Euler Hermes SA and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we hereby present our report on the report prepared by your company's Chairman in accordance with the provisions of Article L. 225-68 of the French Commercial Code for the year ended December 31st, 2009.

The Chairman is required to establish and submit for the approval of the Supervisory Board a report on the internal control and risk management procedures put in place within the company, and which contains the other information required by Article L.225-68 of the French Commercial Code relating in particular to corporate governance procedures.

It is our responsibility:

- to inform you of our observations on the information contained in the Chairman's report on internal control procedures relating to the preparation and processing of accounting and financial information; and
- to certify that the report contains the other information required by Article L.225-68 of the French Commercial Code, is being specified that it is not our responsibility to verify the accuracy of such other information.

We have conducted our work in accordance with the professional standards applicable in France.

Information on internal control procedures relating to the preparation and processing of accounting and financial information

Those professional standards require us to perform tests designed to verify accuracy of the information contained in the Chairman's report on internal control procedures relating to the preparation and processing of accounting and financial information. In particular, these tests involve:

- reviewing the internal control procedures relating to the preparation and processing of accounting and financial information forming the basis for the information presented in the Chairman's report and the existing documentation;
- reviewing the work that forms the basis for the preparation of this information and the existing documentation;
- determining if any major internal control weaknesses relating to the preparation and processing of accounting and financial information that we may have identified during our assignment are appropriately disclosed in the Chairman's report.

Based on this work, we have no observations to make concerning the information provided on the company's internal control procedures relating to the preparation and processing of accounting and financial information, as contained in the report of the Chairman of the Supervisory Board, prepared pursuant to the provisions of Article L. 225-68 of the French Commercial Code.

Other information

We certify that the report of the Chairman of the Supervisory Board contains the other information required pursuant to Article L.225-68 of the French Commercial Code.

Paris-La Défense and Paris, April 12th, 2010

KPMG Audit	
A division of KPMG SA	ACE – Auditeurs et Conseils d'Entreprise
Régis Tribout	François Shoukry
Partner	Partner

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Consolidated statement of financial position

(in € thousands)	Notes	12/31/2009	12/31/2008
Goodwill	3	103,582	102,678
Other intangible assets	4	90,752	83,235
Intangible assets		**194,334**	**185,913**
Investment property	5	24,917	71,834
Financial investments	6	2,840,735	2,590,986
Derivatives		4,313	3,052
Investments – insurance businesses		**2,869,965**	**2,665,872**
Investments accounted for by the equity method	**7**	**89,254**	**93,550**
Share of assignees and reinsurers in the technical reserves and financial liabilities	**18**	**517,581**	**417,978**
Operating property and other property and equipment	8	158,319	162,426
Acquisition costs capitalised		42,649	46,798
Deferred tax assets	9	42,938	31,942
Inwards insurance and reinsurance receivables	10	459,723	498,208
Outwards reinsurance receivables	10	114,795	96,225
Corporation tax receivables		34,724	94,890
Other receivables	11	183,879	149,386
Other assets		**1,037,027**	**1,079,875**
Cash	12	441,792	613,907
TOTAL ASSETS		**5,149,953**	**5,057,095**
Capital stock		14,426	14,426
Additional paid-in capital		451,959	451,924
Reserves		1,326,179	1,307,927
Net income, group share		18,988	83,592
Revaluation reserve		43,500	50,279
Translation reserve		(59,273)	(73,191)
Shareholders' equity, group share		**1,795,779**	**1,834,957**
Minority interests	14	20,698	20,328
Total shareholders' equity		**1,816,477**	**1,855,285**
Provisions for risks and charges	**15**	**165,035**	**141,648**
Bank borrowings		1,261	2,313
Other borrowings		405,882	295,433
Borrowings	**17**	**407,143**	**297,746**
Gross non-life technical reserves	18	1,836,551	1,853,698
Liabilities related to contracts		**1,836,551**	**1,853,698**
Deferred tax liabilities	9	326,055	354,367
Inwards insurance and reinsurance liabilities	19	208,197	195,172
Outwards reinsurance liabilities	19	170,400	96,697
Corporation tax payables		38,298	30,222
Other payables	20	181,797	232,260
Other liabilities		**924,747**	**908,718**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**5,149,953**	**5,057,095**

Consolidated income statement

(in € thousands excepted for the earnings per share)	Notes	12/31/2009	12/31/2008 Modified	12/31/2008 Published
Premiums written		1,736,217	1,878,779	1,878,779
Premiums refunded		(63,079)	(78,383)	(78,383)
Change in unearned premiums		21,347	(26,437)	(26,437)
Earned premiums		**1,694,485**	**1,773,959**	**1,773,959**
Premium-related revenues		391,226	392,492	392,492
Turnover	**21**	**2,085,711**	**2,166,451**	**2,166,451**
Investment income		96,976	131,905	136,419
Investment management charges		(10,341)	(10,936)	(19,999)
Net gain (loss) on sales of investments less impairment and depreciation writebacks		71,272	39,944	39,944
Change in fair value of investments recognised at fair value through profit or loss		1,363	-	-
Change in investment impairment provisions		(1,335)	(23,424)	(23,424)
Net change in foreign currency		(9,525)	(4,549)	-
Net investment income	**22**	**148,410**	**132,940**	**132,940**
Insurance services expense		**(1,276,079)**	**(1,307,430)**	**(1,307,430)**
Outwards reinsurance income		(583,325)	(400,740)	(400,740)
Outwards reinsurance expense		558,008	389,376	389,376
Net outwards reinsurance income or expense	**21**	**(25,317)**	**(11,364)**	**(11,364)**
Contract acquisition expense		**(331,923)**	**(344,633)**	**(311,506)**
Administration expense		**(175,919)**	**(164,297)**	**(220,563)**
Other ordinary operating income and expense		**(341,256)**	**(303,167)**	**(280,028)**
Ordinary operating income		**83,627**	**168,500**	**168,500**
Other non ordinary operating income and expense		(8,856)	-	-
Operating income	**21**	**74,771**	**168,500**	**168,500**
Financing expense		(10,013)	(16,089)	(16,089)
Income from companies accounted for by the equity method	7	6,644	7,875	7,875
Corporation tax		(48,261)	(72,196)	(72,196)
Consolidated net income		**23,141**	**88,090**	**88,090**
o/w				
Net income, group share		**18,988**	**83,592**	**83,592**
Minority interests		4,153	4,498	4,498

Consolidated income statement

(in € thousands excepted for the earnings per share)	2009	2008 Modified
Other comprehensive income elements		
Change in fair market value of asset held for sale transfered through profits & losses (Gross amount)	(39,915)	(32,611)
Change in fair market value of asset held for sale transfered through profits & losses (Tax amount)	10,708	10,788
Change in fair market value of asset held for sale booked through equity (Gross amount)	31,339	(27,506)
Change in fair market value of asset held for sale booked through equity (Tax amount)	(7,442)	9,099
Other change in fair market value of asset held for sale booked through equity	(1,483)	-
Change in translation reserve (included impact on revaluation reserve) booked through equity (Gross amount)	22,493	(60,554)
Change in translation reserve (included impact on revaluation reserve) booked through equity (Tax amount)	(8,575)	17,075
Total other comprehensive income net of taxes	**7,125**	**(83,709)**
Total comprehensive income	**26,113**	**(117)**
Earnings per share	**0.43**	**1.92**
Diluted earnings per share	**0.43**	**1.92**
Earnings per share of continuing activities	**0.43**	**1.92**
Diluted earnings per share of continuing activities	**0.43**	**1.92**

The other operating expense concerns the restructuring plan accounted by the Italian entity EH SIAC.
In the context of the implementation of the analytical tool in the main business units within the Euler Hermes group, the allocation per destination has been improved in the Group. In order to produce comparable statements from one year to the other, the main items of the December 2008 income statement have been restated pro forma.
The related amounts compared to 2008 publication are:

- contract acquisition expense: €(344,633) vs €(311,506) thousand;
- administration expense: €(164,297) vs €(220,563) thousand;
- other ordinary operating income and expense: €(303,167) vs €(280,028) thousand.

The income statement has been modified in order to improve the presentation. The net change in foreign currency has been isolated in one specified line. The investment income and the investment management charges have been restated pro forma:

- investment income: €131,905 vs €136,419 thousand;
- investment management charges: €(10,936) vs €(19,999) thousand.

Consolidated statement of cash flows

(in € thousands)	Notes	2009	2008
Net income, group share		**18,988**	**83,592**
Corporation tax		50,325	72,196
Financing expense		10,199	16,090
Operating income before tax		**79,512**	**171,878**
Minority interests		4,153	4,498
Allocation to and writebacks of depreciation, amortisation and reserves		59,092	51,855
Change in technical reserves		(128,480)	423,495
Change in deferred acquisition costs		10,659	(21,242)
Change in fair value of financial instruments recognised at fair value through the income statement (excluding cash and cash equivalents)		(1,067)	-
Realised capital gains/(losses) net of writebacks		(70,832)	(39,822)
Unrealised foreign exchange gain (loss) in company accounts		13,087	(3,048)
Revenues and expenses linked to stock options and similar		444	(659)
Interest revenues received accrued		(2,092)	(44,369)
Adjustment for elements included in operating income that do not correspond to cash flows and reclassification of financing and investment flows		**(115,037)**	**370,708**
Income (loss) of companies accounted for by the equity method		(6,645)	(7,875)
Dividends received from companies accounted for by the equity method		10,555	6,970
Change in liabilities and receivables relating to insurance and reinsurance transactions		89,469	(49,611)
Change in inventories		-	(1)
Change in operating receivables and liabilities		(32,793)	(36,080)
Change in other assets and liabilities		(41,057)	(10,531)
Corporation tax		(9,165)	(179,188)
Cash flow related to operating activities		**10,364**	**(276,316)**
CASH FLOW FROM OPERATING ACTIVITIES		**(25,161)**	**266,270**
Acquisitions of subsidiaries and joint ventures, net of acquired cash		-	(980)
Disposals of subsidiaries and joint ventures, net of acquired cash		-	-
Acquisitions of equity interests in companies accounted for by the equity method		-	(32,980)
Cessions de participations dans des entreprises mises en équivalence		-	-
Merger		-	-
Cash flow linked to changes in the consolidation scope		**-**	**(33,960)**

Consolidated statement of cash flows

(in € thousands)	Notes	2009	2008
Disposals of AFS securities		1,254,064	1,518,000
Matured HTM securities		5,297	8,661
Disposals of investment properties		71,939	25,828
Disposals of securities held for trading		172	446
Cash flow linked to disposals and redemptions of investments		**1,331,472**	**1,552,935**
Acquisitions of AFS securities		(1,464,175)	(1,024,678)
Acquisitions of HTM securities		-	-
Acquisitions of investment properties		(1,318)	(922)
Acquisitions of trading securities		(580)	(1,255)
Cash flow linked to acquisitions of investments		**(1,466,073)**	**(1,026,855)**
Disposals of other investments and intangible assets		451,439	172,683
Acquisitions of other investments and intangible assets		(483,842)	(468,750)
Cash flow linked to acquisitions and disposals of other investments and intangible assets		**(32,402)**	**(296,067)**
CASH FLOW FROM INVESTING ACTIVITIES		**(167,002)**	**€ 196,053**
Increases and decreases in capital		12	555
Increases in capital		(30)	575
Decreases in capital		42	(20)
Change in treasury stock		(820)	(9,423)
Dividends paid		(68,986)	(221,130)
Cash flow linked to transactions with the shareholders		**(69,794)**	**(229,998)**
Change in non voting shares		-	-
Changes in loans and subordinated securities		106,866	(814)
Issue		*246,278*	*87*
Repayment		*(139,412)*	*(901)*
Interest paid		(9,482)	(16,352)
Cash flow from group financing		**97,384**	**(17,166)**
CASH FLOW FROM FINANCING ACTIVITIES		**27,590**	**(247,164)**
Impact of foreign exchange differences on cash and cash equivalents		*(2,557)*	18,511
Reclassification		*(3,750)*	*(9,768)*
OTHER NET CHANGES IN CASH		**(6,307)**	**8,743**
Change in cash flows		**(170,881)**	**223,902**
Change in cash and cash equivalents		**(170,881)**	**223,902**
Cash and cash equivalents at begining of period	**12**	**612,323**	**388,421**
Cash and cash equivalents at end of period	**12**	**441,442**	**612,323**

Consolidated statement of changes in equity

For the year 2008

(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
Opening Shareholders' equity	**14,417**	**451,332**	**1,607,947**	**90,438**	**(29,821)**	**(75,572)**	**2,058,741**	**19,179**	**2,077,920**
Available-for-sale assets (AFS)									
Measurement gain/(loss) taken to shareholders' equity	-	-	-	(18,336)	-	-	(18,336)	(71)	(18,407)
Impact of transferring realised gains and losses to income statement	-	-	-	(21,823)	-	-	(21,823)	-	(21,823)
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	-	-	-	-	(43,370)	-	(43,370)	(109)	(43,479)
Current and deferred tax taken directly to or transferred to shareholders' equity	-	-	-	-	-	-	-	-	-
Net income recognised in shareholders' equity	**-**	**-**	**-**	**(40,159)**	**(43,370)**	**-**	**(83,530)**	**(180)**	**(83,710)**
Net income for the year	**-**	**-**	**83,592**	**-**	**-**	**-**	**83,592**	**4,498**	**88,090**
Total revenues and losses recognised for the period	**-**	**-**	**83,592**	**(40,159)**	**(43,370)**	**-**	**63**	**4,318**	**4,381**
Capital movements	9	592	-	-	-	(9,125)	(8,524)	-	(8,524)
Dividend distributions	-	-	(218,255)	-	-	-	(218,255)	(2,876)	(221,131)
Shareholders' equity component of share-based payment plans	-	-	1,489	-	-	-	1,489	-	1,489
Cancellation of gains/losses on treasury shares	-	-	(298)	-	-	-	(298)	-	(298)
Other movements	-	-	1,741	-	-	-	1,741	(293)	1,448
Closing Shareholders' equity	**14,426**	**451,924**	**1,476,216**	**50,279**	**(73,191)**	**(84,697)**	**1,834,957**	**20,328**	**1,855,285**

Consolidated statement of changes in equity

For the year 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
Opening Shareholders' equity	**14,426**	**451,924**	**1,476,216**	**50,279**	**(73,191)**	**(84,697)**	**1,834,957**	**20,328**	**1,855,285**
Available-for-sale assets (AFS)									
Measurement gain/(loss) taken to shareholders' equity	-	-	-	23,936	-	-	23,936	(39)	23,897
Impact of transferring realised gains and losses to income statement	-	-	-	(29,207)	-	-	(29,207)	-	(29,207)
Other movements	-	-	-	(1,529)	-	-	(1,529)	26	(1,503)
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	-	-	-	20	13,918	-	13,938	-	13,938
Current and deferred tax taken directly to or transferred to shareholders' equity	-	-	-	-	-	-	-	-	-
Net income recognised in shareholders' equity	**-**	**-**	**-**	**(6,779)**	**13,918**	**-**	**7,138**	**(13)**	**7,125**
Net income for the year	**-**	**-**	**18,988**	**-**	**-**	**-**	**18,988**	**4,153**	**23,141**
Total revenues and losses recognised for the period	**-**	**-**	**18,988**	**(6,779)**	**13,918**	**-**	**26,127**	**4,140**	**30,267**
Capital movements	-	35	-	-	-	(820)	(785)	-	(785)
Dividend distributions	-	-	(65,274)	-	-	-	(65,274)	(3,712)	(68,986)
Shareholders' equity component of share-based payment plans	-	-	444	-	-	-	444	-	444
Cancellation of gains/losses on treasury shares	-	-	-	-	-	-	-	-	-
Other movements	-	-	310	-	-	-	310	(58)	252
Closing Shareholders' equity	**14,426**	**451,959**	**1,430,684**	**43,500**	**(59,273)**	**(85,517)**	**1,795,779**	**20,698**	**1,816,477**

At December 31st, 2009, the capital stock of Euler Hermes consisted of 45,083,210 fully paid-up shares, including 1,567,944 treasury shares.
In accordance with IAS 39, available-for-sale (AFS) investments were remeasured at market value with the resulting gain or loss being taken directly to the revaluation reserve with no impact on the income statement. During the year, the reduction in the revaluation reserve totalled €(6,779) thousand net of taxes.
Variances in translation differences during the year concerned mainly the US dollar (€(5,315) thousand) and the British pound (€18,556 thousand).
980 new shares were created as a result of the exercise of stock options during 2009. Following these transactions, the additional paid-in capital of Euler Hermes SA increased by €35 thousand.
The variance of €444 thousand corresponds to an expense in respect of stock option plans in accordance with the application of IFRS 2.
Non-distributable reserves include notably provisions for equalisation recognised in the statutory financial statements of the European insurance companies.
The other movements mainly correspond to the adjustments of the IFRS value of COSEC for €450 thousand.

Notes to the consolidated financial statements

NOTE 1. SIGNIFICANT EVENTS

The following significant events occurred in the year 2009:

Changes in the share capital and in share ownership

The Shareholders' General Meeting of May 15th, 2009 decided to distribute a dividend of €1.50 per share.

At December 31st, 2009, the Allianz group owned 30,744,048 shares out of a total of 45,083,210 shares, corresponding to 68.20% of the share capital of Euler Hermes.

During the year 2009, 980 new shares were created by the exercise of options. At December 31st, 2009, Euler Hermes' share capital was composed of 45,083,210 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 decrease from 77.4% at end-December 2008 to 65.6% at end-December 2009. Earned premiums net of reinsurance decreased by 19.1% in 2008 compared to 2009; 14.6% is explained by the decrease in premium retention rate.

SAFIM Factoring litigation

On July 21st, 2009, the court of cassation of Roma has rejected the claims of our Italian subsidiary, Euler Hermes SIAC, related to an old case initiated against Euler Hermes SIAC in 1995 by the factoring group SAFIM (currently in liquidation).

The reject of the court of cassation of the claims of our Italian subsidiary restarts the procedure in appeal of SAFIM after the success of the first instance decision of Euler Hermes SIAC and whereas the risks linked to this litigation had been evaluated as limited by Euler Hermes SIAC and its legal advisers.

Presently, the judge designed an expert who has to evaluate the financial loss potentially assumed by SAFIM factoring. A final judgement is not planned before the first half year of 2010. Euler Hermes has initiated a detailed analysis of the case in order to reassess, with his legal advisers, the financial risks linked to this case and has booked a €16 millions additional provision for that litigation during the 4th quarter of 2009.

One Euler Hermes

On September 10th, 2009, the Euler Hermes group announced the go live of the project One Euler Hermes from January 1st, 2009. It focuses on implementing the organisational changes needed to create a customer-oriented and even more efficient group. A key objective is to put in place at all Group entities an organisation that enables them to adapt quickly to new client demands and provide a comprehensive range of solutions.
The new organisation will be in continuity with Euler Hermes' history, business model and corporate values. It is based on two pillars:

- A new governance system and a stronger central functions;
- A balanced geographic organisation composed of six regions, each with full responsibilities;

Notes to the consolidated financial statements

NOTE 2. IFRS ACCOUNTING AND VALUATION RULES

The financial statements of the Euler Hermes group as at December 31st, 2009 were approved by the Board of Director's of February 17th, 2010. They will be submitted to validation to the Shareholders' General Meeting of May 21st, 2010.

2.1 General principles

In accordance with European regulation no. 1606/2002 of July 19th, 2002, the interim consolidated financial statements published at December 31st, 2009 were prepared in accordance with IFRS as adopted by the European Union. International accounting standards comprise IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), together with their interpretative texts.

The standards and interpretations applied stem essentially from:

- IAS/IFRS and their interpretative texts whose application is mandatory at December 31st, 2009 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.

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

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

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.

As at December 31st, 2009, Euler Hermes didn't apply the following standards published by IASB that are not mandatory as at January 1st, 2009:

- IAS 39 – Financial instruments – Hedge accounting recognition;
- IFRS 3 and IAS 27 update – Business combination.

Euler Hermes group has applied as at January 1st, 2009 the following standards and updates:

- IAS 1 revised – Presentation of financial statements;
- IFRS 8 – Operational segments – The geographical areas detailed in note 9 exactly reflected the internal communication done by the Management. Moreover, the information by activity is not still published;
- IFRS 2 update – Vesting conditions and cancellations.

The following updates of IFRS standards didn't impact the consolidated financial statements of the Euler Hermes:

- IFRS 2 update – Vesting conditions and cancellations.
- IAS 23 – Update related to the costs of borrowings;
- IFRS 1 and IAS 27 update – Cost of a investment in a subsidiary, jointly controlled entity or associate;
- IAS 32 and IAS 1 update – Puttable financial instruments and obligations arising on liquidation;
- IFRS 1 and IFRS 5 update – IFRS annual improving;
- IFRS 1 update – First time adoption of IFRS.

The following interpretations of IFRS standards didn't impact the consolidated financial statements of the Euler Hermes:

- IFRIC 12 – Service concession arrangements;
- IFRIC 13 – Customer Loyalty Programmes;
- IFRIC 15 – Agreements for the Construction of Real Estate;
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation;
- IFRIC 17 – Distribution to the stakeholders of non-monetary assets;
- IFRIC 18 – Transfers of Assets from Customers.

Notes to the consolidated financial statements

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

2.2 Consolidation scope

The consolidation scope didn't change during the year 2009.

Notes to the consolidated financial statements

2.3 List of consolidated companies

French companies	Consolidation Method	12/31/2009 % control	12/31/2009 % interest	12/31/2008 % control	12/31/2008 % interest
Euler Hermes S.A.[1] 1, rue Euler 75008 Paris N°Siren: 552 040 594	Held by Allianz France: 68,20%	Parent company		Parent company	
Bilan Services S.N.C. 25, boulevard des Bouvets 92000 Nanterre N°Siren: 333 192 631	Full	50.00	50.00	50.00	50.00
Codinf Services S.A. 29, rue de Délizy 93500 Pantin N°Siren: 341 693 778	Full	100.00	100.00	100.00	100.00
Euler Hermes Asset Management S.A. 1, rue Euler 75008 Paris N°Siren: 422 728 956	Full	100.00	100.00	100.00	100.00
Euler Hermes Services S.A.S. 1, rue Euler 75008 Paris N°Siren: 414 960 377	Full	100.00	100.00	100.00	100.00
Euler Hermes SFAC S.A. 1-3-5 rue Euler 75008 Paris N°Siren: 348 920 596	Full	100.00	100.00	100.00	100.00
Euler Hermes SFAC Crédit S.A.S. 1, rue Euler 75008 Paris N°Siren: 388 236 853	Full	100.00	100.00	100.00	100.00
Euler Hermes SFAC Recouvrement S.A.S. 1, rue Euler 75008 Paris N°Siren: 388 238 026	Full	100.00	100.00	100.00	100.00
Euler Hermes Tech S.A.S. 1, rue Euler 75008 Paris N°Siren: 388 237 091	Full	100.00	100.00	100.00	100.00
Euro Gestion EURO VL - Immeuble Colline Sud - 10 passage de l'Arche 92034 Paris La Défense FR0007047568	Full	100.00	100.00	100.00	100.00
Euler Gestion CIC Asset Management - 4 rue Gaillon 75002 Paris FR0007434980	Full	100.00	100.00	100.00	100.00
Euler Hermes World Agency 8 Rue Euler 75008 Paris N°Siren: 487 550 907	Full	100.00	100.00	100.00	100.00

(1) Proportion held is based on a total of 45,083,210 shares (before restatement of treasury shares).

Notes to the consolidated financial statements

Foreign companies	Country	Consolidation Method	12/31/2009 % control	12/31/2009 % interest	12/31/2008 % control	12/31/2008 % interest
Bürgel Wirtschaftsinformationen GmbH & Co. K.G. Gasstr.18 - D-22761 Hambourg	Germany	Full	50.10	50.10	50.10	50.10
Bürgel Wirtschaftsinformationen Verwaltungs-GmbH Gasstr.18 - D-22761 Hambourg	Germany	Full	50.40	50.40	50.40	50.40
Euler Hermes Forderungsmanagement GmbH Friedensallee 254 - Hambourg	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Rating GmbH Friedensallee 254 - Hambourg	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Credit Management GmbH Zeppelin Str. 48 - DE-14471 - Potsdam	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Kreditversicherungs A.G. Friedensallee 254 - Hambourg	Germany	Full	100.00	100.00	100.00	100.00
Euler Hermes Argentina San Martin 550- C1004AAL Buenos Aires	Argentina	Full	100.00	100.00	100.00	100.00
Euler Hermes Trade Credit Underwriting Agents Level 14, 2 Market Street Sydney NSW 2000	Australia	Full	100.00	100.00	100.00	100.00
Prisma Kreditversicherungs A.G. Heiligenstadter Strasse 201 - Vienne	Austria	Equity	49.00	49.00	49.00	49.00
OeKB EH Beteiligungs- u. Manag Strauchgasse 1-3 - 1010 - Vienne	Austria	Equity	49.00	49.00	49.00	49.00
Euler Hermes Credit Insurance Belgium S.A. (N.V.) 15, rue Montoyer - 1000 Bruxelles - RC Bruxelles: 31 955	Belgium	Full	100.00	100.00	100.00	100.00
Euler Hermes Services Belgium S.A. (N.V.) 15, rue Montoyer - 1000 Bruxelles - RC Bruxelles: 45 8033	Belgium	Full	100.00	100.00	100.00	100.00
Graydon Belgium (N.V.) Uibreidingstraat 84 Bus 1 - 2500 Berchem	Belgium	Equity	27.50	27.50	27.50	27.50
Euler Hermes Seguros de Crédito S.A. Alameda Santos 2335 Conj. 51 - Cerqueira César 01419-002 - São Paulo	Brasil	Full	100.00	100.00	100.00	100.00
Euler Hermes Serviços Ltda Alameda Santos 2335 Conj. 51 - Cerqueira César 01419-002 - São Paulo	Brasil	Full	100.00	100.00	100.00	100.00
Euler Hermes Do Brasil Exportaçao Alameda Santos 2335 Conj. 51 - Cerqueira César 01419-002 - São Paulo	Brasil	Full	100.00	100.00	100.00	100.00
Euler Hermes Information Consulting (Shanghai) Co. Ltd 9/F Mirae Asset Tower, 166 Lujiazui Ring Road, Pudong New Area, Shanghai, 200120, PRC	China	Full	100.00	100.00	100.00	100.00
Euler Hermes Colombie Carrera 13A No. 29-24, Torre Colseguros - Bogota	Colombia	Full	100.00	100.00	100.00	100.00
Euler Hermes Crédito Sucursal en Espana de EH SFAC S.A. Paseo de la Castellana, 95 - Edificio Torre Europa - Planta 14 - 28046 Madrid	Spain	Full	100.00	100.00	100.00	100.00
Euler Hermes Servicios S.L. Paseo de la Castellana, 95 - Edificio Torre Europa - Planta 14 - 28046 Madrid	Spain	Full	100.00	100.00	100.00	100.00

Notes to the consolidated financial statements

Foreign companies	Country	Consolidation Method	12/31/2009 % control	12/31/2009 % interest	12/31/2008 % control	12/31/2008 % interest
Euler Hermes Services Estonia OÜ Pirita tee 20, T-building, 10127 - Tallinn	Estonia	Full	100.00	100.00	100.00	100.00
Euler Hermes ACI Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00
Euler Hermes ACI Collections Services Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00
Euler Hermes ACI Holding Inc 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00
Euler Hermes ACI Services, LLC 800, Red Brook Boulevard - Owings Mills, MD 21117	United States	Full	100.00	100.00	100.00	100.00
Euler Hermes UMA 600 South 7th Street – Louisville, LA 4020	United States	Full	100.00	100.00	100.00	100.00
Euler Hermes Emporiki S.A. 109-111, Messogion Ave - Politia Business Center - 115 26 Athens	Greece	Full	60.00	60.00	60.00	60.00
Euler Hermes Emporiki Services Limited 109-111, Messogion Ave - Politia Business Center - 115 26 Athens	Greece	Full	60.00	60.00	60.00	60.00
Euler Hermes Credit Underwriters Hong Kong Ltd Suites 403-11, 4/F, Cityplaza 4 - 12 Taikoo Wen Road - Taikoo Shing	Hong Kong	Full	100.00	100.00	100.00	100.00
Euler Hermes Services (HK) Ltd Suites 403-11, 4/F, Cityplaza 4 - 12 Taikoo Wen Road - Taikoo Shing	Hong Kong	Full	100.00	100.00	100.00	100.00
Euler Hermes Magyar Követeléskezelö Kft Kiscelli u.104 - 1037 Budapest	Hungary	Full	74.90	74.90	74.90	74.90
Euler Hermes Magyar Hitelbiztosító Rt Kiscelli u.104 - 1037 Budapest	Hungary	Full	74.89	74.89	74.89	74.89
Euler Hermes Services India Private Limited 4th Floor, Voltas House - 23, J N Heredia Marg - Ballard Estate - Mumbai 400 001	India	Full	100.00	100.00	100.00	100.00
Euler Hermes Credit Management Service Ireland Ltd The Arch, Blackrock Business Park, Craysfort Avenue, Blackrock, Co Dublin, Republic of Ireland	Ireland	Full	100.00	100.00	100.00	100.00
Israël Credit Insurance Company Ltd (ICIC) 2, Shenkar Street - 68010 Israël - Tel Aviv	Israel	Equity	33.33	33.33	33.33	33.33
Euler Hermes SIAC Via Raffaello Matarazzo - 00139 Rome	Italy	Full	100.00	100.00	100.00	100.00
Euler Hermes SIAC Services S.R.L. Via Raffaello Matarazzo - 00139 Rome	Italy	Full	100.00	100.00	100.00	100.00
Logica Sofware S.R.L. Via Borsellino - Reggio Emilia	Italy	Full	100.00	100.00	100.00	100.00
Euler Hermes Credit Services (Japan) Ltd 08-07, Kyobashi 1-chome, Chuo-Ku - Tokyo	Japan	Full	100.00	100.00	100.00	100.00
Euler Hermes Services Latvija S.I.A. Cesu 31/8, LV-1012 Riga	Latvia	Full	100.00	100.00	100.00	100.00
UAB Euler Hermes Services Baltic Konstitucijos ave 7, Vilnius	Lithuania	Full	100.00	100.00	100.00	100.00

Notes to the consolidated financial statements

Foreign companies	Country	Consolidation Method	12/31/2009 % control	12/31/2009 % interest	12/31/2008 % control	12/31/2008 % interest
Euler Hermes Ré 19, rue de Bitbourg - L-2015 Luxembourg	Luxembourg	Full	100.00	100.00	100.00	100.00
Euler Hermes Acmar 37, boulevard Abdellatif Ben Kaddour - 20050 Casablanca	Morocco	Full	55.00	55.00	55.00	55.00
Euler Hermes Acmar Services 37, boulevard Abdellatif Ben Kaddour - 20050 Casablanca	Morocco	Full	55.00	55.00	55.00	55.00
Euler Hermes Seguro de Crédito S.A. Blvd Manuel Avila Camacho #164, 8° piso - Col. Lomas de Barrilaco - Mexico, DF CP 11010	Mexico	Full	100.00	100.00	100.00	100.00
Euler Hermes Servicios S.A. Blvd Manuel Avila Camacho #164, 8° piso - Col. Lomas de Barrilaco - Mexico, DF CP 11010	Mexico	Full	100.00	100.00	100.00	100.00
Euler Hermes Trade Credit Ltd. Lumley Centre Level 1, 152 Fanshawe Street, Auckland 1010	New Zealand	Full	100.00	100.00	100.00	100.00
Euler Hermes Interborg N.V. Hoogoorddreef 5 - Postbus/PO 1100 AL Amsterdam	Netherlands	Full	100.00	100.00	100.00	100.00
Euler Hermes Kredietverzekering N.V. Pettelaarpark 20 - Postbus 70571 - NL-5201 CZ's-Hertogenbosch	Netherlands	Full	100.00	100.00	100.00	100.00
Euler Hermes Services B.V. Pettelaarpark 20 - Postbus 70571 - NL-5201 CZ's-Hertogenbosch	Netherlands	Full	100.00	100.00	100.00	100.00
Graydon Creditfink B.V. Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Graydon Holding N.V. Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Graydon Nederland B.V. Hullenbergweg 260 - 1101 B.V. Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Kisys Krediet Informatie Systemen B.V. Hullenbergweg 270 - 1101 B.V. Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
MarkSelect B.V. Diemerhof 26 - Postbus 22969 - 1100 DL Amsterdam	Netherlands	Equity	27.50	27.50	27.50	27.50
Interpolis Kredietverzekeringen N.V. Pettelaarpark 20 - 5216 PD's Hertogenbosch	Netherlands	Proportional	45.00	45.00	45.00	45.00
Euler Hermes Zarzadzanie Ryzykiem Sp. Z.o.o. ul. Domaniewska 50B, 02-672 Warsaw	Poland	Full	100.00	100.00	100.00	100.00
Towarzystwo Ubezpieczen Euler Hermes S.A. ul. Domaniewska 50B, 02-672 Warsaw	Poland	Full	100.00	100.00	100.00	100.00
Euler Hermes, Mierzejewska-Kancelaria Prawna Sp.k ul. Domaniewska 50B, 02-672 Warsaw	Poland	Full	99.98	99.98	99.98	99.98
Companhia de Seguro de Creditos S.A. (COSEC) Avenida de Republica, n° 58 - 1069-057 Lisboa	Portugal	Equity	50.00	50.00	50.00	50.00
Euler Hermes Cescob, uverova pojist'ovna, a.s. Molakova 576/11, 186 00 Pragues 8	Czech Republic	Full	100.00	100.00	100.00	100.00

Notes to the consolidated financial statements

Foreign companies	Country	Consolidation Method	12/31/2009 % control	12/31/2009 % interest	12/31/2008 % control	12/31/2008 % interest
Euler Hermes Cescob Service, s.r.o. Molakova 576/11, 186 00 Prague 8	Czech Republic	Full	100.00	100.00	100.00	100.00
Euler Hermes Servicii Financiare S.R.L. 6 Petru Maior street, Bucharest 011264	Romania	Full	79.92	79.92	79.92	79.92
OOO Euler Hermes Credit Management ul. Krymskij Val 3, Building 3, 2, Office 210 - 119049 - Moscow	Russia	Full	100.00	100.00	100.00	100.00
Euler Hermes UK PLC 01, Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
Euler Hermes Collections UK Ltd 01, Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
Euler Hermes Guarantee PLC Surety House, Lyons Crescent - Tonbridge Kent TN9 1EN	United Kingdom	Full	100.00	100.00	100.00	100.00
Euler Hermes Holdings UK PLC 01, Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
Euler Hermes Risk Services UK Ltd 01, Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
Euler Hermes International Ltd 01, Canada Square - London E14 5DX	United Kingdom	Full	100.00	100.00	100.00	100.00
Euler Hermes Management Services UK Ltd 1, Canada Square - London E14 5DX	United Kingdom	Full	27.50	27.50	27.50	27.50
Graydon U.K. Limited Hyde House, Edgware road - Colindale - Londres NW9 6LW	United Kingdom	Equity	100.00	100.00	100.00	100.00
Euler Hermes Credit Insurance Agency (S) Pte. Ltd 3 Temasek Avenue - # 08-01 Centennial Tower - Singapore 039130	Singapore	Full	100.00	100.00	100.00	100.00
Euler Hermes Serwis SRO Bratislava Plynarenska 4659/1 821 09 Bratislava	Slovakia	Full	100.00	100.00	100.00	100.00
Euler Hermes Credit Insurance Nordic A.B. Klara Norra Kyrkogata 29 - SE 101 34 Stockholm	Sweden	Full	100.00	100.00	100.00	100.00
Euler Hermes Service A.B. Klara Norra Kyrkogata 29 - SE 101 34 Stockholm	Sweden	Full	100.00	100.00	100.00	100.00
Euler Hermes Services A.G. Tödistrasse 65 - 8002 Zurich	Switzerland	Full	99.50	99.50	99.50	99.50
Euler Hermes Reinsurance A.G. Tödistrasse 65 - 8002 Zurich	Switzerland	Full	100.00	100.00	100.00	100.00
Euler Hermes Risk Yönetimi Dereboyu Sokak, Sun Plaza, Plaza Cubes, Maslak - 34398 Istanbul	Turkey	Full	100.00	100.00	100.00	100.00
Euler Hermes Sigorta Anonim Sirketi Dereboyou Sokak - Sun Plaza, Floor 13, Plaza Cubes, Off. N°24, Maslak - 34398 - Istanbul	Turkey	Full	100.00	100.00	100.00	100.00

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

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

Notes to the consolidated financial statements

2.4 Consolidation principles and methods

Consolidation policies

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

Subsidiaries

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

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

- Euler Gestion;
- Euro Gestion.

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

Companies accounted for by the equity method

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

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

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

Notes to the consolidated financial statements

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

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

COSEC and OeKB are jointly controlled but accounted by equity method. There are no other jointly controlled companies accounted by equity method.

2.5 Eliminations on consolidation
Income and expenses arising on intra-group transactions are eliminated during the preparation of the consolidated financial statements. Income and expenses arising on transactions with joint ventures are eliminated to the extent of the group's share in the company concerned.

2.6 Financial year and year-end dates
The financial year for all consolidated companies is a 12-month period ending on December 31st.

2.7 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 present document.

Notes to the consolidated financial statements

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 18	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 18	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 18	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 18	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 18	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 16	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 32	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

2.8 Translation

Translation of transactions denominated in a foreign currency

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

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

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

Translation of the financial statements of foreign companies

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

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

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

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

in euro vs currency	12/31/2009		12/31/2008	
	Closing	Average	Closing	Average
Pound Sterling	0.8881	0.8900	0.9525	0.802554
US Dollar	1.4406	1.3963	1.3917	1.47259
Swedish Krona	10.2520	10.5875	10.87	9.68326
Brazilian Real	2.5113	2.7642	3.2436	2.6774
Hong Kong Dollar	11.1709	10.8234	10.7858	11.46265
Swiss Franc	1.4836	1.5076	1.485	1.57863

Notes to the consolidated financial statements

2.9 Sectoral data

A sector of activity is a distinct component of a business that is engaged in the supply of products or services exposed to risks and profitability that differ from those of other sectors of activity. A geographic sector is a distinct component of a business engaged in the supply of products or services in a given economic environment that are exposed to risks and profitability that differ from those of other geographic sectors. Given the reform of IFRS 8 only the geographic sectors are presented as analysis axis.

2.10 Goodwill and other intangible assets

Goodwill

All business combinations made with effect from March 31st, 1998 are recognised by applying the acquisition method. Goodwill represents an amount arising on the acquisition of subsidiaries, equity-accounted companies or joint ventures. It corresponds to the excess of the cost of the business combination over the share of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. The values of the identifiable assets and liabilities acquired may be adjusted within a period of 12 months commencing on the acquisition date.

For business combinations made prior to March 31st, 1998, goodwill is recognised on the basis of the presumed cost, which corresponds to the carrying amount calculated by reference to the accounting rules used prior to the date of transition to IFRS.

Goodwill is recognised at acquisition cost less any accumulated impairment write-downs.

With effect from January 1st, 2004, goodwill is no longer amortised in accordance with IFRS 3, but instead is subject to impairment testing, either annually or more frequently if events or changes in circumstances suggest that impairment may have occurred (*see § 2.11. Impairment*).

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

For the purposes of impairment testing, goodwill is allocated to Cash Generating Units or to groups of Cash Generating Units (*see § 2.11. Impairment for the impairment test procedures*).

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

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

Other intangible assets

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

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

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

Notes to the consolidated financial statements

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

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

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

2.11 Impairment

Goodwill

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

The main assumptions used to determine the value in use are as follows: indefinite renewal of policies, growth rate to infinity of between 0.5% and 2% depending on the CGU concerned, and a discount rate between 7.24% and 9.41% depending on the company. With effect from 2006, the discount rate used is determined by geographic region. The model is based on the projected 3-year budget prepared by management with a final year based on normalised management ratios (combined ratios and target retention rates) using a minimum rate of 83% for the combined ratio. Furthermore, as part of the setting up of a captive reinsurance company, the scope of the Cash Generating Units has been extended to include reinsurance assignments made to this new company as well as the share of related shareholders' equity. Lastly, the valuation model has been fine-tuned to incorporate specific treatment of capital surpluses actually available for distribution.
The calculation parameters adopted as at December 31st, 2009 are detailed in the note 3 - Goodwill.

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

Other intangible assets

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

2.12 Property assets

Distinction between investment property and operating property

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

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

Recognition and measurement

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

Notes to the consolidated financial statements

The Euler Hermes group has identified four categories of property assets that apply to both investment property and operating property:
- housing;
- warehouses and commercial premises;
- offices;
- high-rise buildings.

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

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

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

Properties are valued periodically by independent experts. The fair value of buildings is estimated based on market prices, adjusted, where applicable, to take into account the nature, location or other specific features of the building concerned. The fair value is presented in the notes to the balance sheet *(see Note 5)*.

Impairment

Investment property

A provision for impairment of property is recognised where required to reduce the value of the property to the higher of the value in use and the expert valuation. This provision may be written back through the income statement in the event of an increase in value.

Property for own use

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

Notes to the consolidated financial statements

2.13 Other property and equipment

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

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

2.14 Financial instruments

Financial investments

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

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

Available-for-sale assets (AFS)

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

Initial recognition

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

Measurement

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

Impairment

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

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

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

The amount of the accumulated loss removed from shareholders' equity and recognised in the income statement is equal to the difference between the acquisition cost (net of any capital repayment and any write-downs) and the current fair value, less any impairment of this financial asset previously recognised in the income statement.

Any relevant decrease in the fair value of a stock already impaired is complementary accounted through the income statement.
Impairment recognised on a shareholders' equity instrument is never written back to the income statement prior to de-recognition of the instrument.

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

Notes to the consolidated financial statements

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

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

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

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

Assets held for trading purposes
A financial asset is classified as held for trading purposes if it is:
- acquired or held principally with a view to being sold or redeemed in the short term, or,
- part of a portfolio of identified financial instruments that are managed as a whole and for which there is evidence of a recent pattern of short-term profit taking, or,
- a derivative (except for a derivative that is a designated and effective hedging instrument).

Initial recognition
Assets held for trading purposes are recognised at fair value on the acquisition date.

Measurement
Assets held for trading purposes are measured at fair value. Any change in the fair value of securities held for trading purposes during the period is recognised in the income statement for the period.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market, except for instruments classified at fair value through the income statement or as available for sale.

Recognition and measurement
Loans are recorded at fair value plus any directly attributable transaction costs. On the balance sheet date, they are measured at amortised cost using the effective interest rate method. Financial income for the period is recorded by applying the effective interest rate to the amortised cost of the transaction.

Impairment
When objective evidence of impairment exists (e.g. a deterioration in the financial situation of the issuers), the amount of the loss is equal to the difference between the carrying amount of the asset and the value of estimated future cash flows, discounted at the original effective interest rate of the financial asset.

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

Notes to the consolidated financial statements

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

Within the Euler Hermes group, derivatives correspond mainly to hedging instruments linked to the stock option plans included in the Allianz Group Equity Incentive (*see note 32 – Stock option plans*).

Derivatives eligible for fair value hedge accounting (i.e. those used to hedge changes in the fair value of an asset or liability) are recognised as follows:
- the hedging instrument is recognised at fair value and any changes are recognised through the income statement;
- the carrying amount of the hedged item is adjusted for any gain or loss on the hedged item attributable to the risk hedged, the change being recognised through the income statement;
- the hedged item is remeasured at market value in respect of the component relating to the risk hedged.

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

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

2.15 Insurance and reinsurance receivables and liabilities

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

2.16 Acquisition costs capitalised

Acquisition costs capitalised relate to insurance policies. They mainly comprise brokerage commissions and expenses incurred by the sales and marketing departments. The capitalised amount is calculated using the same method as for the provision for unearned premiums. As the period covered by contracts is mainly one year at most, these acquisition costs are deferred to the following year. The movement in acquisition costs capitalised is included in acquisition expense reported in the income statement. Where applicable, acquisition costs capitalised are written down.

2.17 Current and deferred tax

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

2.18 Other receivables and operating liabilities

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

Notes to the consolidated financial statements

2.19 Cash and cash equivalents

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

2.20 Provisions for risks and charges

Provisions

Provisions for risks and charges essentially comprise provisions for retirement commitments (*see § 2.21. Employee benefits*). Other provisions are measured using the rules set out in IAS 37, which imply the existence of a present obligation arising from a past event, the probability that an outflow of resources representing economic benefits will be necessary to settle the obligation and a reliable estimate of the amount of the obligation. They are discounted in the event that the impact proves to be significant.

Contingent liabilities and contingent assets

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

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

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

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

2.21 Employee benefits

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

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

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

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

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

Notes to the consolidated financial statements

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

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

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

2.22 Share-based payments

IFRS 2 is applied to all measures concerned that are granted after November 7th, 2002.
Benefits granted to group employees involving the delivery of instruments representing shareholders' equity in group companies on preferential terms are now considered as additional remuneration and are recognised as an expense at their fair value on the allocation date with a corresponding entry to reserves. Where appropriate, this charge is spread over the vesting period. These benefits notably include discounts granted on the issue price of shares under capital increases reserved for employees as well as the fair value of stock purchase or subscription options granted to group employees.

Allianz has put in place stock option plans for the benefit of executives of the Euler Hermes group. On exercising their rights, these executives receive a cash amount corresponding to the difference between the market value and the subscription price (Stock Appreciation Rights plans - SAR), or shareholders' equity instruments (this action is possible under Restricted Stock Units plans - RSU).

The fair value of options granted is calculated using the Cox Ross Rubinstein valuation model.

2.23 Insurance and reinsurance contracts

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

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

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

Notes to the consolidated financial statements

Definition of insurance contracts

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

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

On August 18th, 2005, the sections of IFRS 4 and IAS 39 relating to financial guarantees were amended. The amendments were essentially aimed at ensuring that issuers of financial guarantee contracts measure these at fair value for the initial amount and subsequently at the higher of the amount determined in accordance with IAS 37 and the amount recognised initially less, where applicable, accumulated amortisation in accordance with IAS 18. However, the issuers who explicitly consider financial collateral arrangements like insurance contracts can use the accounting treatment proposed under IFRS 4, these amendments do not call into question the decision taken by the Euler Hermes group to apply IFRS 4 to credit insurance contracts.

Measurement of insurance contracts

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

- removal of provisions for equalisation;
- performance of a test for the adequacy of liabilities;
- impairment testing of reinsurance assets;
- identification and separation of embedded derivatives.

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

Analysis by function of expenses relating to contracts

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

Premiums

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

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

Premium refunds granted to policyholders are now presented on a separate line as a deduction from earned premiums. Up to December 31st, 2005, they were recognised in insurance service expense.

Notes to the consolidated financial statements

Provisions for unearned premiums

A provision for unearned premiums, gross of commissions and expenses, is established contract by contract as a function of the time left to run between the balance sheet date and the premium due date.

Claims

Claims comprise the following items:

- claims settled during the period relating to the current period or to prior periods, net of recoveries received;
- claims settlement expense, notably settlement service expense and commissions allocated to claims handling.

Reserves for claims payable

These technical reserves are designed to cover probable losses relating to:

- claims reported but not yet settled at the balance sheet date;
- claims occurring during the period but reported after the balance sheet date and, in respect of trade receivables existing at the balance sheet date and covered by a policy on such date, claims that will occur and will be reported during subsequent periods. These so-called "unknown" or "incurred but not reported" claims are estimated using statistical models that are essentially based on the level of claims observed during prior years.

Claims reserves are increased by a provision for administration charges.

Additional information on the measurement of claims reserves is provided in section under risk management.

Estimated recoveries

Recoveries are the result of actions taken by the company against defaulting debtors in order to fully or partially recover claims paid to policyholders. Estimated recoveries are a prudent estimate of potential recoveries on settled claims and are recognised as a reduction in the amount of the reserves for claims payable. They take into consideration a provision for administration charges determined in accordance with actual observed expenses.

Other technical reserves

A provision for current risks is established by risk category in addition to the provision for unearned premiums when claims likely to arise after the balance sheet date and relating to contracts underwritten before that date and the related acquisition costs and administration charges are not covered by the provision for unearned premiums.

Test for the adequacy of liabilities

At each closing, insurance contract liabilities net of related assets (acquisition costs capitalised and portfolio securities) are subject to a test for the adequacy of liabilities. The methods previously applied by the group and retained under IFRS 4 (including notably the measurement of claims reserves on the basis of the non-discounted ultimate cost and the methods for establishing the provision for current risks) constitute a satisfactory test for the adequacy of liabilities given the minimum requirements specified by IFRS 4.

Reinsurance contracts

Acceptances

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

Notes to the consolidated financial statements

Assignments

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

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

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

2.24 Borrowings

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

The measurement and recognition of borrowings are defined by IAS 39. With the exception of derivatives (*see §2.14.Financial instruments - Derivatives*), borrowings and other financial liabilities are recognised at fair value less any related transaction costs, and are subsequently measured at amortised cost calculated using the effective interest rate.

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

2.25 Income from ordinary activities

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

Turnover comprises earned premiums and commissions and other operating revenues.

Premiums

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

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

Investment income

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

Investment income net of management expense

This income comprises notably the following categories of revenue:

- net income from property;
- net income form securities;
- other financial income (bank credit interest, income from other investments);
- foreign exchange gains and losses;
- investment management charges.

Notes to the consolidated financial statements

Capital gains and losses on disposals of investments

Capital gains and losses on disposals of securities or property are recognised in the income statement. The group generally uses the FIFO method (First In, First Out). Shares exchanged under a public share exchange offer result in the recognition of a capital gain on exchange.

Change in fair value of investments recognised at fair value through the income statement

Differences in fair value recorded for the current period less any differences from the previous period are recognised. These essentially concern the remeasurement of derivatives.

Change in investment impairment charges

The impairment charges notably concern write-downs of investments and write-backs following a disposal, and charges for the depreciation and impairment of investment property.

2.26 Insurance services expense

Insurance services expense includes the net cost of claims, i.e. claims settled during the period less recoveries received, the movement in claims reserves net of projected recoveries, expenses incurred or to be incurred for the management of claims payments and collections.

The recognition principles applied to these items are those set out in IFRS 4 and are described in section 2.24. Insurance and reinsurance contracts – Measurement of insurance contracts.

2.27 Net outwards reinsurance income or expense

This heading comprises the share of assignments and retrocessions of earned premiums, claims paid, changes in claims reserves, bonuses and commissions received from reinsurers.

The recognition principles applied to these items are those set out in IFRS 4 and are described in section 2.23. Insurance and reinsurance contracts – Reinsurance contracts.

2.28 Administration expense

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

2.29 Other ordinary operating income and expense

Other ordinary operating income and expense comprises:

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

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

2.30 Other operating income and expense

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

Notes to the consolidated financial statements

2.31 Financing expense

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

Financing expense consists of expenses relating to the following items:

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

2.32 Earnings per share

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

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

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.

Notes to the consolidated financial statements

(in € thousands)	December 31st, 2009							December 31st, 2008
	France	Italy	United Kingdom	United States	Benelux	Other contries	Total	Total
Opening balance								
Gross value	393	6,229	57,735	30,466	8,242	7,544	110,609	125,756
Impairment losses	-	(409)	(7,522)	-	-	-	(7,931)	(10,179)
Net carrying amount	**393**	**5,820**	**50,213**	**30,466**	**8,242**	**7,544**	**102,678**	**115,577**
Change during the year								
Openning net carrying amount	393	5,820	50,213	30,466	8,242	7,544	102,678	115,577
Changes in gross value	-	-	-	-	-	-	-	327
Outgoing entities & Held for sale transfer	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	139
Reclassifications	-	-	-	-	-	-	-	-
Changes in foreign currency translation adjustments	-	-	3,637	(1,035)	-	501	3,103	(13,365)
Impairment losses	-	-	(2,199)	-	-	-	(2,199)	-
Closing net carrying amount	**393**	**5,820**	**51,651**	**29,431**	**8,242**	**8,045**	**103,582**	**102,678**
Closing Balance								
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)
Net carrying amount	**393**	**5,820**	**51,651**	**29,431**	**8,242**	**8,045**	**103,582**	**102,678**

The impairment losses of €(2,199) thousand correspond to the depreciation of the Irish portfolio acquired in 2007.

