

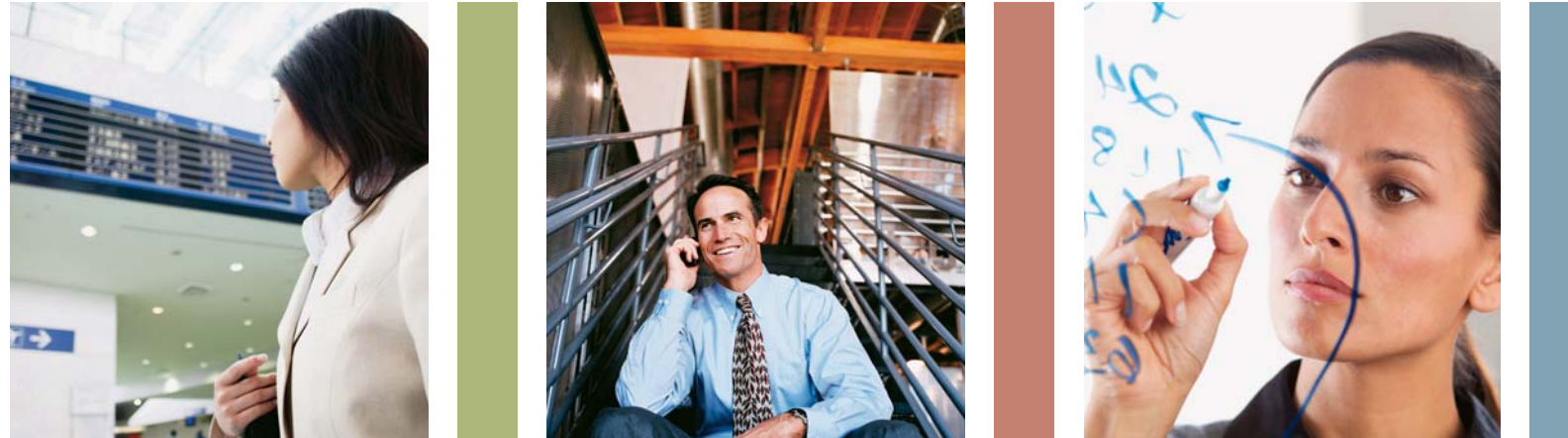
2006 Annual Report

Euler Hermes, a partner for business growth

 EULER HERMES

Euler Hermes

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Euler Hermes,

a partner for business growth

Euler Hermes, the world's leading credit insurance group, has operations in 49 countries and a 35.75% share of the global market*. The group provides three main types of services to businesses: protection against customer insolvency, collection of trade receivables and indemnification of losses. Thanks to its unparalleled risk experience, gained through coverage of 40 million businesses worldwide, Euler Hermes can help clients develop their businesses, from small and medium-sized companies to multinationals. As a subsidiary of AGF and a member of the Allianz group, Euler Hermes has the necessary financial strength to provide long-term support to its clients.

* Source: ICISA – Euler Hermes

“ Our goal is to build lasting partnerships with our clients.”

Clemens von Weichs, Chairman of the Group Management Board, reviews the 2006 financial year and explains why the group has centred its strategy on innovation and service to clients.

Clemens von Weichs

Chairman of the Euler Hermes Group Management Board

How do you view Euler Hermes' performance in 2006?

Clemens von Weichs: We achieved a 4.4% increase in turnover in 2006. Turnover grew by 1% in Western Europe, which accounts for 80% of our business. Our activity grew by nearly 10% in North America and by 25% in emerging countries. In addition, our level of profitability is very satisfactory and we continue to gain market share steadily. Our share of the global market is now almost 36%.

What are the group's main areas of development?

C. v. W.: Our main priority is international development. We have clearly identified our key targets: China and India naturally, but also Russia, Turkey and Latin America. However, these are by no means exclusive. In 2006 we acquired Lumley General Insurance's credit insurance activity in Australia, thus obtaining a foothold in the Australian and New Zealand markets. We shall continue to watch out for any acquisition opportunities that may arise. International reach is essential in our business, as we must be present in all the markets where our clients are developing their business.

We also benefit from significant sources of growth in terms of penetration of our existing markets. We must notably redouble our efforts with regard to small businesses. This means offering simple, appropriate and attractive services, strengthening our ties with banks and exploring new distribution channels.

How do you see the group's performance in terms of service to clients?

C. v. W.: A client satisfaction survey was carried out in 2006 and shows that the great majority of our clients are satisfied with our services. The client loyalty rate is excellent, and the added value provided by our expertise is widely acknowledged. Nevertheless we need to increase our proximity to our clients so as to better take into account their needs and expectations. This prompted us to simplify our contracts at the end of 2006 so as to make them more accessible.

Does improved service quality also imply innovation?

C. v. W.: It is indeed of strategic interest for the development of the Euler Hermes group to position itself as an innovation leader. This means changing the culture

within the company. It is with this in mind that we launched the i2s "Ideas to success" campaign in 2006. The aim is to encourage staff to come up with new ideas for improving our products, services and organisation.

Is staff involvement vital?

C. v. W.: Yes, and we must in turn offer them the best conditions for their professional fulfilment. We must encourage initiative and enable high-performers to accede to posts of responsibility. Our activities demand intellectual ability and have a very international profile. We have the opportunity to become a truly multinational group and must therefore make the most of our cultural diversity. Whatever their country of origin, talented staff must be promoted and allowed to make a concrete contribution to Euler Hermes' development. This is the key to lasting growth.





Jean-Philippe Thierry
Chairman of the Supervisory Board

Sales momentum, risk management, cost control and a higher retention rate enabled Euler Hermes to increase turnover by 4.4% and net income by 14% in 2006.

The global economy grew by a robust 3.9% in 2006 due to strong demand for raw materials and strong growth in Asia (8.6% excluding Japan), in Central and Eastern Europe (6.2%), and to a lesser extent in Latin America (4.8%) and the US (3.4%). Although moderate compared with other regions, growth picked up in the euro zone, still the group's largest market, to 2.6% in 2006 compared with 1.8% in 2005.

Against this background, Euler Hermes turned in an excellent performance for the fourth year in a row. It managed to combine sales momentum, risk management, cost control and an increase in the retention rate. The group thus reported a 4.4% increase in turnover (3.6% at constant scope) to €2,011 million and a 14% increase in net income to €326 million with return on equity of 18%.

All the group's entities made a positive contribution to performance. They continued to record business growth whilst managing risk prudently and keeping costs under control despite an increasingly competitive background.

Euler Hermes' good results consolidate its position as global leader with an increase to 35.8% of its share of the world market. The group has strengthened this position thanks to its excellent understanding of its clients' needs and ability to develop appropriate solutions, its acknowledged expertise, the generation of synergies and the sharing of best practices throughout the group and with its two parent companies.

Euler Hermes' success is above all the fruit of the efforts made by all its staff. Thanks to their commitment and professional attitude, the Group Management Board has been able to implement an ambitious strategy whose results are a credit to the entire staff. The group now has all the strengths it needs to continue its development. The Supervisory Board would like to thank all the staff and the Group Management Board. It shares and backs the group's ambitious goals for 2007 and renews its confidence in the Group Management Board.



