

## Press Release



London, 17<sup>th</sup> April 2008

### **Euler Hermes UK launches Construction Industry Report**

Despite increased demand in both the public and private sectors, rising material and pre-construction costs are putting pressure on the UK Construction industry, according to a new report from Euler Hermes UK plc, a company of Allianz.

The report - entitled *Construction Sector- On Solid Foundations?* - suggests that while at present the UK construction industry is in good health, looking forward it is not possible to ignore the wider concerns for the economy, with the deterioration in macroeconomic conditions in Europe and North America and difficulties in the financial sector already giving rise to growing uncertainty across the construction sector.

Under the broad banner of construction, nearly 200,000 companies employ over two million people and generate revenues of nearly £200 billion putting this industry at the heart of plcs in the UK. According to the report, in 2006 the UK construction and house building industry had an estimated output value of about £113.6 billion, including public sector direct work. This value reflected what is being built and is split approximately 33%/ 67% between public and private sector work, but future forecasts are faltering.

“Construction, even at the best of times, is a genuine maelstrom of competing forces and interests, but at present, it looks to be facing a storm of problems,” says Hugo Lister, Senior Credit Analyst at Euler Hermes. “These range from rampant material and energy costs, a shortage of skilled labour, particularly at professional and management levels, a costly contracting bid process, and an imperative to redress environmental issues, notwithstanding general ongoing inflationary pressures competing against the need to boost economic confidence post ‘credit crunch’, which jointly are causing uncertainty on the direction of interest rates.”

“Opinions on UK construction are currently divided. Strong order books should ensure a comfortable 2008, but counter to this is the surge of issues, which is already eroding confidence. Euler Hermes’ experience of late has been an upsurge in smaller construction related failures. The devil here is likely to be in the government detail, since positive industry sentiment, which is reflective of 2008 work loads, is actually strongly grounded on large scale public investment continuing apace, with much of it headline projects, for example the 2012 Olympics. However, should the UK’s fiscal position prove inadequate to the Government’s commitments, this will likely disappear - and fast.”

The report contains further details on the plethora of issues faced by the construction industry, alongside statistics and future predictions. To request a copy, or for further press information please contact Helen Taylor: [helen.taylor@eulerhermes.com](mailto:helen.taylor@eulerhermes.com)

© 2008 Euler Hermes UK Plc. All rights reserved. You must not reproduce any part of this press release or the report (“the Documents”) to any third party without our prior written consent. The content of the Documents are merely for guidance and reflect only our opinion. We make no warranty or representation concerning the accuracy or content of the Documents and you must use your own due diligence and / or seek independent advice as appropriate before taking any action. The Documents may be subject to change at any time and at our sole discretion without prior warning.

-Ends-

\*\*\*

**Euler Hermes** is the worldwide leader in credit insurance and one of the leaders in the areas of bonding, guarantees and collections. With 6,000 employees in 51 countries, Euler Hermes offers a complete range of services for the management of B-to-B trade receivables and **posted a consolidated income premium of 2.1 billion euros in 2007.**

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

[www.eulerhermes.com](http://www.eulerhermes.com)

**Press Contact:**

Helen Taylor – Euler Hermes UK – 0207 860 2546 [helen.taylor@eulerhermes.com](mailto:helen.taylor@eulerhermes.com)

Iona McIntyre -AGA Group – 0207 330 8888 [imcintyre@aga.co.uk](mailto:imcintyre@aga.co.uk)

**These assessments are, as always, subject to the disclaimer provided below.** Cautionary Note Regarding Forward-Looking Statements: Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words 'may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, potential, or continue' and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz SE's core business and core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults (vii) interest rate levels, (viii) currency exchange rates including the Euro-U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. The matters discussed herein may also involve risks and uncertainties described from time to time in Allianz SE's filings with the U.S. Securities and Exchange Commission. The group assumes no obligation to update any forward-looking information contained herein.