In accordance with IFRS 3, Euler Hermes did an impairment test of the goodwill comparing the value in use of the cash generated units (CGU) included goodwill and the book value (contribution of group consolidated net asset included goodwill).

The value in use is the actual value of future cash flows as presented in the business plan of the concerned entity.
The main hypotheses for the calculation of the value in use are the perpetuity growth rate defined by the CGU and the discounting rate defined by geographical area. The model is build on 3 years forecast elaborated by the management with a final year build on combined ratio and target retention rate. Moreover, with the creation of an internal reinsurance entity, the perimeter of CGU is larger in order to add the reinsurance flows to the captive and so its contribution of group consolidated net asset.

For each CGU, an average value in use is calculated on the most sensitive criteria:
- Cost of capital for EH ACI & EH UK;
- Perpetuity growth rate for EH SIAC, EH Belgium, EH NL & EH KV.

Notes to the consolidated financial statements

Results of impairment tests

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

	EH ACI		EH SIAC		EH UK		EH BELGIUM		EH NL		EH KV	
Parameters												
Cost of capital (net of tax)	8.72%		9.18%		9.02%		8.75%		8.59%		8.36%	
- of which, risk-free rate	3.55%		4.01%		3.85%		3.58%		3.42%		3.19%	
- of which, risk premium (bêta = 1.034)	5.17%		5.17%		5.17%		5.17%		5.17%		5.17%	
Effective tax rate	35.0%		48.0%		28.0%		33.0%		25.5%		31.0%	
Normalised return on financial portfolio	4.22%		2.78%		2.61%		4.53%		3.52%		3.33%	
Net combined ratio	82.0%		83.0%		85.0%		83.0%		83.0%		82.0%	
Target retention rate	55.0%		75.0%		70.0%		65.0%		60.0%		45.0%	
Long-term growth	2.0%		2.0%		1.5%		2.0%		0.5%		0.5%	
Long-term growth (upper and lower assumptions)	1.5%	2.5%	1.0%	3.0%	1.0%	2.0%	1.0%	3.0%	0.0%	1.0%	0.0%	1.0%
Average value in use (in thousands of euros)	**229,308**		**248,647**		**232,786**		**137,372**		**46,951**		**1,007,137**	
Contribution of group consolidated net asset	**192,992**		**95,287**		**178,676**		**78,855**		**34,635**		**833,841**	
Amount of the utility value the contribution of grup net asset	**36,316**		**153,360**		**54,110**		**58,517**		**12,316**		**173,297**	

Level to be reached by the key parameters in order that the value in use of every CGU is equal to its book value:

	EH ACI	EH SIAC	EH UK	EH BELGIUM	EH NL	EH KV
Hypothesis - value in use = book value						
Cost of capital (net of tax)	10.02%	-	11.55%	-	-	-
Long-term growth	-	- 13.01%	-	- 5.43%	- 3.81%	- 1.75%

Sensibility analysis in plausible valorisation:

The values in use of Euler Hermes ACI Inc range from €212,852 thousand to €245,764 thousand, corresponding to an assumed cost of capital of 9.2% and 8.2% respectively. These valuations support the fact that no complementary goodwill impairment is recognised.

The values in use of Euler Hermes SIAC range from €217,335 thousand to €279,959 thousand, corresponding to assumed long-term growth rates ranging from 1% to 3%. These valuations support the fact that no complementary goodwill impairment is recognised.

The values in use of Euler Hermes UK Plc range from €218,445 thousand to €247,127 thousand, corresponding to assumed cost of capital of 9.5% to 8.5%. These valuations support the fact that no complementary goodwill impairment is recognised.

The values in use of Euler Hermes Belgium range from €121,077 thousand to €153,667 thousand, corresponding to assumed long-term growth rates ranging from 1% to 3%. These valuations support the fact that no complementary goodwill impairment is recognised.

Notes to the consolidated financial statements

The values in use of Euler Hermes Netherlands Inc range from €44,769 thousand to €49,134 thousand, corresponding to an assumed long-term growth rates ranging from 0% to 1% respectively. These valuations support the fact that no complementary goodwill impairment is recognised.

The values in use of Euler Hermes Germany range from €957,848 thousand to €1,056,426 thousand, corresponding to an assumed long-term growth rates ranging from 0% to 1% respectively. These valuations support the fact that no complementary goodwill impairment is recognised.

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

NOTE 4. OTHER INTANGIBLE ASSETS AND CONTRACTS PORTFOLIO

(in € thousands)	December 31st, 2009				December 31st, 2008			
	Contract porfolio	IT deve-lopment and software	Other intan-gible assets	TOTAL	Contract porfolio	IT deve-lopment and software	Other intan-gible assets.	TOTAL
Balance as opening period								
Gross value	4,506	132,936	19,463	156,905	5,191	104,623	18,398	128,212
Amortisation	(3,102)	(57,311)	(13,255)	(73,668)	(1,731)	(56,132)	(12,071)	(69,934)
Impairment	-	-	-	-	-	-	-	-
Net carrying amount	**1,404**	**75,625**	**6,208**	**83,237**	**3,460**	**48,491**	**6,327**	**58,278**
Change during the year								
Net carrying amount as opening period	**1,404**	**75,625**	**6,208**	**83,237**	**3,460**	**48,491**	**6,327**	**58,278**
Acquisitions	-	31,010	5,176	36,186	31	40,148	1,106	41,285
Expenses capitalised	-	-	-	-	-	-	-	-
Changes in consolidation scope	-	-	-	-	-	-	-	-
Disposals	-	(9,015)	(68)	(9,083)	-	(5,173)	-	(5,173)
Reclassifications	-	843	(772)	71	-	358	-	358
Foreign exchange differences	111	268	4	383	(487)	(1,346)	-	(1,833)
Net amortisation	(589)	(18,497)	(919)	(20,005)	(1,600)	(6,854)	(1,226)	(9,680)
Net provisions for impairment	-	(1)	(36)	(37)	-	-	-	-
Other changes	-	-	-	-	-	-	-	-
Net carrying amount as closing period	**926**	**80,233**	**9,593**	**90,752**	**1,404**	**75,624**	**6,207**	**83,235**
Balance as closing period								
Gross value	4,635	155,049	22,850	182,534	4,506	132,935	19,462	156,903
Amortisation	(3,709)	(74,816)	(13,257)	(91,782)	(3,102)	(57,311)	(13,255)	(73,668)
Impairment	-	-	-	-	-			-
Net carrying amount	**926**	**80,233**	**9,593**	**90,752**	**1,404**	**75,624**	**6,207**	**83,235**

The increase of IT development and software mainly results from the IRP and Convergence applications developed by the group.
For the Euler Hermes group, the main evidence for an impairment test of intangible assets will be a giving up of software.

Notes to the consolidated financial statements

NOTE 5. INVESTMENT AND OPERATING PROPERTY

(in € thousands)	December 31st, 2009		December 31st, 2008	
	Investment property	Operating property	Investment property	Operating property
Balance as opening period				
Gross value	91,071	195,192	105,915	194,273
Depreciation	(19,237)	(61,878)	(19,668)	(56,771)
Impairment losses	-	(554)	-	(10,014)
Net carrying amount	**71,834**	**132,760**	**86,247**	**127,488**
Change during the year				
Net carrying amount as opening period	71,834	132,760	86,247	127,488
Acquisitions	-	1,318	-	922
Change in consolidation scope	-	-	-	-
Disposals	(45,423)	(73)	(15,276)	-
Reclassifications	-	(169)	(80)	80
Changes in foreign currency translation adjustements	-	(54)	-	87
Net depreciation	(1,494)	(4,010)	943	(5,277)
Net provisions for impairment	-	-	-	9,460
Other changes	-	-	-	-
Net carrying amount at the end of the period	**24,917**	**129,772**	**71,834**	**132,760**
Balance at the end of the period				
Gross value	35,663	185,370	91,071	195,192
Depreciation	(10,746)	(48,801)	(19,237)	(61,878)
Impairment losses	-	(6,797)	-	(554)
Net carrying amount	**24,917**	**129,772**	**71,834**	**132,760**
Fair value	**57,391**	**221,122**	**134,139**	**231,460**

Amounts recorded in the income statement	Twelve months ended December 31st,	
Investment property	2009	2008
Rental revenues from investment property	5,741	7,159
Direct operating expenses relating to property	(1,812)	(2,506)

A wrong booking of the opening value concerning the accounting of German impairment losses leads to a modification of the amounts constituting the net carrying amount:

- The gross value decreases by €(10,267) thousand;
- The cumulated depreciation decreases by €16,510 thousand;
- The impairment losses increases by €(6,243) thousand.

Notes to the consolidated financial statements

The disposals of investment property concerned Euler Hermes SFAC for the whole amount.

The related realized gains accounted are €26,420 thousand.

NOTE 6. 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)	December 31st, 2009						December 31st, 2008					
	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Listed	Non listed	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Listed	Non listed
Held-to-maturity assets												
Bonds	1,674	-	1,674	1,674	1,208	466	6,941	-	6,941	6,995	2,863	4,132
Total held-to-maturity assets	**1,674**	**-**	**1,674**	**1,674**	**1,208**	**466**	**6,941**	**-**	**6,941**	**6,995**	**2,863**	**4,132**
Available-for-sale assets												
Equities	110,646	19,428	130,074	130,074	2,251,408	60,203	136,083	16,064	152,147	152,147	1,911,193	108,862
Bonds	2,131,687	49,850	2,181,537	2,181,537			1,805,324	62,584	1,867,908	1,867,908		
Total Available-for-sale assets	**2,242,333**	**69,278**	**2,311,611**	**2,311,611**	**2,251,408**	**60,203**	**1,941,407**	**78,648**	**2,020,055**	**2,020,055**	**1,911,193**	**108,862**
Loans, deposits and other financial investments	527,450	-	527,450	527,450	-	-	563,990	-	563,990	563,990	-	-
Total loans, deposits and other financial investments	**527,450**	**-**	**527,450**	**527,450**	**-**	**-**	**563,990**	**-**	**563,990**	**563,990**	**-**	**-**
Total Financial investments	**2,771,457**	**69,278**	**2,840,735**	**2,840,735**	**2,252,616**	**60,669**	**2,512,338**	**78,648**	**2,590,986**	**2,591,040**	**1,914,056**	**112,994**

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.

Notes to the consolidated financial statements

(in € thousands)	December 31st, 2009				December 31st, 2008			
	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Amortized cos	Revaluation reserve	Net carrying amount	Fair value
Equities	110,646	19,428	130,074	130,074	136,083	16,064	152,147	152,147
Bonds	2,133,361	49,850	2,183,211	2,183,211	1,812 ,265	62,584	1,874,849	1,874,903
Loans and other investments	527,450	-	527,450	527,450	563,990	-	563,990	563,990
Total Financial investments	**2,771,457**	**69,278**	**2,840,735**	**2,840,735**	**2,512,338**	**78,648**	**2,590 986**	**2,591,040**

EH Group didn't account any impairment as of December 31st, 2009. 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)	December 31st, 2009		
	Level 1	Level 2	Level 3
Available-for-sale assets	2,084,706	186,039	40,866

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.

Classification par categories and geographic distribution

(in € thousands)	France	Other countries	Group
Held-to-maturity assets			
Bonds	466	1,208	1,674
Total Actifs détenus jusqu'à l'échéance	**466**	**1,208**	**1,674**
Available-for-sale assets			
Equities	117,428	12,646	130,074
Bonds	594,353	1,587,184	2,181,537
Total Available-for-sale assets	**711,781**	**1,599,830**	**2,311,611**
Loans, deposits and other financial investments	5,523	521,927	527,450
Total loans, deposits and other financial investments	**5,523**	**521,927**	**527,450**
Total Financial investments (excluded investments in consolidated enterprise)	**717,770**	**2,122,965**	**2,840,735**

Notes to the consolidated financial statements

Classification by investment category

(in € thousands)	December 31st, 2009				December 31st, 2008
	Held-to-maturity investments	Available-for-sale investments	Loans, deposits and other financial investments	Total	Total
Net carrying amount as opening period	**6,941**	**2,020,055**	**563,990**	**2,590,986**	**2,956,590**
Increase in gross value	-	1,514,175	397,656	1,911,831	1,446,873
Decrease in gross value	(5,297)	(1,213,710)	(438,236)	(1,657,243)	(1,693,922)
Revaluatation	-	(9,660)	-	(9,660)	(55,599)
Impairment	-	(942)	-	(942)	(23,283)
Changes in foreign currency translation adjustements	39	6,689	1,330	8,058	(48,707)
Reclassifications	-	1,221	2,796	4,017	2,984
Other changes	(9)	(6,217)	(86)	(6,312)	6,050
Net carrying amount as closing period	**1,674**	**2,311,611**	**527,450**	**2,840,735**	**2,590,986**

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.

Notes to the consolidated financial statements

NOTE 7. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

Information on equity-accounted investments

(in € thousands)		December 31st, 2009				
Company	**Country**	**Assets (1)**	**Share holders equity (2)**	**Turnover**	**Net income**	**% of capital held**
Prisma Kreditversicherungs A.G.	Austria	-	-	-	-	49.00%
OeKB Beteiligungs- und Management A.G.	Austria	197,790	109,118	60,299	1,404	49.00%
Graydon Holding N.V.	Netherlands	54,886	2,455	75,616	15,182	27.50%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	104,897	40,418	37,333	346	50.00%
Israel Credit Insurance Company Ltd	Israel	53,107	24,776	15,803	4,824	33.33%
		410,680	**176,767**	**189,050**	**21,756**	

(1) Assets based on company financial statements as at September 30th, 2009.

(2) Shareholders' equity based on company financial statements as at September 30th, 2009 including goodwill.

(in € thousands)		December 31st, 2008				
Company	**Country**	**Assets**	**Share holders equity**	**Turnover**	**Net income**	**% of capital held**
Prisma Kreditversicherungs A.G.	Austria	-	-	34,266	996	49.00%
OeKB Beteiligungs- und Management A.G.	Austria	149,367	117,447	16,946	2,686	49.00%
Lietuvos Draudimo Kreditu Draudimas	Lithuania	-	-	1	351	0.00%
Graydon Holding N.V.	Netherlands	56,120	23,949	73,172	13,367	27.50%
Companhia de Seguro de Creditos SA (COSEC)	Portugal	98,657	39,606	18,791	2,418	50.00%
Israel Credit Insurance Company Ltd	Israel	52,467	28,839	16,718	3,021	33.33%
		356,611	**209,841**	**159,894**	**22,839**	

Notes to the consolidated financial statements

Movements during the period

(in € thousands)	December 31st, 2009	December 31st, 2008
Balance as opening period	**93,550**	**52,206**
Increases	-	32,980
Decreases	-	(2,529)
Reclassification	-	-
Share of income for the period	6,644	7,875
Dividends paid	(10,554)	(6,970)
Impairment	-	-
Foreign exchange differences	(319)	226
Other changes	(67)	9,762
Net book value as closing period	**89,254**	**93,550**

Contribution to shareholders' equity (without equity method income of 2009)

(in € thousands)		December 31st, 2009	December 31st, 2008
Prisma Kreditversicherungs A.G.	Austria	-	(488)
OeKB Beteiligungs- und Management A.G.	Austria	53,468	56,233
Lietuvos Draudimo Kreditu Draudimas	Lithuania	-	(179)
Graydon Holding N.V.	Netherlands	675	2,911
Companhia de Seguro de Creditos SA (COSEC)	Portugal	20,209	18,594
Israel Credit Insurance Company Ltd	Israel	8,258	8,605
Share of shareholders' equity		**82,610**	**85,676**

Contribution to income

(in € thousands)		Twelve months ended December 31st,	
		2009	2008
Prisma Kreditversicherungs A.G.	Austria	-	488
OeKB Beteiligungs- und Management A.G.	Austria	688	1,316
Lietuvos Draudimo Kreditu Draudimas	Lithuania	-	179
Graydon Holding N.V.	Netherlands	4,175	3,676
Companhia de Seguro de Creditos SA (COSEC)	Portugal	173	1,209
Israel Credit Insurance Company Ltd	Israel	1,608	1,007
Share of total income		**6,644**	**7,875**

Notes to the consolidated financial statements

NOTE 8. OPERATING PROPERTY AND OTHER PROPERTY AND EQUIPMENT

(in € thousands)	December 31st, 2009			December 31st, 2008		
	Operating property	Other property and equipment	Total	Operating property	Other property and equipment	Total
Balance as opening period						
Gross value	195,192	141,134	336,326	194,273	137,129	331,402
Amortisation	(61,878)	(111,468)	(173,346)	(56,771)	(106,175)	(162,946)
Impairment	(554)	-	(554)	(10,014)	-	(10,014)
Net carrying amount	**132,760**	**29,666**	**162,426**	**127,488**	**30,954**	**158,442**
Change during the year						
Net carrying amount as opening period	**132,760**	**29,666**	**162,426**	**127,488**	**30,954**	**158,442**
Acquisitions	1,318	10,396	11,714	922	11,567	12,489
Changes in consolidation scope	-	(19)	(19)	-	189	189
Disposals	(73)	(2,288)	(2,361)	-	(9,748)	(9,748)
Reclassifications	(169)	167	(2)	80	(145)	(65)
Foreign exchange differences	(54)	157	103	87	(1,000)	(913)
Net depreciation	(4,010)	(9,406)	(13,416)	(5,277)	(2,163)	(7,440)
Net provisions for impairment	-	(110)	(110)	9,460	-	9,460
Other changes	-	(16)	(16)	-	12	12
Net carrying amount as closing period	**129,772**	**28,547**	**158,319**	**132,760**	**29,666**	**162,426**
Balance as closing period						
Gross value	185,370	143,809	329,179	195,192	141,134	336,326
Depreciation	(48,801)	(115,152)	(163,953)	(61,878)	(111,468)	(173,346)
Impairment	(6,797)	(110)	(6,907)	(554)	-	(554)
Net carrying amount	**129,772**	**28,547**	**158,319**	**132,760**	**29,666**	**162,426**

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

Notes to the consolidated financial statements

NOTE 9. DEFERRED TAX

Breakdown by type of tax

(in € thousands)	December 31st, 2009	December 31st, 2008
Deferred tax assets	172,015	123,343
Deferred tax liabilities	(455,133)	(445,768)
Net deferred tax	**(283,118)**	**(322,425)**
Tax losses	49,096	22,102
Deferred tax assets linked to revaluation of AFS investments	9,217	1,632
Deferred tax assets - provisions for retirement commitments	1,728	1,974
Deferred tax assets - technical reserves	63,508	50,828
Other deferred tax assets	48,466	46,807
Total deferred tax assets	**172,015**	**123,343**
Deferred tax liabilities linked to revaluation of AFS investments	(27,341)	(26,274)
Deferred tax liabilities - provisions for retirement commitments	(14,838)	(13,238)
Deferred tax liabilities - technical reserves	(363,000)	(183,864)
Other deferred tax liabilities	(49,954)	(222,392)
Total deferred tax liabilities	**(455,133)**	**(445,768)**
Net deferred tax	**(283,118)**	**(322,425)**
After offsetting deferred tax assets and liabilities by tax entity		
Deferred tax assets	42,938	31,942
Deferred tax liabilities	(326,056)	(354,367)

The tax losses for €39 million are mainly activated in the reinsurance subsidiaries (Switzerland and Luxemburg), for €3 million for the Belgian subsidiary and Euler Hermes Forderungsmanagement GmbH.

The non-activated tax losses are mainly due to the German Branches for €25.6 million, the future use of these tax losses being unpredictable until now.

Notes to the consolidated financial statements

Movement in deferred tax by geographical region

(in € thousands)	December 31st, 2008	Change through income statement	Change relating to revaluation of AFS inv.	Foreign exchange difference	Other movements	December 31st, 2009
Germany	(191,501)	3,027	(2,585)	-	107	(190,952)
France	(132,131)	4,883	4,261	-	-	(122,987)
Italy	7,107	(1,278)	56	-	(1,248)	4,637
United-Kingdom	(4,317)	1,474	-	(309)	200	(2,952)
United-States	(1,215)	1,844	(683)	19	(1,126)	(1,161)
Belgium & Netherlands	(6,481)	5,253	240	-	1	(987)
Reissurance (Switzerland & Luxemburg)	18,970	12,964	(10)	17	(1)	31,940
Other countries	(3,067)	2,955	(75)	169	74	56
Service Group/Holding	(9,790)	9,086	-	(6)	(2)	(712)
	(322,425)	**40,208**	**1,204**	**(110)**	**(1,995)**	**(283,118)**

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

Change in standard tax rate

	December 31st, 2009	December 31st, 2008
Group rate	67.59%	45.04%
France	34.43%	34.43%
Germany	32.28%	32.28%
Italy	32.32%	32.32%
United-Kingdom	28.00%	28.00%
United-States	35.00%	35.00%
Netherlands	25.50%	25.50%
Belgium	33.99%	33.99%
Switzerland	17.50%	17.50%

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

A reconciliation between the tax rate of the parent company Euler Hermes SA and the effective tax rate in 2009 is provided in note 25.

Notes to the consolidated financial statements

NOTE 10. INSURANCE AND REINSURANCE RECEIVABLES

Breakdown by type

(in € thousands)	December 31st, 2009			December 31st, 2008
	Gross	Provisions	Net	Net
Receivables from policyholders and agents	215,620	(16,558)	199,062	211,216
Earned premiums not yet written	134,420	-	134,420	158,402
Receivables from guaranteed debtors	101,656	-	101,656	93,856
Receivables from reinsurance transactions	141,337	(1,957)	139,380	130,959
Total credit insurance receivables	**593,033**	**(18,515)**	**574,518**	**594,433**

Breakdown of net receivables from guaranteed debtors

(in € thousands)	December 31st, 2009			December 31st, 2008
	Gross	Provisions	Net	Net
Gross receivables	101,656	-	101,656	93,856
Reinsurers' share	10,250	-	10,250	(1,110)
Total créances nettes sur débiteurs garantis	**111,906**	**-**	**111,906**	**92,746**

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

Breakdown by maturity

(in € thousands)	December 31st, 2009				
	< 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Gross receivables	350,365	(7,597)	-	-	342,768
Reinsurers' share	130,310	-	(216)	-	130,094
Net receivables from guaranteed debtors	101,656	-	-	-	101,656
Total credit insurance receivables	**582,330**	**(7,597)**	**(216)**	**-**	**574,518**

Provisions for bad debts from policyholders and agents

(in € thousands)	December 31st, 2009	December 31st, 2008
Balance as opening period	**(18,663)**	**(16,601)**
Change in consolidation scope	-	-
Provision	(5,769)	(4,627)
Write back	3,678	908
Foreign exchange differences	(1)	4
Other changes	4,197	1,653
Balance as closing period	**(16,558)**	**(18,663)**

Notes to the consolidated financial statements

NOTE 11. OTHER RECEIVABLES

Breakdown by type

(in € thousands)	12/31/2009			12/31/2008
	Gross	Provision	Net	Net
Current account receivables	18,005	-	18,005	17,914
Other taxes receivable	21,410	-	21,410	17,557
Other receivables	**142,482**	**(8,758)**	**133,724**	**104,051**
of which, accrued interest not due	40,561	-	40,561	37,958
Deferred charges	9,891	-	9,891	8,281
Other adjustment accounts	744	-	744	776
Other assets	105	-	105	807
Total other receivables	**192,637**	**(8,758)**	**183,879**	**187,344**

Breakdown by maturity

(in € thousands)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total other receivables	155,436	28,276	167	-	183,879

NOTE 12. CASH AND CASH EQUIVALENTS

(in € thousands)	12/31/2009	12/31/2008
Cash in bank and at hand	403,762	494,859
Cash pooling	38,030	119,048
Total cash	**441,792**	**613,907**
Total cash per balance sheet	**441,792**	**613,907**
Cash equivalents reflected in the cash flow statement	-	-
Cash pooling creditor with Allianz	(350)	(1,584)
Total cash and cash equivalents	**441,442**	**612,323**

Notes to the consolidated financial statements

NOTE 13. REVALUATION RESERVE

(in € thousands)	Investments	Tax	Foreign exchange difference	Associated companies	Minority interests	Other	Revaluation reserve
Opening balance	**78,648**	**(27,209)**	**160**	**(662)**	**(76)**	**(583)**	**50,278**
Change in fair market value of asset held for sale transfered through profits & losses (Gross amount) - group	(39,915)	10,708	11	-	-	11	(29,184)
Change in fair market value of asset held for sale booked through equity (Gross amount) - group	30,264	(7,442)	9	-	-	9	22,840
Change in fair market value of asset held for sale booked through equity (Gross amount) - COSEC associated company	-	-	-	1,075	-	-	1,075
Change in fair market value of asset held for sale booked through equity (Gross amount) - OeKB associated company	-	-	-	(1,547)	-	-	(1,547)
Change in fair market value of asset held for sale booked through equity (Gross amount) - minority	-	-	-	-	39	-	39
Other movements	-	-	-	-	100	(37)	63
Closing balance	**68,997**	**(23,943)**	**180**	**(1,134)**	**63**	**(600)**	**43,563**

Notes to the consolidated financial statements

NOTE 14. MINORITY INTERESTS

Movements during the year

(in € thousands)	12/31/2009	12/31/2008
Minority interests at start of period	**20,328**	**19,179**
Minority shareholders' share of net income	**4,153**	**4,498**
Buy out of minority interests		
Buy out of minority interests in Euler Hermes Guarantee PLC	-	(306)
Movements on latent reserves (excluding currency translation impact)	**(13)**	**(71)**
Other movements		
Foreign currency translation differences	(34)	(109)
Dividends paid to minority shareholders	(3,712)	(2,876)
Capital increases and other movements	(24)	13
Minority interests at end of period	**20,698**	**20,328**

Breakdown by country

(in € thousands)	12/31/2009	12/31/2008
Euler Hermes in France	918	845
Euler Hermes in Hungary	1,831	2,112
Euler Hermes in Romania	268	227
Euler Hermes in Germany	11,737	11,565
Euler Hermes in Morocco	3,135	2,701
Euler Hermes in Greece	2,809	2,878
Minority interests	**20,698**	**20,328**

Notes to the consolidated financial statements

NOTE 15. PROVISIONS FOR RISKS AND CHARGES

(in € thousands)	12/31/2008	Allowance	Writeback (used)	Writeback (not used)	Reclassification	Other changes	12/31/2009
Retirement scheme	**55,471**	**11,699**	**(6,069)**	**(3,509)**	**(2,258)**	**(352)**	**54,982**
Defined benefit retirement plans	53,688	11,196	(5,844)	(3,503)	(2,313)	181	53,405
Defined contribution retirement plans	1,783	503	(225)	(6)	55	(533)	1,577
Other provisions for risks and charges	**86,177**	**51,663**	**(28,480)**	**(5,283)**	**6,121**	**(144)**	**110,053**
Provision for tax liabilities	5,533	16,314	(3,091)	-	266	26	19,047
Provision for tax litigation	-	-	-	-	-	-	-
Provision for tax uncertainties	32,684	293	(4,538)	-	-	-	28,439
Provisions for employee benefits	27,141	22,648	(9,982)	(1,341)	2,492	(148)	40,810
Provisions for reinsurer default	-	-	-	-	-	-	-
Provisions for policyholder disputes	-	-	-	-	-	-	-
Provisions for debtor disputes	2,259	-	-	-	-	-	2,259
Guarantee of liabilities	8	-	-	-	-	-	8
Provision for restructuring	3,580	6,209	(1,793)	-	(435)	-	7,561
Provisions for sundry disputes	14,972	6,199	(9,076)	(3,942)	3,798	(22)	11,929
Total Provisions for risks and charges	**141,648**	**63,362**	**(34,549)**	**(8,792)**	**3,863**	**(496)**	**165,035**

Notes to the consolidated financial statements

NOTE 16. EMPLOYEE BENEFITS

Defined contribution plans

General description of the plans

- La Mondiale (France): insurance firms are required to pay 1% of their annual payroll into a capitalisation pension plan. The funds are managed by La Mondiale, an insurance firm.
- Euler American Credit Indemnity Company Associates Retirement Savings Plan: this is a defined contribution plan for full-time employees of Euler American Credit Indemnity. A provision must be raised pursuant to the Employee Retirement Income Security Act of 1974 (ERISA).
- United Kingdom: the company makes contributions on behalf of its employees amounting to 8% of salaries. The cash is invested in the names of the employees, who receive rights according to the return on investment generated.
- Scandinavia:
  - Denmark: the plan is managed by Danica, a Danish life insurance company.
  - Finland: the plan is managed by Varma, a Finnish insurance company.

The multi employer plans in Sweden, managed by the life insurance company, SPP as well as the plan in Norway, managed by the Norway company Vital are now accounted as defined benefit plans. Indeed, until now, the life insurance companies were not able to show the assets linked to the liability. The entire provision has been booked through the net income since the creation of both plans.
Further, the amounts regarding defined contribution plans have been reviewed for 2008 & 2007.

(in € thousands)	France	United States	United Kingdom	Scandinavia	Total
Provision at December 31st, 2009		**(1,581)**			**(1,581)**
Expense booked in 2009	(600)		(970)	(1,498)	(3,068)
Provision at December 31st, 2008		**(1,783)**			**(1,783)**
Expense booked in 2008	(207)	(186)	(705)	(1,476)	(2,574)
Provision at December 31st, 2007		**(1,470)**			**(1,470)**
Expense booked in 2007	(391)	(230)	(1,020)	(1,374)	(3,015)

Defined benefit plans

General description of the plans

- **Retirement indemnities (France):** the rights in respect of retirement indemnities are defined by the insurance companies' collective agreement. This plan is financed partly by a policy taken out with an insurance company.

- **PSAD (France):** this is a supplementary retirement benefit plan that was closed in 1978 and covers executives of Euler Hermes Sfac. Contributions are paid by the company to beneficiaries or their surviving spouse (reversion) until their death. The plan is managed by BCAC, which informs the company quarterly of the contributions to be paid. At the end of the year, there were 19 beneficiaries.

- **CARDIF (France):** This is a supplementary retirement benefit plan that was closed in 2006 and covers members of the Group Management Board and/or corporate officers of Euler Hermes and Euler Hermes Sfac. The contributions are paid by CARDIF to the beneficiaries or their surviving spouse (reversion) until their death. There are 2 beneficiaries.

- **TFR (Italy):** Trattamento di Fine Rapporto is a pension plan established by Italian legislation that is similar to a defined benefit pension plan. It is valued in accordance with IAS 19 by an independent actuary.

Notes to the consolidated financial statements

The following items were taken into account when measuring the commitment at the year end:
- The retirement age has been taken as 60 years for women and 65 years for men;
- The probability of leaving the company within the next five years for employees under 40 years of age has been determined based on historical data;
- The average life expectancy has been determined based on current statistics;
- The probability of an early request for TFR has also been calculated using historical data available within the company.

The assets covering the actuarial liability are included along with the other assets of Euler Hermes SIAC and are not identified separately.

EHUK Defined Benefit plan: Euler Hermes in the UK operates a defined benefit pension plan that covers all employees who had joined the company by December 31st, 2001. Under this plan, employees will be granted a pension on retirement (the normal age being 63 years), which will be a fraction of their salary upon retirement and based on their length of service within the company.

The company funds these rights through a dedicated fund. The retirement rights are revalued annually based on the constraints set by law, which provides for the mandatory application of different revaluation rates according to the vesting date of the rights.
The revaluation of certain rights, notably those earned prior to April 6th, 1997, is not covered by a legal obligation, but is discretionary. The assumptions used to calculate the commitment were reviewed in 2005 following the decision to no longer finance the revaluation of the discretionary increase in rights earned prior to 1997. This took into account the company's recent practice and the current position of the fund, factors that tend to reduce the probability of such discretionary revaluations being granted in the future. The commitment was reduced by £13.7 million at December 31st, 2005. In this regard, £8.4 million was treated as actuarial gains and £5.7 million was recognised in the 2006 income statement as past service costs. At December 31st, 2009, the present value of pension commitments in respect of this plan came to £113,2 million, funded partly by the fund as the market value of the assets stood at £102.4 million.

AVK/APV EPV: Euler Hermes Kreditversicherungs-AG, Euler Hermes Forderungsmanagement GmbH, Euler Hermes Risk Management & Co.KG and Euler Hermes Rating GmbH have implemented a defined benefit pension plan for all their employees. The beneficiaries will receive an annuity upon retirement at 65 years of age at the latest. This plan is managed in part by external companies, namely Pensionskasse AVK and Unterstützungs-kasse APV. Employees who leave the company prior to the date provided for may benefit from an annuity of a lower amount than that provided for initially.

Euler Hermes Credit Insurance Belgium has implemented a plan that covers the payment to employees of Euler Hermes Credit Insurance Belgium and Euler Hermes Services Belgium of a fixed capital sum, being a multiple of their salary at age 60. It also provides coverage in the event of the death, being a multiple of their salary based on the composition of their family, or invalidity of the employee.

Euler Hermes Kredietverzekeringen NV (the Netherlands) has implemented a defined benefit pension plan for its employees that is managed by Delta Lloyd.

Scandinavia:
- Sweden: a multi-employer plan that is managed by SPP, one of the largest life insurance companies. The employee begins to accrue pension at age 28. The employee can receive a pension from age 65. The employee is then guaranteed 65% of their final salary
- Norway: a multi-employer plan that is managed by Vital, a Norwegian life insurance company. The employee begins to accrue pension from the first day of employment. The employee can receive a pension from age 67. The employee is then guaranteed 70% of their final salary.

Notes to the consolidated financial statements

12/31/2009	France			Italy	United Kingdom	Germany	Belgium	The Netherlands	Nordic			Total
	Retire-ment indem-nities	PSAD	CARDIF						FTP	Vital	CEO's plan	
Actuarial liability at start of period	**(4,937)**	**(4,264)**	**(2,499)**	**(9,437)**	**(94,377)**	**(307,727)**	**(16,041)**	**(3,488)**	**(4,044)**	**(887)**	**(482)**	**(448,183)**
- Cost of services provided during the period	(285)		-	(39)	(1,588)	(6,928)	(749)	(224)	(145)	(231)	(199)	(10,388)
- Interest expense	(276)	(241)	(145)	(259)	(6,301)	(18,133)	(958)	(194)	(123)	(34)	(26)	(26,690)
- Employee contributions	-		-		-	(2,625)	(85)	(168)	-	-	-	(2,878)
- Change of pension plan	-		-		-	-		-	-	-	-	-
- Acquisitions/disposals of subsidiaries	-		-		-	266		-	-	-	-	266
- Reductions of pension plans	-		-		-	-		-	-	-	-	-
- Disposals of pension plans	-		-		-	-		-	-	-	-	-
- Exceptional events	-		-		-	-		-	-	-	-	-
- Actuarial gains (losses) due to a change in assumptions	226	(34)	(154)	(7)	(22,083)	(28,029)	(1,164)	(109)	287	56	-	(51,011)
- Actuarial gains (losses) due to a change in experience	(19)	431	(4)		1,396	40	(738)	(245)	25	-	-	886
- Benefits paid	173	453	155	2,352	2,504	9,771	819	1	-	-	-	16,228
- Translation differences	-		-		(6,844)	-		-	-	-	-	(6,844)
- Other	-		-		(120)	(10)		395	-	-	116	381
- Removal of the discretionary clause					-	-		-	-	-	-	-
Actuarial liability at end of period	**(5,118)**	**(3,655)**	**(2,647)**	**(7,390)**	**(127,413)**	**(353,375)**	**(18,916)**	**(4,032)**	**(4,000)**	**(1,095)**	**(591)**	**(528,232)**
Fair value of assets at start of period	**1,540**	**-**	**2,990**	**-**	**94,927**	**266,492**	**12,490**	**2,839**	**2,299**	**575**	**495**	**384,648**
- Actual return on plan assets	41		(57)		5,746	14,463	645	21	84	34	21	20,998
- Experience effect on returns from assets			154		5,455	5,699	(335)	398	-	-	-	11,371
- Employee contributions	-		-		-	2,625	85	482	223	-	195	3,610
- Employer contributions	742		-		4,838	5,923	1,071	198	-	-	-	12,773
- Acquisitions/disposals of subsidiaries	-		-		-	1,441		-	-	-	-	1,441
- Reductions of pension plans	-		(485)		-	(1,707)		7	-	-	-	(2,185)
- Disposals of pension plans	-		-		-	-		-	-	26	-	26
- Benefits paid	(73)		(155)		(2,411)	(6,473)	(819)	(1)	(25)	-	-	(9,957)
- Translation differences	-		-		6,883	-		-	-	-	-	6,883
- Other	1		317		(87)	136		(389)	12	(88)	(19)	(118)
Fair value of assets at end of period	**2,251**	**-**	**2,764**	**-**	**115,352**	**288,599**	**13,137**	**3,556**	**2,593**	**546**	**692**	**429,490**
Actuarial differences still to be amortised	**653**	**-**	**117**	**-**	**(32,877)**	**(31,895)**	**(1,795)**	**19**	**(530)**	**53**	**101**	**(66,154)**
Negative net commitments	**(3,520)**	**(3,655)**	**-**	**(7,390)**		**(32,881)**	**(3,984)**	**(495)**	**(878)**	**(602)**	**(0)**	**(53,405)**
Positive net commitments					**20,816**							**20,816**

Notes to the consolidated financial statements

12/31/2009	France			Italy	United Kingdom	Germany	Belgium	The Netherlands	Nordic			Total
	Retire-ment indem-nities	PSAD	CARDIF						FTP	Vital	CEO's plan	
Expenses for the period	**(462)**	**156**	**-**	**(305)**	**(3,003)**	**(27,490)**	**(1,062)**	**(407)**	**201**	**234**	**253**	**(31,885)**
- Cost of services provided during the period	(285)			(39)	(1,584)	(6,928)	(749)	(206)	141	223	193	(9,234)
- Financial cost (discounting effect)	(276)	(241)		(259)	(6,288)	(18,133)	(958)	(185)	119	33	25	(26,163)
- Expected return on plan assets	83				5,734	(2,625)	645	21	(81)	(33)	(20)	3,724
- Expected return on all other assets	-				-	-		-	-	-	-	-
- Amortisation of actuarial gains and losses	16	397		(7)	(745)	196		-	22	-	2	(119)
- Amortisation of past service costs	-				-	-		-	-	-	-	-
- Amortisation of initial unrecognised liability	-				-	-		-	-	-	-	-
- Profit or loss resulting from reduction or liquidation	-				-	-		-	-	-	-	-
- Asset ceiling	-				-	-		-	-	-	-	-
- Exceptional events	-				-	-		-	-	-	-	-
- Other	-				(120)	-		(37)	-	11	53	(93)
Actuarial assumptions												
- Discount rate	6.00%	6.00%	4.00%	5.00%	5.50%	5.50%	5.25%	6.00%	3.00%	3.80%	3.00%	
- Rate of inflation	2.50%	2.50%	-	2.00%	-	1.85%		2.00%	2.00%		2.00%	
- Expected rate of return on plan assets	4.75%	-	4.00%	-	5.75%	5.20%	4.25%	6.00%	3.50%	5.80%	3.50%	
- Expected rate of return on all reimbursement rights	-	-	-	-	-	-	-	-				
- Expected rate of salary increases	3.50%	-	-	3.00%	4.15%	2.40%	-	2.00%	3.00%	4.00%	3.00%	
- Rate of increase in medical costs	-	-	-	-	-	-	-	2.00%				
- Rate of increase in annuities	-	2.35%	-	-	3.20%	1.85%	2.00%	1.00%				
- Retirement age	60		60	60-65	63	63	60	65				
- Remaining length of service	10		5		20	15	11	28				
- Other major assumptions used (1)	-	60.00%	-	-	-	-	-	-				
Structure of plan assets												
- Equities	-	-	23.00%	-	40.00%	20.34%	-	-	30.00%	16.00%	30.00%	
- Bonds	100.00%	-	27.00%	-	60.00%	77.21%	-	-	70.00%	56.00%	70.00%	
- Property	-	-	-	-	-	2.43%	-	-		17.00%		
- Other	-	-	50.00%	-	-	0.02%	100.00%	100.00%		11.00%		

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

Notes to the consolidated financial statements

12/31/2008	France			Italy	United Kingdom	Germany	Belgium	The Netherlands	Total
	Retirement indemnities	PSAD	CARDIF						
Actuarial liability at start of period	**(4,933)**	**(4,497)**	**(2,792)**	**(9,791)**	**(131,573)**	**(311,943)**	**(14,824)**	**(3,146)**	**(483,499)**
- Cost of services provided during the period	(277)		-	(431)	(2,462)	(8,322)	(721)	(238)	(12,451)
- Interest expense	(228)	(226)	(145)	(420)	(5,810)	(16,858)	(785)	(163)	(24,635)
- Employee contributions	-		-		-	(2,590)	(79)	(75)	(2,744)
- Change of pension plan	-		-		-	-		-	-
- Acquisitions/disposals of subsidiaries	-		-		-	-		-	-
- Reductions of pension plans	-		-		-	-		-	-
- Disposals of pension plans	-		-		-	-		-	-
- Exceptional events	-		-		-	-		(169)	(169)
- Actuarial gains (losses) due to a change in assumptions	218	67	212		11,951	19,647	401	343	32,839
- Actuarial gains (losses) due to a change in experience	(144)	(89)	74		803	2,985	(646)	-	2,983
- Benefits paid	384	481	152	1,205	2,424	9,369	280	1	14,296
- Translation differences	-		-		30,272	-		-	30,272
- Other	43		-		18	(15)	333	(41)	338
- Removal of the discretionary clause					-	-		-	-
Actuarial liability at end of period	**(4,937)**	**(4,264)**	**(2,499)**	**(9,437)**	**(94,377)**	**(307,727)**	**(16,041)**	**(3,488)**	**(442,770)**
Fair value of assets at start of period	**1,164**	**-**	**3,320**	**-**	**128,235**	**264,265**	**11,038**	**2,528**	**410,551**
- Actual return on plan assets	68		88		(9,839)	13,765	549	109	4,740
- Experience effect on returns from assets			-		-	(13,921)	(89)		(14,010)
- Employee contributions	-		-		-	6,229	79	158	6,466
- Employer contributions	692		-		8,576	2,590	1,193	533	13,584
- Acquisitions/disposals of subsidiaries	-		-		-	1,258		-	1,258
- Reductions of pension plans	-		(266)		-	(1,258)		-	(1,524)
- Disposals of pension plans	-		-		-	-		-	-
- Benefits paid	(384)		(152)		(2,424)	(6,126)	(280)	(1)	(9,367)
- Translation differences	-		-		(29,504)	-		-	(29,504)
- Other	-		-		(118)	(310)		21	(407)
Fair value of assets at end of period	**1,540**	**-**	**2,990**	**-**	**94,927**	**266,492**	**12,490**	**2,839**	**381,278**
Actuarial differences still to be amortised	**502**	**-**	**491**	**-**	**(17,150)**	**(9,801)**	**442**	**12**	**(25,504)**
Negative net commitments	**(3,899)**	**(4,264)**	**-**	**(9,437)**		**(31,434)**	**(3,993)**	**(661)**	**(53,688)**
Positive net commitments					**17,699**				**17,699**

Notes to the consolidated financial statements

12/31/2008	France			Italy	United-Kingdom	Germany	Belgium	The Netherlands	Total
	Retirement indemnities	PSAD	CARDIF						
Expenses for the period	**(437)**	**(247)**	**-**	**(851)**	**(3,172)**	**(11,606)**	**(957)**	**(461)**	**(17,731)**
- Cost of services provided during the period	(277)			(431)	(2,922)	(8,322)	(721)	(238)	(12,911)
- Financial cost (discounting effect)	(228)	(226)		(420)	(6,895)	(16,858)	(785)	(163)	(25,575)
- Expected return on plan assets	59				7,222	13,765	549	139	21,734
- Expected return on all other assets	-				-	-		-	-
- Amortisation of actuarial gains and losses	9	(21)			(457)	(191)		-	(660)
- Amortisation of past service costs	-				-	-		-	-
- Amortisation of initial unrecognised liability	-				-	-		-	-
- Profit or loss resulting from reduction or liquidation	-				-	-		-	-
- Asset ceiling	-				-	-		40	40
- Exceptional events	-				-	-		(193)	(193)
- Other	-				(120)	-		(46)	(166)
Actuarial assumptions									
- Discount rate	6.00%	6.00%	4.00%	6.00%	5.80%	5.50%	6.00%	6.00%	
- Rate of inflation	2.50%	2.50%	-	3.60%	3.11%	1.85%	2.50%	2.00%	
- Expected rate of return on plan assets	4.75%	-	4.00%	-	6.20%	5.20%	5.00%	6.00%	
- Expected rate of return on all reimbursement rights	-	-	-	-	-	-	-	-	
- Expected rate of salary increases	3.50%	-	-	4.20%	4.15%	2.40%	4.00%	2.00%	
- Rate of increase in medical costs	-	-	-	-	-	-	1.50%	2.00%	
- Rate of increase in annuities	-	2.35%	-	-	-	1.85%	-	1.00%	
- Retirement age	60		60	60-65	63	63	60	65	
- Remaining length of service	10		5		20	15	11	28	
- Other major assumptions used (1)	-	60.00%	-	-	-	-	-	-	
Structure of plan assets									
- Equities	-	-	23.00%	-	40.00%	20.34%	-	-	
- Bonds	100.00%	-	27.00%	-	60.00%	77.21%	-	-	
- Property	-	-	-	-	-	2.43%	-	-	
- Other	-	-	50.00%	-	-	0.02%	100.00%	100.00%	

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

Notes to the consolidated financial statements

12/31/2007	France			Italy	United Kingdom	Germany	Belgium	The Netherlands	Total
	Retire-ment indemni-ties	PSAD	CARDIF						
Actuarial liability at start of period	**(5,278)**	**(5,078)**	**(3,040)**	**(10,364)**	**(147,090)**	**(329,006)**	**(15,138)**	**(4,219)**	**(519,213)**
- Cost of services provided during the period	(306)		-	(582)	(3,962)	(8,904)	(785)	(324)	(14,863)
- Interest expense	(200)	(222)	(135)	(481)	(7,282)	(14,896)	(656)	(158)	(24,030)
- Employee contributions	-		-		-	(2,552)	(74)	(55)	(2,681)
- Change of pension plan	-		-		-	-		1,519	1,519
- Acquisitions/disposals of subsidiaries	-		-		-	-		-	-
- Reductions of pension plans	-		-	(147)	-	-		-	(147)
- Disposals of pension plans	-		-		-	-		-	-
- Exceptional events	-		-		-	-		-	-
- Actuarial gains (losses) due to a change in assumptions	467	230	295		12,225	30,777	(275)	29	43,748
- Actuarial gains (losses) due to a change in experience	88	88	(63)		(1,638)	1,494	1,124	(29)	1,064
- Benefits paid	296	485	151	1,783	3,409	10,817	980	-	17,921
- Translation differences	-		-		12,183	-		-	12,183
- Other	-		-		582	327		91	1,000
- Removal of the discretionary clause					-	-		-	-
Actuarial liability at end of period	**(4,933)**	**(4,497)**	**(2,792)**	**(9,791)**	**(131,573)**	**(311,943)**	**(14,824)**	**(3,146)**	**(483,499)**
Fair value of assets at start of period	**838**	**-**	**3,301**	**-**	**135,294**	**258,878**	**9,418**	**2,941**	**410,670**
- Actual return on plan assets	35		221		5,960	13,048	419	(310)	19,373
- Experience effect on returns from assets					-	(8,420)	69		(8,351)
- Employee contributions	-				1	2,552	74	55	2,682
- Employer contributions	664				2,691	5,885	2,038	149	11,427
- Acquisitions/disposals of subsidiaries	-					-		-	-
- Reductions of pension plans	-		(51)		-	-		-	(51)
- Disposals of pension plans	-				-	-		(480)	(480)
- Benefits paid	(296)		(151)		(3,409)	(7,678)	(980)	29	(12,485)
- Translation differences	-				(11,720)	-		-	(11,720)
- Other	(77)				(582)	-		(160)	(819)
Fair value of assets at end of period	**1,164**	**-**	**3,320**	**-**	**128,235**	**264,265**	**11,038**	**2,528**	**410,551**
Actuarial differences still to be amortised	**427**	**-**	**528**	**-**	**(18,657)**	**(18,703)**	**496**	**161**	**(35,748)**
Negative net commitments	**(4,196)**	**(4,497)**	**-**	**(9,791)**		**(28,975)**	**(4,282)**	**(779)**	**(52,520)**
Positive net commitments					**15,319**				**15,319**

Notes to the consolidated financial statements

12/31/2007	France			Italy	United Kingdom	Germany	Belgium	The Netherlands	Total
	Retirement indemnities	PSAD	CARDIF						
Expenses for the period	**(475)**	**96**	**(135)**	**(1,210)**	**(4,259)**	**(11,523)**	**(1,021)**	**(668)**	**(19,195)**
- Cost of services provided during the period	(306)			(582)	(3,962)	(8,904)	(785)	(324)	(14,863)
- Financial cost (discounting effect)	(200)	(222)	(135)	(481)	(7,282)	(14,896)	(656)	(158)	(24,030)
- Expected return on plan assets	34				8,360	13,048	420	(6)	21,856
- Expected return on all other assets	-				-	-		(72)	(72)
- Amortisation of actuarial gains and losses	(3)	318			(1,375)	(771)		-	(1,831)
- Amortisation of past service costs	-				-	-		-	-
- Amortisation of initial unrecognised liability	-				-	-		-	-
- Profit or loss resulting from reduction or liquidation	-			(147)	-	-		-	(147)
- Asset ceiling	-				-	-		-	-
- Exceptional events	-				-	-		-	-
- Other	-		-		-	-		(108)	(108)
Actuarial assumptions									
- Discount rate	5.10%	5.30%	4.00%	5.10%	5.10%	5.50%	4.50%	5.60%	
- Rate of inflation	2.00%	2.00%	-	2.00%	3.15%	1.85%	2.25%	2.00%	
- Expected rate of return on plan assets	4.50%	-	4.00%	-	6.40%	5.20%	4.85%	5.60%	
- Expected rate of return on all reimbursement rights	-	-	-	-	-	-	-	-	
- Expected rate of salary increases	3.00%	-	-	3.00%	4.15%	2.40%	3.75%	2.00%	
- Rate of increase in medical costs	-	-	-	-	-	-	-	2.00%	
- Rate of increase in annuities	-	1.90%	-	-	-	1.85%	-	-	
- Retirement age	60		60	60-65	63	63	60	65	
- Remaining length of service	10		5		20	15	12	28	
- Other major assumptions used (1)	-	60,00%	-	-	-	-	-	-	
Structure of plan assets									
- Equities	-	-	23.00%	-	40.00%	20.34%	-	-	
- Bonds	100.00%	-	27.00%	-	60.00%	77.21%	-	-	
- Property	-	-	-	-	-	2.43%	-	-	
- Other	-	-	50.00%	-	-	0.02%	100.00%	100.00%	

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

Notes to the consolidated financial statements

Estimation of future contributions

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

(in € thousands)	Pension Benefits	Post-Retirement Benefits
2009	16,187	209
2010	14,549	319
2011	15,253	3
2012	17,352	14
2013	17,478	314
2014	19,113	433
2015-2019	112,694	2,476

NOTE 17. BORROWINGS

Breakdown by type

(in € thousands)	12/31/2009	12/31/2008
Subordinated debt	**-**	**-**
Term loans and other term borrowings	1,261	2,313
Demand accounts	-	-
Borrowings from banking sector businesses	**1,261**	**2,313**
Other borrowings	405,882	295,433
Total borrowings	**407,143**	**297,746**

"Other borrowings" include four loans to Euler Hermes SA from Allianz France SA Grou amounting to €402,000 thousand of which €1,047 thousand of accrued interests with a maturity between 3 months and 1 year (see note 29 Related parties).

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

The balance represents mainly a borrowing by the Greek subsidiary from its shareholder Emporiki Bank (€1.2 million).