Group Management Board
(at 1 January 2007)

- Clemens von Weichs**
Chairman (standing in the centre)
- Dr. Gerd-Uwe Baden**
Member (sitting on the left)
- Nicolas Hein**
Member (sitting on the right)
- Michel Mollard**
Member (standing on the left)

- François Thomazeau**, Vice-Chairman
General Manager of AGF
- Clement B. Booth**
Member of the Management Board of Allianz SE
- Diethart Breipohl**
Member of the Supervisory Board of Allianz SE
- John Coomber**
Member of the Supervisory Board of Compagnie Suisse de Réassurance, SwissRe
- Charles de Croisset**
Company director
- Robert Hudry**
Company director
- Yves Mansion**
Director – General Manager of Société Foncière Lyonnaise
- Laurent Mignon**
General Manager of AGF

Jean-Hervé Lorenzi, censor
Chairman of Compagnie Edmond de Rothschild
Private Equity partners

Management of the main subsidiaries
(at 1 January 2007)

- Belgium:** Jean Luc Louis
- France:** Michel Mollard
- Germany:** Dr. Gerd-Uwe Baden
- Italy:** Jean-François Bellissen
- Netherlands:** Roland Van Malderghem
- Poland:** Eckhard Horst
- Scandinavia:** Lars Gustafsson
- United Kingdom:** Richard Webster
- United States:** Paul Overeem

Management of cross-group functions
(at 1 January 2007)

- Denis Blitman:** Information Technology
- Philippe Bastié:** Credit Risk & Debt Collection
- Benoît des Cressonnières:** Reinsurance, Investor Relations & General Secretariat
- Jean-François Decroocq:** Risk Management
- Raphaële Hamel:** Communications
- Nicolas Hein:** Finance & Accounting
- Louis Hofmeijer:** Sales & Marketing
- Francis Lallemand:** Audit
- Ludovic Sénécaut:** Strategy
- Elizabeth Sféz:** Human Resources

History

1893	1917	1918	1927	1929	1989	1992	1996	1998	1999	2000	2002	2003	2004	2005	2006
Creation of ACI in the USA	Creation of Hermes Kreditversicherung in Germany	Creation of Trade Indemnity in the United Kingdom	Creation of SFAC in France and SIAC in Italy	Creation of COBAC in Belgium	Formation of the holding C ^e Financière SFAC. Creation of the Royal Nederlandsche Kredietverzekering in the Netherlands	First co-operation agreement between SFAC and Hermes	AGF acquires majority in shareholding of SFAC, then re-named Euler. Allianz acquires majority shareholding of Hermes	Allianz acquires the majority shareholding in AGF	International co-operation agreement between Euler and Hermes	Euler listed on the Paris stock exchange	Euler acquires Hermes	The group and all its subsidiaries adopt the name Euler Hermes	Sales of the 49,09% stake in Eurofactor to Crédit Agricole. Further global expansion: Finland, Greece, Portugal, Morocco	Further international expansion in Russia, India, the Baltic States and Turkey	Further international expansion in Ireland, Australia, New Zealand, Argentina and UAE

Key figures

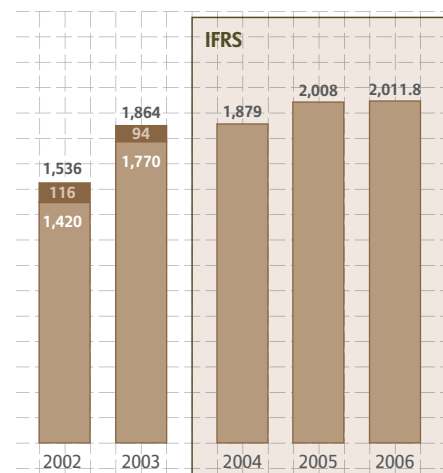
2,012 M€ consolidated turnover in 2006

67.3% net combined ratio in 2006

5,498 employees worldwide

RATED AA- by Standard & Poor's (July 2006)

800 billion euros of business transactions protected



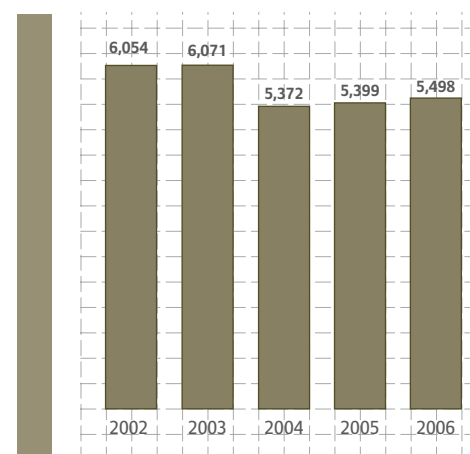
Consolidated turnover

IN MILLIONS OF EUROS

- Factoring
- Credit Insurance

Turnover increased by 4.4%* (3.6% pro forma at constant exchange rates). This increase resulted from dynamic growth in business in the group's traditional markets and the efforts made to develop in new markets. Average growth in these new markets was 43.4% (25.6% pro forma).

* In application of IFRS, the presentation of turnover changed in 2006: premiums refunded to policyholders are now deducted from premiums and no longer recognised under cost of claims.

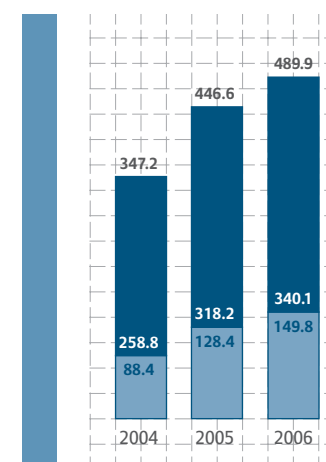


Number of employees*

AT 31 DECEMBER

The number of employees was up slightly at 31 December 2006. The breakdown between men and women is now perfectly balanced at 50%.

* Employees of associated companies are included at 100%.

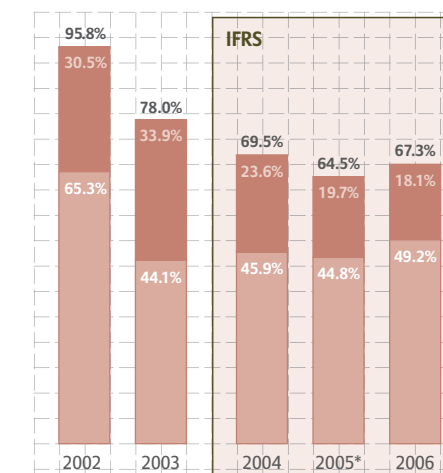


Operating income

IN MILLIONS OF EUROS

- Operating income before financial income
- Net financial income

Operating income increased by 9.7% thanks to strong growth in net premiums, following the rise in the retention rate, positive claims experience and tight control of general expenses. The good performance of financial markets paved the way for an increased contribution from financial income.



