

Paris, 29 July 2010

**Euler Hermes' results for the first half of 2010**

**Turnover: €1,038.69 million**  
**Technical result: €120.2 million**  
**Operating income: €194.1 million**  
**Net income: €147.4 million**

*“Although the economic recovery remains fragile, Euler Hermes’ turnover grew by 5.0% quarter-on-quarter in the second quarter of 2010, reaching €1.039 billion for the six months to the end of June. At the same time, the group continued to reap the benefits of the action plans implemented. The combined ratio improved markedly, dropping to 77.5% at end-June 2010, thanks to the loss ratio which, at 47.7%, reflects the success of our risk and commercial actions” stated Wilfried Verstraete, Chairman of the Euler Hermes Group Management Board. He added: “The good results allowed us to increase our risk acceptance, and by that, our exposure by €40 billion over the last three months. This confirms our strategy to support our policyholders in these difficult times”.*

The Group Management Board presented the results for the first half of 2010 to the Euler Hermes Supervisory Board on 29 July 2010. The results have been reviewed by the auditors and the Audit Committee.

**I. Results for the first-half 2010**

**A. Key figures (limited review)**

The first half of 2010 saw an ongoing but fragile global economic recovery. In this environment, Euler Hermes recorded a net income of €147.4 million in the first half of 2010, compared with €0.7 million in the first half of 2009.

<i>€ million</i>	<b>H1 2010</b>	<b>H1 2009</b>	<b>Change vs H1 2009</b>	
Premiums	855.4	881.4	-26.1	-3%
Services revenues	183.3	203.1	-19.8	-10%
<b>Total turnover</b>	<b>1,038.6</b>	<b>1,084.5</b>	<b>-45.9</b>	<b>-4%</b>
Net technical result	120.2	-59.5	179.7	+302%
Net investment income	73.9	95.0	-21.1	-22%
<b>Operating income</b>	<b>194.1</b>	<b>35.4</b>	<b>158.7</b>	<b>+448%</b>
<b>Net income</b>	<b>147.4</b>	<b>0.7</b>	<b>146.7</b>	<b>nr</b>
Net claims ratio	47.7%	88.4%		
Net expense ratio	29.8%	20.7%		
Net combined ratio	77.5%	109.1%		

**B. Turnover**

For the six months to 30 June 2010 the group's turnover reached €1,038.6 million, corresponding to a -5.4% decrease compared with the first half of 2009 at constant scope and exchange rates. Turnover declined by between 1.9% and 5.2% in the main core markets, except in the Southern Europe region where Euler Hermes decided in 2009 to reduce the portfolio in Italy through non renewal of unprofitable policies, which has had a significant impact on gross earned premiums in 2010. Beside this one-off effect, the main reason for the decline was the contraction in clients' turnover.

### Breakdown of turnover by region (based on earned premiums)

€ million	H1 2010 (1)	H1 2009 (2)	Change (1)/(2)	H1 2009 (3)	Change (1)/(3)
Germany	363.3	377.4	-3.8%	377.5	-3.8%
France	190.6	197.9	-3.7%	197.9	-3.7%
Northern Europe	222.5	217.8	2.2%	226.7	-1.9%
Southern Europe	104.7	131.7	-20.5%	131.7	-20.5%
Americas	98.2	100.6	-2.4%	103.6	-5.2%
Asia	27.9	27.2	2.4%	27.7	0.9%
Captive + others	31.5	31.9	-1.2%	32.9	-4.3%
<b>Euler Hermes</b>	<b>1,038.6</b>	<b>1,084.5</b>	<b>-4.2%</b>	<b>1,098.0</b>	<b>-5.4%</b>

Notes: (1) Turnover with geographical reclassification (average rate June 2010)

(2) Turnover with geographical reclassification pro forma (average rate June 2009)

(3) Turnover with geographical reclassification pro forma corrected from exchange rates and perimeter effects

### C. Operating income

The net technical result, before financial income, came to €120.2 million in the first half of 2010, compared with a loss of €59.5 million in the first half of 2009. This improvement was attributable mainly to the lower claims ratio.

The net cost of claims dropped to €263.9 million, down by 50.5%, compared with end of June 2009. The net claims ratio stood at 47.7% compared with 88.4% at end-June 2009.

In the first six months of 2010, Euler Hermes benefited from high positive run-offs from previous underwriting years. These net run-offs totalled €94 million and are mainly driven by a sharp drop in claims notifications (more than 50% compared with the first half of 2009). Such level of positive run-offs is not sustainable in the long run.

The net expense ratio deteriorated by 9.1 points (to 29.8% from 20.7% in the first half of 2009). The main factors of this deterioration were lower reinsurance commissions (impact of 1.3 point), lower net premiums (2.2 points), lower service revenues (3.6 points) and higher gross expenses (2.1 points).

The net operating result increased to €120.2 million in the first half of 2010, compared with €-59.5 million in the first half of 2009, thanks to the improvement in the claims ratio.

The combined ratio after reinsurance landed at 77.5%, an improvement of 31.6 points compared with the first half of 2009.