Breakdown by maturity

(in € thousands)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total borrowings	**3,879**	**293,264**	**110,000**	**-**	**407,143**

Notes to the consolidated financial statements

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

(in € thousands)	2010	2011	2012
Borrowing 2004 of 90m€ maturity 06/19/2010, the rate Euribor 6 months +64,4 basis points	0.68	-	-
Borrowing 2005 of 135m€ maturity 06/24/2010, the rate Euribor 6 months +20 basis points	0.77	-	-
Borrowing 2006 of 67m€ maturity 06/21/2010, the rate Euribor 6 months +64,4 basis points	0.52	-	-
Borrowing 2009 of 110m€ maturity 09/10/2012, the rate fixe Mid-Swaps 3 years +60 basis points	3.05	3.05	3.06
Total futur interest expenses	**5.02**	**3.05**	**3.06**

Euribor	as of 12/31/2010
6 months	0.994

The interest rate of the 2009 borrowing is a yearly fixed rate equal to the rate Mid-Swaps 3 years as at September 2nd, 2009 + 60 basis points. It is equal to 2.734%.

NOTE 18. TECHNICAL RESERVES

(in € thousands)	12/31/2008	Allowance net of write-backs	Foreign exchange differences	Other changes	12/31/2009
Reserve for unearned premiums	314,691	(23,023)	4,513	2,555	298,736
Reserve for claims	1,422,610	(13,797)	11,118	4,829	1,424,760
Reserve for no-claims bonuses and refunds	116,397	(5,648)	2,241	65	113,055
Gross technical reserves	**1,853,698**	**(42,468)**	**17,872**	**7,449**	**1,836,551**
Reserve for unearned premiums	47,853	15,011	710	5,378	68,952
Reserve for claims	353,186	67,417	1,931	4,692	427,226
Reserve for no-claims bonuses and refunds	16,939	2,806	1,654	4	21,403
Reinsurers' share of technical reserves	**417,978**	**85,234**	**4,295**	**10,074**	**517,581**
Net technical reserves	**1,435,720**	**(127,702)**	**13,577**	**(2,625)**	**1,318,970**

Notes to the consolidated financial statements

Cost of claims

(in € thousands)	Year ended December 31st, 2009 Gross	Reinsurance	Net	2008 Gross	Reinsurance	Net
Cost of claims for the current period	**1,452,108**	**(454,240)**	**997,868**	**1,584,352**	**(297,550)**	**1,286,802**
of which, claims paid	443,443	(130,963)	312,480	388,147	(79,180)	308,967
of which, claims reserves	929,492	(318,538)	610,954	1,115,597	(209,989)	905,608
of which, claims handling expenses	79,173	(4,739)	74,434	80,608	(8,381)	72,227
Recoveries for the current period	**(140,738)**	**39,628**	**(101,110)**	**(135,477)**	**21,900**	**(113,577)**
Recoveries received	(13,142)	3,195	(9,947)	(17,222)	2,976	(14,246)
Change in reserves for recoveries	(127,596)	36,433	(91,163)	(118,255)	18,924	(99,331)
Cost of claims from prior periods	**57,620**	**41,612**	**99,232**	**(82,801)**	**34,941**	**(47,860)**
of which, claims paid	944,564	(186,126)	758,438	597,720	(120,980)	476,740
of which, claims reserves	(878,122)	228,456	(649,666)	(669,188)	155,481	(513,707)
of which, claims handling expenses	(8,822)	(718)	(9,540)	(11,333)	440	(10,893)
Recoveries from prior periods	**(92,911)**	**9,063**	**(83,848)**	**(58,644)**	**6,073**	**(52,571)**
Recoveries received	(158,164)	22,044	(136,120)	(147,352)	20,038	(127,314)
Change in reserves for recoveries	65,253	(12,981)	52,272	88,708	(13,965)	74,743
Cost of claims	**1,276,079**	**(363,937)**	**912,142**	**1,307,430**	**(234,636)**	**1,072,794**

Claims reserves

(in € thousands)	12/31/2009 Gross	Reinsurance	Net	12/31/2008 Gross	Reinsurance	Net
Claims reserves gross of recoveries	**1,727,088**	**(494,645)**	**1,232,443**	**1,650,693**	**(397,148)**	**1,253,545**
Current period	978,315	(322,827)	655,488	1,141,066	(227,411)	913,655
Prior periods	748,773	(171,818)	576,955	509,627	(169,737)	339,890
Recoveries to be received	**(302,327)**	**67,419**	**(234,908)**	**(228,084)**	**43,962**	**(184,122)**
Current period	(127,752)	36,507	(91,245)	(117,115)	19,360	(97,755)
Prior periods	(174,575)	30,912	(143,663)	(110,969)	24,602	(86,367)
Claims reserves	**1,424,761**	**(427,226)**	**997,535**	**1,422,609**	**(353,186)**	**1,069,423**

Notes to the consolidated financial statements

Breakdown by type of reserve

(in € thousands)	12/31/2009			12/31/2008		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reserves for unearned premiums	**298,736**	**(68,952)**	**229,784**	**314,691**	**(47,853)**	**266,838**
Claims reserves	**1,424,760**	**(427,226)**	**997,534**	**1,422,609**	**(353,186)**	**1,069,423**
of which, reserves for known claims	1,157,922	(348,067)	809,855	1,108,704	(384,528)	724,176
of which, reserves for late claims	461,422	(137,999)	323,423	440,723	44	440,767
of which, reserves for claims handling expenses	109,030	(8,580)	100,450	100,368	(12,620)	87,748
of which, other technical reserves	(1,286)	1	(1,285)	899	(44)	855
of which, recoveries to be received	(302,328)	67,419	(234,909)	(228,085)	43,962	(184,123)
No-claims bonuses and rebates	**113,055**	**(21,403)**	**91,652**	**116,398**	**(16,939)**	**99,459**
Technical reserves	**1,836,551**	**(517,581)**	**1,318,970**	**1,853,698**	**(417,978)**	**1,435,720**

NOTE 19. INSURANCE AND REINSURANCE LIABILITIES

Breakdown by type and by maturity

(in € thousands)	12/31/2009	12/31/2008
Policyholders' guarantee deposits and miscellaneous	105,366	100,158
Due to policyholders and agents	102,831	95,014
Liabilities arising from inwards insurance and reinsurance transactions	**208,197**	**195,172**
Due to reinsurers and assignors	131,148	56,232
Deposits received from reinsurers	39,252	40,465
Outwards reinsurance liabilities	**170,400**	**96,697**
Total insurance and reinsurance liabilities	**378,597**	**291,869**

(in € thousands)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total insurance and reinsurance liabilities	**350,116**	**28,482**	**-**	**-**	**378,597**

Notes to the consolidated financial statements

NOTE 20. OTHER LIABILITIES

Breakdown by type and by maturity

(in € thousands)	12/31/2009	12/31/2008
Tax and social liabilities	93,215	95,249
Other operating liabilities	67,822	117,199
Deferred income	8,343	7,509
Other accrued expenses	-	4
Other liabilities	12,417	12,299
Total other liabilities	**181,797**	**232,260**

(in € thousands)	3 months or less	3 months to 1 year	1 to 5 years	Over 5 years	Total
Total other liabilities	**143,798**	**34,504**	**3,496**	**-**	**181,797**

The other liabilities are mainly liabilities under service agreement for €12.3 million.

Notes to the consolidated financial statements

NOTE 21. BREAKDOWN OF INCOME NET OF REINSURANCE

(in € thousands)	Year ended December 31st, 2009 Gross	2009 Reinsurance	2009 Net	2008 Gross	2008 Reinsurance	2008 Net
Premiums and commissions	1,736,217	(619,659)	1,116,558	1,878,779	(419,979)	1,458,800
Premiums refunded	(63,079)	19,637	(43,442)	(78,383)	12,667	(65,716)
Gross premiums written - credit insurance	1,673,138	(600,022)	1,073,116	1,800,396	(407,312)	1,393,084
Change in unearned premiums	21,347	16,697	38,044	(26,437)	6,572	(19,865)
Earned premiums	**1,694,485**	**(583,325)**	**1,111,160**	**1,773,959**	**(400,740)**	**1,373,219**
Premium-related revenues	391,226	-	391,226	392,492	-	392,492
Turnover	**2,085,711**	**(583,325)**	**1,502,386**	**2,166,451**	**(400,740)**	**1,765,711**
Net investment income	**148,409**	**-**	**148,409**	**132,940**	**-**	**132,940**
Claims paid	(1,216,700)	291,849	(924,851)	(821,293)	177,146	(644,147)
Claims reserves expense	10,974	66,631	77,605	(416,862)	49,549	(367,313)
Claims handling expense	(70,353)	5,457	(64,896)	(69,275)	7,941	(61,334)
Insurance services expense	**(1,276,079)**	**363,937**	**(912,142)**	**(1,307,430)**	**234,636**	**(1,072,794)**
Brokerage commissions	(175,724)	-	(175,724)	(225,983)	-	(225,983)
Other acquisition costs	(153,216)	-	(153,216)	(99,711)	-	(99,711)
Change in acquisition costs capitalised	(2,983)	-	(2,983)	14,188	-	14,188
Contract acquisition expense	**(331,923)**	**-**	**(331,923)**	**(311,506)**	**-**	**(311,506)**
Impairment of portfolio securities and similar	**-**	**-**	**-**	**-**	**-**	**-**
Administration expense	**(175,919)**	**-**	**(175,919)**	**(220,563)**	**-**	**(220,563)**
Commissions received from reinsurers	**-**	**194,071**	**194,071**	**-**	**154,740**	**154,740**
Other ordinary operating income and expense	**(341,256)**	**-**	**(341,256)**	**(280,028)**	**-**	**(280,028)**
Ordinary operating income	**108,943**	**(25,317)**	**83,626**	**179,864**	**(11,364)**	**168,500**

Notes to the consolidated financial statements

NOTE 22. NET FINANCIAL INCOME

(in € thousands)	Year ended December 31st, 2009	2008 Modified
Revenues from investment property	5,741	7,159
Available for sale assets through equity	65,840	86,707
Trading assets	-	-
Held to maturity	76	233
Revenues from securities	**65,916**	**86,940**
Revenues from loans, deposits and other financial investments	23,340	36,076
Other financial income	1979	1,730
Investment income	**96,976**	**131,905**
Depreciation of investment property	(1,493)	(2,499)
Investment management expenses	(8,507)	(7,014)
Interest paid to reinsurers	(341)	(1,423)
Other financial expenses	-	-
Investment expense	**(10,341)**	**(10,936)**
Available for sale assets throught equity	26,420	14,062
Profits (losses) on sales of securities	44,852	15,102
Tradings assets	-	-
Heds to maturity	-	-
Profits (losses) on sales of shares	**44,852**	**15,102**
Profits (losses) on sales of participating interests	-	10,780
Net gain (loss) on sales of investments less impairment and depreciation writebacks	**71,272**	**39,944**
Change in fair value of derivatives	1,363	-
Change in fair value of trading assets	-	-
Change in fair value of investments recognised at fair value through the income statement	**1,363**	**-**
Reserve for impairment of investments	(1,335)	(23,424)
Change in impairment of investments	**(1,335)**	**(23,424)**
Net change in foreign currency	**(9,525)**	**(4,549)**
Net financial income (excluding financing expense)	**148,410**	**132,940**

To improve the presentation of net financial income it was decided to isolate on a line the net change in foreign currency.

Notes to the consolidated financial statements

NOTE 23. OPERATING LEASES

The following note presents the rents of operating leases for which the entities are engaged on future exercice.

(in € thousands)	12/31/2009			
	United Kingdom	United States	Netherlands	Scandinavia
Less than 1 year	3,055	1,493	0	0
1 to 5 years	312	4,350	865	892
More than 5 years	381	4,114	0	183
Total	**3,748**	**9,957**	**865**	**1,075**

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

NOTE 24. EXPENSES BY DESTINATION ALLOCATED BY NATURE

(in € thousands)	Year ended December 31st,	
	2009	2008 modified
Other ordinary operating income and expense	(341,256)	(303,167)
Contract acquisition expense	(331,923)	(344,633)
Administration expense	(175,919)	(164,297)
Claims handling expenses	(72,905)	(63,479)
Investment management charges	(10,341)	(10,936)
Total expenses by destination	**(932,344)**	**(886,512)**

(in € thousands)	Year ended December 31st,	
	2009	2008
Personnal costs	(389,495)	(380,688)
Other expenses linked to personnal	(45,233)	(41,247)
Commissions	(208,690)	(225,983)
IT expenses	(63,476)	(63,224)
Renting and maintenance expenses	(43,283)	(39,225)
Allowance & amortisation	(31,692)	(27,298)
Legal, advertising & consulting expenses	(30,678)	(32,691)
Other non recurring expenses	(5,790)	17,562
Other recurring expenses	(114,008)	(93,719)
Total expenses by nature	**(932,344)**	**(886,512)**

Notes to the consolidated financial statements

NOTE 25. OTHER ORDINARY OPERATING REVENUES AND EXPENSES

(in € thousands)	Year ended December 31st, 2009	2008
Other technical income	13,703	54,482
Other technical expense	(342,809)	(331,429)
Other non-technical income	-	6,417
Other non-technical expense	(1,987)	(1,666)
Employee profit sharing and bonuses	(10,163)	(7,832)
Other ordinary operating income and expense	**(341,256)**	**(280,028)**

The other non-technical expenses are mainly interests on defined benefit plans (€(8.7) million) net of interest income of counterpart asset plans (€6.7 million).

NOTE 26. CORPORATION TAX

Breakdown of tax charge

(in € thousands)	12/31/2009
Corporation tax	92,321
Adjustments relating to prior years	873
Provision for tax uncertainties & penalties	(2,686)
Other	(2,046)
Total current tax	**88,462**
Timing differences	(12,012)
Change in tax rate or new tax	(84)
Tax benefits relating to prior years	(27,139)
Other	(968)
Total diferred tax	**(40,203)**
Total Corporation tax as reported in the income statement	**48,259**

Tax proof

(in € thousands)	12/31/2009	Tax rate 2009
Income before tax	**71,401**	
Theoretical tax rate		34.43%
Tax at theoretical tax rate	24,583	
Tax at effective tax rate	48,258	67.59%
Difference	**23,675**	**33.16%**
Impact of differences between group and local tax rates	9,206	12.89%
Impact of permanent differences between taxable and accounting income	3,158	4.42%
Impact of specific tax situations	11,310	15.84%

Notes to the consolidated financial statements

The tax proof provides an explanation of items making up the difference between the tax charge at the theoretical tax rate of 34.43%, i.e. the parent company's tax rate, and the actual tax charge recorded in the income statement giving an effective tax rate of 67.59%.

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

NOTE 27. EARNINGS PER SHARE AND DIVIDEND PER SHARE

Earnings per share

	Year ended December 31st,	
	2009	**2008**
Distributable net income (in thousands of euros)	18,988	83,592
Weighted average number of ordinary shares before dilution	43,919,192	43,614,387
Earnings per share (€)	**0.43**	**1.92**
Distributable net income (in thousands of euros)	18,988	83,592
Weighted average number of ordinary shares after dilution	43,946,746	43,650,585
Diluted earnings per share (€)	**0.43**	**1.92**

The dilution impact takes into account the exercise of options. The average number of shares resulting from dilution is 27,554 in 2009 (36,198 in 2008). The group share of net income is used as the basis for this calculation.

Dividend per share

A dividend of €1.5 per share (€65,278 thousand) was approved by the Ordinary General Meeting of 2009.

NOTE 28. SEGMENT DATA

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

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

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

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

They evoluated to fit with the reporting communicated to the management.

Notes to the consolidated financial statements

Profit & loss by segment

(in € thousands)	Germany	IDC Germany Europe	IDC Germany Asia	France & IDC	Italy	United Kingdom	North & South America	Belgium	Nether-lands	Group Reinsu-rance	Group services	Inter-segment elimina-tions	GROUP
	Year ended December 31st, 2009												
Premiums written	588,549	148,001	43,083	347,520	155,731	163,741	164,793	55,731	42,895	726,405	-	(700,232)	1,736,217
Premiums refunded	(33,473)	(4,535)	(614)	(18,468)	4,328	(5,069)	-	(2,298)	(388)	(28,814)	-	26,252	(63,079)
Net premiums written	555,076	143,466	42,469	329,052	160,059	158,672	164,793	53,433	42,507	697,591	-	(673,980)	1,673,138
Change in unearned premiums	10,866	(8,771)	(23)	(1,921)	966	9,913	5,486	7,941	(1,714)	5,562	-	(6,958)	21,347
Earned premiums - non-group	**565,942**	**134,695**	**42,446**	**327,131**	**161,025**	**168,585**	**170,279**	**61,374**	**40,793**	**703,153**	**-**	**(680,938)**	**1,694,485**
Premium-related revenues - non-group	172,089	48,546	12,418	89,144	44,534	18,497	28,223	18,628	15,505	-	-	(56,358)	391,226
Turnover - intra-sectoral	**738,031**	**183,241**	**54,864**	**416,275**	**205,559**	**187,082**	**198,502**	**80,002**	**56,298**	**703,153**	**-**	**(737,296)**	**2,085,711**
Investment income	54,876	2,351	(1,788)	73,204	12,719	7,926	13,121	4,174	1,577	(2,079)	177,605	(195,276)	148,410
Of which, dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Total ordinary income	**792,907**	**185,592**	**53,076**	**489,479**	**218,278**	**195,008**	**211,623**	**84,176**	**57,875**	**701,074**	**177,605**	**(932,572)**	**2,234,121**
Insurance services expense	(344,820)	(255,958)	(37,115)	(167,943)	(85,141)	(129,240)	(136,311)	(72,307)	(25,304)	(583,401)	-	561,461	(1,276,079)
Outwards reinsurance expense	(309,512)	(96,189)	(23,792)	(88,176)	(64,744)	(79,688)	(87,342)	(23,508)	(21,301)	(470,010)	-	680,937	(583,325)
Outwards reinsurance income	288,772	204,112	29,876	64,629	26,680	76,423	95,171	28,832	18,487	493,643	-	(768,617)	558,008
Other income and expense	(312,418)	(70,071)	(24,038)	(168,042)	(92,964)	(78,304)	(78,132)	(28,292)	(25,758)	(215,410)	(19,183)	263,514	(849,098)
Total other income and expense	**(677,978)**	**(218,106)**	**(55,069)**	**(359,532)**	**(216,169)**	**(210,809)**	**(206,614)**	**(95,275)**	**(53,876)**	**(775,178)**	**(19,183)**	**737,295**	**(2,150,494)**
Ordinary operating income	**114,929**	**(32,514)**	**(1,993)**	**129,947**	**2,109**	**(15,801)**	**5,009**	**(11,099)**	**3,999**	**(74,104)**	**158,422**	**(195,277)**	**83,627**
Other non current non operating profit and loss	-	-	-	-	(8,856)	-	-	-		-	-	-	(8,856)
Operating income	**114,929**	**(32,514)**	**(1,993)**	**129,947**	**(6,747)**	**(15,801)**	**5,009**	**(11,099)**	**3,999**	**(74,104)**	**158,422**	**(195,277)**	**74,771**
Financing expense	(158)	(23)	(16)	(245)	(172)	(1,111)	(399)	(16)	-	172	(16,196)	8,151	(10,013)
Income from companies accounted for by the equity method	4,863	-	-	1,781	-	-	-	-	-	-	-	-	6,644
Corporation tax	(31,235)	422	(361)	(42,802)	(2,348)	4,801	(1,974)	5,240	(1,010)	12,866	8,140	-	(48,261)
Consolidated net income	**88,399**	**(32,115)**	**(2,370)**	**88,681**	**(9,267)**	**(12,111)**	**2,636**	**(5,875)**	**2,989**	**(61,066)**	**150,366**	**(187,126)**	**23,141**
o/w													
Net income, group share	**85,069**	**(32,150)**	**(2,370)**	**87,893**	**(9,267)**	**(12,111)**	**2,636**	**(5,875)**	**2,989**	**(61,066)**	**150,366**	**(187,126)**	**18,988**
Minority interests	3,330	35	-	788		-	-	-	-	-	-	-	4,153

Notes to the consolidated financial statements

(in € thousands)	Germany	IDC Germany Europe	IDC Germany Asia	France & IDC	Italy	United Kingdom	North & South America	Belgium	Nether-lands	Group Reinsu-rance	Group services	Inter-segment elimina-tions	GROUP
	Year ended December 31st, 2008												
Premiums written	686,540	104,411	-	384,936	200,144	199,687	167,821	70,034	41,144	651,078	-	(627,016)	1,878,779
Premiums refunded	(44,054)	(4,715)	-	(22,611)	2,059	(3,110)	-	(2,978)	(1,391)	(31,985)	-	30,402	(78,383)
Net premiums written	642,486	99,696	-	362,325	202,203	196,577	167,821	67,056	39,753	619,093	-	(596,614)	1,800,396
Change in unearned premiums	(10,537)	(587)	-	1,326	150	(4,111)	(4,367)	(693)	(119)	(9,659)	-	2,160	(26,437)
Earned premiums - non-group	**631,949**	**99,109**	**-**	**363,651**	**202,353**	**192,466**	**163,454**	**66,363**	**39,634**	**609,434**	**-**	**(594,454)**	**1,773,959**
Premium-related revenues - non-group	175,950	53,055	16,921	93,497	49,161	22,173	29,562	17,052	14,847	-	-	(79,726)	392,492
Turnover - intra-sectoral	**807,899**	**152,164**	**16,921**	**457,148**	**251,514**	**214,639**	**193,016**	**83,415**	**54,481**	**609,434**	**-**	**(674,180)**	**2,166,451**
Investment income	60,782	3,891	-	72,060	9,158	9,519	5,695	3,580	1,308	(3,432)	235,385	(265,006)	132,940
of which, dividends	*18,794*	-	-	-	-	-	-	-	-	-	*235,357*	*(254,151)*	-
Total ordinary income	**868,681**	**156,055**	**16,921**	**529,208**	**260,672**	**224,158**	**198,711**	**86,995**	**55,789**	**606,002**	**235,385**	**(939,186)**	**2,299,391**
Insurance services expense	(370,867)	(81,509)	-	(237,245)	(203,640)	(182,359)	(133,814)	(62,722)	(20,194)	(519,771)	-	504,691	(1,307,430)
Outwards reinsurance expense	356,959	97,669	-	107,193	105,895	105,137	93,285	29,142	16,773	253,424	-	(776,101)	389,376
Outwards reinsurance income	(357,335)	(80,029)	-	(93,179)	(83,563)	(75,437)	(78,351)	(24,498)	(19,849)	(212,004)	-	623,505	(400,740)
Other income and expense	(306,931)	(65,078)	(17,392)	(176,156)	(107,851)	(85,176)	(72,811)	(23,772)	(26,523)	(230,821)	(13,554)	313,968	(812,097)
Total other income and expense	**(678,174)**	**(128,947)**	**(17,392)**	**(399,387)**	**(289,159)**	**(237,835)**	**(191,691)**	**(81,850)**	**(49,793)**	**(709,172)**	**(13,554)**	**666,063**	**(2,130,891)**
Ordinary operating income	**190,507**	**27,108**	**(471)**	**129,821**	**(28,487)**	**(13,677)**	**7,020**	**5,145**	**5,996**	**(103,170)**	**221,831**	**(273,123)**	**168,500**
Other non current non operating profit and loss	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating income	**190,507**	**27,108**	**(471)**	**129,821**	**(28,487)**	**(13,677)**	**7,020**	**5,145**	**5,996**	**(103,170)**	**221,831**	**(273,123)**	**168,500**
Financing expense	(17)	1	-	(101)	(194)	-	(13)	(570)	-	(3)	(22,878)	7,686	(16,089)
Income from companies accounted for by the equity method	5,659	-	-	2,216	-	-	-	-	-	-	-	-	7,875
Corporation tax	(56,566)	(5,488)	(258)	(48,013)	7,720	3,155	(3,362)	(588)	(1,547)	21,107	11,644	-	(72,196)
Consolidated net income	**139,583**	**21,621**	**(729)**	**83,923**	**(20,961)**	**(10,522)**	**3,645**	**3,987**	**4,449**	**(82,066)**	**210,597**	**(265,437)**	**88,090**
o/w													
Net income, group share	**136,411**	**20,847**	**(729)**	**83,371**	**(20,961)**	**(10,522)**	**3,645**	**3,987**	**4,449**	**(82,066)**	**210,597**	**(265,437)**	**83,592**
Minority interests	3,172	774	-	552	-	-	-	-	-	-	-	-	4,498

In 2008, the follow up by the management didn't include the German branches split by geographical areas (Europe & Asia). This modification was done during the firts quarter of 2009.

To face the two income statements with a perfect comparison, the following income statement has the same geographical split like the one publish in 2008.

Notes to the consolidated financial statements

(in € thousands)	Germany	IDC Germany Europe	IDC Germany Asia	France & IDC	Italy	United Kingdom	North & South America	Belgium	Nether-lands	Group Reinsu-rance	Group services	Inter-seg-ment elimi-nations	GROUP
	Year ended December 31st, 2009 in the same format of data published as of December 31st, 2008												
Premiums written	661,433	118,200	-	347,520	155,731	163,741	164,793	55,731	42,895	726,405	-	(700,232)	1,736,217
Premiums refunded	(35,032)	(3,590)	-	(18,468)	4,328	(5,069)	-	(2,298)	(388)	(28,814)	-	26,252	(63,079)
Net premiums written	626,401	114,610	-	329,052	160,059	158,672	164,793	53,433	42,507	697,591	-	(673,980)	1,673,138
Change in unearned premiums	11,085	(9,013)	-	(1,921)	966	9,913	5,486	7,941	(1,714)	5,562	-	(6,958)	21,347
Earned premiums - non-group	**637,486**	**105,597**	**-**	**327,131**	**161,025**	**168,585**	**170,279**	**61,374**	**40,793**	**703,153**	**-**	**(680,938)**	**1,694,485**
Premium-related revenues - non-group	172,103	48,532	12,418	89,144	44,534	18,497	28,223	18,628	15,505	-	-	(56,358)	391,226
Turnover - intra-sec-toral	**809,589**	**154,129**	**12,418**	**416,275**	**205,559**	**187,082**	**198,502**	**80,002**	**56,298**	**703,153**	**-**	**(737,296)**	**2,085,711**
Investment income	53,943	2,159	(663)	73,204	12,719	7,926	13,121	4,174	1,577	(2,079)	177,605	(195,276)	148,410
Of which, dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Total ordinary income	**863,532**	**156,288**	**11,755**	**489,479**	**218,278**	**195,008**	**211,623**	**84,176**	**57,875**	**701,074**	**177,605**	**(932,572)**	**2,234,121**
Insurance services expense	(489,053)	(148,840)	-	(167,943)	(85,141)	(129,240)	(136,311)	(72,307)	(25,304)	(583,401)	-	561,461	(1,276,079)
Outwards reinsurance expense	(350,706)	(78,787)	-	(88,176)	(64,744)	(79,688)	(87,342)	(23,508)	(21,301)	(470,010)	-	680,937	(583,325)
Outwards reinsurance income	388,490	134,270	-	64,629	26,680	76,423	95,171	28,832	18,487	493,643	-	(768,617)	558,008
Other income and expense	(335,709)	(61,222)	(9,596)	(168,042)	(92,964)	(78,304)	(78,132)	(28,292)	(25,758)	(215,410)	(19,183)	263,514	(849,098)
Total other income and expense	**(786,978)**	**(154,579)**	**(9,596)**	**(359,532)**	**(216,169)**	**(210,809)**	**(206,614)**	**(95,275)**	**(53,876)**	**(775,178)**	**(19,183)**	**737,295**	**(2,150,494)**
Ordinary operating income	**76,554**	**1,709**	**2,159**	**129,947**	**2,109**	**(15,801)**	**5,009**	**(11,099)**	**3,999**	**(74,104)**	**158,422**	**(195,277)**	**83,627**
Other non operating profit and loss	-	-	-	-	(8,856)	-	-	-	-	-	-	-	(8,856)
Operating income	**76,554**	**1,709**	**2,159**	**129,947**	**(6,747)**	**(15,801)**	**5,009**	**(11,099)**	**3,999**	**(74,104)**	**158,422**	**(195,277)**	**74,771**
Financing expense	(158)	(23)	(16)	(245)	(172)	(1,111)	(399)	(16)	-	172	(16,196)	8,151	(10,013)
Income from companies accounted for by the equity method	4,863	-	-	1,781	-	-	-	-	-	-	-	-	6,644
Corporation tax	(30,019)	(777)	(378)	(42,802)	(2,348)	4,801	(1,974)	5,240	(1,010)	12,866	8,140	-	(48,261)
Consolidated net income	**51,240**	**909**	**1,765**	**88,681**	**(9,267)**	**(12,111)**	**2,636**	**(5,875)**	**2,989**	**(61,066)**	**150,366**	**(187,126)**	**23,141**
o/w													
Net income, group share	**47,910**	**874**	**1,765**	**87,893**	**(9,267)**	**(12,111)**	**2,636**	**(5,875)**	**2,989**	**(61,066)**	**150,366**	**(187,126)**	**18,988**
Minority interests	3,330	35	-	788	-	-	-	-	-	-	-	-	4,153

Notes to the consolidated financial statements

Depreciation, amortisation and provisions by segment

(in € thousands)	Year ended December 31st, 2009												
	Germany	IDC Germany Europe	IDC Germany Asia	France & IDC	Italy	United Kingdom	North & South America	Belgium	Nether-lands	Group Reinsu-rance	Group services	Inter-segment eliminations	GROUP
Provisions for loans and receivables	360	-	-	(2,198)	(38)	-	-	(43)	-	-	454	-	(1,465)

(in € thousands)	Year ended December 31st, 2008												
	Germany	IDC Germany Europe	IDC Germany Asia	France & IDC	Italy	United Kingdom	North & South America	Belgium	Nether-lands	Group Reinsu-rance	Group services	Inter-segment eliminations	GROUP
Provisions for loans and receivables	(8,863)	-	-	(5,816)	(509)	(4)	(518)	(420)	(14)	-	(897)	-	(17,041)

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 2008 and 2009 financial statements.

Balance sheet by segment

(in € thousands)	Year ended December 31st, 2009												
	Germany	IDC Germany Europe	IDC Germany Asia	France & IDC	Italy	United Kingdom	North & South America	Belgium	Nether-lands	Group Rein-surance	Group services	Inter-segment eliminations	GROUP
Goodwill	-	3,392	2,672	2,376	5,820	51,651	29,429	3,893	4,349	-	-	-	103,582
Other intangible assets	42,388	1,097	979	12,950	5,138	6,012	2,555	7,732	2,241	1,517	8,143	-	90,752
Investments - insurance businesses	453,418	53,184	4,538	650,747	151,029	19,604	114,326	11,475	30,737	125,218	1,568,585	(312,896)	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	186,299	153,089	31,209	71,734	130,519	70,983	58,348	26,639	11,901	315,185	110	(538,435)	517,581
Insurance and reinsurance receivables	98,229	66,792	15,805	90,762	71,839	73,701	56,540	107,296	4,720	130,478	(47)	(141,597)	574,518
Other assets	257,128	50,365	(9,295)	272,816	72,206	57,557	65,993	25,201	14,118	92,855	118,371	(113,015)	904,300
Total assets	**1,096,469**	**327,919**	**45,908**	**1,131,632**	**436,551**	**279,508**	**327,191**	**182,236**	**68,066**	**665,253**	**1,695,162**	**(1,105,943)**	**5,149,952**
Technical reserves	403,824	223,903	55,671	270,419	341,644	213,233	175,404	103,416	28,531	558,730	48	(538,272)	1,836,551
Liabilities related to inwards insurance and reinsurance transactions	18,989	1,434	3,409	76,059	27,150	18,595	4,186	6,171	273	86,729	(5)	(34,793)	208,197
Liabilities related to outwards reinsurance transactions	13,267	57,229	482	5,799	32,203	42,338	82,534	(178)	732	121,682	43	(185,731)	170,400
Other liabilities	339,787	27,427	9,671	246,389	47,430	51,452	23,861	28,130	11,986	21,547	609,235	(298,588)	1,118,327
Total liabilities	**775,867**	**309,994**	**69,233**	**598,666**	**448,427**	**325,618**	**285,985**	**137,539**	**41,522**	**788,688**	**609,321**	**(1,057,384)**	**3,333,476**

Notes to the consolidated financial statements

(in € thousands)	Year ended December 31st, 2008												
	Germany	IDC Germany Europe	IDC Germany Asia	France & IDC	Italy	United Kingdom	North & South America	Belgium	Nether-lands	Group Rein-surance	Group services	Inter-segment eliminations	GROUP
Goodwill	-	3,340	2,221	2,376	5,820	50,213	30,466	3,893	4,349	-	-	-	102,678
Other intangible assets	29,324	1,606	-	11,454	5,795	6,608	2,252	6.104	2,774	1,537	15,781	-	83,235
Investments - insurance businesses	464,765	14,913	(12,421)	685,547	144,064	(31,213)	56,774	37,244	27,487	143,371	1,401,061	(265,720)	2,665,872
Investments accounted for by the equity method	64,135	-	-	29,477	-	-	-	-	-	-	-	(62)	93,550
Share of assignees and reinsurers in the technical reserves and financial liabilities	253,674	56,030	-	87,001	176,396	62,972	46,352	28,020	11,991	169,566	-	(474,024)	417,978
Insurance and reinsurance receivables	93,345	37,798	-	133,605	80,912	76,349	52,734	104,566	3,041	111,201	-	(99,118)	594,433
Other assets	322,036	48,973	21,196	287,845	107,158	56,182	101,132	23,878	16,708	121,430	101,894	(109,083)	1,099,349
Total assets	**1,227,279**	**162,660**	**10,996**	**1,237,305**	**520,145**	**221,111**	**289,710**	**203,705**	**66,350**	**547,105**	**1,518,736**	**(948,007)**	**5,057,095**
Technical reserves	519,928	73,537	-	344,021	396,467	206,605	158,481	114,874	27,893	490,550	-	(478,658)	1,853,698
Liabilities related to inwards insurance and reinsurance transactions	53,092	82	-	90,199	26,456	17,972	3,445	2,385	383	29,289	-	(28,131)	195,172
Liabilities related to outwards reinsurance transactions	8,204	32,209	-	16,885	36,914	13,257	51,795	9,190	2,264	67,021	-	(141,042)	96,697
Other liabilities	316,039	20,334	15,475	258,569	62,996	24,131	26,916	26,067	12,188	19,798	527,541	(253,811)	1,056,243
Total liabilities	**897,263**	**126,162**	**15,475**	**709,674**	**522,833**	**261,965**	**240,637**	**152,516**	**42,728**	**606,658**	**527,541**	**(901,642)**	**3,201,810**

NOTE 29. RELATED PARTIES

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

The breakdown of the Euler Hermes group is as follows:

(in € thousands)	Number of shares	%
Allianz France	26,864,230	59.59%
Allianz Vie	3,879,818	8.61%
Treasury shares	1,567,944	3.48%
Sub-total	**32,311,992**	**71.67%**
Public (bearer securities)	12,771,218	28.33%
Total	**45,083,210**	**100.00%**

Notes to the consolidated financial statements

As at June 17th, 2009, the Extraordinary General Meeting of Allianz France SA & Allianz Holding approved the merger of these two entities. 21,421,782 stocks of Euler Hermes group have been transferred from AGF Holding to AGF SA.
At the same date, 4 stocks have been transferred from AGF-IART to AGF Vie.

Transactions

(in € thousands)	Year ended December 31st,					
	2009			2008		
	Allianz SE	Allianz France SA	Related companies and joint ventures	Allianz SE	Allianz France SA	Related companies and joint ventures
Operating income	41,161	-	37,395	(803)	-	52,836
Insurance services expense	(26,560)	-	(19,549)	-	-	(31,069)
Net income or expense on reinsurance	1,047	-	(125)	(39,395)	-	(174)
Financing expense	(1,712)	(7,897)	-	-	(15,193)	-
Other financial net incomes	(10,052)	-	(11,529)	2,737	-	(8,939)

Receivables and liabilities

(in € thousands)	Year ended December 31st,					
	2009			2008		
	Allianz SE	Allianz France SA	Related companies and joint ventures	Allianz SE	Allianz France SA	Related companies and joint ventures
Financial investment (Corporate bond Allianz SE)	160,000	-	-	-	-	-
Current accounts (accrued interests included)	37,940	-	44	74,314	-	1,825
Net operating receivables	1,458	-	594	5,565	-	12,195
Borrowings (accrued interests included)	135,031	268,016	-	-	292,321	-
Operating liabilities	2,046	220	113	15,576	-	2,099

The following entities invested in 2009 Allianz SE 3 years corporate bond for a total amount of €160 million:
- Euler Hermes Reinsurance AG;
- Euler Hermes Kreditversicherungs-AG;
- Euler Hermes holdings UK Plc;
- Euler Hermes SIAC spa;
- Euler Hermes SFAC SA.

Notes to the consolidated financial statements

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 Allianz 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.

On May 11th, 2009, the loan of €135 million has been transferred from Allianz France SA to Allianz Belgium.

On September 10th, 2009, Euler Hermes contracted a €110 million loan to Allianz International.

The maturity of the repayment of the two loans to Allianz France SA has been delayed to June 19th, 2010 (€90 million) and to June 21st, 2010 (€67 million).

Remuneration of senior executives

Members of the group Management Board

(in € thousands)	2009	2008
Salaries and other short term benefits for the year	2,862	2,581
Benefits in kind	39	40
Other indemnities	372	50
Total	**3,273**	**2,671**
Share-based attribution (number)		
- Euler Hermes options	-	32,500
- SAR/RSU	4,634	12,857

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

Two members of the Group Management Board who do not hold any other position and are not employees are protected by special agreements in the event they are removed from office. A gross compensation of 50% for Dr Gerd-Uwe Baden and 200% for Mr Wilfried Verstraete of the amount of their last fixed and variable annual remuneration is planned.
The payment of this indemnity is provided to the realisation of the condition following of performance: RORAC consolidated average of the last 2 years preceding the leaving of the company >=9%

In the hypothesis of a dismissal of Mr. Wilfried Verstraete between January 1st, 2010 and December 31st, 2011, the condition of performance is considered as being realized if the rate of return on the annualized RORAC, such as noticed by the Supervisory Board in the half year consolidated finacial statements (available from the 2nd half-year 2009 included) is upper than the rate held for Strategic Dialogue 2010 (7%).

Notes to the consolidated financial statements

Members of the Supervisory Board

(in € thousands) **As from December 31st,**	**2009**	**2008**
Salaries and other short term benefits for the year	4,771	2,740
Capital gain from SAR/RSU exercise	-	33
Benefits in kind	173	212
Total	**€ 4,944**	**€ 2,985**
Share-based payments (number)		
- SAR/RSU	48,638	21,804

Furthermore, Mrs Wilfried Verstraete and Gerd-Uwe Baden, members of the Group Management Board, benefits from membership of an additional pension plan of the Allianz group.

Notes to the consolidated financial statements

NOTE 30. GROUP EMPLOYEES

	December 31st, 2009	2009 like 2008 published	2008
Germany	2,041	2,072	1,816
Switzerland	50	50	47
Subtotal Germany & Switzerland	**2,091**	**2,122**	**1,863**
France	1,100	1,100	1,073
Subtotal France	**1,100**	**1,100**	**1,073**
United States	453	453	465
Mexico	40	40	37
Brazil	27	27	26
Argentina	7	7	7
Colombia	5	5	4
Subtotal America	**532**	**532**	**539**
United Kingdom	505	505	553
Belgium	214	214	218
Nordic	152	152	129
Netherlands	143	143	125
Poland	97	97	76
Hungaria	71	71	59
Czeck Republic	49	49	44
Lithuania	20	20	26
Slovakia	36	36	24
Romania	27	21	17
Latvia	5	5	10
Estonia	11	11	8
Russia	1	1	-
Subtotal Northern Europe	**1,331**	**1,325**	**1,289**
Italy	394	394	431
Spain	95	95	97
Greece	61	61	61
Morocco	39	39	39
Subtotal Mediterranean Countries & Africa	**589**	**589**	**628**
Singapore	100	100	31
Australia	16	16	17
Honk Kong	57	57	12
China	26	26	7
Japan	25	-	7
New-Zealand	9	9	6
India	14	14	2
Subtotal Asia/Pacific	**247**	**222**	**82**
Switzerland	7	7	14
Luxembourg	-	-	-
Subtotal Captive of reinsurance	**7**	**7**	**14**
Poland	304	304	279
Subtotal Collection	**304**	**304**	**279**
Total Euler Hermes Group	**6,201**	**6,201**	**5,767**

Notes to the consolidated financial statements

Staff costs totalled €389,495 thousand for the year ended December 31st, 2009. Remuneration paid to members of the Group Management Board during the year came to €3,273 thousand.
The staff numbers shown corresponds to the full-time equivalent headcount. For companies consolidated using the proportional method, the headcount shown is based on the proportion of the company included in the consolidated financial statements (concerns only N.V. Interpolis Kreditverzekeringen).
The headcount of companies accounted for by the equity method is not taken into account.

NOTE 31. COMMITMENTS RECEIVED AND GIVEN

(in thousands)	December 31st, 2009	December 31st, 2008
Commitments received	**12,770**	**15,913**
Deposits, sureties and other guarantees	12,770	15,913
Commitments given	**27,611**	**22,753**
Deposits, sureties and other guarantees	27,611	22,753
o/w - Commitments associated with membership of an EIG	11,897	9,743
- Securities buyback agreement	630	798

NOTE 32. STOCK OPTION PLANS

Amount charged in the consolidated income statement

(in thousands)	2009	2008
Charge in respect of the September 22nd, 2006 allocation of share purchase options	0	1,267
Charge in respect of the June 22nd, 2008 allocation of share purchase options	444	222
Total	**444**	**1,489**

Characteristics of the share option plans

Euler Hermes uses the «Cox-Ross-Rubinstein» model to measure the personnel expense related to options granted.
The assumptions used are as follows:

	Subscription plans			Purchase plans		
	July-03	July-04	June-05	Febr.-01	Sept.-06	June-08
Fair value of options allocated	8.93	11.66	13.10	12.74	22.29	6.83
Characteristics						
Date of EGM	04/23/2003	04/23/2003	04/23/2003	04/07/2000	05/22/2006	05/22/2006
Period of validity of options	8 years	8 years	8 years	8 years	8 years	8 years
Rights vesting period	2 years	2 years	2 years	2 years	2 years	2 years
Assumptions						
Risk-free interest rate	3.80%	4.16%	3.01%	5.09%	4.01%	4.72%
Expected volatiliy (1)	30%	30%	25%	20%	25%	33%
Rate of return on shares	2.81%	4.14%	3.98%	2.65%	3.74%	10.51%

(1) Expected volatility is calculated using historical market prices.

Notes to the consolidated financial statements

Sundry restrictions

- Subscription plans adopted by the EGM of 04/23/2003

The beneficiaries must have at least six months of service with the company on the allocation date. They may be on permanent or fixed-term contracts. The shares obtained by the exercise of the options are registered in the shareholder's name. They can be transferred freely after an initial period of four years as from the allocation date. This period of unavailability does not apply in certain cases such as loss of employment, retirement, incapacity or death of the beneficiary.

- Purchase plans adopted by the EGM of 04/23/2003

The beneficiaries of the scheme are all the employees and corporate officers of Euler Hermes SA and its subsidiaries, with permanent or fixed-term employment contracts and at least six months length of service on the options allocation date. The shares purchased are transferable either immediately or after a period of four years from the date of the offer (other than in the event of loss of employment, retirement, incapacity or death), depending on the country.

- Mixed plans adopted by the EGM of 05/22/2006

The beneficiaries of the scheme are all the employees and corporate officers of Euler Hermes SA and of more than 50%-owned subsidiaries, with permanent or fixed-term employment contracts and at least six months length of service on the options allocation date. The options may be freely exercised after a period of four years from the date of the offer, other than as provided for by article 91 ter of Appendix II to the French General Tax Code (loss of employment, retirement, incapacity or death), depending on the country.

Information on plans currently in effect

At December 31st, 2009, the following options were potentially exercisable:

	Subscription plans (1)			Purchase plans (2)		
Allocation date	**July-03**	**July-04**	**June-05**	**Febr.-01**	**Sept.-06**	**June-08**
Number of options outstanding	51,325	90,305	143,950	19,410	153,100	130,000
End of subscription period	July-2011	July-2012	June-2013	Febr.-2009	Sept.-2014	June-2014
Exercise price of valid options at end of period	27.35	44.41	63.08	49.31-52.65	91.82	55.67

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

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

Notes to the consolidated financial statements

Transactions under the share option plans since January 1st, 2008 may be summarised as follows:

	Year ended December 31st, 2009				
	Average exercise price (€)	Number of options	Average price of EH share on exercise dates (€)	Average residual term (years)	Exercise price range of options still outstanding at end of period (€)
Start of period	**62.53**	**587,140**			
Allocation	0.00	0			
Exercise	36.05	980	48.79		
Cancellation	50.33	19,410			
End of period	**63.00**	**566,750**		**4.16**	**27.35-91.82**

	Year ended December 31st, 2008				
	Average exercise price (€)	Number of options	Average price of EH share on exercise dates (€)	Average residual term (years)	Exercise price range of options still outstanding at end of period (€)
Start of period	**60.34**	**529,719**			
Allocation	55.67	130,000			
Exercise	32.71	49,519	59.97		
Cancellation	38.93	23,060			
End of period	**62.53**	**587,140**		**5.03**	**27.35-91.82**

Allianz Group Equity Incentive plans

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

Notes to the consolidated financial statements

Characteristics of the SAR and RSU plans

	SAR Plans								
(in € thousands)	Apr.-02	May-03	May-04	May-05	May-06	March-07	March-08	March-09	Total
Fair value at December 31st, 2009 (in euros)	**0.00**	**21.24**	**11.05**	**11.26**	**2.68**	**2.07**	**6.99**	**35.56**	
Total commitment	0	0	294	385	93	59	192	599	1,622
Opening commitment	0	0	501	485	197	74	37	0	1,294
Charge recognised during the period	0	0	-207	-100	-104	-15	137	109	-181
Exercise of options	0	0	0	0	0	0	0	0	0
Closing commitment	**0**	**0**	**294**	**385**	**93**	**59**	**174**	**109**	**1,114**

	RSU Plans				
(in € thousands)	March-07	March-07	March-08	March-09	Total
Fair value at December 31st, 2009 (in euros)	**78.93**	**78.93**	**74.13**	**68.99**	
Total commitment	1,134	0	987	571	2,692
Opening commitment	393	4	102	0	499
Charge recognised during the period	203	-4	223	80	501
Exercise of options	0	0	0	0	0
Closing commitment	**596**	**0**	**325**	**80**	**1,001**

SAR

After a vesting period of two years (excepted for the 2009 plan, 4 years), the SAR can be exercised at any time between the second anniversary date and the seventh anniversary date under the following conditions:

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

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

RSU

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

Impact on the consolidated financial statements as at December 31st, 2009

The fair value of the liabilities resulting from the SAR and RSU plans is reassessed at each closing based on the Allianz share price, until expiry of the obligation, and is calculated using the Cox-Ross-Rubinstein binomial valuation model. The charge is recognised as the rights are vested, and is thus spread over two years for the SAR and five years for the RSU. At December 31st, 2009, the liability relating to the SAR and RSU still to be exercised amounted to €2,115 thousand.

Notes to the consolidated financial statements

Information on plans currently in effect

	Year ended December 31st, 2009												
	SAR							RSU					
Allocation date	Rights vesting period (years)	Reference price (€)	SAR at the opening	SAR granted	SAR cancelled	SAR exercised	SAR transfered	Rights vesting period (years)	RSU granted	RSU at the opening	RSU cancelled	RSU exercised	RSU transfered
Avr-02	2	239.80	10,682	-	-10,682	-	-	-	-	-	-	-	-
Mai-03	2	65.91	-	-	-	-	-	-	-	-	-	-	-
Mai-04	2	83.47	33,229	-	-	-	-6,597	-	-	-	-	-	-
Mai-05	2	92.87	42,220	-	-	-	-8,030	-	-	-	-	-	-
Mai-06	2	132.41	39,056	-	-	-	-4,491	-	-	-	-	-	-
Mars-07	2	160.13	36,021	-	-3,465	-	-4,012	5	18,294	-	-1,910	-	-2,019
Mars-08	2	117.38	23,258	-	-	-	4,181	5	11,285	-	-	-	2,028
Mars-09	4	51.95	-	9,493	-	-	7,358	5	-	4,664	-	-	3,613

The attribution for 2009 for the group Management Board is:

- SAR 3, 107;
- RSU 1, 527.

NOTE 33. AUDITORS' FEES

(in € thousands)	KPMG Audit				ACE			
	Amount		%		Amount		%	
	2009	2008	2009	2008	2009	2008	2009	2008
Audit								
• Statutory audit and report on company and consolidated financial statements								
• Issuer	460	460	14%	13%	126	126	30%	31%
• Fully-consolidated subsidiaries	2,475	2,403	75%	67%	275	263	65%	64%
• Other services directly related to appointment as statutory auditor								
• Issuer	103	103	3%	3%	19	19	5%	5%
• Fully-consolidated subsidiaries	140	215	5%	6%				
Subtotal	**3,178**	**3,180**	**97%**	**88%**	**420**	**408**	**100%**	**100%**
Other services provided to fully-consolidated subsidiaries								
• Legal, tax and social	75	8	2%	0%				
• IT	36	381	1%	11%				
• Strategy								
• Human resources		4						
• Other		29		1%				
Subtotal	**111**	**422**	**3%**	**12%**				
TOTAL	**3,289**	**3,603**	**100%**	**100%**	**420**	**408**	**100%**	**100%**

NOTE 34. SUBSEQUENT EVENTS

No subsequent events occurred since December 31st, 2009 closing which would impact the hypothesis of the annual closing.

Risk Management

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

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

1.1 The risk control function

1.1.1 Objective and principles of risk control

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

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

In order to properly fulfil its mission, risk control applies a principle of independence against any activity having a direct impact on the Profit and Loss and does not manage any operational function. This principles also apply to the actuarial team reporting to the risk controlling, having a controlling activity of the reserving assessed locally.

The function is therefore in charge of:

- measuring the risk capital on all type of risk categories;
- monitor the operational risk;
- propose capital allocation in line with risk measures;
- consolidate group risks results;
- coordinate local risk functions.

The function ensure the monitoring of risk return on all type of risks and ensure the coverage of some actuarial activities and any deviation compare to best estimate, measure the reinsurance impact, propose risk based pricing methodologies and risks indicators to operational functions.
All missions of the function and results of analysis are regularly reported.