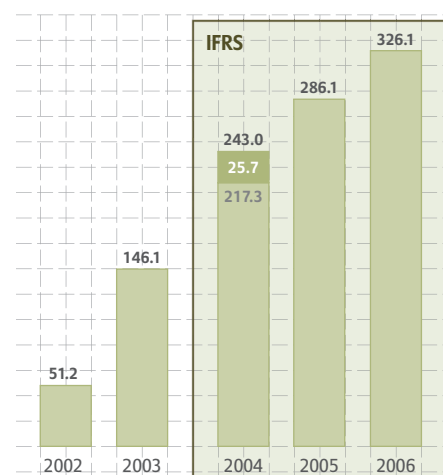
Net combined ratio

(AS A % OF EARNED PREMIUMS, NET OF REINSURANCE)

- Loss ratio
- Cost ratio

The improvement in the net combined ratio is explained by the fall in the expense ratio resulting from enhanced cost control and better reinsurance terms and conditions. The net loss ratio increased, due mainly to a reduction in liquidation surpluses on prior years.

* The presentation of these figures has undergone two modifications: premiums refunded to policyholders are now deducted from premiums and no longer recognised under cost of claims. Other non-technical income and expense, with the exception of that relating to buildings used in operations, are excluded from the combined ratio. The 2005 figures have been restated to take into account these changes.

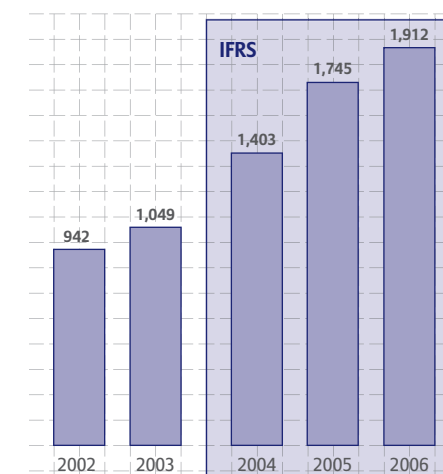


Consolidated net income

IN MILLIONS OF EUROS

- Net result of discontinued activities
- Results excluding discontinued activities

The excellent trend in the combined ratio together with an increase in the group's retention rate contributed strongly to the 14% increase in net income, group share.



Shareholder's equity

IN MILLIONS OF EUROS

Return on equity came to 18%, thanks mainly to the increase in net income, group share.

Highlights in 2006

INAUGURATION

Acquisition of Allianz's credit insurance business in Ireland

10 October. Euler Hermes acquired the credit insurance activity of Allianz Ireland and opened a new office in Dublin, inaugurated by the Irish Minister for Enterprise, Trade and Employment. The portfolio of written premiums comes to around €10 million. A separate office in Belfast will cater for clients in Northern Ireland. Ireland ranks among the fastest-growing OECD countries in recent years with growth of around 5%.



RATING

S&P confirms AA- rating assigned to Euler Hermes

18 July. Standard & Poor's confirmed the AA- rating assigned to Euler Hermes and its main subsidiaries in 2005. "This rating reflects Euler Hermes' excellent competitive position as well as its good results and strong capitalisation", according to Standard & Poor's.



The group strengthens its position in the Pacific

22 July. Euler Hermes gained a foothold in Australia and New Zealand when it acquired Lumley General Insurance's credit insurance activity. The insurance portfolio stands at around AUD7 million, corresponding to around €4 million. The local credit insurance market is estimated at around €100 million. This acquisition strengthens Euler Hermes' position in the Pacific region, which recorded dynamic economic growth of more than 5% in 2006.

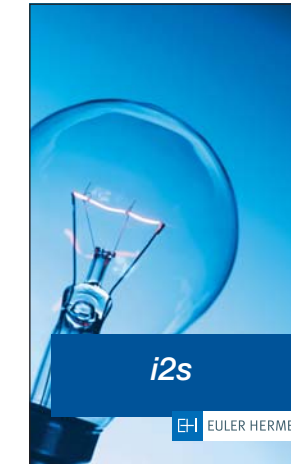
RESEARCH STUDY

Further proof of the added value of credit insurance

6 November. The Leeds University Credit Management Research Centre published a survey of 2,000 businesses in 10 European countries. It found that credit insurance helps to protect companies' cash flow and earnings. According to the survey, a business covered by credit insurance can save up to 1.38% of annual sales in trade receivables management costs. Credit insurance therefore has a considerable financial impact for businesses and it also enhances relationships between a business and its partners, such as banks and suppliers.

Credit insurance supports companies' profitable growth

An independent research study of 2,000 businesses in 10 European economies



INNOVATION

Euler Hermes launches i2s, a campaign designed to stimulate innovation

16 October. Euler Hermes officially launched *Ideas to success (i2s)*, an Allianz programme designed to stimulate innovation at all group companies. All Euler Hermes staff are involved in the project which aims to encourage new ideas for improving service to clients, products and operating structures.

LATIN AMERICA

Partnership with AGF in Argentina

1 January 2007. Euler Hermes started operating in Argentina on 1 January 2007 with the official opening of an office in Buenos Aires. The group will operate in partnership with its parent company AGF. This is the third Latin American country in which Euler Hermes has set up operations.





Our core businesses: credit insurance

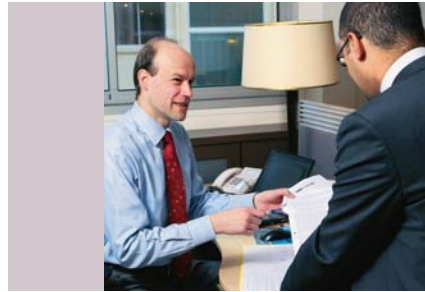
A solid leader in its market

By monitoring millions of companies worldwide, Euler Hermes helps its clients to trade securely. It provides three key services: risk prevention, collection of trade receivables and indemnification of unpaid receivables.

Credit insurance plays a key role in developing trade by protecting businesses against customers' insolvency. It enables insured companies to protect the trade receivables on their balance sheet and reduce the risk of bankruptcy. Around one quarter of all business failures are due to payment default by a customer. With operations in 49 countries on all five continents, Euler Hermes is the global leader with nearly 36% of the total credit insurance market*. The group insures more than 56,000 client businesses against the risk of customer insolvency, from small and medium companies to multinationals. All in all,

it protects some €800 billion of trade transactions. To this end, Euler Hermes places the emphasis firmly on prevention. The group has built a network of analysts that monitors the financial solidity of 40 million businesses worldwide, resulting in data that is unparalleled in terms of scope and quality. Euler Hermes' financial strength, with an AA- rating from Standard & Poor's, is additional proof of solidity for its clients.

In 2006, Euler Hermes posted a turnover of €2.012 billion, up by 4.4%. Turnover grew by 1% in Western Europe, the group's traditional market, and by 10% in



North America and more than 25% in emerging markets.

Flagship services for risk-free growth

The policies offered by Euler Hermes are designed to ensure safe business growth for its policyholders. They therefore comprise three main types of service to respond to the risk all businesses incur in respect of their customers.

Risk prevention is the first service. By monitoring the financial health of millions of companies, Euler Hermes' staff has in-depth knowledge of the financial and economic situation of countries, sectors of activity and potential buyers. This information enables Euler Hermes to protect its clients against the risk of insolvency and protect their business growth.

Collection of trade debt in the event of non-payment of an invoice. The group puts its negotiating capacity and knowledge of local debt collection practices at the service of its clients in all the countries in which it operates. In 2006, Euler Hermes launched an IT

project designed to standardise its collection methods worldwide. This project, called Convergence, will extend best practices identified at subsidiaries to all group companies.