1.1.2 Risk control activity

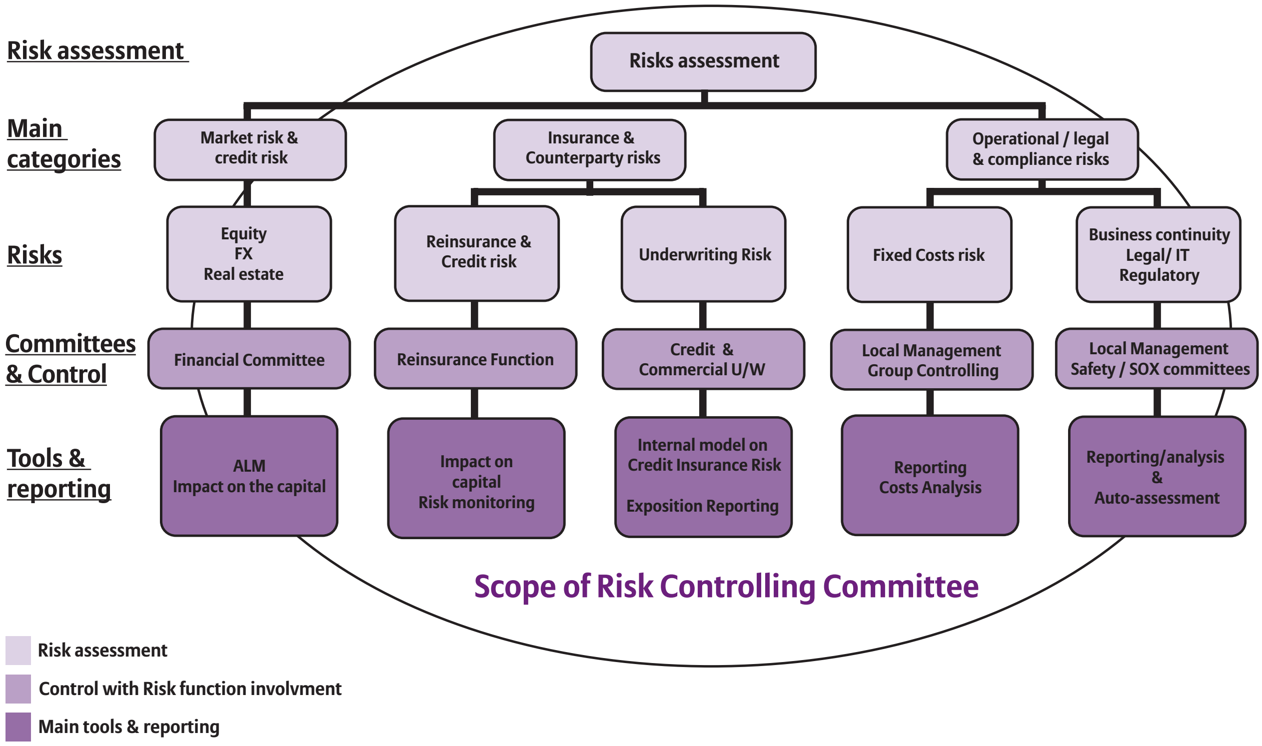
This function is responsible for understanding, measuring, controlling and proactively managing all the types of risks that the group may face. To achieve this, it relies on each entity and the cross-company functions of the group to monitor and consolidate the information provided to management. This coordination provides detailed information on local situations, which in turn is used to prepare a consolidated view for submission to the group's senior management.

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

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

Risk Management

Main Risk control flow



In addition to the structure shown above, the risk control function may place increased emphasis on the analysis or control of certain functions or subsidiaries. As such, besides the need to quantify and analyse the various types of risk, the complexity of the credit insurance business drives the risk function to strengthen certain measurement tools covering the underwriting of insurance risks and management of financial investments.
Such a structure aims to identify and monitor proactively all types of risks by maintaining responsibility for the management of these risks at operational level. The risks are thus controlled at various levels and limits are managed in line with the capital allocated by risk while at the same time benefiting from operational experience. Risk management is thus spread across all activities of the entire group for the day-to-day management of operations but also to be able to respond to specific events as efficiently as possible. Risk control prepares risk reports in collaboration with the operational functions in order to keep management informed. The committees play a key role as centres of responsibility and decision-making for risk management but also in spreading a culture of risk awareness and ascertaining the strengths and weaknesses of the risk management process. All these elements combine to form a clearly defined risk management mechanism that includes a forward-looking view on major risks, especially with regard to any changes in the environment or trends. Euler Hermes is thus particularly well-prepared, what the new central organisation reinforce, to tackle any major changes in risk and take appropriate measures.
When launching new products, all these skills come together to assess the internal and external impacts and define the actions to be taken to reduce the risks, minimise the costs and establish new limits for management of the product. The final responsibility on the launch of new products remains in the line of business.

Risk Management

1.2 Insurance risk

1.2.1 Insurance risk

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

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

1.2.2 Credit insurance contracts

Credit insurance contracts are fairly homogenous in form within the group, their objective being to cover the risk of non-payment by policyholders' customers. However, certain contracts restrict the cover to the formal bankruptcy of the debtor only. The underlying risk is dependent upon local bankruptcy laws that offer the debtor varying degrees of latitude. The insurance company must thus anticipate the behaviour and practices stemming from these laws in order to maximise control of its own risk.
The credit insurance contract specifies the management conditions and the parameters (excess, maximum liability, etc.) that vary according to the risk profile of each policyholder. Euler Hermes is reviewing some of the policy terms to adjust the conditions of the policies to the current crisis where necessary. The review and the new products setting are localThe contract also requires that the policyholder declares payment defaults within a given timeframe. During the policy period, there is ongoing collaboration with the policyholder, notably through the provision of the necessary cover for his customers. The principle of providing global coverage for policyholders' turnover is an important element in increasing risk diversification but also in limiting the effects of non-selection. The Euler Hermes group also offers a debt collection service that enables it to check the amounts to be collected from debtors and to act as quickly as possible to collect these amounts. If the main risks of Euler Hermes is based on the credit coverage granted on trade operations, it must also be mentioned that in less extend the policyholders portfolio are also affected by the crisis with decrease of their turn over basis of the premium or their bankruptcies. This effect is, however, compensated by the portfolio dynamic and the current demand for credit insurance during this period.

1.2.3 Insurance portfolio and diversification

Through its position as leader in its main markets, Euler Hermes' exposure is spread across many debtors. In addition, the Euler Hermes group's geographical coverage provides diversification of risk across many countries, bearing in mind that the group incorporates into its underwriting the notion of country risk. This diversification takes into account not only the location of the policyholders but more especially that of their customers.
The theoretical gross exposures in credit insurance correspond to the maximum amount of commitments that the group agrees to cover on its policyholders' applications. The actual amounts of policyholders' transactions that are covered are much less, in line with the actual turnover recorded by the policyholder at a given date. Like transfers of reinsurance risk, excesses and liability limits also reduce the group's final exposure.

Risk Management

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

Gross theoretical exposures by the debtor's country at December 31st, 2009

(in € thousands)	2009	%	2008	%
Total Europe	**487,957**	**86.9%**	**574,646**	**86.0%**
of which				
France	175,030	31.2%	203,833	30.5%
United Kingdom	40,131	7.1%	53,469	8.0%
Germany	116,130	20.7%	120,073	18.0%
Italy	48,127	8.6%	64,977	9.7%
Belgium and Luxembourg	12,663	2.3%	14,928	2.2%
Netherlands	14,677	2.6%	18,519	2.8%
Spain	13,268	2.4%	17,702	2.7%
Eastern Europe	22,926	4.1%	32,896	4.9%
Scandinavia	21,167	3.8%	20,723	3.1%
Rest of Europe	23,838	4.2%	27,526	4.1%
Total Americas	**45,774**	**8.2%**	**54,928**	**8.2%**
of which				
United States	32,368	5.8%	37,907	5.7%
Canada	5,137	0.9%	5,504	0.8%
Other American Countries	8,268	1.5%	11,517	1.7%
Asia/Pacific	**19,211**	**3.4%**	**26,619**	**4.0%**
Near and Middle East	**4,619**	**0.8%**	**7,004**	**1.0%**
Africa	**3,814**	**0.7%**	**4,624**	**0.7%**
Total	**561,374**	**100.0%**	**667,822**	**100.0%**

As illustrated in this table of the geographical split of gross exposures, the debtors of a given policyholder may be located in very different geographical locations and this split contributes to risk diversification, which, at the group portfolio level, limits the effects of bankruptcy of individual companies or clearly defined groups of companies or even of sectors of activity. This table shows the evolution of exposure in 2009. The economic crisis is reflected in this evolution which can be attributed to the evolution of the insured turn-over of policyholders and, as a consequence of the current crisis, to adverse evolution of the solvency of a number of debtors whose limits have been either reduced or canceled. If all areas have been impacted, for the evolution by sectors, some industry have been more impacted like steel industry or in a less extend like agrifood sector.

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

Risk Management

Gross exposures by the debtor's sector of activity at December 31st, 2009

(in € thousands)	2009	%	2008	%
Metal Industry	102,773	18.3%	132,882	19.9%
Agrifood	80,892	14.4%	87,046	13.0%
Construction	68,119	12.1%	79,189	11.9%
Textiles - leather	21,386	3.8%	28,821	4.3%
Electronics	45,836	8.2%	53,401	8.0%
Services	101,609	18.1%	108,694	16.3%
Wood - Paper	29,945	5.3%	37,198	5.6%
Chemicals	51,560	9.2%	56,159	8.4%
Other	59,254	10.6%	84,431	12.6%
Total	**561,374**	**100.0%**	**667,822**	**100.0%**

1.2.4 Management of underwriting risk

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

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

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

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

In this assessment, information quality and the proximity of the risks are key factors:
- analysis of internal information is given priority;
- each group entity monitors and underwrites its policyholders' cover. Each entity also provides a service for the other entities whose policyholders work with debtors located in the geographical region that it covers.

When an assessment is performed for another entity, the communication of this information is based on rules set centrally and the determination of a creditworthiness rating for each debtor. Depending on the rating, the entity that has underwritten the insurance contract provides the export cover to its clients with the maximum amount of detail. This organisation provides clients with high service quality and facilitates close control of the underwriting risks.

Certain debtors, especially large groups, whose rating reflects a very high degree of creditworthiness, offer higher theoretical gross exposures. The 50 largest debtors or groups of debtors fall within the strongest rating categories. To assess the impact of this concentration, the solidity of these individual debtors must be taken into account, as well as the group's capacity to reduce insurance cover in the short term, the application of insurance contract parameters and the protection offered by reinsurance. As shown by internal stress tests, any potential claim net of reinsurance on these exposures should not exceed 6% of shareholders' equity. It should also be emphasised that the dynamic management of Euler Hermes' exposure during the bankruptcies of major groups with a significant theoretical gross exposure has enabled the group to avoid the impact resulting from the domino effects

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of bankruptcies. After the failure of Woolworth, in 2008, review guidelines have been reinforced and adjusted to the negative environment As a consequence, no major loss occurs during 2009. It is the permanent balance between the terms and conditions of the insurance policies and the management of cover or risk transfer that ensures a steady cash flow at group level. The policy terms and conditions are adapted according to the risk of each customer. Besides the service it provides, management of insurance cover means that the risks borne by the group can be modified according to individual cases but also to reflect changes in the environment. If there is an adverse change in the environment, cover is reduced on the least creditworthy debtors in order to maintain the ratio of claims to premiums paid. During the current crisis, the frequency of claims is sharply increasing directly linked to the growing number of insolvencies. To manage this negative evolution Euler Hermes group is using all its capabilities to assess more rapidly the solvency of the debtors and to adjust significantly the exposure when it is required ans keeping the coverage full on the debtors presenting a good level of solvency. It has to be noticed that the French entity has put in place a program covered by French State CCR, for the policyholders to extend partial coverage.

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

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

1.3 Market risk

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

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

Market trends and ongoing management are the primary management criteria. However, in its strategic choices, the finance committee draws on measures of risk and asset/liability management to make the most appropriate decisions according to the resources available, while also taking into account constraints regarding the cover provided by technical reserves and long-term provisions.
The risk control function fine-tunes asset/liability management tools to assess the impact of changes in investment policy. This approach is also supported by the calculation of what-if scenarios based on the choices envisaged.
This organisation allows Euler Hermes to proactively manage its investment portfolio across the crisis, In 2008, Euler Hermes has continued to cautiously secure its assets in the negative evolution of the market. The Equity portfolio was reduced in 2007 and 2008, and remained at a low level 2009 and allow a start in 2010 with a down sized equity portfolio with a limited risk. The Group was not exposed neither to subprimes or any toxic assets like products from “Madoff”, positions on the bank Lehman Brothers or any dynamic monetary funds. At year end, the overall portfolio had only limited amount of impairments with a large part in Governments bonds and in cash.

The financial portfolio is diversified, by both investment type (although preference is given to bonds) and issuer. The risk concentrations on a given issuer are very limited and the weak correlation between the various assets enables the overall risk on the financial portfolio to be reduced. Euler Hermes is not using actively any derivatives to manage its portfolio.

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

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1.3.1 Description of the portfolio

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

Financial portfolio at market value

(in € thousands)	12/31/2009		12/31/2008	
		%		%
Bonds	2,183	65%	1,875	56%
Equities	130	4%	152	5%
Investment property	57	2%	134	4%
Loans, deposits and other financial investments	527	16%	564	17%
Total financial investments	**2,898**	**87%**	**2,725**	**82%**
Cash	442	13%	614	18%
Total financial investments + Cash	**3,340**	**100%**	**3,339**	**100%**

1.3.2 Equity market risk

The Euler Hermes group had invested around 4% of its financial portfolio in equities at the end of 2009. This policy stems from a cautious investment approach as well as a further reduction in the portfolio's equity exposure during the last three years and in a less extend to the negative market. Investments are concentrated in major securities of the main financial markets. In fact, equities are considered as a risky asset whose weighting follows the strict rules of the finance committee with regard to allocation. The simulation of a fall in the markets has a relatively limited impact on the earnings of the group as a whole and means that this type of investment can be considered as providing substantial additional returns for the portfolio as a whole.

1.3.3 Interest rate risk

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

Sensitivity analysis to interest rate risk is in §1.6

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Bonds by maturity

(in € thousands)	12/31/2009		12/31/2008	
		%		%
Less than 1 year	510	23%	538	29%
1 to 3 years	942	43%	359	19%
3 to 5 years	486	22%	460	25%
5 to 7 years	140	6%	299	16%
7 to 10 years	66	3%	142	8%
More than 10 years	39	2%	78	4%
Total	**2,183**	**100%**	**1,875**	**100%**

The yield on the bond portfolio is highly dependent on changes in interest rates and the portfolio duration. The average bond yield for 2009 was 3.0%, close to the rate offered for the current duration of the bond portfolio, i.e. around 2.3 years at end 2009. Amounts represented by securities reaching maturity were replaced by equivalent securities with maturities that are longer than the average portfolio duration or with very short-term maturity. This investment policy takes into account the yield offered by the market on these maturities with a controlled level of risk and optimisation of bond income.

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

1.3.4 Property risk

Investment property continues to represent a limited proportion of the group's investment portfolio and is held mainly by the French entity.
In France, the investment consists of various residential properties, in Paris, with management of the property portfolio being outsourced. Some sales have been done to benefit from a still favourable and to realized the related unrealized gain on part of the portfolio only held for some times.

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

1.3.5 Liquidity risk

In addition to the increase of cash position at December 31st, 2009, almost 79% of the group's assets consisted of listed marketable securities. Equity investments are made in large caps listed on the major markets, mainly in Europe. Similarly, group companies select bonds of major public or private issuers that are listed on highly liquid markets, thus enabling such investments to be traded at short notice.
Each entity monitors the main payments falling due and, on the other side, cash and cash equivalents, which offer an adequate safety margin. The local finance committee reviews the liquidity position on a regular basis.
In the event of an exceptional need, Euler Hermes could also consider making a call on the market or its core shareholder. Analysis of bonds portfolio by maturity is done in §1.3.3.

In view of the levels of short-term cash and cash equivalents and bonds maturing in less than one year, the Euler Hermes group considers its liquidity risk as being very low. This is confirmed on the recent period when Euler Hermes has covered its needs of liquidity without any specific operations on its investment portfolio and keeping some margins to further react to worst conditions.

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1.3.6 Exchange risk

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

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

Group financial portfolio by currency

(in € thousands)	12/31/2009		12/31/2008	
		%		%
EUR	2,249	77.6%	2,079	76.3%
GBP	215	7.4%	158	5.8%
USD	249	8.6%	182	6.7%
Other currencies	185	6.4%	306	11.2%
Total	**2,898**	**100%**	**2,725**	**100%**

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

Foreign exchange risk

(in € thousands)	2009			2008		
	United States (1)	United Kingdom	Group	United States (1)	United Kingdom	Group
Net income, group share	2.64	-12.11	19.0	3.6	-10.5	83.6
Closing exchange rate	0.6942	1.1260		0.7185	1,0499	
Net income, group share in local currency	**3.80**	**-10.76**	**-**	**5.07**	**-10.02**	**-**
Impact of a 100 basis-point exchange rate movement (sign of net result)	0.6842	1.1360		0.7085	1.0599	
Net income, group share in €'000 after the exchange rate movement	**2.6**	**-12.22**	**18,8**	**3.6**	**-10.6**	**83.4**
Change relative to initial net income (%)	**-1.44%**	**0.89%**	**-0.77%**	**-1.39%**	**0.95%**	**-0.18%**

(1) United States refers to the USD-denominated component of consolidated income, United Kingdom refers to the GBP component. Income denominated in cureencies other than USD and GBP is considered to be not material.

1.4 Credit risk

Credit risk has become an essential component of risk management following the spectacular bankruptcies of certain major groups and the current crisis. It is thus vital that this type of concentration is monitored regularly nowadays.
Euler Hermes matches each bond portfolio line with the issuer's rating of the main rating agencies (S&P, Moodys, Fitch). The breakdown of the portfolio by rating, apart from providing control over the creditworthiness of securities held in the portfolio, demonstrates that securities with a AAA rating represent almost 70% of the portfolio, mainly in government securities, and less than 1% of securities have no rating at all or a rating below A. It must be outlined that Euler Hermes has not used in 2009 any credit derivatives (CDS).
Concentration risk is very limited as no corporate bond security held in the portfolio exceeds 0.6% of the total bond portfolio.

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Breakdown of bonds by rating

(in € thousands)	12/31/2009		12/31/2008	
		%		%
AAA	1,411	65%	1,299	69%
AA+ to AA-	499	23%	498	27%
A+ to A-	261	12%	62	3%
Other ratings	12	1%	16	1%
Total	**2,183**	**100%**	**1,875**	**100%**

1.5 Reinsurance and reinsurance counterparty risk

1.5.1 Reinsurance: a risk management tool

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

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

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

In 2008, with the target of protecting its capital base with the deteriorated risk environment due to the economic crisis, Euler Hermes has, after several years of increase, reduced its retention. by increasing the share of the reinsurance proportional treaties. In 2010, with the situation either internal or external more stable Euler Hermes plan to keep its program at the same level with slight decrease only and by keeping the Stop Loss protection for EH RE AG. These modifications will imply a small increase of risk capital largely compensated by the margin created by the adjustment of the risks in the portfolio.

Overall Euler Hermes capital position based S&P Capital requirements is improved to around € 1.67bn, based on 2009 data reinsurance terms and conditions.

1.5.2 Reinsurance counterparty risk

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

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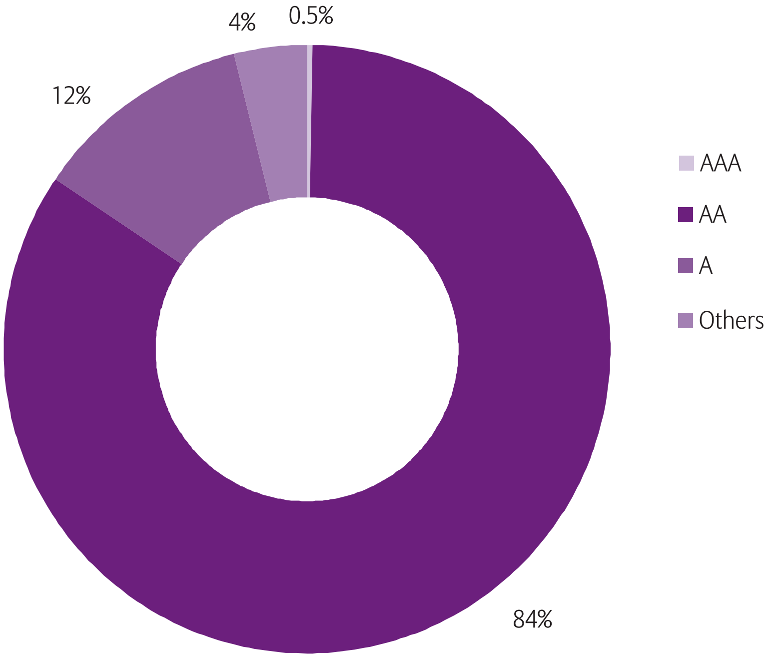
Analysis of technical reserves assigned (1) by rating of the reinsurer
(the scope covered represents more than 98,8% of the reserves considered out of the group total at December 31st, 2009)



(in € thousands)	
AAA	1,845
AA	429,799
A	60,503
Others	19,432
Total	**511,578**

(1) Provisions for unearned premiums/claims reserves assigned net of Deferred Acquisition Costs (1.3% of the declared amount).

1.6 Capital to cover the risk

The risk function, in conjunction with the group's main shareholder, has initiated the implementation of risk measurement procedures aimed at establishing the capital needed to cover the group's activity. These measures also form the basis for the calculation of economic added value, one of the performance indicators of each entity. It is a powerful tool in the set up of the risk strategy to protect the group capital base, to manage the allocation of capital resources and to measure the transfer of risk. The risk management can compared the needs of capital to the available capital in order to propose to the group management a basis to decide on the margins to keep, to orientate the business decision and the related need of risk transfer and the possibility of assets allocations.

The calculation of insurance risk is a prerequisite for the definition of an internal model for credit insurance. It is the trickiest calculation to implement as it must reflect all contract parameters, debtors and risk transfers. The classification of debtors by rating, together with a probability of bankruptcy, is used as the basis of a complex process aimed at simulating the actual insurance risk exposure based on theoretical credit insurance cover.
Each entity regularly performs a detailed calculation based on its own positions. The individual results must subsequently be aggregated and adjusted to reflect the impact of diversification (on the entities and the various risk categories). The calculation of the capital required to cover the quantifiable risks is based on an economic approach. Given the consistency provided by this model, it is likely to become a key instrument in risk management. This model measures all aspects of the credit insurance risk and comparison of the results over time ensures that the model is valid and robust.

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The current approach is somewhat conservative, both in the way that the parameters are defined and applied and the calculation method. It is a genuine management system as it delivers information at aggregate level in order to determine the capital needs by entity as well as detailed information at the most granular level for risk control purposes. It also serves as the basis for the development of models for the calculation of premium rates and of quantitative limits applied to all risk categories. All entities of the Euler Hermes group inform the risk control function of their regulatory solvency position. The regulatory constraints are generally below the current capital of the entities. When this is not the case, appropriate action on the activity or the capital would be undertaken.

This new internal model being developed aims to improve the approach used up to now, which refers to the method applied by Standard & Poor's.

The current reference model, based on the Standard & Poor's method, assigns risk factors to the various balance sheet items. Securities in the financial portfolio are thus classified by rating, as are the exposures to reinsurers. The insurance and reserve risk is deduced by directly applying factors to the amounts after reinsurance of net premiums and claims reserves respectively. Standard & Poor's has recently revised these factors, with a heavier weighting now being applied to the credit insurance activity. While some assumptions may be debatable, it remains a reference for a standard risk capital computation.
The amounts simulated by this method to achieve an A rating are shown in the following table:

Risk Capital

(in € thousands)	2009	2008
C1: Financial Risk	195	199
C2: Counterparty risk	109	123
C4: Premium risk	1,054	1,313
C5: Reserve risk	310	332
S&P RAC simulation (1)	**1,668**	**1,966**

(1) Simulation using the new S&P modeling for an A rating.

The model shows that the creditworthiness level of the Euler Hermes group is stable and the slight increase observed is mainly due to an increase in reserve risks compensated by the decrease of financial risks. This simulation is based on an internal approach and certain adjustments by the rating agency analysts could slightly modify the results.
The Euler Hermes group operates in many countries and each entity is subject to local regulatory constraints. The amount consolidated resulting from local constraints is significantly less than the group's consolidated shareholders' equity.

Stress tests

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

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Stress tests on assets

Equity and bond portfolio risk at December 31st, 2009

(in € thousands)	Market value at December 31st, 2009	Impact of a 100bp(1) rise in interest rates	Impact of a 10% fall in the equity market	Market value at December 31st, 2008	Impact of a 100 bp(2) rise in interest rates	Impact of a 10% fall in the equity market
Obligation	2,183	-50.2	0.0	1,875	-82.8	0.0
Actions	130	0.0	- 11.4	152	0.0	- 13.4
Total	**2,313**			**2,027**		

(1) Average sensitivity of 3% calculated based on the main subsidiaries, which represented more than 99% of the bond portfolio at end of year 2009.
(2) Average sensitivity of 3,9% calculated based on the main subsidiaries, which represented more than 99% of the bond portfolio at end of year 2008.

With around two and half years, the duration of the bond portfolio limits the impact of a 100 basis point rise in interest rates to €50.2 million before tax. Scenarios for other financial assets involve measuring the impact of a 10% change in the assets concerned.

Stress tests on equities and the impact on shareholders' equity

Equity portfolio risk at December 31st, 2009

(in € thousands)	Market value at 12/31/2009/ Impact scenario	Revaluation reserve/ Shareholders' equity impact	Amortised cost/ Economic cost impact
Total	**130**	**19**	**111**
Impact of a 10% fall in the equity market	-11	-11	0
Impact of a 30% fall in the equity market	-34	-19	-15

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

A 30% decline in the value of the equities on the entire equity portfolio of each entity would have an impact of €15 million on pre-tax income at group level.

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

(in € thousands)	Net income group share 2009	10% reduction in premiums	10% increase in 2009 cost of claims	10% increase in claims handling expense	Net income group share 2008	10% reduction in premiums	10% increase in 2008 cost of claims	10% increase in claims handling expense
Change	**19**	**-15**	**-63**	**-49**	**84**	**-15**	**-80**	**-43**

Assumption: effective tax rate is constant in 2008 and 2009.

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

The scenarios showing the sensitivity of net income to fluctuations in the main aggregates of operating income are also a tool that can be used to ascertain the impact of an exceptional situation and the assumptions used are highly conservative to take into account sudden changes. For each scenario, the sensitivity measured refers to an amplitude that must, in an actual scenario, be combined with other changes that may partially or fully offset the effects.

The change in premiums is affecting the net result at constant loss ratio and its impact is therefore limited. For the same reason, the lower level of claims this year is limiting the impact of premiums variation at constant loss ratio.

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1.7 Operational risks

Financial and insurance risks are often the first risks identified in a risk management process that lies at the heart of the group's activity. Operational risks are inherent to any structure and their occurrence may have significant consequences for any structure that does not sufficiently recognise them. Operational risks may be the consequence of internal or external problems or malicious actions that result in losses for the business and may even include disruption of activity.
Through its geographical distribution, Euler Hermes has long applied a clear management approach to its operational situation in order to reduce related risks and further strengthen the assessment and analysis of this type of risk and to prepare for the transition to new European regulations.
Operational risks are very broad and permeate all echelons of the organisation. Identified risks include the risk of fraud, legal risks, commercial risks, IT risks, security and damage risks, etc.
Reputational risk monitoring is fully part of the operational management process.

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

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

1.7.1 Insurance of goods and persons

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

1.7.2 Business risks

It is an inherent factor to all business activity to maintain its level to avoid unacceptable impact on its Profit and Loss or on its capital. By its coverage according to the solvability of buyers and the signs to avoid non sustainable activity, Credit insurance, is not enhancing procyclicality but, in some extend, it can be impacted by an economic crisis directly by the increase of claims or indirectly. The indirect effects materialized in two components. The first is the cancelation of insured, sometimes at the request of the company. The second is the decrease of the insured turn over which is the basis of premiums. In a period of strong increase of bankruptcies, this risk can be limited by a proper management of coverage and of related premiums. Euler Hermes is looking at keeping the right balance between the risk and the premiums to contain the indirect effect of such crisis. In some situation like Baltics countries, further reduction of operations is needed to avoid any potential impact in the future.

1.7.3 Regulatory framework

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

1.7.4 Legal risks

Euler Hermes pays close attention to the management of its relations with third parties, and each entity has a local structure or the legal means to take appropriate legal action in the event of a dispute.
In Italy, the SAFIM case had to be further covered related reserves and it is monitor closely.
At present, other than the amounts of commitments considered as technical reserves, no other significant disputes impacting Euler Hermes have been identified.

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1.7.5 Compliance risks

A set of risks is related to the application of rules and guidelines either internal or regulatory during a given period. To cope with this risk, the head of group compliance function, in collaboration with local referent in each entity follow on deontological rules, fraud possibility, any illegal transactions and the monitoring of black out period on Euler Hermes shares.

1.7.6 Environmental risks

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

1.8 Claims reserves

The purpose of claims reserves is to cover claims that have been notified or those that have not yet been notified but which relate to the financial year. They are estimated on a claim-by-claim basis or by the application of statistical methods based on historical data and claims trends. Claims reserves are not discounted.
As shown by the table below, the group's claims for the financial year are similar to those of previous years.

Net claims-to-premiums ratios

	2004	2005 pro forma	2006	2007	2008	2009
Claims/Premiums Ratio (1)	45.9%	44.8%	49.2%	48.1%	78.1%	82.1%

(1) In accordance with IFRS.

Determining claims reserves

Due to their insurance activity, the group's subsidiaries are required to establish sufficient reserves to guarantee future claims payments. As provided for in the policy, in the event of payment default by a debtor to a policyholder or the former's insolvency, the latter declares this default to Euler Hermes, which, in turn, establishes a reserve for a sufficient amount to cover the future claims payment. A collection procedure is implemented as soon as the declaration has been made. After the claim has been settled, the loss may also be subject to collection services. The claims handling process thus involves three quite separate phases.

First of all, claims relating to the financial year but not yet declared are subject to IBNR (incurred but not reported) estimates to cover future claims payments and costs.

Reported claims are analysed based on the insurance cover granted. On receiving the specific claims notification, a cover analysis is performed to determine the amount of the provision to be recorded for this claim. Next, the amount reserved for a claim is updated for each new notification or recovery to cover potential payments on this claim. The reserve for a given claim is cancelled when the claim is fully settled or fully recovered prior to the assumed claim settlement date. Technical reserves are thus established on a claim-by-claim basis.

Once the claim has been settled, the sums may be partially or fully recovered. An estimate of related future cash flows should thus be established.

Reserves for reported claims are established based on the information that is available at the balance sheet date. Claims are settled rapidly in the field of credit insurance. In addition, based on the aggregate individual reserve amounts of each claim, the estimates are made using statistical methods that are applied in all group entities in order to achieve a more accurate estimate of the final cost that corresponds to the sum of amounts settled and received on final closure of the claim.

The estimate of reserves for claims incurred but not yet reported must distinguish two criteria that have a considerable bearing on the split of claims costs between provision and claims paid:

Risk Management

- First and foremost, the type of cover provided by the contracts: the two main types of cover offered in credit insurance are "declared insolvency" and "payment default". Insurance cover based purely on insolvency covers the policyholder's exposure only in the event of insolvency. An analysis of debtor defaults enables the group to identify bankruptcies and thus reduce the uncertainty regarding the potential claim amounts.

Although the insurance cover is in force when the invoice is issued or on delivery, actual payment default must take place before determining the amounts concerned and receipt of the claim notification from the policyholder. The period of uncertainty includes the time taken for payment, which varies depending on the countries or sectors concerned, and the time taken to notify the claim.
The estimate of reserves for claims incurred but not yet reported draws on statistical methods and includes economic data on claims trends. The portion of reserves subject to this calculation bears the greatest uncertainty and, de facto, necessitates a certain margin of prudence in order to avoid shortfalls in reserves.

- The second parameter relates to the claims payment period.

At the time they are estimated, the reserves take account of the likelihood of claims occurring, the possible impact of local regulations and expected changes in the economic environment. Nevertheless, due to their nature, the reserves include a certain level of uncertainty and ongoing controls are performed to maintain the reserves already established at an adequate level. Specific technical reserve control committees have been set up in all subsidiaries to ensure the consistency and adequacy of the methods used to determine the reserves established in relation to the risk to be covered.
The main methods applied by group subsidiaries are Chain Ladder, Bornhuetter Ferguson, the so-called bootstrap method and, to a certain extent, simulation models for calculating expected losses. The Chain Ladder method is based on calculations of the development of claims triangles. The Bornhuetter Ferguson method draws on a projection of the claims-to-premiums ratio. The so-called bootstrap method is an extension of the Chain Ladder method, using multiple simulations to determine the margins of error. The simulation methods estimate the expected loss according to the exposure and probability of losses. This probability-based approach also allows for the calculation of a confidence interval.

As shown by the claims triangles, the initial estimates from historical data of the final cost include a certain margin that gradually decreases over the final financial years. To consider a reasonable estimate timeframe, apart from the uncertainties to be included at the time of the calculation, account must also be taken of a gradual improvement in experience and the position of reserves for previous years. As demonstrated by the development of claims, it should be noted that the uncertainty stems mainly from the first year of development when minimal information is available and additions to reserves for claims incurred but not yet reported are at their highest.
This uncertainty in the first year is due to the specific nature of IBNR provisions in credit insurance. In fact, claims relating to the financial year must be estimated when the debtor's bankruptcy has yet to occur. This is because claims are related to the premium for the period. The risk arising on the issue of the policyholder's invoice, which is also the basis for the premium, and the bankruptcy followed by notification of the claim may occur only some months later.

Recoveries also cover a long period of time and are more difficult to forecast beyond a certain horizon. They may thus have a positive impact on the development of claims when they are higher than the amounts projected in the reserves.

The approaches to calculate the claims reserve clearly cover the two specificities of risk bear by credit insurance reserving. The first aspect to assess the risk of reserve is the short term nature of credit insurance and the development of the reserve is almost completed at the end of the second year. The second aspect is linked to the fact that the liability for any claim is limited to the amount of invoices covered and therefore the deviation on reserve will be attached to adverse development of recoveries or of unknown claims compared to the reserve set up.
As illustrated in the previous paragraph the assessment of the claims or of the salvages reserve is based on actuarial technics and their assumptions are reviewed by the reserve committee. All entities have assessed their reserves taking into account the negative trends of the current crisis covering the increase of frequency and medium size claims but not major claims not yet declared and attached to year 2009.

Risk Management

Cost of claims

(in € thousands)	2009			2008		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Cost of claims for the current period	**1,452,108**	**(454,240)**	**997,868**	**1,584,352**	**(297,550)**	**1,286,802**
of which, claims paid	443,443	(130,963)	312,480	388,147	(79,180)	308,967
of which, claims reserves	929,492	(318,538)	610,954	1,115,597	(209,989)	905,608
of which, claims handling expenses	*79,173*	*(4,739)*	*74,434*	*80,608*	*(8,381)*	*72,227*
Recoveries for the current period	**(140,738)**	**39,628**	**(101,110)**	**(135,477)**	**21,900**	**(113,577)**
Recoveries received	(13,142)	3,195	(9,947)	(17,222)	2,976	(14,246)
Change in reserves for recoveries	(127,596)	36,433	(91,163)	(118,255)	18,924	(99,331)
Cost of claims from prior periods	**57,620**	**41,612**	**99,232**	**(82,801)**	**34,941**	**(47,860)**
of which, claims paid	944,564	(186,126)	758,438	597,720	(120,980)	476,740
of which, claims reserves	(878,122)	228,456	(649,666)	(669,188)	155,481	(513,707)
of which, claims handling expenses	(8,822)	(718)	(9,540)	(11,333)	440	(10,893)
Recoveries from prior periods	**(92,911)**	**9,063**	**(83,848)**	**(58,644)**	**6,073**	**(52,571)**
Recoveries received	(158,164)	22,044	(136,120)	(147,352)	20,038	(127,314)
Change in reserves for recoveries	65,253	(12,981)	52,272	88,708	(13,965)	74,743
Cost of claims	**1,276,079**	**(363,937)**	**912,142**	**1,307,430**	**(234,636)**	**1,072,794**

The cost of claims has decreased over the year. By contrast, the development of prior years' claims was less favourable with the gross surplus (intending salvages and excess on previous years reserves) on priors years reduced to €35 million (€140 million in 2008) when the 2008 attachment year development result to be negative. The improvement in the methods and approach used for the calculation of reserves, resulting in a decrease in uncertainty in respect of estimated reserves but must be put in perspective of the current uncertain economic situation with possible claims filing negative variation and more conservative assumptions have been taken to ensure a coverage even in adverse more evolution.

Risk Management

Claims reserves

(in € thousands)	12/31/2009			12/31/2008		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims reserves gross of recoveries	**1,727,088**	**(494,645)**	**1,232,443**	**1,650,693**	**(397,148)**	**1,253,545**
Current period	978,315	(322,827)	655,488	1,141,066	(227,411)	913,655
Prior periods	748,773	(171,818)	576,955	509,627	(169,737)	339,890
Recoveries to be received	**(302,327)**	**67,419**	**(234,908)**	**(228,084)**	**43,962**	**(184,122)**
Current period	(127,752)	36,507	(91,245)	(117,115)	19,360	(97,755)
Prior periods	(174,575)	30,912	(143,663)	(110,969)	24,602	(86,367)
Provisions de sinistres	**1,424,761**	**(427,226)**	**997,535**	**1,422,609**	**(353,186)**	**1,069,423**

Breakdown by type of reserve

(in € thousands)	12/31/2009			12/31/2008		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Reserves for unearned premiums	**298,736**	**(68,952)**	**229,784**	**314,691**	**(47,853)**	**266,838**
Claims reserves	**1,424,760**	**(427,226)**	**997,534**	**1,422,609**	**(353,186)**	**1,069,423**
of which, reserves for known claims	1,157,922	(348,067)	809,855	1,108,704	(384,528)	724,176
of which, reserves for late claims	461,422	(137,999)	323,423	440,723	44	440,767
of which, reserves for claims handling expenses	109,030	(8,580)	100,450	100,368	(12,620)	87,748
of which, other technical reserves	(1,286)	1	(1,285)	899	(44)	855
of which, recoveries to be received	(302,328)	67,419	(234,909)	(228,085)	43,962	(184,123)
No-claims bonuses and rebates	**113,055**	**(21,403)**	**91,652**	**116,398**	**(16,939)**	**99,459**
Technical reserves	**1,836,551**	**(517,581)**	**1,318,970**	**1,853,698**	**(417,978)**	**1,435,720**

Risk Management

Development of claims reserves

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

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

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

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

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

(in € thousands)

Accident \ development year	1	2	3	4	5	6	7	8	9	Difference (1)	% change
2001	1,295,242	1,190,167	1,099,082	1,064,548	1,031,378	974,165	962,177	956,995	944,886	350,356	27.0%
2002	1,111,877	988,532	945,406	913,417	884,148	847,085	830,542	818,312		293,564	26.4%
2003	1,007,614	797,042	771,975	741,276	726,634	695,169	669,220			338,394	33.6%
2004	834,120	705,365	659,188	652,109	642,809	609,632				224,488	26.9%
2005	855,739	816,062	786,954	754,445	723,334					132,405	15.5%
2006	852,583	808,368	777,568	745,507						107,076	12.6%
2007	868,436	859,433	821,143							47,293	5.4%
2008	1,374,547	1,432,173								-57,627	-4.2%
2009	**1,248,243**										

(1) Variance: surplus or shortfall of the initial reserve over the current estimate of the final cost for the year in question.

The aggregate tables of claims development, excluding elimination of cash flows between entities, cover more than 99% of the technical reserves of all group entities without including the run-off for years prior to 2001.

The initial estimate of the ultimate cost of claims is calculated using techniques based on past trends in the cost of claims. The uncertainty in the first year of development on claims not yet reported, a prudent estimate of the ultimate cost, recoveries, and the Parmalat claim in 2003 are some of the factors that explain the variance of 33.6% observed in the 2003 insurance year. On year 2008, the crisis continues deepening and lead to an increase of the claims cost on the second year compared to the first year. In addition to this experience on 2008, the change in the economic cycle was particularly sharp and the continuing uncertainty in a difficult economic situation, require a more conservative approach for the reserving which will be sufficient in case of further worsening but could lead to a more positive development in case the situation improve further.

Risk Management

Development triangle for cumulative claims paid net of recourse for most of the group entities (before reinsurance)

(in € thousands) **Accident\ development year**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
2001	291,140	837,133	931,707	952,994	951,530	948,783	944,855	942,694	933,277
2002	316,647	698,358	789,354	807,284	810,366	810,481	812,377	804,857	
2003	242,516	566,578	615,014	639,096	647,881	646,976	649,372		
2004	229,189	535,045	584,433	594,367	597,224	585,034			
2005	266,529	627,263	670,260	683,612	676,192				
2006	281,225	658,323	700,923	687,114					
2007	272,391	692,855	745,943						
2008	387,853	1,087,968							
2009	**441,676**								

The short-term nature of credit insurance is illustrated by the development of claims payments, which are concentrated mainly in the first two years, as shown by a simple estimate of the development of claims without taking into account the years prior to 2001 and without making any specific adjustments. As such, the claims reserves for the direct business in the balance sheet at the year end will be more than 60% used in the following year, 80% within two years and more than 95% after six years. The payments are more relevant on 2009 mainly from the more important filing of claims at the beginning of the year which remains significant on the second pat even if improving.

Report of Independent auditors on the consolidated financial statements

YEAR ENDED DECEMBER 31ST, 2009

To the shareholders,

In accordance with the terms of our appointment by your General Meetings, we hereby submit our report for the financial year ended December 31st, 2009 on the:

- audit of the consolidated financial statements of Euler Hermes SA for the year ended December 31st, 2009, as attached to this report;
- substantiation of our assessments;
- specific checks required by law.

The consolidated financial statements were drawn up by the Group Management Board. We are required to express an opinion on these financial statements on the basis of our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we perform such tests and procedures so as to obtain reasonable assurance that the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis or by using any other sampling techniques, evidence supporting the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the accounting policies used and any significant estimates made in drawing up the financial statements, and an evaluation of the overall presentation of those statements. We believe that our audit provides a reasonable basis for the opinion expressed below.

In our opinion, having regard to the IFRS adopted within the European Union, the consolidated financial statements for the financial year are true and fair and accurately present the assets and liabilities, financial position and results of the group formed by the entities and companies included in the consolidation scope.

2. Substantiation of our assessments

The accounting estimates used in preparation of the financial statements as at December 31st, 2008 were made in the context of high market volatility and of an uncertain economic outlook. It is in this context that, pursuant to the provisions of Article L. 823-9 of the French Commercial Code, we draw your attention to the following items:

- Your group recognises technical reserves to cover its commitments as shown in paragraphs 2.7 and 2.23 of Notes 2 and Note 18 of the notes to the consolidated financial statements. Our assessment of the technical reserves is based on the information currently available, on an analysis of the calculation methodology and a review of the assumptions used in applying the calculations performed by the various group companies.
- Financial investments have been recognised and measured using the methods described in paragraph 2.14 of the Note 2 and Note 6 of the notes to the consolidated financial statements. We satisfied ourselves that the valuation methods were correctly implemented and assessed the data and assumptions on which the valuations are based, and also checked that the classification system used was consistent with group documents.
- Goodwill is tested for impairment on each balance sheet closing date in accordance with the methods described in paragraphs 2.7 and 2.11 of the Note 2 and Note 3 of the consolidated financial statements. We examined the methodology used in applying such impairment testing, as well as the cash flow forecasts and assumptions used.

The assessments thus made form part of our procedure for auditing the consolidated financial statements taken as a whole and therefore contributed to the formation of our opinion as expressed in the first section of this report.

Report of Independent auditors on the consolidated financial statements

3. Specific checks

As required by law, we also checked the information provided in the report on the management of the group.
We have no observations to make on the accuracy of such information or its consistency with the consolidated financial statements.

The Independent auditors

Paris la Défense, April 12 th, 2009	Paris, April 12 th, 2009
KPMG Audit	ACE – Auditeurs et Conseils d'Entreprise
A division of KPMG SA	
Régis Tribout	François Shoukry
Partner	Partner

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Balance sheet as at December 31st, 2009

ASSETS (in euros)	Notes	Gross	Amort. & depr.	Net 12/31/2009	Net 12/31/2008
Intangible assets	3.1	11,980,546	6,644,935	5,335,611	12,258,352
Property and equipment	3.1	331,762	276,341	55,421	44,329
Long-term investments					
Participating interests	3.2	1,526,035,404	6,171,768	1,519,863,636	1,398,393,458
Other long-term investments	3.3	134,094,212	4,770,414	129,323,798	65,214,190
Non-current assets		**1,672,441,924**	**17,863,458**	**1,654,578,466**	**1,475,910,329**
Receivables	3.4	32,217,421		32,217,421	52,906,127
Cash and cash equivalents	3.5	44,090,012		44,090,012	11,551,075
Current assets		**76,307,433**		**76,307,433**	**64,457,202**
Translation differences	**3.11.1**	**256,149**		**256,149**	**0**
TOTAL ASSETS		**1,749,005,506**	**17,863,458**	**1,731,142,048**	**1,540,367,531**
Off-balance sheet commitments received	*5.3*			*0*	*0*

SHAREHOLDERS' EQUITY AND LIABILITIES (In euros)	Notes	12/31/2009	12/31/2008
Share capital	3.6.1	14,426,627	14,426,313
Additional paid-in capital		451,958,549	451,923,530
Reserves			
- legal reserve		1,442,631	1,441,681
- general reserve		77,473,535	77,473,535
- reserve for treasury shares		84,697,534	75,571,618
- other reserves		181,691,206	190,817,122
Retained earnings brought forward		173,801,408	45,622,003
Net income for the year		171,874,733	193,457,034
Shareholders' equity	**3.6.2**	**1,157,366,223**	**1,050,732,836**
Provisions	**3.7**	**291,654**	**76,927**
Borrowings and other financial liabilities	3.8	537,316,790	461,693,994
Trade payables	3.9	3,190,795	962,377
Social security, tax and other liabilities	3.10	32,130,194	23,193,561
Liabilities		**572,637,779**	**485,849,932**
Translation differences	**3.11.2**	**846,392**	**3,707,836**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,731,142,048**	**1,540,367,531**
Off-balance sheet commitments given	*5.3*	*12,496,849*	*10,519,468*

Income statement

(in euros)	Notes	2009	2008
Operating and financial revenues			
Revenues from participating interests	4.1	174,776,476	233,530,713
Net income from sale of securities		183,056	1,010,708
Writebacks of provisions for foreign exchange losses		0	0
Writebacks of provisions for impairment of treasury shares	3.3.2	26,162,342	0
Writebacks of provisions for impairment of participating interests	3.2.2	0	0
Other financial income	4.2	4,865,608	48,266
Sundry services	4.3	7,200,368	7,856,374
Expenses capitalised	3.1.1	3,055,232	6,746,227
Total I		**216,243,082**	**249,192,288**
Operating and financial expenses			
External charges	4.4	23,410,115	20,108,316
Taxes, duties and similar payments		312,829	380,643
Payroll and social security contributions	4.5	3,411,991	1,526,662
Other ordinary management expenses	5.2	360,000	360,051
Depreciation and amortisation of non-current assets	3.1.2	930,716	868,314
Provisions for foreign exchange losses	3.7	256,149	0
Provisions for impairment of treasury shares		0	30,358,793
Provisions for impairment of participating interests		0	0
Other financial expenses	4.6	16,165,712	25,881,042
Total II		**44,847,512**	**79,483,821**
Ordinary income (I - II)		**171,395,570**	**169,708,467**
Exceptional revenues			
Proceeds from sale of participating interests	4.7	1,200,045	0
Proceeds from sale of intangible assets		0	0
Other exceptional income	4.8	369,341	84,427
Reversal of provisions	3.7	50,584	905,872
Total III		**1,619,970**	**990,299**
Exceptional charges			
Carrying amount of participating interests sold	4.7	639,104	0
Carrying amount of property and equipment sold		0	10,332
Other exceptional charges	4.8	105	1,018,646
Provisions	3.7	9,162	12,796
Total IV		**648,371**	**1,041,774**
Net exceptional income (charge) (III - IV)		**971,599**	**(51,475)**
Corporation tax	**4.9**	**(492,436)**	**23,800,042**
Net income		**171,874,733**	**193,457,034**

Notes to the parent company financial statements

These notes should be read in conjunction with the statement of financial position before the allocation of net income for the year ended December 31st, 2009, which shows total assets of €1,731,142,048 and the income statement, which shows net income of €171,874,733.

The financial year covers the twelve month period from January 1st to December 31st, 2009.

These notes comprise:
- accounting principles and methods;
- significant events during the year;
- notes to the statement of financial position;
- notes to the income statement;
- other information.

These notes and tables form an integral part of the annual financial statements as approved by the Group Management Board and reviewed by the Supervisory Board at its meeting of February 17th, 2010.

1. ACCOUNTING PRINCIPLES AND METHODS

The 2009 parent company financial statements have been prepared in accordance with Articles L. 123-12 to L. 123-28 of the French Commercial Code, the provisions of application decree No. 83 - 1020 of November 29th, 1983 taken in accordance with the French Commercial Code, the regulations of the *Comité de la Réglementation Comptable* (French Accounting Regulations Committee - CRC), and in particular with CRC regulation No. 99 - 03 of April 29th, 1999 relating to the revision of the French general chart of accounts.

2. SIGNIFICANT EVENTS DURING THE YEAR

The following events occurred during 2009:

Acquisition of participating interest

In 2009, Euler Hermes fully subscribed to the capital increases staged by Euler Hermes Reinsurance AG at a cost of €119,105 thousand and Euler Hermes World Agency at a cost of €2,800 thousand *(see Note 3.2.1 Participating interests).*

Disposals of participating interests

In 2009, Euler Hermes sold its entire holdings in Euler Hermes Hitelbiztosito Rt and Euler Hermes Magyar Követeléskezelö Kft to Euler Hermes Kreditversicherungs-AG. These disposals generated a total net capital gain of €561 thousand *(see Notes 3.2.1 Participating interests and 4.7 Profit on disposal and net carrying amount of participating interests).*

IT projects

2009 was characterised, for Euler Hermes, by the implementation of the *Global Reporting project (see Notes 3.1.1 Intangible assets, property and equipment and 4.4 External charges).*

The Convergence project was centralised in the subsidiary Euler Hermes Kreditversicherungs-AG. The corresponding IT development costs, which had been recognised as an asset, were written off in full *(see Note 3.1.1 Intangible assets, property and equipment).*

The objective of the Collection project, launched by Euler Hermes in 2009, is to provide group subsidiaries with a common IT application that will lead to improved debt collection procedures worldwide *(see Notes 3.1.1 Intangible assets, property and equipment and 4.4 External charges).*

Provision for treasury shares

In view of the upturn in the financial markets, €26,162 thousand of the impairment provision previously recognised in respect of the treasury shares held by Euler Hermes was written back as at December 31st, 2009 *(see Note 3.3.2 Impairment of other long-term investments).*

Notes to the parent company financial statements

3. NOTES TO THE STATEMENT OF FINANCIAL POSITION

A – ASSETS

3.1 Intangible assets, property and equipment, and amortisation and depreciation

3.1.1 Intangible assets, property and equipment

Intangible assets, property and equipment at December 31st, 2009 were as follows *(see Note 2 Significant events during the year)*:

(in euros)	Gross amount at 01/01/2009	Increase	Decrease	Gross amount at 12/31/2009
Intangible assets	**17,976,585**	**3,494,423**	**9,490,462**	**11,980,546**
Intangible assets in progress - *Collection* (1)	0	3,032,000	0	3,032,000
Intangible assets in progress - *Convergence* (2)	9,051,271	0	9,051,271	0
Intangible assets in progress - *Global Reporting* (3)	415,959	23,232	439,191	0
Software - *IRP*	8,489,681	0	0	8,489,681
Software - *Global Reporting* (3)	0	439,191	0	439,191
Software - *Other*	19,674	0	0	19,674
Property and equipment (4)	**316,656**	**15,106**	**0**	**331,762**
TOTAL	**18,293,241**	**3,509,529**	**9,490,462**	**12,312,308**

(1) In accordance with Article 331-3 II.c of the French general chart of accounts, the share of expenses relating to the systems programming for the Collection project has been recorded under "Intangible assets in progress", with the corresponding credit being posted to "Costs capitalised" in the amount of €3,032 thousand.
(2) The expenses totalling €9,051 thousand relating to the systems programming for the Convergence project and previously recognised as an asset have been written off in full in 2009.
(3) The expenses relating to the systems programming for the Global Reporting project have been recorded under "Intangible assets in progress", with the corresponding credit being posted to "Costs capitalised" in the amount of €23,232. The corresponding application, which was brought into use during 2009, was recognised as software in the amount of €439,191.
(4) Property and equipment comprises IT equipment (production and receipts servers), fixtures and fittings and furniture.