Indemnification of losses in the event of buyer insolvency. Euler Hermes indemnifies the policyholder according to the conditions agreed in the contract. The client can thus protect its cash flow and profitability. Euler Hermes' capacity to pay claims guaranteed by its financial strength, reflected in the AA- rating assigned to the group by the independent rating agency Standard & Poor's.

In addition to these three flagship services, Euler Hermes provides: **trade receivables financing**, for which the group created Eolis Services Premium, an online service that enables insured businesses to inform the banks of the percentage of credit insurance cover on each invoice. The service **Bonding and Guarantees** provides clients with an alternative to a bank guarantee. **Debt collection services.** For any size of commercial debt Euler Hermes can provide debt collection services to non-insured companies.

* Source : ICISA – Euler Hermes

“ The group insures more than 56,000 client businesses against the risk of customer insolvency ”



Outlook

Significant decrease in business failures

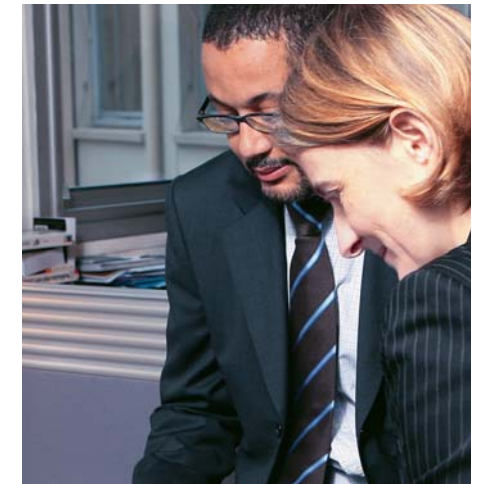
Business failures worldwide diminished by 9% in 2006. This positive trend was the result of two factors: stronger-than-expected

global economic growth and a record decrease of 30% in US corporate failures. On average corporate failures declined by 4% in Western Europe. The decrease was 13% in Germany, due notably to the strong rebound in exports. In France, claims declined by 4%. At the same time, country risk, measured in terms of economic

uncertainty and political tensions, stabilised in 2006 after three years of improvement. Euler Hermes lowered the ratings of six countries – Ukraine, Lebanon, Iceland, Iran, Bolivia and the Fiji Islands – and raised the ratings of five other countries: Cameroon, Macao, Bhutan, Uruguay and South Korea. Globally,

almost 50% of countries are rated in the bottom two levels out of a scale of six. These countries account for 10% of world GDP. For 2007, Euler Hermes is forecasting a rise in country risk linked to the slowing of the global economy. Business failures are expected to increase by 4%.

Risk underwriting expertise, unparalleled know-how



Euler Hermes' analysis of trade risk is based on ongoing assessment of country risk and on the monitoring of companies in the field. This research produces unique data with strong added value.

The analysis of trade risk is the leading source of added value for Euler Hermes' clients. This expertise, based on a combined macro and micro approach, is at the heart of the credit insurance business. The macro approach measures country risk in a globalized trade environment, the micro approach consists of closely monitoring the financial strength of 40 million businesses worldwide.

Rigorous assessment of country risk
The group's international organisation

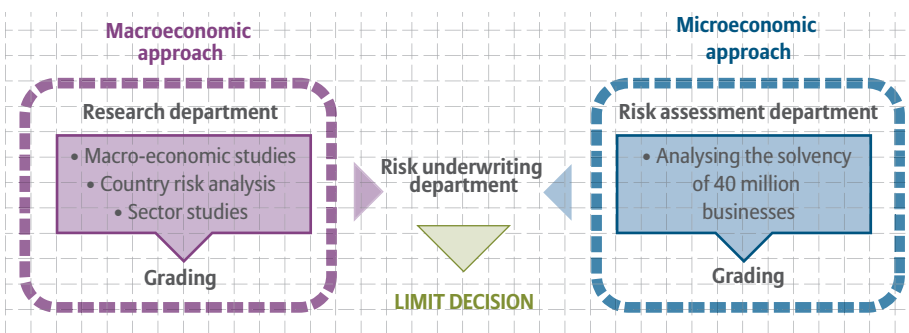
reflects both these dimensions. The macroeconomic analysis based in Paris, London, Hamburg and Baltimore (US) involves several teams of analysts. Some are dedicated to analysis of economic conditions in developed and emerging countries. The emphasis is on assessment of all risk factors, political or other. A rating is then attributed to each country, measuring risk on a scale of six. Another team specialises in analysis of sectors of activity. Lastly, a team of actuaries quantifies the risk based on all the information gathered.

Assessment of business in the field
The analysis of businesses is carried out in the field. Euler Hermes has a vast network of data-gathering offices spread throughout the world. Four hundred analysts visit companies regularly, examine their financial statements, and meet their management and financial decision makers. They are familiar with local law and the culture of the countries in which they operate and understand how these factors can affect access to information. This analysis results in a grade from one to ten. The lowest grade corresponds to a minimal risk of insolvency. Each grade represents the same level of risk for each of the countries and business sectors concerned.

A tailored credit decision
The credit limit decision, which determines the amount of trade receivables covered for each Euler Hermes client, is the responsibility of the risk underwriters based on the information provided by the analysts and on the conclusions of

macroeconomic reports. The risk underwriters are in regular contact with the clients and explain the basis for their credit decisions. This structure is particularly efficient in terms of the speed and quality of response: our underwriters responded positively to 75% of credit limit requests in 2006.

Converge micro and macro economy



Staff experiences

“A service adapted to the client's needs.”

The risk business model. “It is based on the concept of ‘proximity’. Our decisions are based on detailed knowledge of the local environment. Euler Hermes has a global network of risk assessment offices interconnected by a shared underwriting platform. In this way, the data collected is available immediately throughout the group”.

The Risk Department. “Our clients expect us to help them develop their trade throughout the world. To do this, we must be capable of providing them with cover and information that enables them to target solvent buyers and avoid those that are too risky. This assistance is vital for clients that export to risky market or markets they are not familiar with.”

Differentiation. “Euler Hermes stands out for the scope of its global network, the quality of the information collected, the skills of its underwriters and its integrated systems. We think a locally-based model such as ours is far more efficient than a centralised model.”

Paul Flanagan,
Euler Hermes Risk Manager at Euler Hermes United Kingdom

A newly-strengthened presence in new markets

In 2006, Euler Hermes opened 4 new risk offices in the United Arab Emirates, India, Ireland and Turkey. These investments help increase the efficiency of the exclusive data gathered and the control of cover extended to business transactions in strongly developing countries. The excellence of the *Risk Business Model* is reflected in rapid response time and optimised acceptance rates.



Group presence spanning the globe

An international strategy

From its strong base in Western Europe – its home market – Euler Hermes has expanded throughout the world to accompany the globalization of trade. This enables it to meet clients' demands while at the same time benefiting from significant economies of scale.

With operations in 49 countries on all five continents, Euler Hermes is firmly positioned as a global credit insurance group. The group has expanded by integrating the national leaders in existing credit insurance markets, particularly in Western Europe and North America, and by creating subsidiaries in other markets. Thanks to this strategy, Euler Hermes now has the most extensive international coverage and the most

suited to meet the needs of companies in national and international markets.