3.1.2 Amortisation and depreciation of intangible assets, property and equipment

The breakdown of amortisation and depreciation at December 31st, 2009 was as follows:

(in euros)	Provision at 01/01/2009	Charge	Writeback	Provision at 12/31/2009
Intangible assets	**5,718,233**	**926,702**	**0**	**6,644,935**
Software - *IRP* (1)	5,701,731	836,838	0	6,538,569
Software - *Global Reporting* (2)	0	86,693	0	86,693
Software - *Other* (3)	16,502	3,171	0	19,673
Property and equipment(4)	**272,327**	**4,014**	**0**	**276,341**
TOTAL	**5,990,560**	**930,716**	**0**	**6,921,276**

(1) The IRP software is amortised on a straight-line basis over a period of seven years corresponding to its estimated useful life.
(2) The Global Reporting software is amortised on a straight-line basis over a period of five years corresponding to its estimated useful life.
(3) Other software is amortised pro rata temporis over twelve months.
(4) IT equipment is depreciated on a straight-line basis over three years. Fixtures and fittings and furniture are depreciated on a straight-line basis over periods ranging from one to seven years.

Notes to the parent company financial statements

3.2 Participating interests and provisions for impairment of participating interests

3.2.1 Participating interests

Participating interests are long-term investments that are deemed to contribute to Euler Hermes' business, particularly because they enable Euler Hermes to influence the management or assume control of the company concerned.
Participating interests are recognised at historical cost (purchase cost or contribution value) including any related purchase costs.

Movements in the gross carrying amount of participating interests were as follows:

(in euros)	Gross amount at 01/01/2009	Increase	Decrease	Gross amount at 12/31/2009
Holding				
Euler Hermes SFAC	170,035,901	204,525	45	170,240,381
Euler Hermes Services	38,112			38,112
Euler Hermes Credit Insurance Belgium S.A.	53,408,321			53,408,321
Euler Hermes UK plc.	238,683,768			238,683,768
Euler Hermes SIAC	94,535,667			94,535,667
Euler Hermes Inc., USA	909			909
Euler Hermes ACI Inc.	143,541,100			143,541,100
Euler Hermes Kreditversicherungs-AG	540,816,011			540,816,011
Euler Hermes Hitelbiztosito Rt (1)	434,540		434,540	0
Euler Hermes Magyar Követeléskezelö Kft (1)	204,519		204,519	0
Euler Hermes Kredietverzekering NV	28,492,950			28,492,950
Euler Hermes Reinsurance AG (2)	134,332,988	119,104,757		253,437,745
Euler Hermes World Agency (3)	40,440	2,800,000		2,840,440
TOTAL	**1,404,565,226**	**122,109,282**	**639,104**	**1,526,035,404**

The main movements during the year were as follows:
(1) The disposal of all Euler Hermes' Hungarian shares in Euler Hermes Hitelbiztosito Rt and Euler Hermes Magyar Követeléskezelö Kft to the German subsidiary Euler Hermes Kreditversicherungs-AG.
(2) The subscription to the two capital increases involving 906,500 and 900,000 shares in Euler Hermes Reinsurance AG at a cost of €59,557,217 (including €40,000,000 by incorporation of a loan granted during the year) and €59,457,539 respectively.
(3) The subscription to the capital increase involving 28,000 shares in Euler Hermes World Agency at a cost of €2,800,000.
(see Notes 2 Significant events during the year and 4.7 Profit on disposal and net carrying amount of participating interests).

3.2.2 Provisions for impairment of participating interests

At each year-end, participating interests are re-measured based on their value in use. When necessary, an impairment provision is recognised on an individual investment basis, taking into account both the value in use and the general prospects of the subsidiary concerned.

The provision for impairment recognised in respect of Euler Hermes UK plc at December 31st, 2008 totalling €6,172 thousand remained unchanged at December 31st, 2009.

3.3 Other long-term investments

3.3.1 Other long-term investments

This item comprises mainly:

- a Swiss franc-denominated advance equivalent to €11,459 thousand intended to cover the organisational funding of Euler Hermes Reinsurance AG, including €481 thousand of unrealised foreign exchange gain *(see Note 3.11.2 Translation differences - liabilities)*;
- two loans denominated in pounds sterling granted in 2009 to Euler Hermes UK plc equivalent to €37,117 thousand including €1,085 thousand of accrued interest, and €256 thousand of unrealised foreign exchange loss *(see Note 3.11.1 Translation differences - assets)*;
- treasury shares with a gross carrying amount of €85,517 thousand.

Notes to the parent company financial statements

As part of Euler Hermes' share buy-back programme, authorised by the Extraordinary General Meeting of April 7th, 2000, the company held own shares at the year-end representing 3.48% of the share capital, as shown below:

(in euros)	Gross amount at 01/01/2009	Increase	Decrease	Gross amount at 12/31/2009
Purpose for which held				
Unrestricted use				
- number of shares	1,267,444			1,267,444
- average price (€)	52.937			52.937
- total	**67,094,475**			**67,094,475**
% of capital	*2.81%*			*2.81%*
Adjustment of share price				
- number of shares	273,200	27,300 (1)		300,500
- average price (€)	64.433			61.307
- total	**17,603,059**	**819,801**		**18,422,860**
% of capital	*0.61%*			*0.67%*
TOTAL	**84,697,534**	**819,801**	**0**	**85,517,335**

(1) During the year, 27,300 shares were acquired by Euler Hermes, thereby increasing the balance on the treasury share account.

3.3.2 Impairment of other long-term investments

For the purposes of the statement of financial position, treasury shares are measured using the average market price during the last month of the financial period.

A write-back totalling €26,162 thousand in respect of a provision for impairment was thus recognised in the income statement *(see Note 2 Significant events during the year)*, which breaks down as follows:

(in euros)	Provision at 01/01/2009	Charge	Writeback	Provision at 12/31/2009
Impairment of treasury shares: general adjustment	22,863,721	0	21,040,838	1,822,883
Impairment of treasury shares: share price adjustment	8,069,035	0	5,121,504	2,947,531
TOTAL	**30,932,756**	**0**	**26,162,342**	**4,770,414**

3.4 Receivables

As in 2008, this item mainly includes the balances of transactions between subsidiaries included in the Euler Hermes tax group *(see Note 4.9.1 Corporation tax)*.

All receivables are due within one year.

3.5 Cash and cash equivalents

Cash and cash equivalents comprise demand deposits and money market funds, the latter being shown in the statement of financial position at their latest published redemption price on the year-end date.

Notes to the parent company financial statements

B – SHAREHOLDERS' EQUITY AND LIABILITIES

3.6 Shareholders' equity

3.6.1 Composition of the share capital

At December 31st, 2008, the share capital comprised 45,082,230 shares with a total nominal value of €14,426,313.

During 2009, 980 options relating to the share subscription option plans were exercised for an amount of €35 thousand, corresponding to a capital increase of €314 and additional paid-in capital of €35 thousand *(see Note 5.4 Share subscription option plans)*.

At the year-end, the share capital thus comprised 45,083,210 fully subscribed shares with a total nominal value of €14,426,627.

3.6.2 Changes in shareholders' equity

The movements during the year can be analysed as follows:

(in euros)	12/31/2008	Allocation of 2008 net income	Dividends paid	Other movements during the year	12/31/2009
Share capital	14,426,313			314	14,426,627
Additional paid-in capital	451,923,530			35,019	451,958,549
Reserves					
* Legal reserve	1,441,681	950			1,442,631
* General reserve	77,473,535				77,473,535
* Reserve for treasury shares	75,571,618			9,125,916	84,697,534
* Other reserves	190,817,122			(9,125,916)	181,691,206
Retained earnings brought forward	45,622,003	193,456,084	(65,276,679)		173,801,408
Net income for the year	193,457,034	(193,457,034)		171,874,733	171,874,733
TOTAL	**1,050,732,836**	**0**	**(65,276,679)**	**171,910,066**	**1,157,366,223**

Reserve for treasury shares

The reserve for treasury shares was increased by €9,126 thousand to take into account, in respect of the financial year 2008, sales related to the exercise of share purchase options and purchases and sales carried out under the terms of the liquidity contract. This increase was debited in full to "other reserves", in accordance with a resolution passed by the General Meeting of May 15th, 2009.
The balance on the reserve for treasury shares at December 31st, 2009 was €84,698 thousand.

3.7 Provisions

Provisions can be analysed as follows:

(in euros)	Provision at 01/01/2009	Charge	Writeback	Provision at 12/31/2009
Provision for foreign exchange losses	0	256,149	0	256,149
Provision for risks on treasury shares	50,584	0	50,584	0
Other provisions	26,343	9,162	0	35,505
TOTAL	**76,927**	**265,311**	**50,584**	**291,654**

Notes to the parent company financial statements

The main movements during the year were as follows:

- **provision for foreign exchange losses:** a provision of €256 thousand was raised to cover the unrealised foreign exchange loss on the loans denominated in pounds sterling granted to Euler Hermes UK plc *(see Note 3.11.1 Translation differences - assets)*;
- **provision for risks on treasury shares:** the provision calculated at the previous year end as the difference between the purchase cost to Euler Hermes of the treasury shares and the exercise price of the share purchase option plans was adjusted to take into account the options exercised during the year.

3.8 Borrowings and other financial liabilities

3.8.1 Breakdown by maturity

The breakdown by maturity of "Borrowings and other financial liabilities" was as follows:

(in euros)	12/31/2009	12/31/2008	CHANGE
Less than 1 year	400,316,790	326,693,994	73,622,797
From 1 to 5 years	137,000,000	135,000,000	2,000,000
TOTAL	**537,316,790**	**461,693,994**	**75,622,797**
of which, due to related companies	*537,252,885*	*461,662,438*	*75,590,447*

All borrowings are at variable interest rates. The interest charge for the year ended December 31st, 2009 totalled €16,165 thousand *(see Note 4.6 Other financial charges)*.

3.8.2 Breakdown by currency

The breakdown by currency of "Borrowings and other financial liabilities" was as follows:

(in euros)	12/31/2009	12/31/2008	CHANGE
Denominated in euros	537,316,790	454,269,086	83,047,704
Denominated in GBP	0	7,424,907	(7,424,907)
TOTAL	**537,316,790**	**461,693,994**	**75,622,797**

3.9 Trade payables

Trade payables consisted mainly of accruals for supplier invoices not yet received at the balance sheet date totalling €3,182 thousand.

3.10 Social security, tax and other liabilities

As in 2008, this item comprised mainly balances on transactions between the subsidiaries belonging to the Euler Hermes tax group *(see Note 4.9.1 Corporation tax)*.

All such liabilities are payable within one year.

3.11 Translation difference

In 2009, unrealised foreign exchange gains and losses on foreign currency transactions were netted by currency.

Notes to the parent company financial statements

3.11.1 Translation differences – assets

The breakdown of the unrealised foreign exchange loss recognised in translation differences - assets as at December 31st, 2009 is as follows:

(in euros)	Currency	12/31/2009	12/31/2008
Other long-term investments *(see Note 3.3 Other long-term investments)*	GBP	256,149	0
TOTAL		**256,149**	**0**

A provision for foreign exchange losses has been recognised in respect of this unrealised foreign exchange loss *(see Note 4.6 Other financial expense).*

3.11.2 Translation differences - liabilities

The breakdown of the unrealised foreign exchange gain recognised in translation differences - liabilities as at December 31st, 2009 is as follows:

(in euros)	Currency	12/31/2009	12/31/2008
Other long-term investments *(see Note 3.3 Other long-term investments)*	CHF	480,957	470,154
Borrowings and other financial liabilities *(see Note 3.8 Borrowings and other financial liabilities)*	GBP	0	2,873,115
Other receivables	CHF	365,435	364,567
TOTAL		**846,392**	**3,707,836**

Notes to the parent company financial statements

4. NOTES TO THE INCOME STATEMENT

4.1 Revenues from participating interests

This item comprises dividends received from related companies, as follows:

(in euros)	2009	2008
Euler Hermes Kreditversicherungs-AG	90,000,000	100,006,400
Euler Hermes SFAC	73,376,615	94,796,806
Euler Hermes ACI	11,286,682	0
Euler Hermes Magyar Követeléskezelö Kft.	113,179	56,287
Euler Hermes UK plc.	0	21,454,623
Euler Hermes SIAC	0	17,164,770
Euler Hermes Magyar Hitelbiztosito Zrt	0	51,827
TOTAL	**174,776,476**	**233,530,713**

4.2 Other financial income

The main component of this item is interest on loans and foreign exchange gains realised on foreign currency borrowings from related companies.

4.3 Sundry services

This item includes €4,617 thousand recharged to subsidiaries that are not included in the cost-sharing agreement for IRP system licence fees. It also includes recharges of €2,583 thousand to the same subsidiaries for IRP system maintenance.

4.4 External charges

This item comprises the external structural charges of Euler Hermes as well as expenditure incurred on the operating costs for the IRP system and development of the Global Reporting and Collection projects *(see Note 2 Significant events during the year)*.

4.5 Payroll and social security contributions

This item comprises remuneration paid to the company's employees.

4.6 Other financial expense

This item consists mainly of interest on borrowings from related companies in an amount of €16,165 thousand, including €939 thousand of accrued interest *(see Note.3.8 Borrowings and other financial liabilities)*.

4.7 Profit on disposal and net carrying amount of participating interests

The disposal of the participating interests in Euler Hermes Hitelbiztosito Rt and Euler Hermes Magyar Követeléskezelö Kft for €1,200 thousand generated a total capital gain of €561 thousand *(see Notes 2 Significant events during the year and 3.2.1 Participating interests)*.

4.8 Other exceptional income and charges

"Other exceptional income and charges" consists mainly of amounts received totalling €369 thousand under the terms of the Eurofactor liabilities guarantee.

Notes to the parent company financial statements

4.9 Corporation tax

The breakdown of the tax charge for the year is as follows:

(in euros)	2009	2008
Corporation tax	(1,123,775)	0
Tax grouping surplus	1,621,990	19,643,996
Deferred tax	(990,651)	4,156,046
TOTAL	**(492,436)**	**23,800,042**

4.9.1 Corporation tax and tax grouping surplus

Euler Hermes is the head of the tax group formed with its subsidiaries Euler Hermes SFAC, Euler Hermes SFAC Crédit, Euler Hermes SFAC Recouvrement, Euler Hermes Services, Euler Hermes Tech, Euler Hermes SFAC Asset Management, CCA, Euler Hermes World Agency, Financière Sirius and Financière Aldébaran. Each company pays the parent company the tax that it would have paid to the authorities if it had been taxed individually *(see Notes 3.4 Receivables and 3.10 Social security, tax and other liabilities)*.

The current tax liability is calculated at the rate of 34.43%, including the 3.3% social security contribution on profits (based on the tax charge after deducting an allowance of €763 thousand).

To calculate the taxable income of Euler Hermes itself, dividends received from the subsidiaries are deducted in accordance with the parent company/subsidiary tax regime and the share of corresponding expenses and charges is added back. After taking account of all deductions and amounts added back, a taxable profit was generated on which tax of €1,124 thousand was calculated in accordance with the aforementioned statutory rates.

As the total of the individual tax liabilities of the members of the tax group was higher than the tax charge for the tax group, a tax grouping surplus of €1,622 thousand was generated in favour of Euler Hermes.

4.9.2 Deferred tax

Deferred tax arises from timing differences between the year in which an income or expense item is recognised in the accounts and its inclusion in the taxable income or loss of a subsequent year. Deferred tax is calculated using the following preferential methods:
- application of the balance sheet liability method, under which unrealised differences are added to the timing differences;
- use of the full provision method, under which recurring differences and differences that will only reverse in the long term are included;
- application of the liability method, under which deferred tax recognised in prior years is adjusted for any changes in the tax rates; the rate used for 2009 and subsequent years is 34.43%.

As none of the significant deferred tax assets and liabilities has a set maturity, discounting has not been applied to any items.

Deferred tax assets and liabilities are offset only when they have the same nature and maturity.

Notes to the parent company financial statements

5. OTHER INFORMATION

5.1 Consolidation

The company's financial statements are fully consolidated within the financial statements prepared by Allianz (Munich Trade and Companies Registry no. 164 232).

5.2 Directors' attendance fees

Attendance fees paid to members of the Supervisory Board in accordance with the resolution passed by the Combined Ordinary and Extraordinary General Meeting of May 15th, 2008 amounted to €360 thousand.

5.3 Off-balance sheet commitments

Off-balance sheet commitments given comprise:

- a commitment given of €11,867 thousand relating to the liabilities of GIE Euler Hermes SFAC Services, whose registered office is at 1 rue Euler, 75008 Paris. As a member of this economic interest grouping (GIE), Euler Hermes is jointly and severally liable for all its liabilities after deducting any liabilities of the grouping to its own members (Article 4 paragraph 1 of decree no. 67 821); Euler Hermes shares this commitment with the following direct and indirect subsidiaries: Euler Hermes SFAC, Euler Hermes SFAC Crédit, Euler Hermes SFAC Recouvrement, Euler Hermes Services, Euler Hermes Tech, Euler Hermes SFAC Asset Management and Euler Hermes World Agency;
- a commitment of €630 thousand given to group employees in respect of the liquidity of the current share subscription option plans at subsidiaries;
- a commitment given to Euler Hermes Reinsurance AG as guarantee for payment of financial commitments given by the subsidiary to beneficiaries having subscribed to a proportional or non-proportional reinsurance treaty.
- a commitment given to Euler Hermes Re as guarantee for payment of financial commitments given by the subsidiary to beneficiaries having subscribed to a proportional or non-proportional reinsurance treaty.

5.4 Share subscription option plans

The Extraordinary General Meeting of April 23rd, 2003 approved a share subscription option plan. In accordance with the resolutions passed by various Group Management Board meetings, 380,000 options were granted during 2003 and 2004.

In accordance with the resolution adopted by the Group Management Board meeting of June 27th, 2005, 160,000 share subscription options were allocated in 2005.

The movements during the year were as follows *(see Note 3.6.1 Composition of the share capital)*:

Year of allocation	2003	2004	2005
Options still to be exercised at start of year	51,325	89,855	143,450
Options exercised (1)	480	500	0
Options allocated	0	0	0
Options cancelled (2)	0	0	0
Options still to be exercised at end of year	**50,845**	**89,355**	**143,450**
Exercise price	27.35	44.41	63.08

(1) See Note 3.6 Shareholders' equity.
(2) Options renounced by beneficiaries.

Notes to the parent company financial statements

5.5 Share purchase option plans

The Extraordinary General Meeting of April 7th, 2000 approved a share purchase option plan. In accordance with the resolutions passed by various Group Management Board meetings, 376,340 options were granted in May 2000 (first allocation) and 187,590 options were granted in March 2001 (second allocation).

Lastly, the Extraordinary General Meeting of May 22nd, 2006 approved a mixed share subscription and purchase option plan for employees and corporate officers of Euler Hermes and of its more than 50%-owned subsidiaries.

In accordance with the resolution passed by the Group Management Board meeting of September 18th, 2006, 160,000 share purchase options were awarded in September 2006.

In accordance with the resolution passed by the Group Management Board meeting of June 20th, 2008, 130,000 share purchase options were awarded in June 2008.

The movements during the year were as follows *(see Note 3.3 Other long-term investments)*:

Date of General Meeting	04/07/2000	05/22/2006	
	(2nd allocation)	(1st allocation)	(2nd allocation)
Date of Group Management Board meeting	03/28/2001	09/18/2006	06/20/2008
Options still to be exercised at start of year	19,410	153,100	130,000
Options exercised	0	0	0
Options allocated	0	0	0
Options cancelled	19,410	0	0
Options still to be exercised at end of year	**0**	**153,100**	**130,000**
Exercise price (1)	49.31 - 52.65	91.82	55.67

(1) Range of exercise prices for options still to be exercised at end of year.

Subsidiaries and participating interests

Subsidiaries and participating interests		Capital		Other shareholders' equity	Proportion of capital held	Carrying amount		Outstanding loans and advances	Sureties and guarantees given	Net revenue for last financial year	Net income for last financial year	Dividends received during the year
						Gross	Net					
					in %	EUR	EUR (1)	EUR	EUR	EUR (2)	EUR (2)	EUR
A. Detailed information concerning securities whose gross value exceeds 1% of the capital												
Euler Hermes SFAC 1, rue Euler 75008 Paris	EUR	90,330,400	EUR	166,818,254	99.99%	170,240,380	170,240,380	9,853,406	0	298,164,954	66,191,171	73,376,615
Euler Hermes UK plc. 1, Canada Square London E14 5DX UNITED KINGDOM	GBP	50,614,000	GBP	64,617,000	100.00%	238,683,768	232,512,000	36,031,978	630,009	192,557,144 (3)	(12,138,273) (3)	-
Euler Hermes Credit Insurance Belgium SA 15, rue Montoyer 1000 Brussels BELGIUM	EUR	27,916,000	EUR	71,096,000	99.99%	53,408,321	53,408,321	-	-	82,300,000	(5,875,000)	-
Euler Hermes ACI Holding Inc. 800 Red Brook Boulevard Owings Mills MD 21117 USA	USD	129,526,334	USD	7,813,000	100.00%	143,541,100	143,541,100	349,329	-	34,708	10,208,247	11,286,682
Euler Hermes SIAC S.p.A. Via Raffaello Matarazzo, 19 00139 Rome ITALY	EUR	28,000,000	EUR	54,520,000	100.00%	94,535,667	94,535,667	571,763	-	201,183,000 (4)	(8,865,000) (4)	-
Euler Hermes Kreditversicherungs AG Friedensallee 254, 22763 hambourg GERMANY	EUR	54,080,000	EUR	701,732,000	100.00%	540,816,011	540,816,011	-	-	769,097,000	46,277,000	90,000,000
Euler Hermes Reinsurance AG Tödistrasse, 65 CH-8002 Zürich SWITZERLAND	CHF	253,377,000	CHF	(62,875,000)	100.00%	253,437,744	253,437,744	12,379,348 (5)	- (6)	471,648,692	(40,348,477)	-
Euler Hermes Kredietverzekering NV Pettelaarpark 20, postbus 705715201 cz'shertogenbosch NETHERLANDS	EUR	3,999,000	EUR	18,616,000	100.00%	28,492,950	28,492,950	23,221	-	52,483,000	2,673,000	-
Euler Hermes World Agency 5 rue Euler 75008 Paris	EUR	2,840,000	EUR	(2,795,713)	100.00%	2,840,440	2,840,440	1,550,000	-	3,106,870	(904,122)	-
B. Summary information concerning other securities whose gross value does not exceed 1% of the share capital												
French subsidiaries	EUR	40,000	EUR	1,313,441		38,112	38,112	1,259,331	-	23,967,614	506,262	-
Foreign subsidiaries	USD	5,000	USD	(56,259)		909	909	-	-	-	(26,486)	-

(1) An impairment provision has been recognised at the year end for securities whose carrying amount exceeds the company's value in use (see Note 3.2.2. Provisions for impairment of participating interests).

(2) The exchange rate used for companies outside the euro zone is the closing rate on December 31st, 2009.

(3) Amounts corresponding to the Euler Hermes UK sub-group, of which Euler Hermes UK plc is the holding company.

(4) Amounts corresponding to the Euler Hermes SIAC sub-group, of which Euler Hermes SIAC S.p.A. is the holding company.

(5) of which €11,458 thousand for the financial organisations fund (see 3.3.1 Other long-term investments).

(6) Commitment given to Euler Hermes Reinsurance AG as a payment guarantee (see Note 5.3 Off-balance sheet commitments).

Five-year financial summary

(in euros)	2005	2006	2007	2008	2009
Shareholders' equity					
Share capital	14,345,678	14,384,358	14,416,804	14,426,313	14,426,627
Number of shares in issue	44,830,244	44,951,118	45,052,513	45,082,230	45,083,210
Maximum number of shares that could be created	564,932	434,358	325,748	284,630	283,650
Results for the year					
Income from ordinary activities (1)	112,711,686	217,548,315	145,271,036	233,530,713	174,776,476
Income before tax, depreciation, amortisation and provisions	84,010,139	202,980,447	125,460,795	202,993,323	146,691,430
Corporation tax	(5,297,550)	(6,189,278)	(5,859,876)	(23,800,042)	492,436
Income after tax, depreciation, amortisation and provisions	99,317,488	214,151,289	135,597,447	193,457,034	171,874,733
Dividends paid (2)	156,905,854	179,804,472	225,262,565	67,623,345	0
Earnings per share					
Income after tax, but before depreciation, amortisation and provisions	1.99	4.65	2.91	5.03	3.24
Income after tax, depreciation, amortisation and provisions	2.22	4.76	3.01	4.29	3.81
Dividend per share	3.50	4.00	5.00	1.50	0.00
Employees					
Average number of employees	2	2	2	2	1

(1) In accordance with CNC notice dated March 27th, 1985 and COB bulletin No. 181 of May 1985, in view of Euler Hermes' activity as a holding company, this item comprises ordinary revenues from equity investments instead of turnover.

(2) Includes dividends on treasury shares, which will be credited to «Retained earnings» upon payment.

General report of the independent auditors on the annual financial statements

YEAR ENDED DECEMBER 31ST, 2009

To the shareholders,

In accordance with the terms of our appointment by your General Meetings, we hereby submit our report for the financial year ended December 31st, 2009 on the:

- audit of the financial statements of Euler Hermes SA, as attached to this report;
- substantiation of our assessments;
- specific checks and information required by law.

The annual financial statements were drawn up by the Group Management Board. We are required to express an opinion on these financial statements on the basis of our audit.

1. Opinion on the annual financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require us to perform such tests and procedures as to obtain reasonable assurance that the annual financial statements are free from material misstatement. An audit includes examining, on a test basis or by using any other sampling techniques, the evidence supporting the amounts and disclosures in the annual financial statements. It also includes an assessment of the accounting policies used and any significant estimates made in drawing up the annual financial statements, and an evaluation of the overall presentation of these statements. We believe that our audit provides a reasonable basis for the opinion expressed below.

In our opinion, the annual financial statements, drawn up in accordance with generally accepted accounting principles in France, are true and fair and accurately present the company's results for the year ended December 31st, 2009 and the company's financial position and its assets and liabilities at that date.

2. Substantiation of our assessments

The accounting estimates used in preparation of the financial statements as at December 31st, 2009 were made in the context of high market volatility and of an uncertain economic outlook. It is in this context that, pursuant to the provisions of Article L. 823-9 of the French Commercial Code, we draw your attention to the following items:

Note 3.2.2 to the annual financial statements sets out the accounting principles and methods relative to the impairment of equity interests.

As part of our assessment of the accounting principles and methods adopted by your company, we verified the appropriate nature of the accounting methods set out above and the information provided in the notes to the annual financial statements, and satisfied ourselves that they had been applied correctly.

The assessments thus made form part of our procedure for auditing the annual financial statements taken as a whole and therefore contributed to the formation of our opinion as expressed in the first section of this report.

General report of the independent auditors on the annual financial statements

3. Specific checks and information

We also carried out the specific checks required by law.

We have no comments to make on the accuracy and consistency with the financial statements of the information provided in the management report drawn up by the Group Management Board and in the documents sent to the shareholders on the company's financial position and the annual financial statements.

Regarding the information provided pursuant to Article L. 225-102-1 of the French Commercial code (*Code de commerce*) we check the accuracy of the information provided in the management report relating to remuneration and benefits paid to the corporate officers concerned and to commitments given in their favour when assuming, ceasing or changing functions or subsequent to these functions.

As required by law, we verified that the management report contains the information relating to participating and controlling interests acquired and the identity of the owners of the company's capital.

The independent auditors

Paris la Défense, April 12th, 2010	Paris, April 12th, 2010
KPMG Audit	ACE- Auditeurs et Conseils d'Entreprise
A division of KPMG SA	
Régis Tribout	François Shoukry
Partner	Partner

Contents

Euler Hermes shares on the stock exchange market

1. A financially reliable partner

In a year of major economic turbulence, Euler Hermes, with the support of its main shareholder, Allianz, and of its minority shareholders, managed to withstand the crisis, recording the best net performance in the market.

2. Share price performance

Despite strong volatility, the Euler Hermes share performed very satisfactorily in 2009, gaining 49,1% with an increase from €35,07 per share to €52.29, thereby outperforming the SBF 120 index. The stock markets have begun to regain confidence, with expectations of an end to the economic crisis.

- This performance is not attributable solely to the general upturn in the financial markets. It is, above all, the result of efficient management that enabled the group to avoid losses and protect its capital. The substantial rise in Euler Hermes' share price shows that the group is adequately capitalised and has a strong business model. Also, Standard & Poor's confirmed the group's AA- rating in 2009, further testifying to the Group's financial solidity and positive outlook.

- The difficult economic environment nonetheless had a negative impact on the group's profitability, resulting in a fall in net income and a net combined ratio of 104.7%, which reflects the record level of corporate insolvencies.

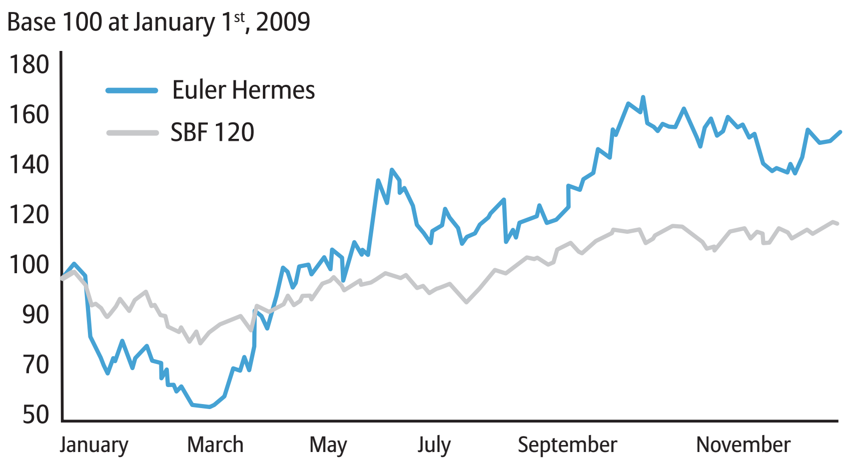
- The Group has taken all the necessary measures in terms of risk management, policy pricing and cost control to return to a positive underwriting result in 2010. Euler Hermes aims to achieve a significant improvement in profitability in the first half of 2010 and provide its shareholders with a stable return on equity of between 14% and 16% by 2012.

- The capital allocated to the group by its main shareholder, Allianz, and by institutional investors and the public, is a mark of their confidence and a crucial resource for developing the group's business.

- The Group Management Board and the Supervisory Board, and the various associated committees (audit committee and remuneration and appointments committee) ensure that this long-term profitability is an integral part of group management's targets.

Euler Hermes share price relative to the SBF 120 index

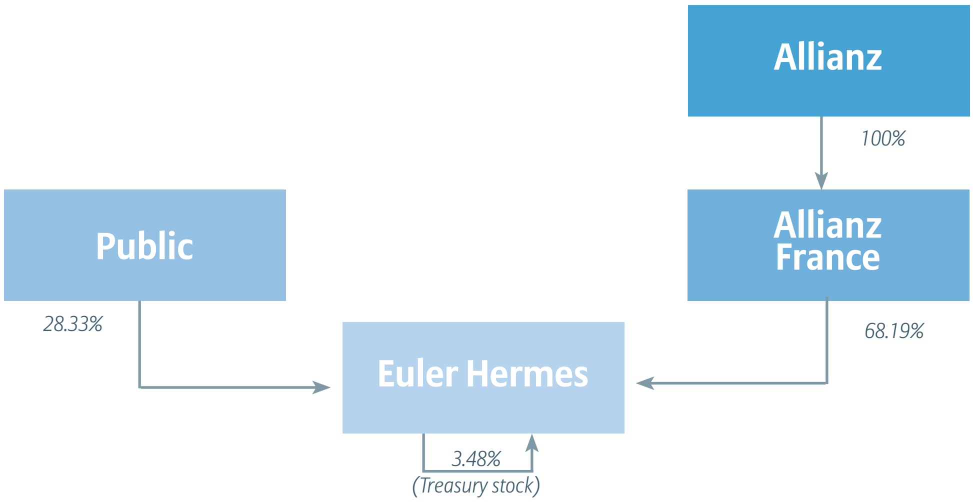
From January 1st to December 31st, 2009



Euler Hermes shares on the stock exchange market

3. Shareholder structure

The number of Euler Hermes shares held by Allianz France remained stable in 2009 at 30,744,048 corresponding to 68.19% of the capital and 70.65% of the voting rights at December 31st, 2009.
The public own 28.33% of the shares and 29.35% of the voting rights.
Euler Hermes holds 3.48% of the capital in treasury stock.



Shareholder structure at December 31st, 2009

Shareholder	Shares		Voting rights	
	Number	%	Number	%
Allianz Vie	3,879,818	8.61%	3,879,818	8.92%
Allianz SA	26,864,230	59.59%	26,864,230	61.74%
Total Allianz France	**30,744,048**	**68.19%**	**30,744,048**	**70.65%**
Euler Hermes (Treasury stock)	**1,567,944**	**3.48%**	**0**	**0.00%**
Public	**12,771,218**	**28.33%**	**12,771,218**	**29.35%**
TOTAL	**45,083,210**	**100.00%**	**43,515,266**	**100.00%**

Euler Hermes share data

Share data

	2005 (1)	2006 (1)	2007 (1)	2008 (1)	2009 (1)
Net income, group share (€'000s) (2)	286,076	326,054	406,958	83,592	18,988
Net earnings per share in € (2)	6.74	7.51	9.33	1.92	0.43
Dividend distributed (€'000s) (5)	151,824	174,193	218,414	65,312	0
Net dividend per share (€) (3)	3.5	4	5	1.5	0
Payout ratio (4)	53.07%	53.42%	53.67%	78.13%	0
Highest share price (€)	77.95	110	121.9	86.90	59.14
Lowest share price (€)	51.15	79.2	78.95	32.31	19.02
Last share price (December 31st)	76.2	109.6	84.77	35.07	52.29
Number of shares	44,830,244	44,951,118	45,052,513	45,082,230	45,083,210
Market capitalisation (€ million)	3,415	4,927	3,819	1,581	2,357

(1) In accordance with IFRS.

(2) In 2005, 1,661,023 new shares were created as a result of paying part of the dividend in the form of shares.
In addition, 63,548 new shares were created as the result of the exercise of share options allocated in previous years.
In 2006, 120,874 new shares were created as the result of the exercise of share options allocated in previous years.
In 2007, 101,395 new shares were created as the result of the exercise of share options allocated in previous years.
In 2008, 29,717 new shares were created as the result of the exercise of share options allocated in previous years.

(3) It will be proposed to the General Meeting of May 21st, 2010 to distribute no dividend in respect of 2009.

(4) The payout ratio corresponds to the dividend distributed relative to net income, group share.

(5) The dividend amounts are calculated excluding own shares.

Euler Hermes share data

Euler Hermes share trading data

in 2008 and 2009 (Euronext Paris - Compartment A) ISIN code: FR0004254035

	Total trading volume		Share price	
Month	Number of shares	Capital (€)	High	Low
2009				
January	623,799	16,296,562	37.99	23.6
February	1,216,423	26,162,583	28.5	20.58
March	1,882,503	46,444,173	26.5	19.02
April	1,477,044	54,012,988	39.5	24.52
May	1,089,864	48,647,932	48.36	33.33
June	1,329,541	57,449,068	49.9	38.52
July	1,035,014	42,189,344	46.5	38.9
August	738,227	34,713,722	50.3	40.04
September	1,596,255	92,882,886	59.14	46.3
October	730,058	39,409,188	59	50.5
November	553,145	27,190,008	56.5	47.11
December	833,291	43,912,686	55	48.01
2008				
January	1,469,200	103,549,216	86.90	60.00
February	1,999,300	135,472,568	75.39	65.47
March	1,213,300	82,407,336	70.80	63.00
April	1,501,500	111,336,225	74.96	68.00
May	3,645,200	221,227,188	78.14	57.16
June	2,380,400	112,473,900	60.74	44.75
July	2,783,900	137,858,728	52.50	42.11
August	1,436,600	78,596,386	54.75	47.13
September	1,991,000	98,415,130	56.35	45.17
October	1,146,800	44,037,120	49.43	32.05
November	654,100	23,227,091	40.09	33.48
December	640,800	22,472,856	37.00	30.75

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General information about the company

Company name and head office

Company name

In the course of the group's formation, the original corporate name, 'Société Française d'Assurance-Crédit' (SFAC), was adopted in 1989 by the subsidiary responsible for its credit insurance business in France, then changed to 'Compagnie Financière SFAC'. In 1996, it took the corporate name 'Euler'. Following the takeover of the German credit insurance company Hermes AG, the General Meeting of shareholders held on April 17th, 2002 changed the corporate name from 'Euler' to 'Euler & Hermes'. The General Meeting of April 23rd, 2003 decided to simplify the name to 'Euler Hermes'. For the purpose of harmonisation, 'Euler Hermes' is incorporated into the name of each of the group's subsidiaries.

Head office

1-3-5, rue Euler, 75008 Paris, France
Telephone: +33 (0)1 40 70 50 50
Fax: +33 (0)1 40 70 50 80
Website: www.eulerhermes.com

Legal form and applicable legislation

Euler Hermes is a public limited company under French law [Société Anonyme] with a Group Management Board and Supervisory Board. It is governed by the provisions of the Second book of the French Commercial Code *[Code de Commerce]* and by the provisions of Decree No. 67-236 of March 23rd, 1967.
Euler Hermes SFAC, a wholly-owned subsidiary of Euler Hermes, is authorised as an insurance company by the Minister for the Economy and Finance. It is subject to the provisions of the Insurance Code *[Code des Assurances]* and comes under the joint control of the French Treasury and the Insurance Control Authority *[Autorité de Contrôle des Assurances et des Mutuelles]*.
Euler Hermes SFAC Crédit, itself a wholly-owned subsidiary of Euler Hermes SFAC, is authorised as a financial company by the Credit Institutions and Investment Companies Committee *[CECEI – Comité des Etablissements de Crédit et des Entreprises d'Investissement]*. It is therefore subject to the provisions of the Monetary and Financial Code *[Code Monétaire et Financier]* relating to the activity and control of credit institutions and to the regulations of the Banking and Finance Regulatory Committee *[Comité de la Réglementation Bancaire et Financière]*.
It is subject to the joint control of the CECEI and the Banking Commission *[Commission Bancaire]*.

As a shareholder of these companies, Euler Hermes is subject to certain aspects of these regulations and to control by the above-cited authorities. The following provisions are specifically applicable:

- Articles L. 322-4 and R. 322-11-1 of the Insurance Code stipulate that any operation for the takeover, enlargement or disposal of a holding, whether direct or indirect, in companies that have received government authorisation to operate direct insurance in France, that would enable a person or several persons acting in concert either to acquire or to lose effective power or control over such a company, or to cross in either direction the thresholds of one half, one third, one fifth or one tenth of the voting rights in that company, must first obtain approval from the Minister for the Economy and Finance. The Minister has three months in which to raise any objections to the proposal, on the advice of the Insurance Companies Commission [*Commission des Entreprises d'Assurance*]. Furthermore, any transaction that results in one person, or several persons acting in concert, being able to acquire or dispose of one twentieth of the voting rights in such a company must be reported to the Minister for the Economy and Finance prior to completion. These provisions are applicable to Euler Hermes SFAC, a wholly-owned subsidiary of Euler Hermes, and which is authorised as an insurance company;
  - Regulation No. 96-16 of December 20th, 1996 of the Banking and Finance Regulatory Committee stipulates that any person or group of persons acting in concert must obtain authorisation from the CECEI prior to the realisation of any operation for the takeover, enlargement or disposal of a holding, whether direct or indirect, in a company authorised by that Committee, if such an operation enables that person or those persons to acquire or to lose effective power or control over the management of that company, or to acquire or to lose one third, one fifth, or one tenth of the voting rights in that company. The Committee then has three months to inform the applicant if the proposed operation necessitates a reassessment of the authorisation for the company in question.

  Furthermore, any transaction that results in one person, or several persons acting in concert, being able to acquire one twentieth of the voting rights in such a company must be immediately reported to the CECEI. These provisions are applicable to Euler Hermes SFAC Crédit, a wholly-owned subsidiary of Euler Hermes SFAC, which is authorised as a financial company.
  These provisions are applicable to transactions in the company's shares as a direct and indirect shareholder of Euler Hermes SFAC and Euler Hermes SFAC Crédit.

General information about the company

Date of incorporation and term

The company was incorporated on March 28th, 1927 for a term of 99 years, which will expire on March 27th, 2026.

Corporate purpose

Under the terms of Article 3 of the Articles of Association, the purpose of the company, directly or indirectly, in France and internationally, is financial services and insurance and especially any activities contributing to companies' management of their accounts receivable, and in this respect, activities regarding credit insurance, factoring and debt collection.
In addition to investments, the company may take holdings in any companies whose activity relates to this purpose or participate in any operations likely to facilitate its expansion or development.
The company may acquire any property or assets in any form.

Trade and Companies Registry

RCS registration number: 552,040,594 RCS Paris. APE number: 741 J.

Consultation of legal documents

The legal and corporate documents relating to the company (Articles of Association, minutes of General Meetings, reports of the independent auditors and other documents available to shareholders) can be consulted at the company's registered office, within the Company Secretary's department, at 1-3-5, rue Euler, 75008 Paris.

Financial year

Each financial year covers twelve months, commencing on January 1st and ending on December 31st.

Statutory distribution of earnings

Pursuant to the law and the provisions of Article 21 of the Articles of Association, the income statement summarises the income and expenditure for the year. The difference between them, after deductions for amortisation, depreciation and provisions, shows the income or loss for the year.
From the income for the year, less any losses from previous years, at least 5% is transferred to the legal reserve, as required by law.
This deduction ceases to be mandatory when the reserve reaches one tenth of the share capital. It becomes mandatory again when, for any reason, the reserve falls below this proportion.

The distributable income is made up of the income for the year, less any losses from previous years and the sums transferred to reserves as required by law or the Articles of Association, plus retained earnings.
After the accounts have been approved and the existence of distributable income ascertained, the Ordinary General Meeting resolves to allocate the distributable income to one or more reserve accounts, the application or use of which is regulated by the General Meeting, to carry it forward or to distribute it.
The Ordinary General Meeting may decide to distribute sums from the reserves available to it, expressly indicating the reserve accounts from which the deductions are made. However, dividends are deducted first from the distributable income for the year. Except in the event of a capital reduction, no distribution can be made to shareholders if the shareholders' equity is, or would as a result become, less than the amount of the capital plus the reserves that the law or the Articles of Association do not allow to be distributed. A revaluation reserve may not be distributed but it can be capitalised, in whole or in part.
The methods for paying dividends voted by the Ordinary General Meeting are set by the Meeting or, failing that, by the Group Management Board. However, dividends must be paid within the period set by law.
When a balance sheet drawn up during or at the end of the year and certified by the independent auditors shows that the company has, since the end of the previous year, after recognition of the necessary amortisation, depreciation and other provisions, after deduction of previous losses if any, and sums taken to reserves pursuant to the law or the Articles of Association and including retained earnings, produced an income, an interim dividend or dividends can be paid before approval of the financial statements. The amount of the interim dividend(s) cannot exceed the total income as defined above.
The Ordinary General Meeting is entitled to grant each shareholder, for part or all of the dividend or interim dividend(s) to be distributed, an option between payment of the dividend or interim dividend(s) in cash or in company shares.
The legally prescribed term for dividends is five years from the payment date set by the General Meeting.
Taxation applied to the distribution of dividends to non-French companies complies with the legal regulations; generally these dividends are subject to a withholding tax. However, this principle is subject to certain exceptions under law or international tax treaties.

General information about the company

General Meetings and voting rights

CIn accordance with the law and the terms of Article 20 of the Articles of Association, General Meetings of shareholders are convened and take place under legally prescribed conditions.
The Meetings are held either at the registered office or at some other place specified in the notice of the Meeting.
Ordinary and Extraordinary General Meetings include all shareholders who hold at least one share.
Special General Meetings include all shareholders who own at least one share of the class concerned.
However, in respect of amounts called but not paid on shares, such shares do not give right of admission to shareholders' meetings and are deducted for purposes of the quorum calculation.

Subject to the aforementioned provisions, every shareholder is entitled, on proof of identity, to participate in General Meetings, either by attending in person, by returning a postal voting form or by appointing a proxy, who may be his spouse or another shareholder, provided that the shares are recorded for accounting purposes in the name of the shareholder or that of the custodian on his behalf:

- for registered shareholders, in the company's register;
- for bearer shareholders, in the bearer share accounts held by the custodian.

These formalities must be completed by the third working day prior to the General Meeting by midnight, Paris time.
General Meetings are chaired by the Chairman of the Supervisory Board or, in his absence, by the Vice Chairman or a member of the Supervisory Board specially delegated by the Supervisory Board for this purpose. Failing this, the General Meeting appoints its own Chairman.
The duties of teller are performed by the two members of the General Meeting who have the greatest number of votes and who accept this role.
The officers of the General Meeting appoint the secretary who may be chosen from outside the shareholders. Every member of the Meeting has as many votes as the number of shares he holds or represents.

Statutory disclosure thresholds

The shares may be freely traded and may be sold in accordance with the legal and regulatory conditions in force.
Apart from the legal obligation provided for in Articles L. 233-7 of the Commercial Code to inform the company when certain fractions of the capital are held and to make any consequent declaration of intention, Article 8 of the Articles of Association voted by the Extraordinary General Meeting of April 7th, 2000 provides for an additional disclosure obligation whereby any individual or corporate entity acting alone or in concert that comes to hold a number of shares and/or voting rights in the company greater than or equal to:

1 – 1% of the total number of shares and/or voting rights must, within fifteen days from the date of crossing this threshold, inform the company of the total number of shares and/or voting rights held, by recorded letter with return receipt (or equivalent means in countries outside France), fax or telex. This declaration must be renewed each time a new 1% threshold is crossed upwards to 50% inclusive and each time a new 1% threshold is crossed downwards to 1% inclusive.

2 – 5% of the total number of shares and/or voting rights must, within fifteen days from the date of crossing this threshold, apply to the company to have all the shares held in registered form. This obligation for shares to be held in registered form is applicable to all shares already held and to those that the shareholder has just acquired in crossing the threshold. The request for shares to be registered shall be sent by letter, fax or telex to the company within fifteen days of crossing the threshold. The declaration due under the preceding point (1) on crossing the threshold that is prescribed in this paragraph shall be the equivalent of a request for shares to be registered.

In determining the thresholds prescribed in (1) and (2), shares and/or voting rights held indirectly and shares and/or voting rights equivalent to shares and/or voting rights owned as defined by the provisions of Articles L. 233-7 et seq. of the Commercial Code shall be taken into account.
For each of the above-mentioned disclosures, the declarer must certify that the disclosure made includes all the securities owned or held pursuant to the previous paragraph. He must also specify the date(s) of acquisition.
Investment fund management companies are required to provide this information for all the voting rights attached to shares in the company held by the funds they manage.

General information about the company

In the event of non-compliance with the obligation to provide the information referred to in (1) above or the obligation to register the shares in (2) above, one or more shareholders owning at least 2% of the capital or voting rights may request that the shares exceeding the fraction which should have been disclosed be deprived of voting rights for all shareholders' meetings that are held until the expiry of a period of two years from the date the notification is complied with. The shareholders' application will be recorded in the minutes of the shareholders' meeting and the sanction referred to above will be applied automatically.

Articles L. 233-9 and L. 233-10 of the Commercial Code referred to in the third paragraph stipulate that:

1 – shares and voting rights deemed to be akin to shares and voting rights owned by the person required to disclose when a threshold is crossed or to have their shares registered are:
I – shares or voting rights held by other persons on behalf of that person;
II – shares or voting rights held by companies over which that person has control;
III – shares or voting rights held by a third party with whom that person is acting in concert;
IV – existing shares which that person or one of the persons mentioned in (I) or (III) is entitled to acquire on request, immediately or at term, by virtue of an agreement or of a financial instrument as referred to in Article L. 211-1 of the French Monetary and Financial Code. This also applies to the voting rights that the said person may acquire in the same conditions. The application conditions of this requirement are set out in the General Regulations of the French securities regulator *[Autorité des Marchés Financiers – AMF]*.

2 – persons acting in concert are deemed to be persons who have concluded an agreement with the intention of acquiring or selling voting rights or with the intention of exercising voting rights in order to implement a joint policy with regard to the company.

Ownership of the "Euler Hermes" trademark

The company is the owner of the following brands in France: "Euler Hermes", "EH" and "EH Euler Hermes", registered in class 35 (management of commercial affairs), 36 (insurance and financial affairs) and 42 (computer software).
The trademark, logo and the trademark associated with the logo are registered as a European brand *[marque communautaire]* in the countries of the European Union.
The three "trademarks" have been registered on the basis of the Madrid system for the registration of international brands in the following countries: Algeria, Australia, Brazil, Bulgaria, China, Croatia, Czech Republic, Egypt, Estonia, Hungary, Japan, Latvia, Lichtenstein, Lithuania, Montenegro, Morocco, Norway, Poland, Romania, Russia, Serbia, Singapore, Slovakia, Slovenia, South Korea, Switzerland, Turkey and Vietnam. The trademark, logo and the trademark associated with the logo are also currently being registered in Malaysia. For countries that are not covered by the Madrid agreements, the trademark, logo and the trademark associated with the logo have been registered individually in the national registers of the following countries: Argentina, Canada, Chile, Colombia, Hong Kong, India, Indonesia, Mexico, New Zealand, Taiwan and Thailand.
The trademark has been registered individually in the national register of the USA rather than on the basis of the Madrid system.

General information about the company's capital

Statutory conditions for changes to capital

The company's share capital may be increased, reduced or amortised under the conditions laid down by law.

Total issued capital, number and classes of shares

As at December 31st, 2009, the company's share capital amounted to €14,426,627.20, divided into 45,083,210 shares of the same class, fully subscribed and paid up, with a par value of €0.32, including 1,567,944 treasury shares with a net carrying amount of €85,517,335.
All the shares have been fully subscribed and paid up. The shares are in registered form until fully paid up. Shares must be fully paid up on subscription.
Shares are held in registered or bearer form at the choice of the shareholder, subject to the particular stipulations prescribed by law. Any shareholder holding 5% or more of the total number of shares and/or voting rights in the company must apply for his shares to be held in registered form.
The company is authorised to apply the provisions of commercial company law at any time to identify holders of securities giving immediate or eventual voting rights at its shareholders' meetings.
The company's securities and assets are not subject to any pledges.

Authorisations for capital increases

a – Pursuant to the provisions of Articles L. 225-129 to L. 225-129-6, L. 228-91 and L. 228-92 of the Commercial Code, the Extraordinary General Meeting of May 15th, 2008 delegated to the Group Management Board, for a period of 26 months from the date of that General Meeting, i.e. until July 14th, 2010, the necessary powers to issue, maintaining the shareholders' pre-emptive subscription right, shares in the company and/or other securities – including freestanding equity warrants as a bonus or rights issue – giving immediate and/or future access to shares in the company, to be subscribed either in cash or as settlement for liabilities.

The maximum amount of the immediate or future capital increase resulting from all the issues made by virtue of this delegation is set at a nominal amount of €4.4 million, with the proviso that:

- the above total is fixed not taking into account the consequences on the amount of the capital increase of any adjustments that may be made following the issue of securities giving access to shares in the company; and
- the following are expressly excluded:

- the issue of preference shares with voting rights;
- the issue of non-voting preference shares;
- the issue of investment certificates, whether preferential or not;
- the issue of securities giving immediate and/or future access to voting or non-voting preference shares or investment certificates.

Securities thus issued giving access to shares in the company may consist of securities representing debts or they may be linked to the issue of such securities or enable their issue as intermediate securities. These debt securities may be issued in the form of bonds or fungibles, especially perpetual or fixed-term subordinated notes, at floating or fixed rates, with or without capitalisation, issued in euro and/or any other currency or in composite monetary units, with possible rights, especially in the form of warrants, to receive and/or subscribe to other bonds or fungibles, repayable in the currency or composite monetary unit of issue and/or by any other means, up to the aforementioned maximum amount of €4.4 million, or its equivalent in another currency or composite monetary unit, it being specified that the maximum amount applies to all bonds or fungibles issued immediately or following the exercise of warrants, but that this amount does not include the redemption premium, if any.
This maximum nominal amount is separate from that set for the authorisation given to the Group Management Board to issue the debt securities described below.

The Group Management Board may institute for the benefit of shareholders a subscription right to new shares or securities, which may be exercised in proportion to their rights and up to the amount of their request. If the exercise of rights to subscribe to new shares and, if applicable, available excess shares does not absorb the entire issue, the Group Management Board may, in the order that it deems appropriate, and in accordance with the law, either limit the issue to the amount of subscriptions received, provided that at least three-quarters of the decided issue is subscribed, or freely allocate some or all of the shares that have not been subscribed, or offer them to the public.

General information about the company's capital

The decision of the General Meeting:

- entails for the automatic benefit of holders of securities, waiver by the shareholders of their preferential subscription right to shares to which these securities may give entitlement; and
- involves the express waiver by shareholders of their pre-emptive subscription right to the shares to which rights are given by:
  - securities in the form of convertible bonds;
  - freestanding equity warrants in a bonus or rights issue.

The amount paid or due to the company for each of the shares issued by virtue of this authorisation shall be at least equal to the nominal value of the shares, as calculated before the proposed issue.

In accordance with Article 12 of the Articles of Association, the maximum amount for each of the capital increases decided by the Group Management Board under this authorisation must first be approved by the Supervisory Board.

The General Meeting gave full authority to the Group Management Board, with the option to delegate this authority in accordance with the law, to make these issues within the above-specified limits, and to define their terms and conditions, and more specifically to:

- conduct the aforementioned issues thus increasing the capital, on one or more occasions and in the proportions and on the dates determined by it, in France and/or in other countries, if appropriate, and/or on the international market, or refrain from doing so if appropriate;
- determine the categories and characteristics of the securities issued;
- set their subscription price, as well as the issue premium, if any;
- set the date from which the shares issued or to be issued shall have dividend rights attached, which may be retroactive;
- if securities are issued that give access to the capital, define the terms for adjusting the conditions of access to shares in order to preserve their rights;
- define, in accordance with the law, the situations in which the Group Management Board shall be entitled to suspend the exercise of all rights attached to securities giving immediate or future access to shares, for a maximum period of three months;
- define the terms for buying on the financial markets or offering to purchase or exchange securities issued as a result of this resolution, or redeeming said securities;
- charge the costs of issuing the shares and securities against the premiums generated by the capital increases and draw from said premiums any amount needed to bring the legal reserve up to one tenth of the amount of the capital after said capital increases;
- amend the Articles of Association accordingly;
- generally, enter into any arrangements, sign any agreements with any bank or institution, take any action and complete any formalities relating to the issue, listing and financial servicing of the shares and/or securities issued pursuant to this resolution, and otherwise do anything that may be necessary.

After obtaining approval from the Supervisory Board, the Group Management Board took advantage of a previous authorisation granted by the General Meeting of April 17th, 2002, by increasing the capital on July 18th, 2002 by a total of €171,883,776 through the issue of 5,371,368 new shares.

General information about the company's capital

b – Furthermore, the Extraordinary General Meeting of May 15th, 2008, in accordance with Articles L. 225-129 to L. 225-129-6 and L. 225-130 of the Commercial Code, also gave full authority to the Group Management Board for a period of 26 months from the date of that General Meeting, i.e. to July 14th, 2010 or until it is renewed by an Extraordinary General Meeting before said date, to increase the share capital, on one or more occasions, at the times and on the terms of its choosing, by the capitalisation of reserves, income or premiums, in the form of the allocation of bonus shares or increasing the nominal value of existing shares or a combination of both methods.
The General Meeting gave the Group Management Board authority to decide that the rights forming fractional shares would not be negotiable and that the corresponding shares should be sold, the sums derived from the sale to be allocated to the owners of the rights within 30 days of the date of registration of the number of whole shares allocated to their account.
The amount of the capital increase that may be made pursuant to this resolution may not exceed a nominal amount of €4.4 million, a ceiling shared with that set for the capital increases resulting from the issues of shares or securities described above.
The General Meeting gave the Group Management Board full authority, with the ability to delegate in accordance with the law, to implement this resolution, amend, if applicable, the Articles of Association accordingly and, generally, do anything that may otherwise be necessary.
The Group Management Board has not made use of this authorisation.

Securities that give access to capital

The Extraordinary General Meeting of April 29th, 1997 adopted a share option plan for 1% of the capital, being 348,750 shares, for certain members of the Group Management Board of the company and certain senior executives of the subsidiaries, representing 56 persons in total. Of the 314,200 share options allocated, 750 were exercised in 1997, 3,500 in 1998, 10,300 in 1999, 6,250 in 2000, 6,500 in 2001 and 18,584 in 2002, i.e. a total of 45,884 options of which 29,884 at €16.07 each and 16,000 at €18.88 each. In 2003, 89,518 options were exercised, of which 22,217 at €15.55 each and 67,301 at €18.27 each. In 2004, 51,721 options were exercised, of which 3,669 at €15.55 each, 31,001 at €18.27 each and 17,051 at €21.12 each.

In 2005, 19,119 options were exercised at €15.55 each, 23,767 at €18.27 each and 5,012 at €21.12 each. In 2006, 34,834 options were exercised, of which 17,050 at €15.55 each, 14,684 at €18.27 each, and 3,100 at €21.12. In 2007, 101,395 options were exercised, of which 5,200 at €18.27 each. In 2008, 49,519 options were exercised, of which 23,267 options at €18.27 each.
The Supervisory Board meeting of September 28th, 1999 decided not to allocate any additional options under this plan.
Following the Euler Hermes capital increase in 2002 and in accordance with the legal and regulatory provisions, 9,040 new options were granted taking the balance of options remaining to be exercised to 268,056 as at December 31st, 2002. In addition, 14,467 options were lost when holders either left the company or when potential beneficiaries refused the options. Following the exercise of options during 2003, 2004, 2005 and 2006, 178,538 options had not been exercised on December 31st, 2003, 122,580 had not been exercised on December 31st, 2004, 74,682 had not been exercised on December 31, 2005, 39,848 had not been exercised on December 31st, 2006, and 33,718 options had not been exercised on December 31st, 2007. This plan expired in August 2008.

The Extraordinary General Meeting of May 22nd, 2006 also gave the Group Management Board full authority, subject to maintaining the shareholders' pre-emptive subscription right, to issue securities – including freestanding equity warrants issued as a bonus or rights issue – giving immediate and/or future access to shares in the company.
Lastly, in accordance with the provisions of Articles L. 225-177 et seq. of the Commercial Code, the Extraordinary General Meeting of April 7th, 2000 authorised the Group Management Board to grant share options for existing shares on the following terms: the beneficiaries must be employees or corporate officers of the company or affiliated companies as defined in Article L.225-180 of the Commercial Code. The options may be granted by the Group Management Board to some or all of these beneficiaries for up to 3% of the share capital.

General information about the company's capital

This authorisation was granted for a period of three years from the date of the Extraordinary General Meeting of April 7th, 2000.
The total number of options granted during this three-year period may not give entitlement to purchase a number of shares representing, on the date of allocation and taking account of the options already granted, more than 3% of the company's share capital, on the understanding that, during the twelve-month period following the date of the Extraordinary General Meeting of April 7th, 2000, the Group Management Board only granted options under the following conditions:

1 – taking account of the tax, company and stock exchange legislation in the various countries involved, and the conclusions that the Group Management Board may accordingly reach as to the possibility of granting the options to potential beneficiaries resident in the various countries concerned, under acceptable conditions, an initial allocation of options, in one or more batches depending on the countries involved, to the greatest possible number of beneficiaries and giving entitlement to acquire a number of shares representing 0.6% of the company's capital on the date of allocation;

2 – a second allocation of options, in one or more batches depending on the countries concerned, reserved for certain beneficiaries who are members of the management of the company and its subsidiaries according to a list drawn up by the Group Management Board, giving entitlement to purchase a number of shares representing 0.6% of the company's capital on the date of allocation.

Subsequently, for each of the two years following this first twelve-month period and for each of the three years defined in the renewal of the authorisation given by the Extraordinary General Meeting of April 17th, 2002, within the limits set by said Extraordinary General Meeting, the Supervisory Board decided on the maximum number of options that the Group Management Board could grant in each year within the limit of 3% of the company's capital, taking into account the options already granted.
The shares thus acquired by exercise of the options granted shall have been previously purchased by the company, either pursuant to Article L.225-208 of the Commercial Code, or, if applicable, under the share buyback programme as approved by the Ordinary General Meeting of May 22nd, 2006, to replace the authorisation previously given by the Ordinary General Meeting of April 22nd, 2005 pursuant to Article L. 217-2 of the law of July 24th, 1966.

The exercise price of the options granted is set by the Group Management Board on the following basis:
- the exercise price may not be less than 95% of the average share price quoted in the twenty stock market trading days preceding the date on which the options were granted, and no option may be granted within twenty trading days after the detachment from the shares of a coupon giving entitlement to a dividend or a rights issue;
- the exercise price may not be less than 80% of the average purchase price of the shares held by the company pursuant to Article L. 225-28 of the Commercial Code and, if applicable, the above-mentioned share buyback programme.

The Extraordinary General Meeting has given full authority to the Group Management Board, within the limits defined above, to:
- determine the procedures for allocation and exercise of the options and especially to limit, restrict or prohibit (a) the exercise of options, or (b) the sale of shares obtained by exercising the options, during certain periods or following certain events;
- and, more generally, with the option to delegate in accordance with the law, sign any agreements, draw up any documents, carry out any formalities and make any declarations to any organisations and otherwise do everything that may be necessary.

In the context of this authorisation and following the meeting of the Supervisory Board on April 26th, 2000, at its meeting on April 27th, 2000, the Group Management Board decided to grant options to purchase existing shares in the company, on the one hand to all employees in the group who may benefit fiscally (Plan 1), and on the other hand to certain members of the management of the company and its subsidiaries (Plan 2).
Following the meeting of the Supervisory Board on February 27th, 2001, at its meeting on March 28th, 2001, the Group Management Board again decided to grant options to purchase shares in the company to certain members of the management of the company and its subsidiaries (Plan 2, second grant).
The Extraordinary General Meeting of April 17th, 2002 renewed this authorisation for a term of three years, i.e. until April 16th, 2005 or until the date it is renewed by an Extraordinary General Meeting held prior to that date. However, the Extraordinary General Meeting of April 23rd, 2003 withdrew this authorisation with regard to the unused part.

General information about the company's capital

Details of these two option plans are summarised in the following table:

	Plan 1	Plan 2 1st grant	Plan 2 2nd grant
Date of General Meeting	04/07/2000	04/07/2000	04/07/2000
Date of Supervisory Board meeting	04/26/2000	04/26/2000	02/27/2001
Number of persons who have not yet exercised options	0	0	0
- of whom, members of the Euler Hermes Group Management Board	0	0	0
Start date for exercise of options	04/27/2000	04/27/2000	03/28/2001
Expiry date	04/26/2008	04/26/2008	03/27/2009
Weighted average purchase price in euro (1)	51.61	50.11	-
Terms of exercise	Purchase	Purchase	Purchase
Number of shares subscribed or purchased at December 31st, 2009	17,302	2,500	0
Shares still available for subscription/purchase at December 31st, 2009 (2)	0	0	0
- of which, available to members of the Euler Hermes Group Management Board	0	0	0

(1) The average exercise price in euro is derived from the individual weighted average exercise prices, which may differ according to the tax treatment of the beneficiaries. For employees and directors of the French company or one of its French subsidiaries, the exercise price is the average price for the twenty stock market trading days preceding the date of the Group Management Board meeting. A 5% discount is applied for French residents. For the other beneficiaries (employees of the group's foreign subsidiaries) who are not subject to the same lock-in requirements or period for holding the shares as the employees or directors of the French companies, the exercise price is set at the closing price on the day of the Group Management Board meeting at which the options are granted.

(2) The remaining options to be subscribed at 12/31/2008 under the Plan 2 (2nd grant), whether 19,410 options for 8 recipients where lost.

Following Euler Hermes' capital increase in 2002 and in accordance with legal and regulatory provisions, 17,803 new options were allocated, taking the balance of outstanding options to 457,734 options as at December 31st, 2003. This plan expired on March 27th, 2009.
The ten employees that received the largest number of options were granted an aggregate total of 30,211 options at a weighted average price of €51.97 each.
In 2001, no options were granted to any members of the Group Management Board as it existed on December 31st, 2009.
No further allocations were made under these plans in 2002, except for the 9,040 new options allocated following the Euler Hermes capital increase, in accordance with legal and regulatory provisions.

In addition, the General Meeting of April 23rd, 2003 authorised the Group Management Board to grant subscription options or options to purchase shares, immediately cancelling the unused portion of the authorisation to grant options to purchase shares in the company that was approved in the Ninth Resolution of the Combined Ordinary and Extraordinary General Meeting of April 7th, 2000 and then replaced by the authorisation given to the Group Management Board in the Twelfth Resolution of the Combined Ordinary and Extraordinary General Meeting of April 17th, 2002, to grant options to purchase shares in the company.

Therefore, the Group Management Board is authorised, as stipulated by Articles L. 225-177 to L. 225-186 of the Commercial Code, to grant, on one or more occasions, for the benefit of employees and possibly for the directors and officers both of the company and of companies or interest groupings that are affiliated as defined in Article L.225-180 of that Code or to only some of them, options giving rights to subscribe to new shares in the company to be issued through a capital increase, as well as options giving rights to purchase existing shares in the company obtained in buy-backs made by the company as prescribed by law.
The subscription or purchase options for new and existing shares granted by virtue of this authorisation may not give rights to a total number of shares greater than 3% of the share capital on the day of the Group Management Board's decision, on the understanding that, within the confines of this resolution, the Supervisory Board shall define the number of options for new and existing shares that the Group Management Board may grant at each allocation.

General information about the company's capital

The price to be paid when exercising the options for new or existing shares shall be determined by the Group Management Board on the day that the options are granted, it being understood that:
(I) – in the case of options for new shares, this price shall not be lower than 80% of the average of the opening prices of the company's share on Euronext Paris SA for the twenty trading sessions preceding the day on which the share options are granted, and
(II) – in the case of options for existing shares, this price shall not be lower than the value specified in (i) above, or 80% of the average purchase price of the shares held by the company pursuant to Articles L. 225-208 and L. 225-209 of the Commercial Code.
This authorisation requires the express waiver by shareholders of their pre-emptive subscription rights to the shares that will be issued as and when the options for new shares are exercised, in favour of the beneficiaries of the share options.

The General Meeting of April 23rd, 2003 granted full authority to the Group Management Board to implement this authorisation, especially as regards:

- drawing up a list of beneficiaries for the options and the number of options allocated to each of them;
- determining the terms and conditions for the options, especially:
  - the period for which the options will be valid, on the understanding that the options must be exercised within a maximum period of eight years from the date they are granted;
  - the date(s) or period(s) of exercise for the options, on the understanding that the Group Management Board will have the option of (a) bringing forward the dates or periods for the exercise of the options, (b) extending the exercisable nature of the options, or (c) modifying the dates or periods within which the shares obtained by exercise of the options may not be transferred or held in bearer form;
  - possible clauses prohibiting the immediate resale of some or all of the shares provided that the obligatory holding period for the shares does not exceed three years from the date the option is exercised;
  - if applicable, limit, suspend, restrict or prohibit the exercise of options, or the sale or transfer to bearer form of shares obtained by the exercise of options, during certain periods or following certain events, and this decision may cover some or all of the options or shares or concern some or all of the beneficiaries;
  - determine the date, which may be retroactive, from which the new shares derived from the exercise of share options shall become eligible for dividends;
  - if applicable, make any adjustments to the number and price of the shares that may be obtained by the exercise of the options pursuant to the legal and regulatory provisions then in force;
  - decide that the Group Management Board shall also have full authority, with the ability to delegate to its Chairman as legally prescribed, to recognise the capital increases for the amount of shares that have actually been subscribed by the exercise of options to subscribe for new shares, and make the necessary amendments to the Articles of Association and, if it deems appropriate, it is empowered to make the decision to charge the costs of the capital increases to the amount of premiums arising from these transactions and deduct from this amount the sums necessary to raise the legal reserve to one tenth of the new share capital after each increase, and perform any necessary formalities for the listing of the shares thus issued, any declarations to the authorities and otherwise do all that is necessary thereto.

This authorisation was given for a period of thirty-eight months from April 23rd, 2003, i.e. until June 22nd, 2006, and was renewed once by the Combined Ordinary and Extraordinary General Meeting of May 22nd, 2006 for a further 38 months, i.e. until July 21st, 2009, and then renewed a second time by the Combined Ordinary and Extraordinary General Meeting of May 15th, 2009 for a further 38 months, i.e. until July 15th, 2012.
The Group Management Board informs the Ordinary General Meeting each year of the transactions undertaken pursuant to this delegation in accordance with Article L. 225-184 of the Commercial Code.

General information about the company's capital

In connection with this plan, the breakdown of the number of options still to be exercised by year of allocation is as follows:

	2003	2004	2005	2006	2008
Date of General Meeting	04/23/2003	04/23/2003	04/23/2003	05/22/2006	05/22/2006
Date of Supervisory Board meeting	05/20/2003	05/25/2004	05/24/2005	08/30/2006	05/15/2008
Date of Management Board meeting	07/08/2003	07/06/2004	06/27/2005	09/18/2006	06/20/2008
Number of beneficiaries	91	97	103	104	92
Number of beneficiaries who have not yet exercised their options	24	60	86	96	92
of which, members of the Group Management Board (1)	1	3	3	3	4
Total number of options allocated	250,000	130,000	160,000	160,000	130,000
of which, to members of the Group Management Board (1)	4,500	18,000	24,000	37,500	23,000
Start date of exercise period	07/08/2003	07/06/2004	06/27/2005	09/18/2006	06/20/2008
Expiry date	07/07/2011	07/05/2012	06/26/2013	09/17/2014	06/19/2016
Exercise price (€)	27.35	44.41	63.08	91.82	55.67
Type of option	Subscription	Subscription	Subscription	Purchase	Purchase
Options to be exercised at 01/01/2009	51,325	89,855	143,450	153,100	130,000
Options allocated in 2009	0	0	0	0	0
Options exercised in 2009	480	500	0	0	0
Options cancelled in 2009	0	0	0	0	0
Options to be exercised at 12/31/2009	50,845	89,355	143,450	153,100	130,000

(1) Group Management Board as at 12/31/2009.

The following options were granted in recent years to the ten employees that received the largest number of options:
- 2003: 48,300 options at a weighted average price of €27.35;
- 2004: 23,800 options at a weighted average price of €44.41;
- 2005: 60,400 options at a weighted average price of €63.08;
- 2006: 68,550 options at a weighted average price of €91.82;
- 2007: No options were granted;
- 2008: 21,533 options at a weighted average price of €55.67;
- 2009: No options were granted.

The number of share subscription options granted to members of the Group Management Board, as it existed on December 31st, 2009, in connection with this plan in the period from 2003 to 2008 breaks down as follows:

	2003	2004	2005	2006	2008	2009
Wilfried Verstraete (1)	-	-	-	-	-	-
Gerd-Uwe Baden		7,000	9,000	10,000	7,000	-
Nicolas Hein		7,000	9,000	17,500	6,300	-
Michel Mollard	4,500	4,000	6,000	10,000	6,300	-
Michael Hörr (2)	-	-	-	-	3,400	-
Total	**4,500**	**18,000**	**24,000**	**37,500**	**23,000**	**-**

(1) Wilfried Verstraete has been a member of the Group Management Board since April 1st, 2009.

(2) Michael Hörr has been a member of the Group Management Board since January 1st, 2008.

General information about the company's capital

No options were granted in 2007 or in 2009.

With regard to option plans previously established at Euler Hermes SFAC (France), the position was as follows:
- In 2004, no options were exercised by the members of the Group Management Board as it existed on December 31st, 2004 and only one employee exercised a total of 2,000 options at the average price of €81.30 each;
- In 2005, no options were exercised by the members of the Group Management Board as it existed on December 31st, 2005 as none of them were beneficiaries of any Euler Hermes SFAC options. One employee exercised 300 options at an average subscription price of €81.04 each and three people who had left the company exercised 2,400 options at an average subscription price of €75.53 each;
- In 2006, 4,400 share subscription options were exercised by five individuals at a weighted average price of €81.01 each;
- In 2007, 712 share subscription options were exercised by four individuals at an average weighted price of €80.97 each;
- In 2008, 1,988 share subscription options were exercised by six individuals at an average weighted price of €80.96 each;
- In 2009, 1,294 share subscription options were exercised by one individual at an average weighted price of €91.78 each.

Share buyback programme

A resolution will be proposed at the Combined Ordinary and Extraordinary General Meeting on May 21st, 2010 to authorise the Group Management Board, in accordance with Article L. 225-209 of the Commercial Code, Regulation No. 2273/2003 of the European Commission of December 22nd, 2003 taken pursuant to Directive 2003/6/EC of January 28th, 2003 and Articles 241-1 to 241-6 of the General Regulations of the French securities regulator *[Autorité des Marchés Financiers – AMF]*, to purchase a number of shares at a nominal value of €0.32 each, representing a maximum of 10% of the share capital at the date of the General Meeting under the following terms:
- this authorisation is valid for a maximum period of eighteen months from the date of the Meeting, i.e. until November 20th, 2011, or until the date it is renewed by an Ordinary General Meeting prior to that date; it brings an end to the authorisation given by the Eleventh Resolution of the Ordinary General Meeting held on May 15th, 2009 as far as the unused portion is concerned;
- the total amount that the company can allocate to the buyback of its shares during the life of this authorisation is €149.8 million;
- the maximum purchase price (excluding expenses) is set at €90 per share, which corresponds to the price as at December 31st, 2009 multiplied by a factor equal to the greatest increase in the share price over any given year since its listing, i.e. 73% in 2003, it being stipulated that in the event of transactions involving the company's capital, in particular the capitalisation of premiums, reserves or profits resulting in an increase in the nominal value of the shares or the creation and allocation of bonus shares or the division or grouping of the nominal value of shares, the Group Management Board shall have full power, as required, to adjust the abovementioned purchase prices accordingly;
- the acquisitions made by the company by virtue of this authorisation cannot in any case lead to it holding more than 10% of the company's share capital;
- the acquisition, sale, transfer or exchange of these shares may be made, as prescribed by the market authorities and the applicable laws and regulations, by any means including on a market (regulated or not), on a multilateral trading facility (MTF), through a systematic internaliser or by acquisition or sale of blocks of shares (if applicable, over the counter, or by using derivatives, especially options or warrants, in compliance with applicable regulations), and at the times that the Group Management Board or the person delegated by the Group Management Board shall choose;

General information about the company's capital

- these share purchases may be decided by the Group Management Board for the following purposes, notably to:

(i) boost the market for the shares, namely by improving the share's liquidity via an investment services provider acting independently within the framework of a liquidity contract, in accordance with a code of conduct recognised by the French securities regulator (AMF);

(ii) fulfil the obligations to employees and corporate officers of the company and its associates under share option plans, bonus share issue and other option allocation schemes;

(iii) purchase shares for retention and subsequent delivery of shares as payment or in exchange, within the context of any acquisitions, in accordance with stock market regulations, on condition that the number of shares acquired by the company for retention and subsequent delivery as payment or in exchange within the context of a merger, spin-off or other operation shall not exceed 5% of its share capital;

(iv) deliver shares when rights attached to securities giving access to a share of the company's capital are exercised;

(v) cancel these shares subject to approval of the Nineteenth Resolution by the General Meeting;

(vi) implement any market practice that is recognised by law or by the French securities regulator, in which case the company shall bring to the public's attention, under the applicable legal and regulatory conditions, any amendments to the programme concerning the modified objectives.

There is no limit on the portion of the programme that may be carried out through the purchase or sale of blocks.

The company may undertake the transactions in (i) to (vi) above during a cash or share-exchange offer in accordance with the applicable legislation.

In accordance with paragraph 4 of Article L. 225-209 of the Commercial Code, the company will inform the AMF every month of the purchases, sales, transfers and cancellations made.

The Group Management Board will seek the approval of the Supervisory Board for the policy it intends to follow with regard to share buybacks pursuant to this resolution.

The Group Management Board, which may delegate to its Chairman or, with his approval, to one or more of its members, is granted full authority to give orders for deals on the stock market or over the counter, assign or re-assign the shares acquired to the various objectives targeted under the applicable legal and regulatory conditions, sign any agreements notably to keep registers of share purchases and sales, compile information documents, make all declarations and disclosures to the AMF and any other authorities, fulfil all the formalities and, generally, do everything that is necessary and establish the terms and conditions under which the rights of holders of securities that give access to the capital and of beneficiaries of options are preserved in accordance with the applicable regulations.

The Group Management Board shall inform the General Meeting of all transactions undertaken pursuant to this authorisation.

Pledges, collateral and liens

The share capital is not encumbered by any pledge, collateral or lien.

General information about the company's capital

Changes in the share capital in the past five years

The table below shows changes in the company's share capital in the past five years:

Date	Transaction	Number of shares issued	Nominal amount of capital increase	Additional paid-in capital per share	Cumulative additional paid-in capital	Cumulative share capital	Total number of shares	Nominal value
January-February 2005	Exercise of share options	7,751	€2,480.32	€15.23	€354,030,307.31	€13,796,295.68	€43,113,424	€0.32
January-February 2005	Exercise of share options	1,912	€611.84	€20.80	€354,070,076.91	€13,796,907.52	€43,115,336	€0.32
March-April 2005	Exercise of share options	7,750	€2,480.00	€17.95	€354,209,189.41	€13,799,387.52	€43,123,086	€0.32
June 2005 (1)	Payment of dividend in shares	1,661,023	€531,527.36	€54.08	€444,037,313.25	€14,330,914.88	€44,784,109	€0.32
June 2005	Exercise of share options	3,100	€992.00	€20.80	€444,101,793.25	€14,331,906.88	€44,787,209	€0.32
June-July 2005	Payment of dividend in shares	1,500	€480.00	€27.03	€444,142,338.25	€14,332,386.88	€44,788,709	€0.32
July-August 2005	Exercise of share options	9,450	€3,024.00	€27.03	€444,397,771.75	€14,335,410.88	€44,798,159	€0.32
September 2005	Exercise of share options	7,750	€2,480.00	€17,95	€444,536,884.25	€14,337,890.88	€44,805,909	€0.32
September 2005	Exercise of share options	5,684	€1,818.88	€15.23	€444,623,451.57	€14,339,709.76	€44,811,593	€0.32
October 2005	Exercise of share options	5,684	€1,818.88	€15.23	€444,710,018.89	€14,341,528.64	€44,817,277	€0.32
November 2005	Exercise of share options	4,700	€1,504.00	€27.03	€444,837,059.89	€14,343,032.64	€44,821,977	€0.32
December 2005	Exercise of share options	8,267	€ 2,645.44	€17.95	€444,985,452.54	€14,345,678.08	€44,830,244	€0.32
January-March 2006	Exercise of share options	4,750	€1,520.00	€15.23	€445,057,795.04	€14,347,198.08	€44,834,994	€0.32
January-March 2006	Exercise of share options	14,417	€4,613.44	€17.95	€445,316,580.19	€14,351,811.52	€44,849,411	€0.32
January-March 2006	Exercise of share options	3,100	€992.00	€20.80	€445,381,060.19	€14,352,803.52	€44,852,511	€0.32
January-March 2006	Payment of dividend in shares	4,950	€1,584.00	€27.03	€445,514,858.69	€14,354,387.52	€44,857,461	€0.32
April-June 2006	Exercise of share options	7,500	€2,400.00	€15.23	€445,629,083.69	€14,356,787.52	€44,864,961	€0.32
April-June 2006	Exercise of share options	23,600	€7,552.00	€27.03	€446,266,991.69	€14,364,339.52	€44,888,561	€0.32
July-September 2006	Exercise of share options	267	€85.44	€17.95	€446,271,784.34	€14,364,424.96	€44,888,828	€0.32
July-September 2006	Exercise of share options	29,515	€9,444.80	€27.03	€447,069,574.79	€14,373,869.76	€44,918,343	€0.32
July-September 2006	Exercise of share options	7,900	€2,528.00	€44.09	€447,417,885.79	€14,376,397.76	€44,926,243	€0.32
October-December 2006	Exercise of share options	4,800	€1,536.00	€15.23	€447,490,989.79	€14,377,933.76	€44,931,043	€0.32

(1) Capital increase with maintenance of preferential subscription rights.

General information about the company's capital

Date	Transaction	Number of shares issued	Nominal amount of capital increase	Additional paid-in capital per share	Cumulative additional paid-in capital	Cumulative share capital	Total number of shares	Nominal value
October-December 2006	Exercise of share options	18,625	€5,960.00	€27.03	€447,994,423.54	€14,383,893.76	€44,949,668	€0.32
October-December 2006	Exercise of share options	1,450	€464.00	€44.09	€448,058,354,04	€14,384,357.76	€44,951,118	€0.32
January-March 2007	Exercise of share options	7,170	€2,294.00	€27.03	€448,252,159.14	€14,386,652.16	€44,958,288	€0.32
January-March 2007	Payment of dividend in shares	1,000	€320.00	€44.09	€448,296,249.14	€14,386,972.16	€44,959,288	€0.32
April-June 2007	Exercise of share options	5,200	€1,664.00	€17.95	€448,389,589.14	€14,388,636.16	€44,964,488	€0.32
April-June 2007	Exercise of share options	2,170	€694.40	€27.03	€448,448,244.24	€14,389,330.56	€44,966,658	€0.32
April-June 2007	Exercise of share options	450	€144.00	€44.09	€448,468,084.74	€14,389,474.56	€44,967,108	€0.32
April-June 2007	Exercise of share options	5,500	€1,760.00	€62.76	€448,813,264.74	€14,391,234,56	€44,972,608	€0.32
July-September 2007	Exercise of share options	37,190	€11,900.80	€27.03	€449,818,510.44	€14,403,135.56	€45,009,798	€0.32
July-September 2007	Exercise of share options	13,760	€4,403.20	€44.09	€450,425,188.84	€14,407,538.56	€45,023,558	€0.32
October-December 2007	Exercise of share options	23,455	€7,505.60	€27.03	€451,059,177.49	€14,415,044.16	€45,047,013	€0.32
October-December 2007	Exercise of share options	3,900	€1,248.00	€44.09	€451,231,128.49	€14,416,292.16	€45,050,913	€0.32
October-December 2007	Exercise of share options	1,600	€512.00	€62.76	€451,331,544.49	€14,416,804.16	€45,052,513	€0.32
January-March 2008	Exercise of share options	3,550	€1,136.00	€1,136.00	€451,427,500.99	€14,417,940.16	€45,056,063	€0.32
April-June 2008	Exercise of share options	15,000	€4,800.00	€17.95	€451,696,750.99	€14,422,740.16	€45,071,063	€0.32
April-June 2008	Exercise of share options	2,900	€928.00	€27.03	€451,775,137.99	€14,423,668.16	€45,073,963	€0.32
July-Sept 2008	Exercise of share options	8,267	€2,645.44	€17.95	€451,923,530.64	€14,426,313.60	€45,082,230	€0.32
July-Sept 2009	Exercise of share options	480	€153.60	€27.03	€451,936,505.04	€14,426,467.20	€45,082,710	€0.32
October-December 2009	Exercise of share options	500	€160.00	€44.09	€451,936,505.04	€14,426,627.20	€45,083,210	€0.32

Share capital and voting rights

At December 31st, 2009, the company's share capital was made up of 45,083,210 shares, majority-owned by the Allianz France group (68.19% of the capital representing 70.65% of the voting rights). The total number of voting rights amounted to 43,541,586. On March 21st, 2005, the Swiss reinsurance company, Swiss Re, stated that it had sold shares and accordingly had fallen below the threshold of 5% of shares owned. On the same date, it declared that it held 3.4% of the capital.

At the end of 2009, 28.33% of the capital, i.e. 29.35% of the voting rights, was held by the public and the company owned 3.42% of the capital.

Capital World Growth and Income Fund, Inc., acting on behalf of investment funds, reported that, following the acquisition on the stock market of shares in the company on June 26th, 2002, it had crossed the threshold of 5% of the capital and voting rights and henceforth held 1,759,281 shares representing 5.04% of the capital and 5.3% of the existing voting rights.

On August 19th, 2002, the same company reported that it had crossed the threshold of 5% of the capital and voting rights downwards and henceforth held 1,796,848 shares representing 4.46% of the capital and 4.66% of the existing voting rights.

In a letter dated May 22nd, 2003, the companies FMR Corporation and Fidelity International Limited, acting on behalf of investment funds managed by their subsidiaries, declared that following the sale of shares on the market on March 21st, 2003 they had fallen below the 5% threshold of the capital of the company, and owned on behalf of those funds 2,002,270 shares representing 4.97% of the capital on that date.

In a letter dated September 24th, 2009, Jupiter Asset Management Ltd. acting as manager of investment funds, declared that they had fallen below the 2% threshold of the capital of the company, and henceforth held 883,762 shares representing 4,97% of the capital.

Since those dates, no further declarations concerning the crossing of the 5% threshold either way have been made, and the company is unaware of the number of shares still held by these companies as at December 31st, 2009.

As far as the company is aware, there are no other shareholders or groups of shareholders who hold or are likely to hold, directly or indirectly, alone, jointly or in concert, 5% or more of the share capital and voting rights.

The table below shows changes to the company's share capital and voting rights in the past three years:

Share capital and voting rights at December 31st, 2009

	At December 31st, 2007				At December 31st, 2008				At December 31st, 2009			
	Shares		Voting rights		Shares		Voting rights		Shares		Voting rights	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Allianz Vie	3,879,818	8.61%	3,879,818	8.88%	3,879,818	8.61%	3,879,818	8.91%	3,879,818	8.61%	3,879,818	8.92%
Allianz SA	26,864,230	59.63%	26,864,230	61.50%	26,864,230	59.59%	26,864,230	61.70%	26,864,230	59.59%	26,864,230	61.74%
Total Allianz France	**30,744,048**	**68.24%**	**30,744,048**	**70.38%**	**30,744,048**	**68.20%**	**30,744,048**	**70.61%**	**30,744,048**	**68.19%**	**30,744,048**	**70.65%**
Treasury shares	1,369,746	3.04%	0	0.00%	1,540,644	3.42%	0	0.00%	1,567,944	3.48%	0	0.00%
Public (1)	12,938,719	28.72%	12,938,719	29.62%	12,797,538	28.39%	12,797,538	29.39%	12,771,218	28.33%	12,771,218	29.35%
TOTAL	**45,052,513**	**100.00%**	**43,682,767**	**100.00%**	**45,082,230**	**100.00%**	**43,541,586**	**100.00%**	**45,083,210**	**100.00%**	**43,515,266**	**100.00%**

(1) At December 31st, 2009, 3,193 shares were held by members of the Supervisory Board and of the Group Management Board.

Share capital and voting rights

The AGF group, renamed Allianz France in 2009, has been a wholly-owned subsidiary of Allianz SE since July 2007 following the minority buy-out launched in January 2007.
Until it was privatised in May 1996, AGF was one of the company's principal shareholders, alongside Partner Re, Swiss Re, SCOR and Coface. Under the company's capital restructuring following the privatisation of the AGF group, AGF became the company's majority shareholder.
On April 27th, 2000, when the company was floated on the stock market, the principal shareholders sold 9,850,534 shares in total, divided between the AGF group (4,978,054 shares), Swiss Re (3,480,665 shares) and SCOR (1,391,815 shares).
Following this transaction, the company created a holding of its own shares, acquiring 1,720,857 shares from the three major shareholders, in proportion to their shareholdings.
Since that date, SCOR has sold its entire holding by placing its shares on the market. Swiss Re significantly reduced its holding in 2005.
Apart from these transactions, the following events altered the capital structure and voting rights during the past five years.
Following the decision of the General Meeting on April 23rd, 2003 to propose the payment of dividends with the choice between payment in cash or in shares, the distribution gave rise to the creation of 1,172,431 new shares. At that time, AGF chose to receive all dividends paid in shares. As at December 31st, 2003, the AGF group held 67.7% of the company. Likewise, following identical decisions by the General Meetings on April 28th, 2004 and April 22nd, 2005, the distribution of a dividend gave rise to the creation of 1,502,151 and 1,661,023 new shares, respectively. Having chosen to receive its dividend in shares, the AGF group held 68.6% of the company as at December 31st, 2005.
During 2006, 2007, 2008 and 2009, the Allianz group's percentage holding was reduced slightly following the creation of shares as a result of the exercise of subscription options. At December 31st, 2009, the Allianz group held 68.19% of the company.
There is no clause in the Articles of Association providing for shareholders in the company to have double voting rights.

Relations with shareholders

As far as the company is aware, there is no shareholders' agreement currently in existence between the company's shareholders. There are some regulated agreements, details of which are given on pages 244 to 247.
Allianz France's majority shareholder, Allianz, is one of the group's reinsurance companies. The company accords its reinsurer shareholders the same treatment as the many other reinsurance companies with which group companies are reinsured in the normal course of their business, both regarding the selection of reinsurers and in the negotiation of the terms of their contracts. Allianz's proportion of the group's reinsurance therefore corresponds to its role in this market and the reinsurance contracts cover ongoing operations and are signed under normal market conditions.
There are no preferential terms for the sale or purchase of shares on at least 5% of the capital or voting rights.

Treasury shares

At December 31st, 2009, treasury shares represented a total of 3.48% of the company's capital, i.e. 1,567,944 shares.
During the year, no purchases or sales were made within the framework of the share buyback programmes authorised by the General Meetings on May 9th, 2007 and May 15th, 2008. The 376,340 shares initially assigned explicitly to share option plans were reclassified as non-transferable shares as at December 31st, 2002 following the decision of the Group Management Board on December 19th, 2002.
For a period of one year from May 11st, 2007 renewable by tacit agreement, the company entrusted Rothschild & Cie Banque with the implementation of a liquidity contract in accordance with the Compliance Charter established by the French securities association *[Association Française des Entreprises d'Investissement]* and approved by the AMF by virtue of a decision taken on March 22nd, 2005 and published in the French Official Journal *[Bulletin des Annonces Légales Obligatoires]* on April 1st, 2005.
To implement this contract, 80,000 treasury shares were allocated to the liquidity account.

Share capital and voting rights

Other persons or entities exercising control over the company

Companies in the Allianz France group own, directly and indirectly, a total of 68.19% of the share capital and 70.65% of the voting rights in the company. Allianz France group is itself a wholly-owned subsidiary of Allianz SE.
The existence of independent members on the Supervisory Board, in line with the AFEP/MEDEF recommendations on corporate governance to which Euler Hermes adheres, is a deliberate decision by the majority shareholder to prevent any risk of abuse of position.

In accordance with the Articles of Association, each member of the Supervisory Board owns at least five shares.
Currently, as far as the company is aware, the members of the Supervisory Board and the Group Management Board hold 3,193 shares.

In addition, the members of the Group Management Board as it existed on December 31st, 2009 did not hold any share purchase options allocated under the share option plan implemented when the company was floated on the stock market in 2000. In 2002, no new options were allocated, apart from those following the company's capital increase, pursuant to the legal and regulatory provisions (cf. Securities giving access to capital).
The General Meeting of April 23rd, 2003 decided to implement a new share subscription or purchase option plan, which ended the unused portion of the option plan set up in 2000. Under this new plan, the number of options granted to members of the Group Management Board, as it existed on December 31st, 2009, was as follows:

- during 2003: 4,500 options for new shares;
- during 2004: 18,000 options for new shares;
- during 2005: 24,000 options for new shares.

The General Meeting of May 22nd, 2006 voted to implement a new share subscription or purchase option plan that effectively cancelled, for its unused portion, the option plan implemented in 2003. Under this new plan, members of the Group Management Board as it existed on December 31st, 2009 were granted 37,500 share purchase options in 2006.
No options were granted in 2007.
In 2008, 23,000 share purchase options were granted to members of the Group Management Board as it existed on December 31st, 2008.
No options were granted in 2009.

Employee shareholdings

At December 31st, 2009, the group's employees held 51,105 shares through a company savings plan, representing 0.11% of the capital.
In preceding years, employees and the members of the Group Management Board were granted share purchase and subscription options.

Under these share purchase and share subscription option plans, the number of non-exercised options at December 31st, 2009 was as follows:

- share subscription option plan of July 8th, 2003: 50,845;
- share subscription option plan of July 6th, 2004: 89,355;
- share subscription option plan of June 27th, 2005: 143,450;
- share purchase option plan of September 18th, 2006: 153,100;
- share purchase option plan of June 20th, 2008: 130,000.

Corporate governance

All members of the Supervisory Board and the managers of the various subsidiaries, the Heads of Region and the directors of the company's central functions are appointed in accordance with the expertise that they possess in the exercise of their responsibilities and their experience in management matters.
Furthermore, no members of the corporate governance bodies have been found guilty of fraud, involved in a bankruptcy, subject to a receiving order or liquidation, or subject to an official public sanction during the past five years.
The company applies the principles of corporate governance by adapting them as required for the direction and control of its subsidiaries.
These principles have thus been implemented within the largest subsidiaries and are described in the Chairman's report pursuant to Article L. 225-37 of the French Commercial Code.

Composition and operation of the Supervisory Board

The members of the Supervisory Board as at March 1st, 2010 were as follows:

Name	Main offices held	Date of first appointment	Date appointment last renewed	Date appointment expires
Clement Booth, Chairman	Member of the Management Board, Allianz SE	09/18/2009 as a member of the Board, 01/01/2010 as Chairman	General Meeting, 09/18/2009	General Meeting, 2012
François Thomazeau, Vice-Chairman	General Manager	04/25/2001	General Meeting, 09/05/2007	General Meeting, 2010
Philippe Carli	Vice President, Energy – South Europe, Siemens AG	05/15/2009	General Meeting, 05/15/2009	General Meeting, 2012
Charles de Croisset	Director of various companies	04/07/2000	General Meeting, 05/09/2007	General Meeting, 2010
Robert Hudry	Director of various companies	04/07/2000	General Meeting, 05/09/2007	General Meeting, 2010
Jean-Hervé Lorenzi	Member of the Supervisory Board, Compagnie Financière Saint-Honoré	01/01/2005 as Censor	Provisional appointment as replacement for Laurent Mignon put to the General Meeting of 05/15/2008 for ratification.	General Meeting, 2010
Yves Mansion	Chairman and CEO, Société Foncière Lyonnaise	05/12/1992	General Meeting, 05/15/2009	General Meeting, 2012
Jean-Philippe Thierry	Director of various companies	02/27/2001	General Meeting, 05/15/2008	General Meeting, 2011

The other offices held by the members of the Supervisory Board are listed in the management report on pages 53 to 57 of this reference document.
No family relationships exist between the members of the Supervisory Board or between them and members of the Group Management Board.
Furthermore, none of the members concerned was in a position of conflict of interests with regard to any decisions taken by the company.
There is no service contract linking the members of the Supervisory Board to the company or any one of its subsidiaries that provides for the granting of benefits at the end of such a contract.

Four members of the Supervisory Board are qualified as independent within the meaning of the AFEP-MEDEF Code of Corporate Governance. They have no relationship of any kind with the company or its group, its management or any one of its shareholders holding more than 10% of the capital that could compromise their freedom of judgement.

Clement Booth was appointed as a member of the Supervisory Board and Chairman of the Board on September 18th, 2009.

Corporate governance

At the Ordinary General Meeting to be held on May 21st, 2010, shareholders will be asked to renew the terms of office of Messrs Charles de Croisset, Robert Hudry and Jean-Hervé Lorenzi as members of the Supervisory Board for three years, i.e. until the General Meeting called to approve the financial statements for the year ending December 31st, 2012.
At the same meeting shareholders will also be asked to appoint Ms Brigitte Bovermann and Messrs Thomas-Bernd Quaas and Jacques Richier as members of the Supervisory Board

Based on information provided by each member of the Supervisory Board, the number of offices held by the members of the Supervisory Board complies with Article 110 of the NRE 2001-420 Act of May 15th, 2001.
In accordance with the law and the terms of Article 11 of the Articles of Association, the Supervisory Board exercises permanent control over the Group Management Board's management of the company. It is composed of a minimum of three and a maximum of twelve members, appointed by the Ordinary General Meeting; there are no internal regulations for the Supervisory Board.
The number of members of the Supervisory Board having reached the age of 70 cannot be more than one third of all the members. Whenever this level is exceeded, the eldest member must resign.
The Supervisory Board elects its Chairman and a Vice Chairman, who must be individuals, from among its members. The Chairman or, in his absence, the Vice-Chairman, is responsible for convening Board meetings and chairing their deliberations.
The Supervisory Board may appoint one or more non-voting members (censors) if it considers this would be useful. They may be individuals or corporate entities, proposed by the Chairman, and may or may not be from among the shareholders. Their term of office is at the Board's discretion and the Board also sets their remuneration. This remuneration is taken from the annual amount for Supervisory Board members' fees allocated by the Ordinary General Meeting. The censors may be called to and may attend all the Supervisory Board meetings but with a right of discussion only.

Each member of the Supervisory Board must own at least five shares during his or her term of office. Members of the Supervisory Board serve a three-year term, although there are particular provisions for the first appointments to ensure the regular renewal of members. The members of the Supervisory Board may be re-elected. The Supervisory Board is partially renewed every year at the Ordinary General Meeting, according to the number of members in office, so that renewal is an ongoing process and complete within each three-year period. In the event of a vacant position, following the death or resignation of one or more members of the Supervisory Board, a provisional replacement may be elected by the remaining members, the appointment being subject to ratification by the next Ordinary General Meeting.
The members of the Supervisory Board may receive remuneration in the form of Supervisory Board members' fees, the amount of which is fixed by the Ordinary General Meeting, and exceptional remuneration under the conditions provided for by law. In addition, the Chairman and the Vice Chairman may receive special remuneration, the amount of which is set by the Supervisory Board.
In accordance with the law and under the terms of Article 12 of the Articles of Association, the Supervisory Board exercises permanent control over the management of the company through the Group Management Board and gives the Group Management Board the prior authorisations required by law or the Articles of Association.
The Supervisory Board appoints the members of the Group Management Board, decides on their number, and appoints its Chairman, and the General Managers where appropriate. It also sets their remuneration. It may remove from office one or more members of the Group Management Board or recommend their removal to the Ordinary General Meeting.
Throughout the year, the Supervisory Board makes the checks and controls it considers appropriate and can publish any documents that it considers useful in the completion of its mission.
At least once a quarter, the Group Management Board presents a report to the Supervisory Board. The Group Management Board must present the annual financial statements to the Supervisory Board for verification and control purposes within three months of the year end, and must submit its recommendations for allocation of the year's net income to the Supervisory Board for its prior approval. The Supervisory Board presents to the General Meeting of shareholders its observations on the Group Management Board's report and on the annual financial statements.
The Supervisory Board can call shareholders' meetings and set the agenda.
The Supervisory Board can decide to create committees and it sets their composition and remit. Their activity is exercised under the Supervisory Board's responsibility, without the said remit being a delegation of the powers attributed to the Supervisory Board by law or the Articles of Association, nor having the effect of reducing or limiting the powers of the Group Management Board. Accordingly, the following committees have been created:
- the Supervisory Board audit committee, whose members as at March 31st, 2010 were:
- Mr Robert Hudry, Chairman;
- Mr Yves Mansion;
- Mr François Thomazeau.

Corporate governance

The audit committee is responsible for supervising procedures for external and internal audits of group companies. In particular, its mission is to oversee:
- those responsible for the internal audit of subsidiaries with regard to their activity report and provisional assignment planning;
- those responsible for accounting and finance as regards the company financial statements;
- the independent auditors and their assignments.

The audit committee met four times in 2009.

- the remuneration and appointments committee, whose members as at March 31st, 2010 were:
  - Mr François Thomazeau, Chairman;
  - Mr Charles de Croisset;
  - Mr Jean-Hervé Lorenzi.

The purpose of the remuneration and appointments committee is to recommend to the Supervisory Board the appointment and remuneration of company directors and the general rules for remuneration of the group's main executives, including share option schemes. It examines whether their remuneration complies with these regulations and also takes account of the majority shareholder's general policy for management remuneration. The remuneration and appointments committee met three times in 2009.

In addition, the following decisions of the Group Management Board are subject to prior authorisation from the Supervisory Board:
- the sale of property, the total or partial sale of equity interests and the granting of sureties on company assets;
- direct transactions or acquisition of equity interests that might significantly affect the group's strategy and materially modify its financial structure or scope of activity;
- the issue of securities, of any kind, that may result in a modification of the share capital;
- transactions aimed at granting or contracting any borrowings or loans, credits or advances, or granting sureties, guarantees, deposits or other forms of security.

The Supervisory Board authorises the Group Management Board to carry out the above-mentioned transactions, up to a ceiling that it fixes for each one. When a transaction exceeds the specified amount, the approval of the Supervisory Board is required in each case.

The Supervisory Board met five times in 2009. In 2009, the average meeting attendance rate for all members of the Supervisory Board was 81%.

Composition and operation of the Group Management Board

The Group Management Board is the company's decision-making body.

At January 1st, 2010, the Group Management Board of Euler Hermes had the following members:
- Mr Wilfried Verstraete, Chairman, appointed as member of the Supervisory Board and Chairman on April 1st, 2009. He has special responsibility for coordinating the work of the members of the Group Management Board, is responsible for the organisation and coordination of all group company businesses and represents the company vis-à-vis third parties. He also supervises Internal Audit, Human Resources and Communications at group level.
- Mr Gerd-Uwe Baden, appointed member of the Group Management Board on May 25th, 2004. He is responsible for the group's Risks – Information – Disputes central function. He is also Chairman of the Management Board of the group's German subsidiary Euler Hermes Kreditversicherungs-AG until December 31st, 2009.
- Mr Nicolas Hein, appointed member of the Group Management Board on May 25th, 2004. As the group's Chief Finance Officer, he is responsible for its Compliance, Legal & Tax central function.
- Mr Michel Mollard, appointed member of the Group Management Board on May 25th, 2004. He has specific responsibility for the central group Marketing, Commercial Underwriting and Distribution function. He is also Chairman of the Management Board of the group's French subsidiary, Euler Hermes SFAC until December 31st, 2009.
- Mr Michael Hörr, appointed member of the Group Management Board on November 9th, 2007 with effect from January 1st, 2008. He is responsible for Operations and, as such, supervised the central Information Technology function. Mr Michael Hörr, who has accepted other responsibilities within the Allianz France group, has been replaced by Mr Dirk Oevermann with effect from February 1st, 2010.

Corporate governance

The offices held by members of the Group Management Board within the company's subsidiaries and any other companies are listed in the management report and on pages 51 and 52 of this reference document.

No family relationships exist between the members of the Group Management Board and none of the members concerned have been found guilty of fraud, involved in a bankruptcy, subject to a receiving order or liquidation, or subject to an official public sanction during the last five years. Furthermore, none of the members concerned were impacted by a conflict of interests with regard to any decisions taken by the company. If there had been a conflict of interests, the decision formed an integral part of the regulated agreements, on which the independent auditors' report is presented on pages 244 to 247 of this document

There is no service contract linking the members of the Group Management Board to the company or any one of its subsidiaries that provides for the granting of benefits at the end of such a contract.

The number of offices held by members of the Group Management Board complies with Article 11 of the NRE 2001-420 Act of May 15th, 2001.

In accordance with the law and the terms of Article 15 of the Articles of Association, the company is run by the Group Management Board, which is composed of a minimum of two members and a maximum of six members, who are appointed by the Supervisory Board and who may or may not be shareholders.

Members of the Group Management Board must be individuals under the age of 65, effective from the close of the nearest General Meeting. However, when a member of the Group Management Board reaches this age, the Supervisory Board can, on one or more occasions, extend his functions for a total term that may not exceed three years. A member of the Supervisory Board cannot be a member of the Group Management Board.