Responding to new market needs

This strategy responds to the globalization of trade. In recent decades, growth in international trade has exceeded growth in world GDP. Since 2004, global trade has grown twice as fast as GDP, at 7% to 10% a year.

This situation opens up enormous growth possibilities for businesses, entering new



markets, but it also increases their trade risk. Businesses are being forced to adapt constantly to new business practices and to economic environments that they are not familiar with. It is to cover these risks that Euler Hermes expands in all the markets entered by its clients. The group thus contributes to protecting trade and, by doing so, helps its clients achieve profitable and lasting growth.

Building an effective growth strategy
At the same time, Euler Hermes' growth strategy follows a logic specific to its own sector. Credit insurance is a business with significant economies of scale and which requires critical size in order to be efficient and profitable. Producing quality proprietary information on

40 million businesses calls for considerable research resources and involves high fixed costs. A global approach means this research can be optimised by enabling several clients to benefit from the same information and insuring them against the same risk.

New sources of growth
In Western Europe, Euler Hermes' home market, growth in activity is around 2% to 3% a year, in line with GDP growth. The group generates 80% of its turnover in this market and is the uncontested leader, with all the economies of scale that this implies. A very profitable market, Western Europe enables the group to finance its expansion into new growth regions, which accounted

for nearly 10% of total turnover in 2006 and are recording double-digit growth.

In addition to the United States, the main new sources of growth include Brazil, Mexico, China, India, Russia and Turkey. Euler Hermes began operating in these last four countries in 2005. At the same time, it is consolidating its positions in Eastern Europe and extending its global reach by entering new markets (Dubai and Argentina in 2006) and through acquisitions (Australia, New Zealand and Ireland in 2006). Euler Hermes is thus taking the necessary steps to accompany its clients wherever they trade and to respond to changes in world trade flows.



“ Thanks to this strategy, Euler Hermes now has the most extensive international coverage ”

Outlook

Booming trade flows

International trade grew by 9% in 2006, at a considerably faster pace than global GDP (3.9%). The momentum in world trade is due notably to strong demand for raw materials – e.g. oil, minerals, steel, – from Asia. At the same time, the additional revenues

received by commodity-producing countries have boosted trade. Asia continued to be the main engine of growth in 2006 with average growth of 8.2% (excluding Japan). Asian countries also led the way in terms of foreign trade with 18% growth in export volumes, twice as high as growth in world trade. Germany and Japan also ranked among the winners, thanks to a strong rebound in demand

for capital goods. Note that China became the world's second largest exporter in 2006, behind Germany but ahead of the US. Chinese exports have grown fourfold in the past five years. Eastern and Central European countries also did well with an increase of more than 10% in exports and GDP growth of 5.6%, lower than that recorded in Asia but ahead of Latin America (4.3%),

the United States (3.4%) and, above all, the euro zone countries (2.4%). With the exception of Germany, the euro zone countries were hurt by the fall in the prices of manufactured goods, which still account for three quarters of goods traded.

An overview of the group's network



Although Euler Hermes still generates 80% of turnover in Western Europe, the group's operations in North America and in new markets are recording double-digit growth and this is expected to continue over the coming years.

Western Europe. This region, which represents four fifths of the global credit insurance market, is Euler Hermes' home market. The group is the market leader with turnover of €1.60 billion. Activity grew by 3.1% in the euro zone in 2006 despite the difficult macroeconomic conditions for the largest euro zone countries and heightened competition in the credit insurance market. Euler Hermes managed to maintain profitability by focusing on improving service to clients and completing its coverage of the market. In 2006, the

group acquired Allianz's credit insurance business in Ireland from its parent company.

Central and Eastern Europe and Switzerland. Euler Hermes has rapidly achieved solid positions in the new EU member states and notably in the largest, Poland and in Switzerland, where the group has become the market leader. While the turnover generated in these countries is still modest – a little more than €100 million – it is growing rapidly, up by around 20% in 2006. Further East,

Russia has become one of Euler Hermes' main targets. The group entered Russia with a local partner, Rosno, in 2005.

North America. Long considered a niche market in the US, credit insurance has been attracting growing interest in recent years. The United States and Canada now constitute Euler Hermes' fifth-largest market with turnover of USD215 million in 2006. The oldest credit insurance company in the world, Euler Hermes ACI has a 36% share of the market and is recording average annual growth of 10%. This performance has been achieved by notably strengthening the distribution network and introducing new services in 2006.

Latin America. Credit insurance is new to this region. By starting operations in Mexico and Brazil in 2002 and 2003 respectively, Euler Hermes has helped develop these markets and is now reaping the benefits with growth of around 20% a year. Turnover in 2006 reached USD15 million. The group

started operating in partnership with AGF in Argentina in January 2007. Euler Hermes now covers 80% of the Latin American economy.

Asia - Pacific. The group has long been present in Hong Kong and Singapore, two bridgeheads that enabled it to serve its clients in Asia. With the support of Allianz in 2005 it opened offices in China and India, two giant economies that are beginning to discover credit insurance. While Asia continues to be a tiny market at group level, turnover in the region is nonetheless growing fast, up by 24% to €24 million in 2006. In the Pacific region, the group started operating in Australia and New Zealand during the year.

Our clients say

DAIMLERCHRYSLER AUTOMOTIVE

“Euler Hermes adapted its insurance policies to cater for our specific needs”

What prompted DaimlerChrysler Automotive Polska to call on the services of Euler Hermes?

“First we took into account the reputation and size of Euler Hermes in Poland. Both reflect extensive experience and genuine expertise in the credit insurance sector. Moreover, Euler Hermes' offer turned out to be very flexible and easy to understand compared with the competition. Euler Hermes also offered a customised approach for each of our business activities. Euler Hermes works with DaimlerChrysler in many parts of the globe.”

What type of services were you looking for?

“We wanted an insurance policy that included debt collection. However, collection should not begin without our consent and should respect our business culture.”

What were you expecting from Euler Hermes?

“DaimlerChrysler offers its customers top-quality products and services. We expect no less from our own suppliers. In the specific case of credit insurance and debt collection, Euler Hermes offered us the service quality we were looking for while adapting its policies to our specific requirements and allocating competent people to each service.”

Rafał Perzanowski,

Credit Risk and Treasury Manager at DaimlerChrysler Automotive Polska Sp. z o.o.

New business units for winning new markets

Euler Hermes continued to expand its global network in 2006. In Western Europe, where its geographic coverage was already dense, it acquired a new subsidiary in Ireland and opened a new office in Lugano in Switzerland. The bulk of its investments nonetheless focused on emerging countries. In 2006 the group set up its first Middle East operation in Dubai. In Latin America, it added to its network in Mexico (Monterrey) and Brazil (Porto Alegre). At the beginning of 2007 it inaugurated its first office in Argentina in Buenos Aires. In Asia-Pacific, Euler Hermes this year acquired the credit insurance activities of a company in Australia and New Zealand.



Client satisfaction, an engine of growth

Adaptability and flexibility, the keys to success

As a multinational, Euler Hermes implements an approach that is both local and global. The group defines a common structure, including information systems, to ensure the same service quality in all parts of the world. At the same time, it acknowledges local requirements and adapts its services to the needs on the ground.