The Group Management Board is appointed for a period of three years and its members may be re-appointed. They can be removed from office by the Supervisory Board or by the General Meeting on the recommendation of the Supervisory Board. The Supervisory Board sets the method and amount of remuneration for each of the members of the Group Management Board.

In accordance with the law and under the terms of Article 16 of the Articles of Association, the Supervisory Board confers the title of Chairman on one of the members of the Group Management Board. The Chairman exercises his functions for the period of his office as a member of the Group Management Board. He represents the company in its relations with third parties. The Supervisory Board can grant the same power of representation to one or more other members of the Group Management Board who then bear the title of General Manager.

Agreements concerning the company and any commitments undertaken in its name are signed by the Chairman of the Group Management Board, or by any member of the Group Management Board who has been appointed General Manager by the Supervisory Board, or by any representative especially empowered for this purpose.

In accordance with the law and under the terms of Article 17 of the company's Articles of Association, the Group Management Board is vested with the most extensive powers to act in all circumstances in the name of the company. It exercises these powers within the limits defined by the corporate purpose and subject to those powers expressly allocated to the Supervisory Board and General Meetings by the law and the Articles of Association.

The Group Management Board can give one or more of its members or any outside person permanent or temporary special assignments that it decides upon, and can delegate to them for one or more particular cases, with or without the option of sub-delegation, the powers that it considers appropriate.

The Group Management Board operates according to "internal regulations" which are designed to complement the operating principles stipulated in the Articles of Association, while respecting the collegiate principle of the Group Management Board and facilitating the work of the Supervisory Board. These regulations specify the powers and allocation of responsibilities between members of the Group Management Board and, in accordance with Article 12 of the Articles of Association, the decisions that require prior authorisation from the Supervisory Board. In addition, the regulations define the practical procedures for holding meetings and recording minutes.

The Group Management Board can set up new committees. It decides on their composition and remit, and they carry out their activity under its responsibility, but it cannot delegate its powers. No committee has yet been established.

The Group Management Board was appointed on May 25th, 2004 and was reappointed for a further period of three years on May 4th, 2007. The Supervisory Board meeting of November 9th, 2007 proposed and approved an increase in the number of Group Management Board members to five with effect from January 1st, 2008. The new Group Management Board, as it existed on January 1st, 2008, was renewed for a period of three years, i.e. until December 31st, 2010.

At the Supervisory Board meeting of February 17th, 2009, it was proposed and approved that Mr Wilfried Verstraete be appointed as a member and Chairman of the Group Management Board with effect from April 1st, 2009, to replace Mr Clemens von Weichs. The new Group Management Board, as it existed on April 1st, 2009, was renewed for a period of three years, i.e. until March 31st, 2012.

At the Supervisory Board meeting of December 2nd, 2009, it was proposed and approved that Mr Dirk Oevermann be appointed as a member of the Group Management Board with effect from February 1st, 2010, to replace Mr Michael Hörr.

In 2009, the Group Management Board met on virtually a fortnightly basis.

Corporate governance

Remuneration of corporate officers

Remuneration and benefits in kind received by members of the Group Management Board

At its meeting of November 5th, 2008, the Supervisory Board noted the AFEP-MEDEF recommendations of October 6th, 2008 on the remuneration of directors and corporate officers of listed companies.
It considers that these recommendations form part of the company's governance procedures.
Accordingly, in application of the Law of July 3rd, 2008 transposing Directive 2006/46/EC of June 14th, 2006 into French law, the AFEP-MEDEF code as amended will be adopted by Euler Hermes with effect from the current financial year.

The principles governing the remuneration of members of the Group Management Board and the amount thereof are set by the remuneration and appointments committee and approved by the Supervisory Board. Remuneration consists of a fixed component and a variable component. The fixed component is determined by comparison with market practices for similar functions. The variable component is based on three criteria: the first is linked to the Group's consolidated turnover, the Group's operating income, the combined ratio and the group's EVA, the second is linked to the achievement of objectives relating to the operating contribution and the third to the achievement of qualitative personal objectives. The objectives are proposed by the remuneration and appointments committee and approved by the Supervisory Board.
At the end of each year, the committee assesses the extent to which the various objectives have been achieved and proposes the amount of the variable remuneration component to the Supervisory Board for its own assessment.
The members of the Group Management Board as at December 31st, 2009 were allocated 18,000 options for new Euler Hermes shares in 2004, 24,000 in 2005, 37,500 in 2006 (purchase options) and 23,000 in 2008. No Euler Hermes options were allocated in 2007 or in 2009.

In addition, as part of the global incentive scheme for Allianz group senior executives, the members of the Group Management Board received SARs *(Stock Appreciation Rights)*, the value of which is linked to changes in the Allianz share price over seven years. A total of 5,531 SARs were allocated in 2004, 21,891 in 2005, 13,574 in 2006, 12,126 in 2007, 8,656 in 2008 and 3,107 in 2009. Also, members of the Group Management Board were allocated 6,102 RSUs (Restricted Stock Units, whose value is linked to Allianz's stock market performance over five years) in 2007, 4,201 in 2008 and 1,527 in 2009.

Also, all the members of the Group Management Board are included in the Mid Term Bonus (MTB) system, which was introduced by Allianz to improve the loyalty of its directors. The system is based on a three-year period: if the objectives are achieved over the three-year period, an additional bonus will be paid at the end of the period.
The potential bonus is a set amount, corresponding to a fraction of the fixed remuneration plus a possible 20% upside. It is divided into two parts, each equally weighted and based on the EVA and on strategic objectives, respectively. If an average rate of between 70% and 120% is achieved for both parts, a proportional calculation will be made to reflect the extent to which the objectives are achieved. Up to 2008, only Messrs Clemens von Weichs and Gerd-Uwe Baden were members of the scheme. They received a mid-term bonus for the first time in 2008 for the period from 2005 to 2007. Messrs Nicolas Hein and Michel Mollard benefited in 2007 from the implementation of a special bonus whose amount is a function of performance criteria also based equally on the EVA and the realisation of strategic objectives.
Lastly, some members of the Group Management Board who do not hold any other position and are not employees are protected by special agreements in the event that they are removed from office. These agreements are intended to replace the statutory provisions protecting salaried employees in the event of dismissal. Messrs Verstraete and Gerd-Uwe Baden are protected by these provisions.
They provide for the payment of gross compensation of between 50% (Mr Gerd-Uwe Baden) and 200% (Mr Wilfried Verstraete) of the amount of their last fixed and variable annual remuneration. In accordance with the so-called TEPA law of August 21, 2007, payment of this compensation is conditional on achieving a performance criterion: average return on risk-adjusted capital (RORAC) equal to or higher than 9% as recorded by the Supervisory Board based on the audited consolidated financial statements for the two years preceding the officer's departure.
Only Messrs Wilfried Verstraete and Gerd-Uwe Baden, members of the Group Management Board, are members of the Allianz group's supplementary defined contribution pension scheme.

Corporate governance

Table 1: Summary of remuneration paid and options, SARs and RSUs allocated to each member of the Group Management Board

Remuneration is indicated based on gross remuneration before tax in thousands of euro.

Clemens von Weichs	2008	2009 (1)
Remuneration is indicated based on gross remuneration before tax in thousands of euro.	634.4	180
Remuneration is indicated based on gross remuneration before tax in thousands of euro.	64.9	-
Remuneration is indicated based on gross remuneration before tax in thousands of euro.	699.3	180
Remuneration is indicated based on gross remuneration before tax in thousands of euro.	2,299	767
Remuneration is indicated based on gross remuneration before tax in thousands of euro.	1,116	377

(1) For the period from January 1st, 2009 to March 31st, 2009.

Wilfried Verstraete	2009 (1)
Remuneration due in respect of the financial year (analysed in table 2)	1,126.9
Value of the options allocated during the financial year (analysed in table 4)	-
TOTAL	**1,126.9**
SARs allocated (number)	-
RSUs allocated (number)	-

(1) For the period from April 1st, 2009 to December 31st, 2009.

Gerd-Uwe Baden	2008	2009
Remuneration due in respect of the financial year (analysed in table 2)	585.6	602
Value of the options allocated during the financial year (analysed in table 4)	47.8	-
TOTAL	**633.4**	**602**
SARs allocated (number)	2,047	747
RSUs allocated (number)	993	367

Nicolas Hein	2008	2009
Remuneration due in respect of the financial year (analysed in table 2)	455.7	518.4
Value of the options allocated during the financial year (analysed in table 4)	43	-
TOTAL	**498.7**	**518.4**
SARs allocated (number)	1,732	612
RSUs allocated (number)	841	301

Corporate governance

Michael Hörr	2008	2009
Remuneration due in respect of the financial year (analysed in table 2)	303,7	341
Value of the options allocated during the financial year (analysed in table 4)	23.2	-
TOTAL	**326.9**	**341**
SARs allocated (number)	1,003	399
RSUs allocated (number)	487	196

Michel Mollard	2008	2009
Remuneration due in respect of the financial year (analysed in table 2)	433.5	505.2
Value of the options allocated during the financial year (analysed in table 4)	43	-
TOTAL	**476.5**	**505.2**
SARs allocated (number)	1,575	582
RSUs allocated (number)	764	286

Table 2: Remuneration of each member of the Group Management Board

	Exercise 2008		Exercise 2009 (1)	
	Due	Paid	Due	Paid
Clemens von Weichs, Chairman of the Group Management Board				
Fixed remuneration	430	430	107.5	107.5
Variable remuneration	147.4	340.4	-	147.4
Mid-term variable bonus	-	396	-	-
Exceptional remuneration	-	-	-	-
Attendance fees	-	-	-	-
Specific compensation (2)	50	50	72,5	72,5
Benefits in kind	7	7	-	-
TOTAL	**634.4**	**1,223.4**	**180**	**327.4**

(1) For the period from January 1st, 2009 to March 31st, 2009.

(2) Specific accommodation allowance, Mr von Weichs.

Corporate governance

	2009 (1)	
	Due	Paid
Wilfried Verstraete, Chairman of the Group Management Board	-	-
Fixed remuneration	337.5	337.5
Variable remuneration	337.5	-
Mid-term variable bonus	150	-
Exceptional remuneration	-	-
Attendance fees	-	-
Specific compensation (2)	300	300
Benefits in kind	1.9	1.9
TOTAL	**1,126.9**	**639.4**

(1) For the period from April 1st, 2009 to December 31st, 2009.

(2) Specific accommodation allowance, Mr Verstraete and international mobility allowance, social charges included for the latter.

	2008		2009	
	Due	Paid	Due	Paid
Gerd-Uwe Baden, Member of the Group Management Board				
Fixed remuneration	400	400	400	400
Variable remuneration	162.7	297,8	88.7	162.7
Mid-term variable bonus (1)	-	336	90,4	-
Exceptional remuneration	-	-	-	-
Attendance fees	-	-	-	-
Specific compensation	-	-	-	-
Benefits in kind (2)	22.9	22.9	22.9	22.9
TOTAL	**585.6**	**1,056.7**	**602**	**585.6**

(1) The mid-term variable bonus was paid on the basis of performance in 2008 and 2009.

(2) The benefits in kind correspond to a company car.

	2008		2009	
	Due	Paid	Due	Paid
Nicolas Hein, Member of the Group Management Board				
Fixed remuneration	340	340	350	350
Variable remuneration	111.1	262.1	90.0	111.1
Mid-term variable bonus (1)	-	-	72.3	-
Exceptional remuneration (2)	-	60	-	-
Attendance fees	-	-	-	-
Specific compensation	-	-	-	-
Benefits in kind (3)	4.6	4.6	6.1	6.1
TOTAL	**455.7**	**666.7**	**518.4**	**467.2**

(1) The mid-term variable bonus was paid on the basis of performance in 2008 and 2009.

(2) Special bonus introduced in 2007 based on performance criteria, 50% of which was based on EVA targets and 50% on the achievement of strategic objectives.

(3) The benefits in kind correspond to a company car.

Corporate governance

	2008		2009	
	Due	Paid	Due	Paid
Michael Hörr, Member of the Group Management Board				
Fixed remuneration	230	230	230	230
Variable remuneration	70.3	20.8	54.0	70.3
Mid-term variable bonus (1)	-	-	51.6	-
Exceptional remuneration	-	-	-	-
Attendance fees	-	-	-	-
Specific compensation	-	-	-	-
Benefits in kind (2)	3,4	3,4	5,4	5,4
TOTAL	**303.7**	**254.2**	**341**	**305.7**

(1) The mid-term variable bonus was paid on the basis of performance in 2008 and 2009.

(2) The benefits in kind correspond to a company car.

	2008		2009	
	Due	Paid	Due	Paid
Michel Mollard, Member of the Group Management Board				
Fixed remuneration	293.3	293.3	300	300
Variable remuneration	138.5	267.9	130.0	138.5
Mid-term variable bonus (1)	-	-	72.3	-
Exceptional remuneration (2)	-	60		-
Attendance fees	-	-	-	-
Specific compensation	-	-	-	-
Benefits in kind (3)	1,7	1,7	2,9	2,9
TOTAL	**433.5**	**622.9**	**505.2**	**441.4**

(1) The mid-term variable bonus was paid on the basis of performance in 2008 and 2009.

(2) Special bonus introduced in 2007 based on performance criteria, 50% of which was based on EVA targets and 50% on the achievement of strategic objectives.

(3) The benefits in kind correspond to a company car.

Corporate governance

Table 3: Attendance fees and other remuneration paid to members of the Supervisory Board

Remuneration received by members of the Supervisory Board
The only remuneration paid to members of the Supervisory Board in 2009 was in respect of attendance fees.

(in € thousands)	Amounts paid in 2008	Amounts paid in 2009
Clement Booth		12.9
François Thomazeau	53.4	55.7
Diethart Breipohl (1)	12.9	-
Philippe Carli (2)	-	12.9
John Coomber (3)	26.7	-
Charles de Croisset	53.4	55.7
Robert Hudry	53.4	55.7
Jean-Hervé Lorenzi	53.4	55.7
Yves Mansion	53.4	55.7
Jean-Philippe Thierry	53.4	55.7
TOTAL	**360**	**360**

(1) Term of office expired on 05/15/2008.
(2) Term of office began on 05/15/2009.
(3) Term of office expired on 05/15/2009

Attendance fees paid to members of the Supervisory Board amounted to €360,000 in 2009 as decided by the General Meeting of May 15th, 2008. Each member of the Supervisory Board is paid an attendance fee. The Chairman of the Board receives a double fee for performing that role. Each board member who is also a member of the audit committee and/or of the remuneration and appointments committee is paid an additional fee. No member can be paid more than a double fee in total, apart from the Chairman of the Supervisory Board.

Table 4: Share subscription or purchase options allocated to each member of the Group Management Board in 2009

No share subscription or purchase options were allocated in 2009.

Table 5: Share subscription or purchase options exercised in 2009 by each member of the Group Management Board

No member of the Group Management Board exercised any share subscription or purchase options in 2009.

Corporate governance

Table 6: Summary of share subscription and purchase options allocated

	2003	2004	2005	2006	2008
Date of General Meeting	04/23/2003	04/23/2003	04/23/2003	05/22/2006	05/22/2006
Date of Supervisory Board Meeting	05/20/2003	05/25/2004	05/24/2005	08/30/2006	05/15/2008
Date of Group Management Board meeting	07/08/2003	07/06/2004	06/27/2005	09/18/2006	06/20/2008
Number of beneficiaries	91	97	103	104	92
Number of beneficiaries who have not yet exercised their options	24	60	86	96	92
of which, members of the Group Management Board [(1)]	1	3	3	3	4
Total number of options allocated	250,000	130,000	160,000	160,000	130,000
of which, to members of the Group Management Board [(1)]	4,500	18,000	24,000	37,500	23,000
Gerd-Uwe Baden		*7,000*	*9,000*	*10,000*	*7,000*
Nicolas Hein		*7,000*	*9,000*	*17,500*	*6,300*
Michael Hörr					*3,400*
Michel Mollard	*4,500*	*4,000*	*6,000*	*10,000*	*6,300*
Start date of exercise period	07/08/2003	07/06/2004	06/27/2005	09/18/2006	06/20/2008
Expiry date	07/07/2011	07/05/2012	06/26/2013	09/17/2014	06/19/2016
Exercise price (€)	27.35	44.41	63.08	91.82	55.67
Type of option	Souscription	Souscription	Souscription	purchase	purchase
Options to be exercised at 01/01/2009	51,325	89,855	143,450	153,100	130,000
Options allocated in 2009	0	0	0	0	0
Options exercised in 2009	480	500	0	0	0
Options cancelled in 2009	0	0	0	0	0
Options to be exercised at 12/31/2008	50,845	89,355	143,450	153,100	130,000

(1) Group Management Board as at 12/31/2009.

Table 7: Share subscription and purchase options granted to the ten non-corporate officer employees granted the largest number of options and options exercised by the same

	Total number of options granted/ shares subscribed or purchased	Average weighted price	Plan
Options granted during the year to the ten Group employees to have been granted the largest numbers of options [(1)]	-	-	-
Options held and exercised during the year by the ten employees to have exercised the largest number of options	500	41.41	Plan 2004
	480	27.35	Plan 2003

(1) No options were allocated in 2009.

Corporate governance

Table 8: Commitments given in favour of corporate officers

Executive corporate officers Appointment date and expiration	Contract		Supplementary pension plan: Defined contribution plan		Supplementary pension plan: Defined benefit plan		Compensation or benefits due or which could become due on termination or change of office		Compensation relating to a non-competition clause	
	yes	no	yes	no	yes	no	yes	no	yes	no
Clemens von Weichs Chairman of the Group Management Board 05/25/2004 03/31/2009		X	X			X	X			X
Wilfried Verstraete Chairman of the Group Management Board 04/01/2009 12/31/2010		X	X			X	X			X
Gerd-Uwe Baden Member of the Group Management Board 05/25/2004 12/31/2010		X	X			X	X			X
Nicolas Hein Member of the Group Management Board 05/25/2004 03/31/2012	X		X			X		X		X
Michael Hörr Member of the Group Management Board 01/01/2008 01/31/2010	X		X			X		X	X	
Michel Mollard Member of the Group Management Board 05/25/2004 12/31/2010	X		X			X		X	X	

Mr Clemens von Weichs is a member of an Allianz group executive officers' supplementary defined contribution retirement plan. Messrs Wilfried Verstraete and Gerd-Uwe Baden are members of an Allianz group executive officers' supplementary defined contribution retirement plan. The charge recognised in 2009 amounted to €75,49 thousand in respect of Mr von Weichs and €117,53 thousand in respect of Mr Verstraete and €195,9 thousand in respect of Mr Baden.
Messrs Verstraete, Hein, Mollard and Hörr are members of a defined contribution retirement plan managed by Arial Assurances in addition to benefiting from the AGIRC-ARRCO supplementary plan. The charges recognised in 2009 amounted to €13,48 thousand, €17,97 thousand, €17,05 thousand and 17,51 thousand, respectively.

The compensation payable in the event of dismissal concerns Messrs Verstraete and Gerd-Uwe Baden, who are solely corporate officers and do not have employment contracts. It amounts to 200% and 50%, respectively, of the amount of their last gross annual fixed and variable remuneration. In accordance with the law, the payment of such compensation is subject to achievement of the performance conditions detailed at the start of this chapter.

Corporate governance

Profit Sharing and Incentives

On December 7th, 1994, Euler Hermes SFAC, Euler Hermes SFAC Crédit and Euler Hermes SFAC Recouvrement agreed a profit-sharing plan that benefits all employees of these companies after three months' service. This agreement is for an unlimited period. The agreement was amended on January 27th, 1998 to include Euler Hermes Services.

Incentives

On May 5th, 1999, Euler Hermes SFAC, Euler Hermes SFAC Crédit, Euler Hermes SFAC Recouvrement and Euler Hermes Services (hereinafter called 'UES EH SFAC') agreed an incentive plan that benefits all employees of these companies after six months' service. This agreement was made for a three-year period from January 1st, 1999 and was renewed under the same terms in 2002 and 2005. It is a continuation of the incentive agreements dated June 18th, 1991, June 27th, 1994 and June 17th, 1996.

For information, the amounts paid under the incentive and profit-sharing schemes for the years ended December 31st from 1998 to 2009 were as follows:

(in € thousands)	Profit-sharing UES EH-SFAC	Intéressement UES EH-SFAC
1998	3,294	1,990
1999	3,994	2,338
2000	3,610	2,432
2001	4,960	2,515
2002	3,484	2,005
2003	4,435	2,495
2004	5,000	2,700
2005	5,289	2,789
2006	6,146	2,845
2007	6,871	3,158
2008	4,820	3,233
2009	7,096	3,037

Company savings scheme

On June 15th, 1994, a company savings scheme was set up for the employees of Euler Hermes SFAC, Euler Hermes SFAC Crédit and Euler Hermes SFAC Recouvrement. On January 27th, 1998, the benefits of this scheme were extended to the employees of Euler Hermes Services. The scheme benefits all employees of these companies after three months' service. It was set up for an initial period of one year, renewable by tacit agreement.

It can be supplemented by amounts from profit-sharing plans and all or part of the incentive plans, by subscribers' voluntary contributions, by a company contribution, by portfolio income and capital gains, by related tax credits and, where applicable, by the transfer of amounts from profit-sharing plans after a five-year lock-in period.

Other items of general information

Disputes and other exceptional events

Neither the company nor any of its subsidiaries are or have been party to judicial proceedings or arbitration likely to have, or to have had in the recent past, a material impact on the financial position of the company, its business or its income. The company has no knowledge that any such proceedings are envisaged against it by government authorities or third parties.

Employees

Since the company has only one employee, no report on employment matters is prepared.

Name and title of the person responsible for this document

Mr Wilfried Verstraete, Chairman of the Group Management Board.

Declaration by the person responsible

"Having exercised reasonable due diligence, I confirm that to the best of my knowledge the information contained in this reference document is correct and that no information has been omitted that would materially alter its interpretation.

I confirm that to the best of my knowledge the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, financial position and results of the company and all the companies in the consolidation group, and that the management report (which can be found on pages 9 to 58 of the reference document) contains a table that accurately shows changes in the business, results and financial situation of the company and all the companies in the consolidation group, together with a description of the main risks and uncertainties to which it is exposed.

I have obtained from the independent auditors an assignment completion letter, in which they indicate that they have verified the information relating to the financial position and financial statements provided in this reference document and that they have read the reference document in its entirety."

Paris, April 20th, 2010

Mr Wilfried Verstraete
Chairman of the Group Management Board

Name, address and appointment of independent auditors

Independent auditors

In accordance with company law, the independent auditors named below have examined the annual financial statements for the last three years:

- ACE Audit, 5, avenue Franklin Roosevelt, 75008 Paris, represented by Mr François Shoukry. ACE Audit is registered with the Paris Regional Association of Statutory Auditors *[Compagnie Régionale des Commissaires aux Comptes de Paris]*;
- KPMG SA, 1, cours Valmy, 92923 Paris-La Défense Cedex, represented by Mr Régis Tribout. KPMG SA is registered with the Versailles Regional Association of Statutory Auditors *[Compagnie Régionale des Commissaires aux Comptes de Versailles]*.

Mr Alain Auvray was appointed by a resolution of the Ordinary General Meeting of May 26th, 1987, and his mandate was renewed by a resolution of the Ordinary General Meeting of April 27th, 1999 convened to approve the financial statements for the year ended December 31st, 1998, for six financial years, i.e. until the General Meeting called to approve the financial statements for the year ended December 31st, 2004.
The General Meeting of April 22nd, 2005 appointed ACE, Auditeurs et Conseils d'Entreprise, represented by Mr Alain Auvray, as an independent auditor for six financial years, i.e. until the General Meeting called to approve the financial statements for the year ending December 31st, 2010. ACE, Auditeurs et Conseils d'Entreprise, was represented by Mr François Shoukry during the 2009 financial year.

KPMG Cabinet Cauvin Angleys Saint-Pierre Révifrance (SA) was appointed by a resolution of the Ordinary General Meeting of April 27th, 1999 convened to approve the financial statements for the year ended December 31st, 1998, for six financial years. Its term of office expired at the General Meeting called to approve the financial statements for the year ended December 31st, 2004. Following the merger in which the firm Cauvin Angleys Saint-Pierre Révifrance (SA) transferred its business to KPMG SA, whose registered office is at 2 bis, rue de Villiers, Levallois Perret (92300), the General Meeting of April 25th, 2001 approved the appointment of the latter firm as an independent auditor for the remaining term of the mandate of the absorbed company. The General Meeting of April 22nd, 2005 renewed the appointment of KPMG SA as an independent auditor for six financial years, i.e. until the General Meeting called to approve the financial statements for the year ending December 31st, 2010.

Other items of general information

Alternate auditors

- Mr Emmanuel Charrier, 5, avenue Franklin Roosevelt, 75008 Paris, alternate auditor for ACE, Auditeurs et Conseils d'Entreprises, who is registered with the Paris Regional Association of Statutory Auditors *[Compagnie Régionale des Commissaires aux Comptes de Paris]*.
- Jean-Claude André et Autres [SCP], 1 cours Valmy, 92923 Paris-La Défense Cedex, alternate auditor for KPMG SA, which is registered with the Versailles Regional Association of Statutory Auditors *[Compagnie Régionale des Commissaires aux Comptes de Versailles]*.

The General Meeting of April 22nd, 2005 appointed Mr Emmanuel Charrier as alternate auditor for the company ACE, Auditeurs et Conseils d'Entreprise, for six financial years, i.e. until the General Meeting called to approve the financial statements for the year ending December 31st, 2010.
The General Meeting of April 22nd, 2005 also appointed Jean-Claude André et Autres [SCP] as alternate auditor for KPMG SA for six financial years, i.e. until the General Meeting called to approve the financial statements for the year ending December 31st, 2010.

Fees of the independent auditors

Total fees paid to the independent auditors and members of their worldwide network amounted to €3,479 thousand. This remuneration takes into account the fees paid for acting as independent auditors, the review and certification of individual and consolidated financial statements, i.e. €3,106 thousand, and ancillary audit-related assignments, i.e. €262 thousand. In addition, fees totalling €111 thousand were paid for other services performed by the independent auditors.
The breakdown of the independent auditors' remuneration can be found in note 33 to the consolidated financial statements.

Persons responsible for the information

Nicolas Hein
Chief Finance Officer, member of the Group Management Board
1, rue Euler
75715 Paris Cedex 08
Tel.: +33 (0)1 40 70 50 50
www.eulerhermes.com

Information policy

Every major event that is likely to have a material impact on the company (acquisition, disposal, commercial partnership, start-up, etc.) is generally the subject of a press release sent to media agencies and financial analysts and posted on the company's website: www.eulerhermes.com.
In addition, each of the company's subsidiaries is responsible for communication within its own market, under the supervision of Euler Hermes' group-wide Communications function. All information of a financial nature is strictly controlled and must be authorised by the company.
In general, Euler Hermes provides regular information about its activities through analysts' meetings, conferences and press releases. The provisional schedule for the company's financial announcements in 2010 is as follows:

2009 annual results
February 17th, 2010
Dividend declaration
February 17th, 2010
General Meeting
May 21st, 2010
2010 quarterly results
Q1: May 7th, 2010
Q2: July 29th, 2010
Q3: November 4th, 2010
2010 annual results
February 2011 (the precise date will be announced later)
All announcements made at meetings or in press releases are simultaneously posted on the company's website:
www.eulerhermes.com

The Euler Hermes Articles of association are integrated in this Reference Document. All reports, correspondences and other documents, financial information, historical valuations and statements prepared by an expert at the request of the issuer, part of which is included or referred to in this document, and any historical financial information, of subsidiaries included, for each of the two previous years the publication of this document can be found either on the website of Euler Hermes at its head office.

Special report of the independent auditors on regulated agreements and commitments

FINANCIAL YEAR ENDED DECEMBER 31ST, 2009

To the shareholders,

In our capacity as auditors of your company, we hereby submit our report on regulated agreements and commitments.

1. Agreements and commitments authorised during 2009

Pursuant to Article L. 225-88 of the French Commercial Code, we have been advised of the agreements and commitments for which prior authorisation has been given by the Supervisory Board.

It is not our role to seek out the possible existence of other agreements or commitments but to inform you, based on the information given to us, of the principal terms and characteristics of the agreements and commitments of which we have been informed, without passing judgement on their relevance or validity. It is your responsibility, under the terms of Article R. 225-58 of the French Commercial Code, to evaluate the potential benefit of such agreements and commitments with a view to approving them.

We have carried out our work in accordance with the professional standards applicable to such work in France. Those standards require us to verify that the information we have been given is consistent with the original documents from which it is derived.

1.1 Guarantee agreement between Euler Hermes SA and Euler Hermes Kreditverzekering NV (Netherlands)

Parties concerned: Mr Nicolas Hein and Euler Hermes SA in its capacity as shareholder

In connection with the rating assigned to Euler Hermes SA by Standard & Poor's, the Supervisory Board meeting of November 9th, 2007 authorised the signature of a guarantee agreement between Euler Hermes SA and Euler Hermes Kreditverzekering NV (Netherlands).
This guarantee was established so as to enable the Dutch company to benefit from the same rating as that of other Group companies.
Euler Hermes SA undertakes to settle the guaranteed commitments, under the terms and conditions applicable to all policies issued by Euler Hermes Kreditverzekering NV, in the event that Euler Hermes Kreditverzekering NV were not itself in a position to pay the guaranteed commitments to the Policyholder. Euler Hermes SA's financial commitment is limited to the amount of the guaranteed commitments due from Euler Hermes Kreditverzekering NV to the Policyholder.
The Supervisory Board meeting of November 9th, 2009 authorised the extension of this guarantee.

1.2 Guarantee agreement between Euler Hermes SA and Euler Hermes Reinsurance AG (Suisse)

Parties concerned: Mr Nicolas Hein and Euler Hermes SA in its capacity as shareholder

In connection with the rating assigned to Euler Hermes SA by Standard & Poor's, the Supervisory Board meeting of November 5th, 2008 authorised the signature of a guarantee agreement between Euler Hermes SA and Euler Hermes Reinsurance AG (Suisse) enabling Euler Hermes SA to guarantee the commitments of Euler Hermes Reinsurance AG.
Euler Hermes SA undertakes to settle the guaranteed commitments, under the terms and conditions applicable to all the corresponding proportional and non-proportional reinsurance policies, in the event that Euler Hermes Reinsurance AG were not itself in a position to pay the guaranteed commitments. Euler Hermes SA's financial commitment is limited to the amount of the guaranteed commitments due from Euler Hermes Reinsurance AG to the Policyholder. Euler Hermes SA may reduce its financial commitment by any financial claim Euler Hermes Reinsurance AG may have on the Policyholder.
The Supervisory Board meeting of November 9th, 2009 authorised the extension of this guarantee.

1.3 Guarantee agreement between Euler Hermes SA and Euler Hermes Ré (Luxembourg)

Person concerned: Mr Nicolas Hein

In connection with the rating assigned to Euler Hermes SA by Standard & Poor's, the Supervisory Board meeting of November 5th, 2008 authorised the signature of a guarantee agreement between Euler Hermes SA and Euler Hermes Ré (Luxembourg) enabling Euler Hermes SA to guarantee the commitments of Euler Hermes Ré (Luxembourg).

Euler Hermes SA undertakes to settle the guaranteed commitments, under the terms and conditions applicable to all the corresponding proportional and non-proportional reinsurance policies, in the event that Euler Hermes Re were not itself in a position to pay the guaranteed commitments. Euler Hermes SA's financial commitment is limited to the amount of the guaranteed commitments due from Euler Hermes Re to the Policyholder.

Special report of the independent auditors on regulated agreements and commitments

Euler Hermes SA may reduce its financial commitment by any financial claim Euler Hermes Re may have on the Policyholder.

The Supervisory Board meeting of November 9th, 2009 authorised the extension of this guarantee.

1.4 Specific agreement relating to the contract with Mr Wilfried Verstraete

At its meeting of July 28th, 2009, the Supervisory Board approved the following provisions concerning the contract with Mr Wilfried Verstraete, Chairman of the Group Management Board. In the event of Mr Verstraete's removal from office following a change of ownership or strategy, which must be grounded, and to guarantee the principle of freedom to remove from office, he will receive compensation equal to two years of his annual remuneration, covering all prejudice, in particular any prejudice that could result from the lack of valid grounds or from the manner of removal from office such as harassing circumstances.

The basis for this compensation is the total fixed and variable remuneration paid by Euler Hermes in the year preceding his removal from office. Payment of this compensation is conditional upon meeting performance criteria.

The performance criterion is considered to have been met if the average rate of return on risk-adjusted capital (RORAC) as recognised by the Supervisory Board in the audited consolidated financial statements of the last two financial years prior to the cessation of activity exceeds 9%.
In the event of removal from office between January 1st, 2010 and December 31st, 2011, the performance condition is considered to have been met if annualised RORAC as recognised by the Supervisory Board in the consolidated interim financial statements available from the second half of 2009 exceeds the rate retained for the Strategic Dialogue 2010, i.e. 7%.

1.5 Specific agreement relating to the international mobility of Mr Wilfried Verstraete

At its meeting of July 28th, 2009, the Supervisory Board approved an agreement under which Mr Wilfried Verstraete will receive, on presentation of supporting documents and within the limit of €300,000, compensation for expenses incurred on taking up office as Chairman of the Group Management Board on April 1st, 2009 under the Allianz Group's internal mobility policy.

The amount of this compensation, borne by Euler Hermes SA, came to €224,910.

1.6 Loan agreement between Euler Hermes SA and Allianz France International (formerly AGF International)

Party concerned: Allianz France SA in its capacity as shareholder of Euler Hermes SA
On September 3rd, 2009, a loan of €110 million was contracted by Euler Hermes SA with Allianz France International (formerly AGF International) under the following terms and conditions:

- term 3 years.
- maturity September 10th, 2012.
- base rate Fixed, equal to the 3-year Mid-Swaps rate published on September 2nd, 2009 by Bloomberg.
- interest Annual.

Interest expense of €935,636 was recognised in 2009.

1.7 Loan agreement between Euler Hermes and AGF Holding (absorbed by AGF SA which has been renamed Allianz France SA)

A loan for €90 million was arranged under the following terms and conditions:

Three drawdowns of €30 million each, between the end of 2003 and the end of 2004

- maturity: December 19th, 2008;
- base rate: 3-month Euribor variable +30 basis points;
- interest: quarterly.

The first tranche of €30 million was drawn down on December 19th, 2003.
The second tranche of €30 million was drawn down on June 1st, 2004.
The third tranche of €30 million was drawn down on December 20th, 2004.

Special report of the independent auditors on regulated agreements and commitments

A rider to the agreement was signed on December 19th, 2008 extending its maturity to June 19th, 2009 under the following terms and conditions:
- base rate: 6-month Euribor +146.5 basis points;
- interest: six-monthly.

A rider to the agreement was signed on June 21st, 2009 extending its maturity to June 21st, 2010 under the following terms and conditions:
- term: 1 year;
- maturity: June 21st, 2010;
- base rate: 6-month Euribor + Allianz Senior CDS 1 year spread;
- interest: six-monthly.

This extension was authorised by the Supervisory Board meeting of May 6th, 2009.
Interest expense of €3,064,888 was recognised in 2009.

1.8 Loan agreement between Euler Hermes SA and AGF Holding (absorbed by AGF SA which has been renamed Allianz France SA)

On December 21st, 2006, Euler Hermes contracted a borrowing of €67 million with AGF Holding under the following terms and conditions:
- term: 2 years;
- maturity: December 21st, 2008;
- base rate: 6-month Euribor variable;
- margin: 6 basis points;
- interest: quarterly.

A rider to the agreement was signed on December 21st, 2008 extending its maturity to June 21st, 2009 under the following terms and conditions:
- base rate: 6-month Euribor +144.3 basis points;
- interest: six-monthly.

A rider to the agreement was signed on June 21st, 2009 extending its maturity to June 21, 2010 under the following terms and conditions:
- term: 1 year;
- maturity: June 21st, 2010;
- base rate: 6-month Euribor + Allianz Senior CDS 1 year spread;
- interest: six-monthly.

This extension was authorised by the Supervisory Board meeting of May 6th, 2009.
Interest expense of €2,272,534 was recognised in 2009.

1.9 Loan agreement between Euler Hermes SA, AGF Holding (absorbed by AGF SA which has been renamed Allianz France SA) and Allianz Belgique

A senior loan for €85 million, maturing on June 24th, 2010, was contracted with AGF Holding.
The loan agreement was signed on June 24th, 2005 under the following terms and conditions:
- term: 5 years;
- maturity: June 24th, 2010;
- base rate: 6-month Euribor +20 basis points;
- interest: six-monthly.

A rider to the agreement was signed on December 20th, 2005 in an amount of €50 million, taking the total amount of the loan to €135 million under the same terms and conditions as those described above.
On May 10th, 2009 the loan was transferred by AGF Holding to Allianz Belgique on the same terms and conditions.
This transfer was authorised by the Supervisory Board meeting of May 6th, 2009.
Interest expense of €3,335,156 was recognised in 2009.

Special report of the independent auditors on regulated agreements and commitments

2. Agreements and commitments approved in prior years and still in force during the current year

In addition, pursuant to the French Commercial Code, we have been informed that the following agreements and commitments, approved in prior years, remained in force during the year ended December 31st, 2009.

2.1 Allianz Group Long Term Incentive Plan 2000

At its meeting of September 26th, 2000, the Supervisory Board approved the provisions for the establishment of a global incentive plan for senior managers of the Allianz Group.

Each Allianz Group company must bear the cost of this plan for the portion relating to the company in question.

At its meeting of July 28th, 2009, and on the advice of the Remuneration and Appointments Committee, the Supervisory Board authorised the allocation of 3,107 SAR and 1,527 RSU at a price of €51.95 per share to the Group Management Board in 2009.

These SAR and RSU required implementation of a hedging contract, the cost of which (€307,665.93 for the SAR and €280,097.00 for the RSU) was booked by Euler Hermes and its subsidiaries.

2.2 Mid Term Bonus plan

At its meeting of March 4th, 2005, the Supervisory Board approved the provisions for the implementation of a Mid-Term Bonus system to enhance the loyalty of its senior management. The system is based on a three-year period: if the predetermined objectives are achieved over the three-year period, an additional bonus will be paid at the end of the period. The potential bonus is a set amount, corresponding to a fraction of the fixed remuneration plus a possible 20% upside. The calculation consists of two parts, each equally weighted and based on EVA and the strategic objectives. If an average rate of between 70% and 120% is achieved for both parts, a proportional calculation will be made to reflect the degree to which the objectives are achieved.

2.3 Specific agreement relating to the contract with Mr Gerd-Uwe Baden

In the event of cessation of activity, Mr Gerd-Uwe Baden, Member of the Group Management Board of Euler Hermes SA and Chairman of the Management Board of the group's German subsidiary, Euler Hermes Kreditversicherung AG, is entitled to receive, under his employment contract with the subsidiary Euler Hermes Kreditversicherung AG, gross compensation equal to 50% of the amount of the last fixed and variable annual remuneration he received.

At its meeting of February 15th, 2008, and on the advice of the Remuneration and Appointments Committee, the Supervisory Board introduced a performance clause making conditional the compensation to be paid in the event of cessation of activity. This performance condition is deemed to be met if the following criterion is fulfilled:

The average rate of return on risk-adjusted capital (RORAC), as recognised by the Supervisory Board in the audited consolidated financial statements for the last two financial years prior to the cessation of activity, is at least 8%.

Paris La Défense and Paris, April 12th, 2010

KPMG Audit	ACE – Auditeurs et Conseils d'Entreprise
A division of KPMG S.A.	
Régis Tribout	François Shoukry
Partner	Partner

Resolutions submitted to the vote of the General Meeting of May 21st, 2010

ORDINARY AND EXTRAORDINARY GENERAL MEETING OF MAY 21ST, 2010

Draft resolutions
Ordinary resolutions

First resolution

Approval of the company financial statements for the year ended December 31st, 2009

Voting in accordance with the majority and quorum requirements applying to Shareholders' Ordinary General Meetings, and after taking cognisance of the Group Management Board's management report on the company's business and position during the year ended December 31st, 2009, the Supervisory Board's observations and the independent auditors' general report on the performance of their duties during this financial year, the Shareholders' General Meeting approves the financial statements for the year ended December 31st, 2009, including the balance sheet, the income statement and the notes appended thereto, as presented to it, together with the transactions recorded in the financial statements and summarised in the reports. It records that the net income for the financial year is €171,874,733.

Second resolution

Approval of the consolidated financial statements for the year ended December 31st, 2009

LVoting in accordance with the majority and quorum requirements applying to Shareholders' Ordinary General Meetings, and after taking cognisance of the Group Management Board's management report on the Group's business and position during the year ended December 31st, 2009, the Supervisory Board's observations and the independent auditors' [general] report on the performance of their duties during this financial year, the Shareholders' General Meeting approves the consolidated financial statements for the year ended December 31st, 2009, as presented to it, together with the transactions recorded in the financial statements and summarised in the reports. It records that the net income for the financial year is €18,988,637.

Third resolution

Recording of the absence of any non-deductible expenses and charges during the financial year ended December 31st, 2009

Voting in accordance with the majority and quorum requirements applying to Shareholders' Ordinary General Meetings, and after taking cognisance of the Group Management Board's management report on the company's business and position during the year ended December 31st, 2009 and the Supervisory Board's observations, as required by Article 223 quater of the French General Tax Code *[Code Général des Impôts]*, the Shareholders' General Meeting records that no non-deductible expenses or charges as referred to in Article 39-5 of the General Tax Code were incurred during the financial year ended December 31st, 2009.

Fourth resolution

Release for the members of the Group Management Board and discharge for the members of the Supervisory Board and the independent auditors

Voting in accordance with the majority and quorum requirements applying to Shareholders' Ordinary General Meetings, the Shareholders' General Meeting releases each of the members of the Group Management Board as regards the performance of their duties over the financial year ended December 31st, 2009, and also discharges each of the members of the Supervisory Board and each of the independent auditors as regards the performance of their duties over this financial year.

Fifth resolution

Allocation of income for the financial year ended December 31st, 2009

Voting in accordance with the majority and quorum requirements applying to Shareholders' Ordinary General Meetings, after taking cognisance of the Group Management Board's management report on the company's business and position during the past financial year and the independent auditors' general report, and after listening to the Supervisory Board's observations, the Shareholders' General Meeting records that the following amount is available for distribution:

- retained earnings	€ 173,801,407.27
- net income for the financial year ended December 31st, 2009	€ 171,874,732.75
being,	€ 345,676,140.02
and resolves to allocate the distributable income as follows:	
- legal reserve	€ 982.30
- proposed dividend: €0 per share	€ 0.00
- retained earnings	€ 345,675,157.72
being,	€ 345,676,140.02

Resolutions submitted to the vote of the General Meeting of May 21st, 2010

As required by law, shareholders are reminded that the following dividends were distributed over the past three financial years:

	2008 (1)	2007 (1)	2006 (1)
Total amount (in euro)	67,623,345	225,262,565	174,193,448
Dividend per share (2)	€1.50	€5.00	€4.00
Amount of dividend eligible for the 40% rebate	€1.50	€5.00	€4.00

(1) Dividend for the year, paid in the following year.

(2) The dividend per share is calculated on the basis of the total number of shares.

Sixth resolution

Adjustment of treasury shares reserve

Voting in accordance with the majority and quorum requirements applying to Shareholders' Ordinary General Meetings, the Shareholders' General Meeting takes note that the company did not purchase or sell any treasury shares over the financial year ended December 31st, 2009 under the company's share buyback programme authorised by the Shareholders' Ordinary General Meeting of May 15th, 2009, and further notes the terms and conditions governing the purchase of treasury shares by the company pursuant to Article L. 225-209 et seq. of the French Commercial Code *[Code Commercial]*. The Shareholders' General Meeting resolves, in accordance with the provisions of Article L. 225-210 paragraph 3 of the Commercial Code, to adjust the treasury shares reserve by raising a provision of €819,800.71 to reflect sales linked to the exercise of call options on shares and purchases and sales of shares under the liquidity contract managed by Rothschild et Cie Banque during the past financial year.
Accordingly, the Shareholders' General Meeting records that the treasury shares reserve, which totalled €84,697,533.81 on December 31st, 2009 will be adjusted to €85,517,334.52.

Seventh resolution

Approval of regulated agreements pursuant to Article L. 225-86 of the Commercial Code

Voting in accordance with the majority and quorum requirements applying to Shareholders' Ordinary General Meetings, and after taking cognisance of the independent auditors' special report on the transactions referred to in Article L. 225-86 of the Commercial Code, the Shareholders' General Meeting duly records the conclusions of the report and expressly approves the agreements mentioned therein.

Eighth resolution

Renewal of the appointment of Mr Jean-Hervé LORENZI as a member of the Supervisory Board

Voting in accordance with the majority and quorum requirements applying to Shareholders' Ordinary General Meetings, after taking cognisance of the Group Management Board's report and the Supervisory Board's observations, and recording that the appointment of Mr Jean-Hervé Lorenzi as a member of the Supervisory Board is to end at the close of this Shareholders' General Meeting, the Shareholders' General Meeting resolves to renew the appointment as a member of the Supervisory Board of Mr Jean-Hervé Lorenzi for a term of three financial years, i.e. until the close of the Shareholders' General Meeting called to vote on the financial statements for the year ending December 31st, 2012.

Ninth resolution

Renewal of the appointment of Mr Charles de CROISSET as a member of the Supervisory Board

Voting in accordance with the majority and quorum requirements applying to Shareholders' Ordinary General Meetings, after taking cognisance of the Group Management Board's report and the Supervisory Board's observations, and recording that the appointment of Mr Charles de Croisset as a member of the Supervisory Board is to end at the close of this Shareholders' General Meeting, the Shareholders' General Meeting resolves to renew the appointment as a member of the Supervisory Board of Mr Charles de Croisset, for a term of three financial years, i.e. until the close of the Shareholders' General Meeting called to vote on the financial statements for the year ending December 31st, 2012.

Tenth resolution

Renewal of the appointment of Mr Robert HUDRY as a member of the Supervisory Board

Voting in accordance with the majority and quorum requirements applying to Shareholders' Ordinary General Meetings, after taking cognisance of the Group Management Board's report and the Supervisory Board's observations, and recording that the appointment of Mr Robert Hudry as a member of the Supervisory Board is to end at the close of this Shareholders' General Meeting, the Shareholders' General Meeting resolves to renew the appointment as a member of the Supervisory Board of Mr Robert Hudry for a term of three financial years, i.e. until the close of the Shareholders' General Meeting called to vote on the financial statements for the year ending December 31st, 2012.

Resolutions submitted to the vote of the General Meeting of May 21st, 2010

Eleventh resolution

Appointment of Mrs Brigitte BOVERMANN as a member of the Supervisory Board

Voting in accordance with the majority and quorum requirements applying to Shareholders' Ordinary General Meetings, after taking cognisance of the Group Management Board's report and the Supervisory Board's observations, and recording that the appointment of Mr François THOMAZEAU as a member of the Supervisory Board is to end at the close of this Shareholders' General Meeting, and that he does not wish his appointment to be renewed, the Shareholders' General Meeting resolves to appoint Mrs Brigitte BOVERMANN as a member of the Supervisory Board for a term of three financial years, i.e. until the close of the Shareholders' General Meeting called to vote on the financial statements for the year ending December 31st, 2012.

Twelfth resolution

Appointment of Mr Jacques RICHIER as a member of the Supervisory Board

Voting in accordance with the majority and quorum requirements applying to Shareholders' Ordinary General Meetings, and after taking cognisance of the Group Management Board's report and the Supervisory Board's observations, the Shareholders' General Meeting resolves to appoint as a member of the Supervisory Board Mr Jacques Richier for a term of three financial years, i.e. until the close of the Shareholders' General Meeting called to vote on the financial statements for the year ending December 31st, 2012.

Thirteenth resolution

Appointment of Mr Thomas-B. QUAAS as a member of the Supervisory Board

Voting in accordance with the majority and quorum requirements applying to Shareholders' Ordinary General Meetings, and after taking cognisance of the Group Management Board's report and the Supervisory Board's observations, the Shareholders' General Meeting resolves to appoint Mr Thomas B. QUAAS as a member of the Supervisory Board for a term of three financial years, i.e. until the close of the Shareholders' General Meeting called to vote on the financial statements for the year ending December 31st, 2012.

Fourteenth resolution

Appointment of Mrs Elizabeth CORLEY as a member of the Supervisory Board

Voting in accordance with the majority and quorum requirements applying to Shareholders' Ordinary General Meetings, and after taking cognisance of the Group Management Board's report and the Supervisory Board's observations, the Shareholders' General Meeting resolves to appoint Mrs Elisabeth CORLEY as a member of the Supervisory Board for a term of three financial years, i.e. until the close of the Shareholders' General Meeting called to vote on the financial statements for the year ending December 31st, 2012.

Fifteenth resolution

Appointment of Mr Nicolas DUFOURCQ as a member of the Supervisory Board

Voting in accordance with the majority and quorum requirements applying to Shareholders' Ordinary General Meetings, and after taking cognisance of the Group Management Board's report and the Supervisory Board's observations, the Shareholders' General Meeting resolves to appoint Mr Nicolas DUFOURCQ as a member of the Supervisory Board for a term of three financial years, i.e. until the close of the Shareholders' General Meeting called to vote on the financial statements for the year ending December 31st, 2012.

Sixteenth resolution

Authorisation to be given to the Group Management Board in the context of the company's share buyback programme

Voting in accordance with the majority and quorum requirements applying to Shareholders' Ordinary General Meetings, after taking cognisance of the Group Management Board's report and the Supervisory Board's observations, and in accordance with Article L. 225-209 of the Commercial Code, European Commission Regulation 2273/2003 of December 22nd, 2003 implementing Directive 2003/6/EC of January 28th, 2003, and Articles 241-1 to 241-6 of the General Regulations of the AMF (*Autorité des Marchés Financiers* – France's securities regulator), the Shareholders' General Meeting authorises the Group Management Board to purchase a number of shares with a nominal value of €0.32 each, representing no more than 10% of the share capital on the date of this Shareholders' General Meeting, under the following terms:

- this authorisation is valid for a maximum period of eighteen months from the date of this Shareholders' General Meeting, i.e. until November 14th, 2011, or until it is renewed by a Shareholders' Ordinary General Meeting held before that date; it brings an end to the unused portion of the authorisation given by the Shareholders' Ordinary General Meeting of May 15th, 2009 in its eleventh resolution;
- the total amount that the company can allocate to the buyback of its shares during the validity of this authorisation is €149.8 million;
- the maximum purchase price (excluding costs) is set at €90 per share, which corresponds to the share price as at December 31st, 2009 multiplied by a factor equal to the greatest increase in the share price over any given year since its listing, i.e. 73% in 2003, it being stipulated that, in the event of transactions involving the company's capital, in particular the capitalisation of premiums, reserves or profits resulting in an increase in the nominal value of the shares, the issue and allocation of bonus shares, reverse share splits or the division of the nominal value of shares, the Group Management Board shall have full power, as required, to adjust the aforementioned purchase price accordingly;
- shares purchased by the company pursuant to this authorisation cannot, under any circumstances, result in it holding more than 10% of the company's share capital;

Resolutions submitted to the vote of the General Meeting of May 21st, 2010

- these shares may be purchased, sold, transferred or exchanged under the conditions determined by the market authorities and in accordance with the applicable laws and regulations, by any means including on the market (whether regulated or not), in multilateral trading facilities (MTF), via a systematic internaliser or by the purchase or sale of blocks of shares (including over-the-counter, or through derivatives transactions, namely options or warrants, in compliance with applicable regulations) and at the times set by the Group Management Board or the person authorised by the Group Management Board for that purpose;
- share buybacks may take place when so decided by the Group Management Board to:

(ii) boost the market for the shares, namely by improving the share's liquidity via an investment service provider acting independently within the framework of a liquidity contract, in accordance with a code of conduct recognised by the AMF;
(iii) fulfil obligations linked to share option plans, the allocation of bonus shares or other allocations of shares to employees or corporate officers of the company or an affiliated company;
(iv) buy shares to keep them and subsequently deliver them as payment or in exchange, within the framework of any acquisition transaction, as allowed by the stock market regulations, with the proviso that the number of shares purchased by the company to be kept and subsequently delivered as payment or in exchange within the framework of a merger, demerger or capital contribution shall not exceed 5% of its capital;
(v) deliver shares in connection with the exercise of rights attached to securities giving access to the company's capital;
(vi) cancel these shares subject, in this case, to the adoption by this Shareholders' Extraordinary General Meeting of the nineteenth resolution;
(vii) make use of any market practices allowed by the law and the AMF, in which case the company will inform the general public of any changes to its programme and its new objectives, as required by the applicable laws and regulations.
The part of the programme that may be carried out by trading in blocks of shares is not limited.
The company may undertake the transactions in (i) to (vi) above during a takeover bid or exchange offer in accordance with the applicable legislation.
In accordance with Article L. 225-212 of the Commercial Code, the company will inform the AMF every month of the purchases, sales, transfers and cancellations made.
The Group Management Board shall submit the policy it intends to follow as regards buying back shares in accordance with this resolution to the Supervisory Board for approval.
The Group Management Board, which may delegate to its Chairman or, with his approval, to one or more of its members, is granted full powers to carry out these transactions, and in particular the powers to give orders on the stock markets or off-market, allocate or re-allocate the shares purchased for various purposes as allowed by the applicable laws and regulations, sign any agreements, notably with a view to keeping registers of share purchases and sales, compile information documents, make declarations to the AMF and any other authorities, carry out all formalities, and generally do anything that may be necessary, including laying down the terms and conditions under which the rights of holders of securities giving access to the company's capital and those of the beneficiaries of options shall be preserved, where applicable, in accordance with regulatory provisions.
The Group Management Board shall inform the Shareholders' General Meeting of all transactions carried out pursuant to this authorisation.