Credit insurance caters for companies of all sizes. Small and medium-sized businesses figure alongside multinationals in Euler Hermes' 56,000-strong client base. Euler Hermes is constantly attentive to the needs of all its clients and offers services that take into account the size and organisation of each business as well as the level of risk incurred.

A response to global issues

For international companies, Euler Hermes has an offering that is both global and adaptable to the needs of each business: the *World Policy*. Launched in 2004, this product has been rolled out at all the group subsidiaries. It enables the

insured company, whatever its country of origin, to benefit from the advantages of centralised negotiation, and from the advice and assistance of a single account manager responsible for the global contract. This personalisation of client relations reflects Euler Hermes' constant commitment to improving the services provided.

An offer adapted to local needs

The group gives the same care and attention to small companies, adapting its services in order to provide the same added value. All policies take into account the specific constraints of the local culture. The emphasis is on



simplicity whether in terms of procedure, legal information or the online calculation of insurance premiums. Developed first in Western Europe, the offer to small and medium-sized enterprises (SME) has been gradually extended worldwide.

A standardised service at world level
Euler Hermes' service quality is based on the capacity to provide the same level of service everywhere in the world, regardless of the size of the insured business. To this end, the group has put in place standardised procedures to speed up credit acceptance decisions, facilitate management of policies via the Internet and, in the near future, align debt collection procedures on best practices throughout the group.

IRP, a highly efficient information system
Risk analysis and management are underpinned by an integrated information system called IRP (*Information, Risk, Policy*), which has been rolled out progressively since 2002 at all subsidiaries. The IRP databases contain

all the data collected relating to the 40 million companies monitored by Euler Hermes and associate this data to underwriting decision tools. It is notably IRP that enabled the group to respond to 80% of clients' requests within 48 hours.

In 2006, the system was rolled out in Germany, Euler Hermes' largest national market, marking a significant step forward in the consolidation of the group's business model. Switzerland was integrated in 2006 and then, Sweden, Norway, Denmark and Finland at the beginning of 2007. Poland, Slovakia, the Baltic countries and the new subsidiaries in Ireland, Australia and New Zealand are scheduled to follow suite in the near future. IRP will have been rolled out at all business units by the end of 2007, which will enhance Euler Hermes' competitive edge and enable it to offer an even more efficient service.

Eolis, ever closer to our clients
To facilitate and accelerate contact with clients, Euler Hermes has developed an online policy management application,

Eolis. This enables policyholders to view their risk and cover in real time and to apply for credit limits online.

Convergence, a dedicated debt collection project
Lastly, in the area of claims management and debt collection, Euler Hermes launched the *Convergence* project in 2006 aimed at harmonising practice at all subsidiaries. These practices are generally closely linked to the local legal and trade environment. In its first phase, the *Convergence* project will enable practices to be compared before integrating the new guidelines into a single information system, which will be the equivalent of IRP in the area of debt collection. The objective is to start rolling out the system in Germany in 2008.



Outlook

Credit insurance – impact on business development

The Leeds University Credit Management Research Centre carried out a survey in 2006 of 2,000 businesses in 10 European countries. The survey looked at practices

in the area of trade receivables management and the impact of credit insurance.

The survey confirmed, first of all, the significant weight of trade receivables in a company's financial management. Of the companies surveyed, 83% declared that they extended payment

facilities to their customers. They estimated the proportion of trade receivables in balance sheet assets at between 30% and 35%. A situation of even greater vulnerability in that 98% of the companies surveyed said they had experienced late payments. To reduce risk, 64% called on outside providers for assistance in analysing customer risk. The survey underlined the benefits of credit insurance in this respect. As well as reducing the risk of non-payment, credit insurance facilitates access to bank financing: 49% of insured

businesses obtained a bank loan in 2005 compared with 34% of uninsured businesses. The average interest rate for insured business was 3.5% compared with 3.95% for the others. Lastly, 90% of businesses with credit insurance cover were able to obtain credit from suppliers compared with 73% of uninsured businesses. Overall, the survey shows that a business with insurance cover can save up to 1.38% of sales in trade receivables management expense. Credit insurance therefore has a significant positive impact on the business as well as enhancing relations with all its partners.

A client-oriented strategy

Improving client satisfaction is Euler Hermes' top priority. Its goal is to build genuine partnerships with the businesses that use its services and to further strengthen the client loyalty rate, which currently stands at 90%.

In 2006, Euler Hermes carried out an international survey of its 3,893 clients. This survey showed that the satisfaction rate had risen since the previous survey in 2004, from 75% to 81%. Also, 81% of clients said they are ready to recommend Euler Hermes' services compared with 67% in 2004. Questioned on their relationship with Euler Hermes, the majority described Euler Hermes as a good 'service provider'. Euler Hermes would like to go further and build a genuine partnership with its clients.

Encouraging innovation

With the support of Allianz, Euler Hermes in 2006 launched a long-term programme to foster innovation. This programme is designed to make the group still more innovative and ensure that it is acknowledged as such by clients and its environment, in order to consolidate its position as global leader in credit insurance.

Centred on the i2s project (*Ideas to success*), the programme relies on the participation of all the staff, either via

unsolicited proposals or in response to requests. A first campaign to promote innovation was launched in October 2006 around the theme "How can we best stand out from the competition in our clients' eyes?". Six hundred suggestions were made in the context of this campaign. Capitalising on these proposals and a continuing drive to promote innovation internally will lead to a gradual change in the group's culture, which will contribute to long-term growth.

Distribution channels

Euler Hermes markets its services via four main channels: independent brokers, who manage more than half of the client portfolio, banks and insurance companies, which cater more particularly for small and medium-sized businesses and lastly, a network of sales staff that Euler Hermes has added to in recent years. As an example, the goal for the near future in North America is to double the sales force, currently 150 employees so as to consolidate the group's lead in this region. In Europe, around one third of the group's employees work in sales and marketing.



Our clients say

LG ELECTRONICS

"More than just an insurer, a genuine partner"

The choice of Euler Hermes. "LG Electronics was looking to increase its business in emerging markets, notably in Russia. Euler Hermes provided vital information on the Russian companies and enabled us to take risks in this market in all security. Euler Hermes is more than just an insurer for us; it is a partner that now assists us in other countries such as the United States".

Features. "LG Electronics has taken a global approach to credit insurance in order to rationalise practices at each of its subsidiaries. Euler Hermes' *World Policy* facilitated this harmonisation while retaining the necessary flexibility to adapt to local particularities. We can benefit from better bank financing conditions thanks to our credit insurance cover."

Customer service. "Euler Hermes has an integrated database that provides us with a good level of coverage. The group understands the language and culture of our subsidiaries. At the same time, the credit limit decision can go to the central level. Euler Hermes has therefore shown itself to be a local partner with global expertise."

Daniël Göbel,
Manager of Insurance & Risk Management, LG Electronics

Responsible and sustainable development



A new approach to human resources

Fully aware of the vital role of staff skills and commitment in a company's success, Euler Hermes implemented a proactive human resources action plan in 2006. This plan places the emphasis on training, international mobility and harmonisation of practices throughout the group.

2006 marked a turning point in Euler Hermes' human resources strategy. The group has adopted a proactive strategy that has resulted in implementation of an ambitious action plan as part of the deployment of the group's "leadership values" (see box). The human factor plays a determinant role in credit insurance, which is a high added value service business. In Euler Hermes' case, with operations in 49 countries, the human resources policy must be able to create a genuine corporate culture while preserving the group's cultural diversity.