Seventeenth resolution

Approval of specific agreement in the contract of Mr Wilfried VERSTRAETE, Chairman of the Group Management Board, to introduce a performance condition related to the allocation of the compensation payment to be made to him upon removal from office

Voting in accordance with the majority and quorum requirements applying to Shareholders' Ordinary General Meetings, and after taking cognisance of the independent auditors' special report, the Shareholders' General Meeting approves the decision of the Supervisory Board of July 28th, 2009 as regards the contract between Mr Wilfried VERSTRAETE, the Chairman of the Group Management Board, corporate officer, and Euler Hermes SA.
In the event Mr Wilfried VERSTRAETE is removed from office following a change of control [of the company] or in [the company's] strategy, for which reasons shall be given, and to guarantee the principle of removal from office *ad nutum*, he shall receive a payment of an amount equal to two years of his remuneration, which shall cover any harm [sustained] and in particular harm that could arise from an absence of valid grounds or the way he is removed from office such as vexatious circumstances. The base for this payment shall be all his fixed and variable remuneration (fixed annual salary + last annual bonus paid + 1/3 of the last medium-term bonus paid, excluding Allianz GEI) paid by Euler Hermes during the year prior to removal from office.
This payment shall be subject to a performance criterion.
The performance condition shall be considered to have been met if the average rate of return on risk-adjusted capital (RORAC), as recorded by the Supervisory Board per the audited consolidated financial statements for the two years prior to the company ceasing trading, exceeds 9%.
In the event the Chairman is removed from office between January 1st, 2010 and December 31st, 2011, the performance condition shall be considered to have been met if the annualised RORAC, as recorded by the Supervisory Board per the half-yearly consolidated financial statements, available as from the second half of 2009 inclusive, exceeds the rate adopted in the Strategic Dialogue for 2010, that is, 7%.

Eighteenth resolution

Allocation of attendance fees

Voting in accordance with the majority and quorum requirements applying to Shareholders' Ordinary General Meetings, the Shareholders' General Meeting fixes at 450,000 euros the total amount of fees to be distributed to the members of the Supervisory Board.
This amount is allocated for fiscal year 2010 and will continue until further decision of the Assembly will be taken.

Resolutions submitted to the vote of the General Meeting of May 21st, 2010

Extraordinary resolutions

Nineteenth resolution

Authorisation to be given to the Group Management Board to reduce the share capital by cancelling shares purchased within the framework of the share buyback programme

Voting in accordance with the majority and quorum requirements applying to Shareholders' Extraordinary General Meetings, after taking cognisance of the Group Management Board's report, the Supervisory Board's observations and the independent auditors' special report, and in accordance with Article L.225-209 et seq. of the Commercial Code, the Shareholders' General Meeting authorises the Group Management Board to reduce the share capital, on one or more occasions, over a twenty-four month period from the date of this Shareholders' General Meeting, within a maximum limit of 10% of the share capital in each twenty-four month period, by cancelling all or some of the treasury shares purchased within the framework of the share buyback programmes approved by the company's shareholders prior to or after this Shareholders' General Meeting.

The Shareholders' General Meeting authorises the Group Management Board to allocate the difference between the purchase price of the cancelled shares and their nominal value, calculated at the time of cancellation, to the available premiums and reserves.

The Shareholders' General Meeting grants full powers to the Group Management Board, which may sub-delegate, to define the terms and conditions of such cancellation or cancellations, amend the Articles of Association if necessary, file all statements and declarations, carry out all other formalities, and generally to do anything that may be necessary.

This authorisation cancels and replaces the authorisation given by the Shareholders' Ordinary and Extraordinary General Meeting of May 15th, 2009 in its twelfth resolution.

The transactions decided by the Group Management Board pursuant to this resolution shall require prior authorisation from the Supervisory Board.

Twentieth resolution

Delegation of powers to be given to the Group Management Board to issues shares and other securities giving access to the company's capital, with the preservation of the shareholders' preferential subscription rights

Voting in accordance with the majority and quorum requirements applying to Shareholders' Extraordinary General Meetings, after taking cognisance of the Group Management Board's report and the independent auditors' special report, and in accordance with Articles L. 225-129 to L. 225-129-6, L. 228-91 and L. 228-92 of the Commercial Code, the Shareholders' General Meeting:

- delegates to the Group Management Board, for twenty-six months as from the date of this General Shareholders' Meeting, that is, until July 15th, 2010, its powers to decide to issue the company's shares and any other securities giving access to the company's capital, with the preservation of shareholders' preferential subscription rights, including by allocating bonus equity warrants, these warrants being subscribed for either in cash or by set-off of receivables.

Within the scope of this delegation of powers, the issuing of preference shares or securities giving access to preference shares is expressly excluded;

- also delegates its powers to the Group Management Board to decide to issue securities granting entitlement to the allocation of the company's debt securities;
- resolves that the nominal amount of capital increases, whether immediate or subsequent, arising from all the issues carried out pursuant to this delegation of powers may not exceed a total nominal amount of €4.4 million, it being stipulated that this total amount has been set without taking into account the consequences for the amount of the capital increase of adjustments that may be made following the issuing of securities giving access to the company's shares, in accordance with the applicable legal and regulatory provisions and, where appropriate, contractual provisions providing for other cases of adjustment, to preserve the rights of holders of securities giving access to the company's capital;
- resolves that the securities giving access to the company's shares that will thus be issued may consist of debt securities or be associated with the issuing of such securities, or may allow such securities to be issued as intermediary securities. These securities representing receivables may be issued in the form of bonds or similar securities, in particular subordinated securities, whether for fixed or indefinite terms, with a fixed and/or variable rate, with or without capitalisation, issued in euro and/or in any other currency or in composite currency units, possibly with the right, in particular in the form of warrants, to receive and/or to subscribe to other bonds or similar securities, redeemable in the currency or composite currency unit of issue and/or by any other means;
- resolves that shareholders may exercise their preferential subscription rights to shares by way of right under the terms laid down by law. In addition, the Group Management Board may introduce a right for shareholders to subscribe for excess shares or securities, which they may exercise in proportion with their rights and for the number of shares they request. If subscriptions by way of right and, as appropriate, for excess shares, have not absorbed all the share issue, the Group Management Board may, in the order it shall consider appropriate, either limit the issue to the amount of subscriptions received, in accordance with the law, provided this is at least three-quarters of the issue decided, freely allocate all or some of the securities that have not been subscribed or offer them to the public;
- recognizes that, to the benefit of the holders of securities issued pursuant to this resolution and giving access to the company's capital, this delegation of powers shall automatically entail the waiver by the shareholders of their preferential subscription rights to shares to which these securities grant entitlement;
- resolves that the sum received or to be received by the company for each of the shares issued pursuant to this delegation of powers shall be at least equal to the nominal value of the share, as calculated prior to the issue in question.

Resolutions submitted to the vote of the General Meeting of May 21st, 2010

In accordance with Article 12 of the Articles of Association, issues of securities of any kind whatsoever that may entail a change in the share capital decided by the Group Management Board pursuant to this delegation of powers must first be approved by the Supervisory Board.
The Shareholders' General Meeting grants full powers to the Group Management Board, which may sub-delegate under the conditions laid down by law, to make said issues within the limits set out above, to set the amount, the features and the terms and conditions thereof, and, in particular, to:

- carry out the abovementioned issues leading to a capital increase, on one or more occasions, in the proportions and at the times it shall set, in France and/or, if necessary, abroad and/or on the international market – as well as, if necessary, postpone any such increase;
- determine the category and features of the securities to be issued;
- set their subscription price, with or without a premium;
- set the date from which dividends can be received, possibly retrospectively, for the shares issued or to be issued;
- in the event of the issue of debt securities, decide on whether they are to be subordinated or not, set the interest rate, the term, the fixed or variable redemption price, with or without a premium, the terms and conditions of repayment depending on market conditions and the conditions under which these securities give access to the company's capital;
- set the terms and conditions under which the rights of holders of securities giving access to the company's capital may be preserved in accordance with the applicable legal, regulatory or contractual provisions;
- determine, under legal conditions, the situations in which the Group Management Board shall be authorised, for three months at the most, to suspend the exercise of the rights attached to securities giving access, immediately and/or subsequently, to the company's shares;
- determine the terms and conditions of purchasing on the stock exchange or off-market, or of an offer to purchase or exchange, securities issued pursuant to this resolution, and of the redemption of these securities;
- deduct the costs of issuing the shares and the securities from the amount of the premiums relating to the capital increases and draw from these premiums the sums required to increase the legal reserve to one-tenth of the amount of the capital arising from the increases;
- make the corresponding amendments to the Articles of Association;
- generally, enter into all agreements, sign all agreements with all banks and all bodies, take all measures and carry out all formalities relating to the issue, the listing, and the asset servicing of shares and/or securities issued pursuant to this resolution, and to do everything which may otherwise be required.

This delegation of powers brings an end to the unused portion of the delegation of powers given to the Group Management Board by the Shareholders' Extraordinary General Meeting of May 15th, 2008 in its sixteenth resolution.

Twenty-first resolution

Delegation of powers to be given to the Group Management Board to increase capital by capitalising reserves, profits or premiums or other sums which may be capitalised

Voting in accordance with the majority and quorum requirements applying to Shareholders' Ordinary General Meetings, after taking cognisance of the Group Management Board's report, and in accordance with Articles L. 225-129 to L. 225-129-6 and L. 225-130 of the Commercial Code, the General Shareholders' Meeting delegates to the Group Management Board, for twenty-six months as from the date of this General Shareholders' Meeting, that is, until July 20th, 2012, or until it is renewed by a Shareholders' Extraordinary General Meeting before this date, its powers to increase the share capital, on one or more occasions, in the proportions, at the times and using methods upon which it shall decide, by capitalising reserves, profits or premiums, or other sums which may be capitalised, in the form of the allocation of bonus shares, the increase in the nominal value of existing shares or a combination of these two methods.
[The General Shareholders' Meeting] resolves that the nominal amount of any capital increase that may be made within the scope of this resolution may not exceed €4.4 million, the same limit as that set for capital increases arising from issues of shares or securities authorised by the twentieth resolution of this Shareholders' Extraordinary General Meeting.
The Shareholders' General Meeting gives full powers to the Group Management Board, which may sub-delegate, under the conditions laid down by law, to implement this resolution, to amend the company's Articles of Association accordingly, if necessary, and, more generally, to do whatever may otherwise be required.
This resolution brings an end to the unused portion of the delegation of powers given to the Group Management Board by the Shareholders' Extraordinary General Meeting of May 15th, 2008 in its seventeenth resolution.

Twenty-second resolution

Delegation of powers to be given to the Group Management Board to increase the share capital in favour of members of a savings plan

Voting in accordance with the majority and quorum requirements applying to Shareholders' Extraordinary General Meetings, after taking cognisance of the Group Management Board's report and the independent auditors' special report, deciding in accordance with the provisions of Articles L. 225-138-1, L. 225-129-2 and L. 225-129-6 of the Commercial Code and pursuant to Article L. 3332-1 et seq. of the French Employment Code *[Code du Travail]*, the Shareholders' General Meeting:

- delegates to the Group Management Board its powers to increase the share capital, on one or more occasions, within a twenty-six month period from the date of this Shareholders' Meeting, by a maximum nominal amount of one hundred and thirty-two thousand euro (€132,000) by issuing new shares or securities giving access to the company's capital, reserved for members of a company or group savings plan for the company and for French or foreign companies affiliated to it under the terms of Article L. 225-180 of the Commercial Code and Article L. 3344-1 of the Employment Code;

Resolutions submitted to the vote of the General Meeting of May 21st, 2010

- resolves that the maximum nominal amount of the capital increases that may be made pursuant to this delegation of powers shall be deducted from the overall limit on the nominal amount of capital increases of €4.4 million set by the twentieth resolution of this Shareholders' General Meeting;
- resolves, pursuant to Article L. 3332-19 of the Employment Code, to set the discount at 20% and 30% respectively compared with the average of the opening prices of the company's shares on Euronext Paris for the 20 trading sessions preceding the date of the decision setting the date for the start of subscriptions, depending on whether the securities thus subscribed to, directly or indirectly, correspond to assets for which the period of unavailability is less than ten years or at least ten years. However, the Shareholders' General Meeting expressly authorises the Group Management Board, if it considers it appropriate, to reduce the abovementioned discount and in particular to limit or cancel said discount in order to take into account statutory, accounting, tax or employment-related provisions that may apply locally;
- resolves that the features of other securities giving access to the company's capital shall be set by the Group Management Board in the conditions laid down by the regulations;
- resolves, pursuant to Article L. 3332-21 of the Employment Code, that the Group Management Board may provide for the allocation of bonus shares to be issued or already issued or other bonus securities giving access to the company's capital to be issued or already issued, as an additional amount, or, where applicable, a discount, provided that the recording of the equivalent financial value thereof, measured at the subscription price, does not lead to the limits provided for in Articles L. 3332-19 and L. 3332-11 of the Employment Code being exceeded;
- resolves to cancel, in favour of the abovementioned beneficiaries, the preferential subscription rights of shareholders to new shares to be issued or other securities giving access to the capital and to securities to which the securities issued pursuant to this resolution give entitlement; furthermore, in the event of the allocation of bonus shares or other securities giving access to the capital, the shareholders waive any rights to these shares or securities, or to any portion of reserves, profits or premiums that may be capitalised in order for said shares or securities to be paid up;
- delegates full powers to the Group Management Board, which may delegate or sub-delegate, in accordance with the statutory and regulatory provisions, to implement this resolution and in particular to:

- set the scope, methods and terms and conditions of the operations,
- set the dates and procedures for the issues to be made and the features of the securities to be issued pursuant to this delegation of powers,
- set the price and the dates on which the subscription periods shall start and end, and the date on which the securities issued shall have dividend rights attached, which may be retrospective,
- set the terms and conditions under which the shares and other securities giving access to the company's capital shall be paid up, and issue deadlines by which the shares and, where applicable, other securities giving access to the company's capital shall be paid up,
- request the listing of the securities created on any Stock Exchanges of its choosing,
- recognise the completion of the capital increases in the amount of the shares effectively subscribed, [and] carry out, directly or through a representative, all operations and formalities linked to increases in the share capital,
- and, solely at its discretion and if it decides it is appropriate, deduct the costs of capital increases from the amount of the premiums relating to these increases and draw from this amount the sums required to bring the statutory reserve to one tenth of the new capital after each increase.

Twenty-third resolution

Amendment of Article 11 of the Articles of Association relating to the age limit for members of the Supervisory Board

Voting in accordance with the majority and quorum requirements applying to Shareholders' Extraordinary General Meetings, and after taking cognisance of the Group Management Board's report, the Shareholders' General Meeting resolves to amend Article 11 of the company's Articles of Association as follows:

Former wording: "The number of members of the Supervisory Board aged 70 years or older may not exceed one-third of the members in office. If this limit is exceeded, the oldest member must automatically resign."

New wording: "No member of the Supervisory Board may be over 70 years of age. If a member of the Supervisory Board reaches this age, this member must automatically resign."

Twenty-fourth resolution (voting as an ordinary meeting)

Powers for formalities

The Shareholders' General Meeting grants full powers to the bearer of an original or copy of, or an excerpt from, the minutes of this General Meeting in order to carry out all legal or administrative formalities and make any filings or registrations required by the applicable law.

Description of the share buy-back programme submitted to the vote of the General Meeting of May 21st, 2010

Euler Hermes, a company listed on Compartment A of Euronext's Eurolist market (Euronext Paris), wishes to continue to operate a share buyback programme. To this end, it will be proposed that the Ordinary and Extraordinary General Meeting of shareholders to be convened on May 21st, 2010 authorises, by voting in favour of the twelfth resolution, the implementation of a new share buy-back programme, in accordance with the provisions of Article L. 225-209 of the Commercial Code, of the European Commission's Regulation no. 2273/2003 of December 22nd, 2003 (enacted pursuant to Directive 2003/6/CE of January 28th, 2003), and of Articles 241-1 to 241-6 of the AMF's General Regulations.
This programme will replace the existing programme put in place by the Ordinary and Extraordinary General Meeting of May 15th, 2009, which had authorised the Group Management Board of Euler Hermes to acquire its own shares, by any means whatsoever.

I – Date of the General Meeting of shareholders convened to authorise the new share buy-back programme

The new share buy-back programme will be submitted for the approval of the Ordinary and Extraordinary General Meeting of shareholders on May 21st, 2010.

II – Nombre de titres et part du capital détenus directement ou indirectement par la société

The total number of shares held directly by Euler Hermes on March 31th, 2010 was 1 567 944, i.e. 3,48% of the share capital at this date.
Euler Hermes has no indirect holdings of its own shares.

III – Breakdown by objectives of capital securities held

The breakdown by objectives of the number of shares thus held at March 31st, 2010 was as follows:

- 283,100 shares earmarked for allocation to employees or managers of the company or of its subsidiaries in respect of their entitlement to profit sharing, a share option plan, bonus issue of existing shares or a company savings plan;
- 984,344 shares available to be used as a means of exchange in connection with acquisitions or the issue of securities giving access to the company's capital;
- 300,500 shares in connection with a liquidity contract entered into with Rothschild & Cie Banque, shares initially allocated to acquisitions.

IV – Objectives of the new share buy-back programme

These share buy-backs will be authorised for any of the purposes allowed by the applicable laws, notably to:
(i) boost the market for the shares, namely by improving the shares' liquidity via an investment services provider acting independently within the framework of a liquidity contract established in compliance with the code of conduct recognised by the French securities regulator *(Autorité des Marchés Financiers - AMF)*;
(ii) meet the company's obligations in connection with share option or other share allocation programmes for employees and/or officers of the company or its subsidiaries;
(iii) buy shares to keep them and subsequently deliver them as payment or in exchange, within the framework of any acquisition transaction, as allowed by the stock market regulations, with the proviso that the number of shares purchased by the company to be kept and subsequently delivered as payment or in exchange within the framework of a merger, demerger or capital contribution shall not exceed 5% of its share capital;
(iv) deliver shares in connection with the exercise of rights attached to securities giving access to the company's share capital;
(v) cancel these shares, subject to approval of the twelfth resolution by this Extraordinary General Meeting;
(vi) make use of any market practices allowed by the law and the AMF, in which case the company will inform the general public of any changes to its programme and its new objectives, as required by the applicable laws and regulations.

There is no limit on the portion of the programme that may be implemented by block trades.
The company may enter into the transactions in (i) to (vi) above during a takeover bid or exchange offer in accordance with the applicable legislation.

V – Maximum percentage of the share capital to be acquired, maximum number of securities that could be acquired, features of the securities that could be bought back and maximum purchase price

1 – Maximum percentage of the share capital to be acquired by Euler Hermes

Euler Hermes undertakes, in accordance with the applicable law, not to hold directly or indirectly more than the maximum limit of 10% of its share capital (which, for information, consisted of 45,084,010 shares at March 31st, 2010).
In accordance with Article L. 225-210 of the Commercial Code, the number of shares that Euler Hermes may own at any point in time shall not exceed 10% of the shares comprising the company's capital on the date in question.

Description of the share buy-back programme submitted to the vote of the General Meeting of May 21st, 2010

Given the securities already held, i.e. 1,567,944 shares at March 31st, 2010 (3,48% of the capital), and subject to any adjustments affecting the amount of the company's capital subsequent to the Ordinary and Extraordinary General Meeting of May 21st, 2010, the buy-backs may concern a maximum of 2,940,457 shares (6,52% of the share capital).
Moreover, the total amount that the company may allocate to the buyback programme is €149.8 million as laid down in the twelfth resolution submitted to the Ordinary and Extraordinary General Meeting of May 21st, 2010.

2 – Features of the securities concerned

Type of securities repurchased: ordinary shares
Share ticker: ELE
ISIN code: FR 0004254035

3 – Maximum purchase price

In accordance with the twelfth resolution submitted to the Ordinary and Extraordinary General Meeting of May 21st, 2010, the maximum purchase price (excluding ancillary expenses) under the new share buy-back programme is set at €91 per share (which corresponds to the share price as at December 31st, 2009 multiplied by a factor equal to the greatest increase in the share price over any given year since its listing, i.e. 73% in 2003), it being stipulated that in the event of transactions involving the company's share capital, in particular the capitalisation of premiums, reserves or profits resulting in an increase in the nominal value of the shares, the issue and allocation of bonus shares, reverse share splits or the division of the nominal value of shares, the Group Management Board shall have full power, as required, to adjust this price and the number of shares accordingly, and if the shares thus purchased are used to allocate bonus shares in accordance with Article L. 443-5 of the Employment Code, the pecuniary equivalent of the shares allocated shall be determined in accordance with the applicable legal provisions.

VI – Duration of the programme

In accordance with the eleventh resolution submitted to the Ordinary and Extraordinary General Meeting of May 21st, 2010, the duration of the programme shall be a maximum period of eighteen months from the date of the said General Meeting, i.e. until November 14th, 2011, or until it is renewed by an Ordinary General Meeting held before that date.

Company Articles of Association (as at March 31st, 2010)

TITLE I
Purpose – Name – Head Office – Term

Article 1 – Form of the company

The company is a public limited company *[Société Anonyme]*. It is governed by existing and future legal and regulatory provisions and in particular by Articles L. 225-57 et seq. of the French Commercial Code *[Code de Commerce]*, Articles 96 et seq. of the Decree of March 23rd, 1967, and by these Articles of Association.

Article 2 – Company name

The company's name is: Euler Hermes

Article 3 – Corporate purpose

The purpose of the company, directly or indirectly, in France and internationally, is financial services and insurance, and especially any activities contributing to companies' management of their accounts receivable, and in this respect, activities regarding credit insurance, factoring and debt collection.
In addition to investments, the company may take holdings in any companies whose activity relates to this purpose or participate in any operation likely to facilitate its expansion or development.
The company may acquire any property or assets in any form.

Article 4 – Head office

The company's head office is located at 1-3-5, rue Euler, 75008 Paris.
It may be transferred to any other location in Paris or in another département by a decision by the Supervisory Board, subject to ratification of this decision by the next General Meeting of the shareholders.

It may be transferred anywhere else pursuant to a decision by an Extraordinary General Meeting.

Article 5 – Term of the company

Unless an Extraordinary General Meeting decides to dissolve the company early or extend its term, the company's term is set at 99 years. It will expire on March 27th, 2026.

TITLE II
Share Capital – Shares

Article 6 – Share capital

The company's share capital is set at the amount of €14,426,627.20 (fourteen million, four hundred and twenty-six thousand, six hundred and twenty seven euro and twenty centimes). It is divided into 45,083,210 (forty-five million, eighty-three thousand, two hundred and ten) shares, all of the same class.

Article 7 – Form of shares

Shares are held in registered or bearer form at the choice of the shareholder, subject to the particular stipulations prescribed by law and those provided for in paragraph (2) in Article 8 below.
Shares are registered in an account opened by the company or any authorised intermediary in the name of each shareholder and are held under the conditions and in accordance with the terms provided for by the applicable legal and regulatory provisions.
The company shall be authorised to use, at any time, the provisions set forth in Articles L. 228-2 et seq. of the Commercial Code as regards identifying holders of securities that give their holders the right to vote at its own General Meetings of shareholders immediately or subsequently.

Article 8 – Transfer and sale of shares

The shares may be freely traded and may be sold in accordance with the legal and regulatory conditions in force.
Apart from the legal obligation to inform the company when certain fractions of the capital are held and to make any consequent declaration of intention, any individual or corporate entity, acting alone or in concert, which comes to hold a number of shares and/or voting rights in the company greater than or equal to:

1 – 1% of the total number of shares and/or voting rights must, within fifteen days from the date of crossing this threshold, inform the company of the total number of shares and/or voting rights held, by recorded letter with return receipt (or equivalent means in countries outside France), fax or telex. This declaration must be renewed each time a new 1% threshold is crossed upwards to 50% inclusive and each time a new 1% threshold is crossed downwards to 1% inclusive.

Company Articles of Association (as at March 31st, 2010)

2 – 5% of the total number of shares and/or voting rights must, within fifteen days from the date of crossing this threshold, apply to the company to have all the shares held in registered form. This obligation for shares to be held in registered form is applicable to all shares already held and to those that have just been acquired taking the shareholder over the threshold. The request for shares to be registered shall be sent by letter, fax or telex to the company within fifteen days of crossing the threshold. The declaration due under the preceding point (1) on crossing the threshold that is prescribed in this paragraph shall be the equivalent of a request for shares to be registered.

For the determination of the thresholds prescribed in (1) and (2), shares and/or voting rights held indirectly and shares and/or voting rights equivalent to shares and/or voting rights owned as defined by the provisions of Articles L. 233-7 et seq. of the Commercial Code shall also be taken into account.

For each of the aforementioned disclosures, the declarer must certify that the disclosure made includes all the securities owned or held pursuant to the previous paragraph. He must also specify the date(s) of acquisition.

Investment fund management companies are required to provide this information for all the voting rights attached to shares in the company held by the funds they manage.

In the event of non-compliance with the obligation to provide the information referred to in (1) above or the obligation to register the shares in (2) above, one or more shareholders owning at least 2% of the capital or voting rights may request that shares exceeding the fraction which should have been disclosed be deprived of voting rights for all shareholders' meetings that are held until the expiry of a period of two years from the date the notification is complied with. The shareholders' application will be recorded in the minutes of the General Meeting and the sanction referred to above will be applied automatically.

Article 9 – Rights and obligations attached to each share

Each share entitles [the holder] to a portion of the ownership of corporate assets and to a share in the profits equal to the proportion of the share capital that it represents. In addition, each share entitles [the holder] to vote and to be represented at General Meetings of the shareholders under legal conditions and those laid down in the Articles of Association.

Whenever it may be necessary to own a certain number of shares in order to exercise a right, shareholders who own fewer shares than the number required may, where applicable, group and, possibly, buy or sell the necessary number of shares or rights.
Shareholders are liable for the company's debts only up to the value of their contributions.
All the securities which make up the share capital, now or in the future, shall be completely identical for taxation purposes. As a result, any tax and levy that, for any reason whatsoever, may, due to the redemption of capital, become payable for only some of said securities, either during the company's life or when it is liquidated, shall be divided among all the securities which make up the capital at the time of this (these) redemption(s), such that, taking into account any nominal value of the securities that has not been amortised, and the respective rights of said securities, all current and future securities shall give their holders the same benefits and shall entitle them to receive the same net amount.

Article 10 – Paying up of shares

Shares must be fully paid up on subscription.

TITLE III
Administration of the Company

Supervisory Board

Article 11 – Members – Duties – Remuneration

The Supervisory Board exercises a permanent control over the Group Management Board's management of the company. The Supervisory Board has at least three and no more than twelve members who are appointed by Ordinary General Meetings of the shareholders.
The number of members of the Supervisory Board aged 70 years or older may not exceed one-third of the members in office. If this limit is exceeded, the oldest member must automatically resign.
If the Supervisory Board considers it useful, it may, when so proposed by its Chairman, appoint non-voting members of the Board (censors), for a term that it chooses. These non-voting members may be individuals or legal entities and may but need not be shareholders. The Board determines their responsibilities and the terms and conditions of their remuneration. This remuneration is taken from the annual amount for Supervisory Board members' fees allocated to the Supervisory Board by the Ordinary General Meeting.
These non-voting members may be called to and may attend and participate in all Supervisory Board meetings but with a right of discussion only.

Company Articles of Association (as at March 31st, 2010)

The Supervisory Board elects a Chairman and a Vice-Chairman, who must be individuals, from among its members. The Chairman, and in his absence the Vice-Chairman, is responsible for convening Board meetings and chairing its deliberations.

Members of the Supervisory Board must own at least five shares during their term of office. However, this provision shall not apply to shareholders who are employees and who are appointed members of the Supervisory Board pursuant to Article L. 225-71 of the Commercial Code.
Subject to special provisions to be made for first appointments so as to comply with the [requirement for the] regular replacement of its members, Supervisory Board members serve a three-year term.
Supervisory Board members may always be re-elected.

The membership of the Supervisory Board is partly changed every year at the Annual Ordinary General Meeting of the shareholders, depending on the number of members in office, such that changes are made as regularly as possible and so that all members have changed by the end of each three-year period.
In the event of a vacant position, following the death or resignation of one or more members of the Supervisory Board, a provisional replacement may be elected by the remaining members, with the appointment being subject to ratification by the next Ordinary General Meeting of the shareholders.

The members of the Supervisory Board may receive remuneration in the form of Supervisory Board members' fees, the amount of which is fixed by the Ordinary General Meeting of the shareholders, and exceptional remuneration under the conditions provided for by law.
The Supervisory Board allocates the amount of these fees freely between its members.
In addition, the Chairman and the Vice-Chairman may receive special remuneration, the amount of which is set by the Supervisory Board.

Article 12 – Powers

The Supervisory Board continuously monitors the company's management by the Group Management Board and gives this Board the prior authorisations required under the law or these Articles of Association.
It appoints the members of the Group Management Board, decides on their number, and appoints their Chairman, and the General Managers where appropriate, and also sets their remuneration.

It may recommend that the Ordinary General Meeting remove one or more members of the Group Management Board from office.
Throughout the year, it makes the checks and controls it considers appropriate and can arrange to receive any documents that it considers useful for the completion of its mission.
At least once a quarter, the Group Management Board presents a report to the Supervisory Board.
The Group Management Board must present the annual financial statements to the Supervisory Board for verification and control within three months of the year-end, and must submit its recommendations for allocation of the year's distributable income to the Supervisory Board for its prior approval.
The Supervisory Board presents to the Meeting of shareholders its observations on the Group Management Board's report and on the annual financial statements.
The Supervisory Board can call shareholders' meetings and set the agenda.
The Supervisory Board can decide to create committees and it sets their composition and duties. Their activity is exercised under the Board's responsibility, without the said duties being a delegation of the powers attributed to the Supervisory Board by law or the Articles of Association, nor having the effect of reducing or limiting the powers of the Group Management Board.

In addition, the following decisions of the Group Management Board are subject to prior authorisation from the Supervisory Board:
- the sale of property and the total or partial sale of shareholdings and the grant of sureties on company assets;
- direct transactions or equity holdings that might significantly affect the group's strategy and materially modify its financial structure or scope of activity;
- the issue of securities, of any kind, that may result in a change in the share capital;
- transactions aimed at granting or contracting any borrowings or loans, credits or advances, granting of sureties, guarantees, deposits or other forms of security.

The Supervisory Board authorises the Group Management Board to carry out the above transactions within the limits of an amount it shall set for each such transaction. Where a transaction exceeds the specified amount, the approval of the Supervisory Board is required in each case.

Company Articles of Association (as at March 31st, 2010)

Article 13 – Agreements

Agreements entered into directly or through an intermediary between the company and one of the members of the Supervisory Board or the Group Management Board, a shareholder with a fraction of voting rights exceeding 5% or, if it is another company that is a shareholder, the company controlling it within the meaning of Article L. 233-3 of the Commercial Code, must be subject to the prior approval of the Supervisory Board.

This shall also be the case for agreements in which one of the individuals or entities referred to in the foregoing paragraph is indirectly involved.

Agreements between the company and [another] company, if one of the members of the company's Group Management Board or Supervisory Board is the owner, partner with unlimited liability, manager, director, member of the supervisory board or, generally, an executive within this other company, shall also be subject to prior approval.

The party involved shall inform the Chairman of the Supervisory Board of agreements on day-to-day matters and entered into under arm's length conditions. The Chairman shall send a list of and the subject of such agreements to the members of the Supervisory Board and to the independent auditors.

Article 14 – Supervisory Board meetings

The Supervisory Board meets as often as required in the interests of the company. Meetings are convened by the Chairman, or, failing this, by the Vice-Chairman.

Meetings are convened by any means, even verbally.

However, the Chairman of the Supervisory Board must convene a meeting of the Board on a date which may not be more than fifteen days after the date on which a member of the Group Management Board or at least one third of the members of the Supervisory Board submit a request to him for a meeting to be convened. If the request has not been followed up, the authors of the request may convene a meeting themselves, indicating the agenda.

Any member of the Supervisory Board may appoint another member to represent him. Each member may only hold one proxy.

Decisions are taken under the conditions as regards quorum and majority provided for by law. In the event of a tie, the Chairman of the meeting shall have the casting vote.

Members of the Supervisory Board who attend the meeting by videoconferencing means, the nature and conditions of application of which have been specified in a decree issued by the *Conseil d'État*, France's highest administrative court, are deemed to be present in the calculation of the quorum and the majority.

However, the provisions in the foregoing paragraph do not apply to the adoption of the decisions provided for in Articles L. 225-59 (appointment of members of Management Boards), L. 225-61 (removal from office of members of Management Boards) and L. 225-81 (appointment of Chairmen and Vice-Chairmen of Supervisory Boards) of the Commercial Code.

Members of Management may attend Board meetings in an advisory capacity, on the Chairman's initiative.

An attendance register is kept and minutes of meetings are drawn up in accordance with the law.

Group Management Board

Article 15 – Members – Duties – Remuneration

The company is run by a Group Management Board made up of at least two and no more than six members, who may but need not be shareholders, appointed by the Supervisory Board.

If the company's shares are listed for trading on a regulated market, the number of members of the Group Management Board may be increased, if so decided by the Supervisory Board, to no more than six.

Members of the Group Management Board must be individuals under the age of 65, effective from the completion of the nearest General Meeting of shareholders. However, when a member of the Group Management Board reaches this age, the Supervisory Board can, on one or more occasions, extend his functions for a total term that may not exceed three years.

A member of the Supervisory Board cannot be a member of the Group Management Board.

The Group Management Board is appointed for a period of three years and its members may be re-appointed. They can be removed from office by the Supervisory Board or by the General Meeting of shareholders on the recommendation of the Supervisory Board.

The Supervisory Board sets the method and amount of remuneration for each of the members of the Group Management Board when they are appointed.

Article 16 – Chairman – General Managers – Representation

The Supervisory Board appoints one of the members of the Group Management Board as Chairman.

The Chairman exercises his functions for the period of his office as a member of the Group Management Board.

He represents the company in its relations with third parties.

Company Articles of Association (as at March 31st, 2010)

The Supervisory Board can grant the same power of representation to one or more other members of the Group Management Board who then bear the title of General Manager.

Agreements concerning the company and any commitments undertaken in its name are signed by the Chairman of the Group Management Board, or by any member of the Group Management Board who has been appointed General Manager by the Supervisory Board or by any representative especially empowered for this purpose.

Article 17 – Powers

The Group Management Board is vested with the most extensive powers to act in all circumstances in the name of the company. It exercises these powers within the limits defined by the corporate purpose, subject to those expressly allocated to the Supervisory Board and General Meetings by the law and the Articles of Association.

The Group Management Board can vest one or more of its members or any outside person with special assignments that it decides upon, which may be permanent or temporary, and can delegate to them the powers that it considers appropriate for one or more particular cases, with or without the option of sub delegation.

The Group Management Board can set up committees. It decides on their composition and duties, and they carry out their activity under its responsibility, but it cannot delegate its powers.

Article 18 – Group Management Board meetings

The Group Management Board meets as often as required in the interests of the company. Meetings are convened by the Chairman of the Group Management Board, or, if he is unable to act, by at least two members of the Board.

The meetings are held either at the registered office, or at any other place specified in the notice of the meeting.

Meetings are convened by any means, even verbally.

Group Management Board meetings are chaired by the Chairman, or, failing this, by a member chosen by the Group Management Board at the start of the meeting.

Any member of the Group Management Board may appoint another member to represent him. Each member may hold only one proxy.

For its decisions to be valid, the number of members of the Group Management Board present must be at least equal to half the members in office.

Decisions are taken by a majority of members present or represented.

In the event of a tie, the Chairman shall have the casting vote.

Group Management Board meetings are reported in minutes registered in a special register and signed by the Chairman of the meeting and at least one member of the Group Management Board.

Copies or excerpts from the minutes may be certified [as true copies] by the Chairman of the Group Management Board or by any of its members.

TITLE IV
Independent auditors
Article 19

Ordinary General Meetings appoint at least two independent auditors for six financial years. Their terms of office end at the close of the Ordinary General Meeting called to approve the financial statements for the sixth financial year. They may be re-appointed.

Ordinary General Meetings must also appoint at least two alternate independent auditors, who will be called on to replace the independent auditors in the event of said auditors' refusal, inability to act, resignation or death.

When they are appointed, or, where applicable, when their term of office is renewed, the independent auditors must be under 65 years of age.

The independent auditors are vested with supervisory powers and perform their assignment within the scope of the legal provisions in force.

Their fees shall be set by law or, failing this, by Ordinary General Meetings.

TITLE V
General Meetings of shareholders
Article 20

General Meetings of shareholders are convened and take place under legally prescribed conditions.

The meetings are held either at the registered office, or at any other place specified in the notice of the meeting.

Ordinary General Meetings include all shareholders who hold at least one share under the conditions set forth below. Extraordinary General Meetings include all shareholders who hold at least one share under the conditions set forth below. Special General Meetings include all shareholders of a class of shares who own at least one share of the class concerned under the conditions set forth below.

Two members of the Works Council, appointed by said Council and one of whom belongs to the category of executive employees, technicians and supervisory staff and the other to the category of clerical staff and workers or, where applicable, the individuals referred to in the third and fourth paragraphs of Article L. 432-6 of the French Employment Code *[Code du travail]*, may attend General Meetings.

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In respect of amounts called but not paid on shares, such shares do not give right of admission to shareholders' meetings and are deducted for purposes of the quorum calculation.
Subject to the aforementioned provisions, every shareholder is entitled, on proof of identity, to participate in General Meetings, either by attending in person, by returning a postal voting form, or by appointing a proxy, who may be his spouse or another shareholder, provided that the shares have been recorded in the accounts in the name of the shareholder or of the intermediary acting on his behalf:

- for registered shareholders: in the registered share accounts held by the company;
- for bearer shareholders: in the registered share accounts held by the custodian.

These formalities must be completed by 0.00 a.m. (Paris time) on the third working day before the date of the General Meeting.
General Meetings are chaired by the Chairman of the Supervisory Board or, in his absence, by the Vice Chairman or a member of the Supervisory Board specially delegated by the Supervisory Board for this purpose. Failing this, the General Meeting appoints its own Chairman.
The duties of teller are performed by the two members of the General Meeting who have the greatest number of votes and who accept this role.
The officers of the General Meeting appoint the secretary who may be chosen from outside the shareholders.
Every member of the General Meeting is entitled to as many votes as the number of shares he owns or represents.
The voting right belongs to the beneficial owner in all General Meetings of shareholders.
Ordinary General Meetings meet validly only if, when they are convened for the first time, the shareholders present, represented or having voted by post own at least one quarter of the shares having a voting right. When such meeting is convened for the second time, no quorum is required.
Extraordinary General Meetings meet validly only if the shareholders present, represented or having voted by post own at least one third of the shares having a voting right when the meeting is convened for the first time, and one quarter when it is convened for the second time.
Special General Meetings meet validly only if the shareholders present, represented or having voted by post own at least half of the shares having a voting right when the meeting is convened for the first time, and one quarter when it is convened for the second time.
Ordinary General Meetings decide by a majority of the votes held by the shareholders present, represented or having voted by post.
Extraordinary General Meetings and Special General Meetings decide by a majority of two-thirds of the votes held by the shareholders present, represented or having voted by post.
Shareholders who attend General Meetings by videoconferencing or by means of telecommunication allowing them to be identified, the nature and conditions of application of which have been specified in a decree issued by the Conseil d'Etat, are deemed to be present in the calculation of the quorum and the majority.
Minutes of General Meetings are drawn up and copies thereof certified and issued in accordance with the law.

TITLE VI
Company Financial Statements
Article 21

Each financial year covers twelve months, commencing on January 1st and terminating on December 31st.
The income statement summarises the income and expenditure for the year. The difference between them, after deductions for amortisation, depreciation and provisions, shows the income or loss for the year.
From the income for the year, less any losses from previous years, at least 5% is transferred to the legal reserve, as required by law. This deduction ceases to be obligatory when the reserve reaches one-tenth of the share capital. It becomes obligatory again when, for any reason, the reserve falls below one-tenth.
The distributable income is made up of the income for the year, less any losses from previous years and the sums transferred to reserves as required by law or the Articles of Association, plus retained earnings.
After the accounts have been approved and the existence of distributable income ascertained, the Ordinary General Meeting resolves to allocate the distributable income to one or more reserve accounts, the application or use of which is regulated by the General Meeting, to carry it forward or to distribute it.
The Ordinary General Meeting may decide to distribute sums from the reserves available to it, expressly indicating the reserve accounts from which the deductions are made. However, dividends are deducted first from the distributable income for the year.
Apart from the instance of capital reduction, no distribution can be made to shareholders if the shareholders' equity is or would as a result become less than the amount of the capital plus the reserves that the law or the Articles of Association do not allow to be distributed. A revaluation reserve may not be distributed but it can be capitalised, in whole or in part.
The methods for paying dividends voted by the Ordinary General Meeting are fixed by the Meeting or, failing that, by the Group Management Board. However, dividends must be paid within the period set by law.
When a balance sheet drawn up during or at the end of the year and certified by the auditors shows that the company has, since the end of the previous year, after the booking of the necessary amortisation, depreciation and other provisions, after deduction of previous losses if any, and sums taken to

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reserves pursuant to the law or the Articles of Association and including retained earnings, produced an income, an interim dividend or dividends can be paid before approval of the financial statements. The amount of the interim dividend(s) cannot exceed the income as defined above.
The Ordinary General Meeting is entitled to grant each shareholder, for some or all of the dividend or interim dividend(s) to be distributed, an option between payment of the dividend or interim dividend(s) in cash or in company shares.

TITLE VII
Dissolution – Liquidation
Article 22

When the company is dissolved, one or more liquidators will be appointed by a General Meeting under the conditions as regards quorum and majority laid down for Ordinary General Meetings.
The liquidator represents the company. He is vested with the broadest powers to realise assets, even by private arrangement. He is authorised to pay creditors and to allocate the available balance.
A General Meeting of the shareholders may authorise him to continue business in progress or to enter into new business activities for the requirements of the liquidation.
The net assets remaining after the repayment of the nominal value of the shares are distributed between all the shareholders in the same proportions as their share of the capital.

TITLE VIII
Disputes
Article 23

All disputes that may arise on corporate matters during the company's life or during liquidation between the shareholders, the members of the Group Management Board or the Supervisory Board and the company or between the shareholders themselves shall be referred to the Commercial Court *[Tribunal de Commerce]* in the place of the company's head office.

Cross references to the reference document

INFORMATION SPECIFICALLY REFERRED TO:

EIn compliance with Article 28 of Commission Regulation (EC) no. 809/2004, the following information is specifically referred to in the reference document:

- the company and consolidated financial statements, together with the related reports of the independent auditors, as shown on pages 77 to 196, and the Group Management Board report as shown on pages 9 to 58 of the reference document for the year ended December 31st, 2008, which was filed with the AMF on April 20th, 2009 under reference no. D.09-0276;
- the company and consolidated financial statements, together with the related reports of the independent auditors, as shown on pages 64 to 170, and the Group Management Board report as shown on pages 8 to 48 of the reference document for the year ended December 31st, 2007, which was filed with the AMF on April 21st, 2008 under reference no. D.08-0265.

The other sections of these documents are either not applicable to investors or are covered in another section of the reference document for the year ended December 31st, 2009.

In order to facilitate the reading of this reference document, which has been filed with the Autorité des Marchés Financiers (AMF), the following cross-reference table enables identification of the main information required by the AMF in application of its general regulations and application instructions.

Cross references to the reference document

Glossary

Bond: a bond is a negotiable debt security that represents a portion of a borrowing issued by a company, a public sector entity or the State. The bondholder will be reimbursed ahead of the shareholders if the issuer becomes bankrupt. In exchange, the bondholder is not entitled to any of the rights attached to the shares (rights to earnings and rights to management of the company via voting rights).

Broker: an independent intermediary who canvasses companies in order to offer them a credit insurance policy or factoring agreement. He advises the policyholder when the policy or agreement is put in place and in its day-to-day administration.

Capital increase: when a company needs funds, it may make a capital increase. It offers the opportunity, notably to existing shareholders, to subscribe to new shares at a given price.

Carrying amount: this represents the company's net assets, i.e. total assets less all liabilities. It can also be considered as representing the company's wealth. It can be calculated for the parent company (company carrying amount) or for the entire group of companies (consolidated carrying amount).

Cash pooling: this is the centralised management at a single point of all the bank accounts of companies in a group. Its goal is to optimise cash requirements and surpluses. It may be operated at domestic or international level and may be notional or involve an actual transfer of funds.

CET: time-savings account [*compte épargne temps*] used by employees to 'save' leave accrued.

Collection: extra-judicial and/or judicial procedure conducted by Euler Hermes to secure payment of a receivable from the debtor.

Combined ratio: sum of the expense ratio and the loss ratio.

Credit insurance: a technique by which a company protects itself against the risks of non-payment of its trade receivables.

Credit limit: response given by Euler Hermes to a request made by a policyholder to cover all or part of the trade exposure on one of its customers.

Dilution: impact of an event that reduces earnings per share (e.g. an increase in the number of shares).

Dividend: the portion of a company's earnings that is attributable to the shareholder. A distinction is made between the net dividend, i.e. the amount actually paid by the company to the shareholder, and the gross dividend, which also includes the tax credit.

Earnings per share: this is calculated as the consolidated net income divided by the number of shares comprising the share capital (less any treasury shares).

Surplus claims reserve before reinsurance: the surplus claims reserve before insurance means the difference between the estimated final cost of claims at the end of the first year and the actual estimation for a given year of occurrence. The difference is calculated before reinsurance. This definition refers to the first table on page 129.

Expense ratio: overheads as a proportion of premiums.

IAS (International Accounting Standards)/IFRS (International Financial Reporting Standards): IAS/IFRS correspond to all the accounting standards drawn up by the IASB up to 2002[2].

IASB (International Accounting Standards Board): the IASB is a private body that was founded in 1973 by the accounting institutes of nine countries. Its main objectives are to establish internationally acceptable accounting standards, to promote their use and, more generally, to work towards the international harmonisation of accounting practices and presentation of accounts. The IASB comprises 14 independent members.

Indemnification: reimbursement by Euler Hermes of losses suffered by a policyholder as the result of the insolvency of one or more of its customers, provided they are covered by an existing policy.

Index: an instrument used to measure and compare the performance of shares or bonds.

Insolvency: legally recognised incapacity of the debtor to meet his commitments and thus to pay his debts.

Integrated group: a group that owns an exclusive network of subsidiaries that pool their resources and skills to offer uniform service quality and local management.

Interest rate swap: the principle of an interest rate swap is to compare a variable interest rate with a guaranteed interest rate and for the two parties to pay each other the interest rate differentials without exchanging nominal amounts.

Issue premium: in the context of a capital increase, the issue premium is the difference between the subscription value (company valuation) and the nominal value of the capital. The issue premium forms part of a company's shareholders' equity.

Loss ratio: amount of indemnifications as a proportion of premiums.

Loss: situation in which a risk is realised and which entitles the policyholder to indemnification, thus triggering application of the indemnification provided for in the credit insurance policy.

Market capitalisation: this represents a company's stock market value. It is calculated by multiplying the share price by the number of shares comprising the share capital.

Merger premium: this premium is equal to the difference between the capital increase of the absorbing company and the contribution of the acquired company.

PER: the Price Earnings Ratio is the ratio of the share price to earnings per share. It is also referred to as the capitalisation multiple.

Permanent difference: difference between the accounting rules and the tax rules that has no impact on the subsequent year's taxable profit.

Policy: credit insurance contract between Euler Hermes and the policyholder.

Premium: amount paid by the policyholder to his insurer in exchange for risk coverage. A distinction is made between:
- the written premium: the amount invoiced during the period for coverage against the risks stipulated in the policy, and,
- the earned premium: the portion of the premium written during the period or earlier corresponding to the coverage of risks during the period concerned.

Glossary

Prevention: process by which the policyholder can, by using the information provided by Euler Hermes on the creditworthiness of its customers, select its customers and thus reduce its own losses.

Proprietary information: information prepared by group companies and which is owned exclusively by Euler Hermes. It is a measure of the service quality offered to its clients.

Reinsurance: an operation by which an insurer obtains cover from a third party (the reinsurer) for part of the risks that it has guaranteed, in exchange for the payment of a premium.

Risk: object of the insurance, probability of a claim occurring.

RSU (Restricted Stock Units): these are the financial equivalent of bonus share option plans.

SAR (Stock Appreciation Rights): these are the financial equivalent of share subscription option plans (see Share option definition).

Sums recovered: all the sums recovered after payment of a claim when the insurance company is subrogated to the insured's rights to receivables that are insured and have been indemnified.

Share option: share options are options to purchase or subscribe to shares at a given price, which are generally allocated to a company's managers to give them a direct interest in increasing the company's value.

Share: a share is an instrument of title. It confers certain rights: pecuniary rights, rights to information, voting rights and rights over the assets.

Shareholders' equity: total assets owned by a company less all its liabilities.

Solvency margin: regulatory amount to be constituted, in addition to technical reserves, to ensure that commitments towards the group's clients are met.

Sustainable development: launched in 1987 by the Brundtland Commission of the United Nations, this concept is based on the precept that we should "meet the needs of the present without compromising the ability of future generations to meet their own needs". When applied to a company, a sustainable development policy assumes the simultaneous pursuit of three objectives: economic growth, preservation of the environment and social well-being.

Tax reconciliation: explanation of the items making up the difference between the theoretical tax charge calculated using the parent company's tax rate and the actual tax charge recognised in the income statement.

Technical reserves: amount of an insurer's commitments towards its clients. They appear as liabilities in the balance sheet.

Temporary difference: difference between the accounting rules and the tax rules that has an impact on the subsequent year's taxable profit.

Trade receivables management: the suite of services offered to a company covering the collection of receivables, after invoicing to the debtor and up to the litigation phase, where applicable.

AUTORITÉ DES MARCHÉS FINANCIERS
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SUBSEQUENT CHECKS

This reference document was filed with the Autorité des Marchés Financiers (AMF) on April 20th, 2010 in accordance with Article 212-13 of its General Regulations.

It may be used in support of a financial transaction if it is supplemented by a transaction memorandum certified by the AMF.

Copies of this reference document are available free of charge from Euler Hermes, 1 rue Euler, 75008 Paris (France).

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