Three key guidelines

Euler Hermes' human resources policy has three main objectives; to develop the skills of its 5,500 employees, to foster cultural diversity and a team spirit. This means increased dialogue between staff and their management, between the various businesses departments and between the holding company and its subsidiaries. Management by objectives has been extended to the whole group. Development plans for high-potential staff have been introduced. Some 15 key indicators, analysed each

Promoting Allianz's leadership values

The Allianz group, of which Euler Hermes is a part through its parent company AGF, has defined five "leadership values". To increase the group's competitiveness over the long term, it must:

- Ensure consistency between its strategy and its communication,
- Promote a high-performance culture,
- Focus on its clients,
- Facilitate its staff's development, and
- Build on mutual trust and shared experience.

These values naturally apply to Euler Hermes and, given its international profile and diversity, have already been adopted by its staff. Trust, consistency and shared objectives are the necessary bases for working in an international and decentralised group. They are the determinant factors of the success of Euler Hermes' business model.

year, are used to assess the level of achievement of the human resources department's objectives.

Training for all

Euler Hermes has undertaken initiatives to favour access to training for all staff, above and beyond that required by law in certain countries. Several subsidiaries have developed original approaches. Euler Hermes Belgium has set up a training academy to encourage the sharing of knowledge within the company. Euler Hermes UK has also set up a training academy for all its training requirements as well as a resource centre that provides staff with all the training tools they might need. The company also recently finished a leadership programme with a reputed business school, which was attended by all managers. The group has also stepped up its own training programmes, with team building and management development seminars organised by function (IT, finance, risk, etc.). In certain fields, particularly in the areas of analysis and underwriting, qualifying training courses (Euler Hermes certificates) have been created in order to validate the acquisition of skills. Fifty-one risk department employees attended these courses in 2006.

Euler Hermes also benefits from the training policy implemented by Allianz. In 2006, 45 executives took part in

Allianz Management International training institute programmes on a variety of subjects ranging from innovation, risk management, finance, leadership development, and international project management to operational excellence.

Valuing international experience

Guidelines for career plans leading to key management posts have been drawn up. International experience within Euler Hermes, whether in a post abroad

or as part of an international project, is now a prerequisite for advancement (see opposite).

Identifying potential

The leadership programme is designed to identify and put to work all the best potential within the Euler Hermes group. The group is now giving priority to internal working groups of high-potential staff to study new strategic directions and developments.

Outlook

Encouraging international mobility

As a multinational in the purest sense of the term, Euler Hermes faces a major challenge: to cement a recently created group whilst respecting cultural diversity. To this end, the action plan implemented in 2006 places great emphasis on employees' international experience.

Human resources managers at all the subsidiaries will feed a database listing all the staff that might be interested by a post abroad. They will meet once a month to discuss new posts and the possible candidates.

The follow-up of expatriate employees has been enhanced. The employee's original employer draws up a follow-up plan for the person concerned covering the entire secondment to the foreign company as well as his return. The host company draws up an integration plan for the employee.

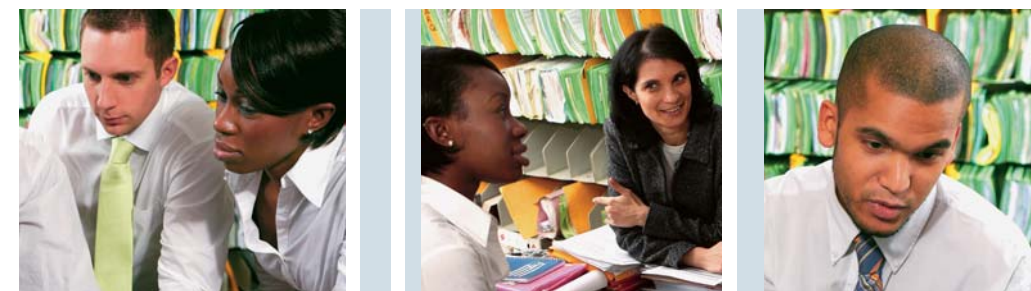
Euler Hermes also has a job swap system that enables employees to work for another group subsidiary for periods of two to three years or even just for a few months. Furthermore, the newly launched International Junior Programme will enable the group to hire young staff each year whose first or second posting will be abroad.

A responsibility towards its environment

Euler Hermes not only has a responsibility to its clients, employees and shareholders, but also to the society in which it operates. This responsibility is reflected in its commitment in favour of local communities.

Since the group was founded, Euler Hermes subsidiaries and their staff have been encouraged to get involved in their communities. This commitment most often takes the form of assistance to ill and disabled people, children and impoverished nations. Some examples of community service projects in 2006:

- At Christmas each year, Euler Hermes Belgium donates to projects for disabled children. In 2005, it helped an association involved in training and apprenticeships for disabled children and young adults to acquire computer equipment. Lastly, in 2006, it made a donation to Apedaf, an association for deaf and hard-of-hearing children.
- In September 2006, Euler Hermes SFAC organised a day-long event called "Run and Bike" in the Paris region. Several dozen employees participated, thus raising funds for *Le Rire Medecin*, an association that entertains and amuses hospitalised children.
- In the US, the staff of Euler Hermes ACI (USA) can contribute, on a voluntary basis, to a programme of aid for the Johns Hopkins Children's Center in Baltimore, either through monthly contributions debited from their salaries or with annual donations. A number of staff participate in the Johns Hopkins Radiothon fundraising event.
- In Hungary, Euler Hermes invited its clients to a jazz concert organised by the "Children are our lives" foundation at the Academy of Music in Budapest in October. The funds raised were used to purchase equipment for ambulances



and for the children's wing of the Szent Laszlo hospital.

• Since 2005, Euler Hermes SIAC (Italy) has been working with the Kenyan-based medical and research association AMREF. This partnership has enabled the financing of a village well in East Africa

and the building of two fully equipped classrooms.

• In the Czech Republic, Euler Hermes joined with the association *Hand for Help* to raise funds for a mobile medical unit and an ambulance for the regions of Pakistan affected by the earthquake in 2005.

Staff experiences

"Making the most of our cultural diversity"

"I joined Euler Hermes in London in 1996 as an underwriter after having spent a year with Allianz in Munich. In 2000 I moved to Hong Kong where I was responsible for developing a network of operating partnerships in the larger Asian countries. In September 2006, I came to Hamburg, Germany, where I coordinate the Asia-Pacific activities, including the integration of the recently acquired Australian and New Zealand activities.

One of the main challenges, but also one of the main opportunities for Euler Hermes, is to make the most of the group's diversity, whether geographic, cultural or organisational. We must identify and reconcile the contradictory needs and expectations of people who approach the same subject very differently. One of the key factors of a successful global strategy is the capacity to rethink and reorganise our activities at any time, so as to remain constantly one step ahead. This must be achieved while at the same time analysing local trends very closely."

Matthew Ellerton,

Country Manager, international networks, Euler Hermes Germany

A long-term relationship with clients and shareholders

Euler Hermes has built a long-term relationship with its clients and shareholders based on dialogue, ethics, rigour and transparency.

By securing business transactions throughout the world, Euler Hermes contributes to its clients' profitable growth and optimises the investment of its shareholders. The group's commitment to clients and its shareholders is based in particular on irreproachable business practices and constant dialogue. Euler Hermes' employees are constantly attentive to clients' needs so as to develop the most appropriate services. At the same time, the group works unceasingly to extend

its knowledge of each business sector and all the corresponding players. By systematically gathering detailed and exclusive information, the group can identify the risks incurred by its clients very early on and guide their response. By anticipating and responding rapidly, the group provides the security its clients need to develop their business. The same transparency, rigour and ethics underpin Euler Hermes' commitment to its shareholders. The capital allocated to the group by its main

shareholders, AGF and Allianz, and by the public, is a mark of their confidence and a resource that must be developed and made profitable. Euler Hermes commitment to this task is reflected in its long-term development strategy. The group Management Board and Supervisory Board, and the various associated committees (audit committee, remuneration and appointments committee, finance committee), set ambitious targets and take full responsibility for their strategic choices. The visibility conferred by Euler Hermes' stock market listing contributes to promoting credit insurance to business leaders throughout the world.

during 2006 reflecting investors' growing interest in the share. Average daily trading volumes increased in 2006 to €4.3 million, corresponding to 46,401 shares at an average price of €93.06.

With the support of its majority shareholder AGF, a member of the Allianz group, and of its minority shareholders, Euler Hermes will strive unceasingly to develop its insurance business and services throughout the world, whilst preserving its margins. The group's strategy of carefully reasoned development and risk taking will enable Euler Hermes to keep profitability high in the common interest of all its partners.

Share price performance

Euler Hermes share price relative to the SBF 120 index in 2006



Euler Hermes' market capitalisation increased by more than 44% to nearly €5 billion in 2006, significantly outperforming the French MID 100 and SBF 120 indices, which gained 30% and 19% respectively. The Euler Hermes share price rose from €76.20 at 31 December 2005 to €109.60 at 31 December 2006. The share price has been multiplied by 4.98 over the past four financial years. The rise reflects the group's strong earnings growth over the same period and the high returns on its shares. The share's liquidity improved further

Euler Hermes share price performance in 2005 and 2006 (Euronext Paris - Compartment A)

Code ISIN: FR0004254035

Month	Total trading volumes		Share price	
	Number of shares	Capital (€ millions)	High (€)	Low (€)
January	847,061	69,990,277	87.30	75.20
February	771,537	69,801,164	95.85	84.10
March	1,375,598	133,370,467	104.50	88.30
April	710,016	71,168,810	104.90	95.25
May	1,864,304	172,262,025	102.00	85.15
June	1,530,235	128,967,042	91.25	79.20
July	722,838	61,658,311	88.70	80.20
August	611,700	55,770,988	96.15	86.50
September	925,279	85,228,436	96.00	87.85
October	1,230,648	122,910,728	106.60	92.50
November	754,998	77,692,120	105.60	99.90
December	488,096	52,289,363	110.10	101.30

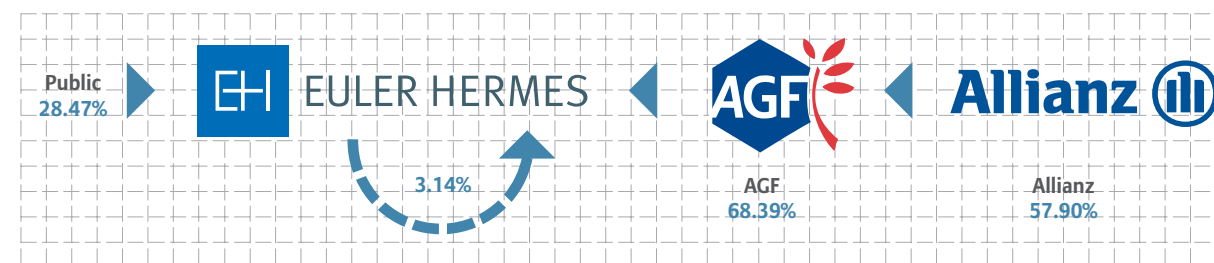
Shareholder structure

at 31 December 2006

Shareholder	Number of shares	As a % of the capital	Number of voting rights	As a % of total voting rights
AGF IART	4	0.00%	4	0.00%
AGF Vie	3,879,818	8.63%	3,879,818	8.91%
AGF SA	5,442,444	12.11%	5,442,444	12.50%
AGF Holding	21,421,782	47.66%	21,421,782	49.20%
TOTAL AGF	30,744,048	68.39%	30,744,048	70.61%
Euler Hermes (treasury shares)	1,411,359	3.14%	0	0.00%
Public	12,795,711	28.47%	12,795,711	29.39%
TOTAL	44,951,118	100.00%	43,539,759	100.00%

Shareholder structure

The number of Euler Hermes shares held by AGF remained stable in 2006 at 30,744,048 corresponding to 68.39% of the capital and 70.61% of the voting rights. The public own 28.47% of the shares and 29.39% of the voting rights. Euler Hermes holds 3.14% of the capital in treasury stock.



Consolidated balance sheet

for the year ended 31 December 2006

Assets

(€'000)

	2006 IFRS	2005 IFRS
Goodwill	107,374	109,166
Other intangible assets	42,919	32,603
Investments	3,010,102	2 943,149
Reinsurers' share in technical reserves and financial liabilities	411,965	544,912
Other assets	867,056	846,686
Cash and cash equivalents	334,964	221,678
Total Assets	4,774,380	4,698,194

Shareholders' equity and liabilities

(€'000)

	2006 IFRS	2005 IFRS
Shareholders' equity	1,892,386	1,737,053
Minority interests	19,153	7,869
Total shareholders' equity	1,911,539	1,744,922
Provisions for risks and charges	99,715	98,049
Gross non-life technical reserves	1,413,342	1,497,164
Loans and bank borrowings	302,369	336,819
Deferred tax liabilities	389,251	371,968
Other liabilities	658,164	649,272
Total shareholders' equity and liabilities	4,774,380	4,698,194

Consolidated income statement

for the year ended 31 December 2006

(€'000)

	2006 IFRS	2005 IFRS Pro forma	2005 IFRS Published
Earned premiums and commissions	1,658,775	1,608,881	1,689,461
Other operating revenues	353,045	318,488	318,488
Net financial income	149,802	128,372	125,922
Total ordinary operating revenues	2,161,622	2,055,741	2,133,871
Claims paid and change in underwriting reserves	-692,668	-609,129	-689,709
Administration expenses	-791,301	-750,046	-747,596
Reinsurance charges	-187,742	-249,922	-249,922
Ordinary operating income	489,911	446,644	446,644
Other operating income and expenses	0	0	0
Operating income	489,911	446,644	446,644
Financing expense	-11,489	-10,121	-10,121
Income from companies accounted for by the equity method	8,547	8,056	8,056
Corporation tax	-156,734	-158,394	-158,394
Consolidated net income	330,235	286,185	286,185
Minority interests	- 4,181	-109	-109
Net income, group share	326,054	286,076	286,076
Earnings per share	7.51	6.74	6.74
Diluted earnings per share	7.45	6.69	6.69

The consolidated financial statements including the balance sheet, the income statement and the notes are reproduced in full in the Reference Document.

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