Net investment income for the first six months came to €73.9 million, €21.1 million less than in the period to end-June 2009 (€95.0 million) due to lower capital gains (€-32 million), lower revenues on portfolio (€-6 million), partly offset by higher foreign exchange gains (€17.5 million).

Thanks mainly to the strong recovery in the net technical result, current operating income increased from €35.4 million in the first half of 2009 to €194.1 million in the first half of 2010.

The strong operational performance was reflected in net income which came to €147.4 million at end of June 2010 compared with a break-even situation at end of June 2009.

## D. Investment portfolio

Given the uncertain outlook for the financial markets, Euler Hermes maintained its very cautious investment strategy. At end-June 2010, the fair value of the investment portfolio, including cash and cash equivalents, came to €3,633 million, compared with €3,339 million at year-end 2009.

Despite the sales and market movements during the period, unrealised capital gains and revaluation reserves totalled €80 million at end-June 2010, up from € 70 million at end-December 2009.

## E. Outlook

The first half of 2010 saw a recovery in the world economy, although it is set to slow again in 2011. Euler Hermes expects it to be accompanied by a decline in corporate insolvencies worldwide, but foresees that this decline is likely to be moderate (down 3% in 2010 and 5% in 2011) compared with the sharp increases recorded in 2008 and 2009 and that insolvencies should not return to pre-crisis levels.

In this economic environment, lacking of visibility, Euler Hermes targets to maintain recovered profitability by continuing, in parallel, to support its clients. In addition Euler Hermes foresees to improve its costs base in the next years by targeting efficiency gains in all operating areas.

## Results for the second quarter of 2010

### A. Key figures

€ million	Q2 2010	Q1 2010	Q2 2009	Change vs Q1 2010		Change vs Q2 2009	
Premiums	438.0	417.4	433.1	20.6	+5%	4.9	+1%
Services revenues	95.1	88.2	102.8	6.9	+8%	-7.7	-7%
<b>Total turnover</b>	<b>533.1</b>	<b>505.5</b>	<b>536.0</b>	<b>27.5</b>	<b>+5%</b>	<b>-2.9</b>	<b>-1%</b>
Net technical result	95.8	24.5	-48.4	71.3	+291%	144.1	+298%
Net investment income	31.3	42.6	40.7	-11.3	-27%	-9.4	-23%
<b>Operating income</b>	<b>127.0</b>	<b>67.1</b>	<b>-7.7</b>	<b>60.0</b>	<b>+89%</b>	<b>134.7</b>	<b>nr</b>
<b>Net income</b>	<b>99.8</b>	<b>47.6</b>	<b>-15.8</b>	<b>52.2</b>	<b>+110%</b>	<b>115.6</b>	<b>+731%</b>
Net claims ratio	38.0%	58.1%	93.3%				
Net expense ratio	27.8%	31.9%	22.3%				
Net combined ratio	65.8%	90.0%	115.6%				

Euler Hermes recorded a turnover of €533 million in the second quarter of 2010, up by 5% compared with the previous quarter (€505 million), but still down by 1% compared with the second quarter of 2009 (-2.4% at constant exchange rates).

Euler Hermes benefited from a favourable claims environment in the second quarter of 2010. The fall in net claims cost brought the net claims ratio to 38% in the second quarter of 2010 compared with a 58.1% in the first quarter of 2010 and 93.3% in the second quarter of 2009. Net positive run-offs of €62 million were generated on previous attachment years thanks to lower-than-expected claims notifications.

The net expense ratio deteriorated by 5.5 points in the second quarter of 2010 compared with the same period in 2009 (from 22.3% to 27.8%). The main factors of this deterioration were lower service revenues (impact of 2.7 points), lower reinsurance commissions (1 point) and higher gross expenses (1.4 point). Compared with the first quarter 2010, the net expense ratio improved thanks to higher premiums and service revenues.



The net technical result reached €95.8 million in the second quarter of 2010, up by €71.3 million compared with the first quarter of 2010 and by €144.2 million compared with the second quarter of 2009. This improvement was attributable mainly to the lower claims level both on current and previous attachment years.

Net investment income amounted to €28 million in the second quarter of 2010.

Supported by a strong operational performance, net income for the second quarter of 2010 rose to €99.8 million compared with €47.6 million in the first quarter of 2010.

## B. Breakdown of turnover by region (based on earned premiums)

€ million	Q2 2010 (1)	Q2 2009 (2)	Change (1)/(2)	Q2 2009 (3)	Change (1)/(3)
Germany	187.8	186.5	0.7%	186.6	0.7%
France	99.3	97.2	2.1%	97.2	2.1%
Northern Europe	114.3	110.2	3.7%	114.5	-0.1%
Southern Europe	46.9	61.7	-24.0%	61.8	-24.0%
Americas	53.0	48.7	8.8%	53.9	-1.7%
Asia	13.4	15.0	-10.6%	15.2	-11.7%
Captive + others	18.3	16.6	10.2%	16.9	8.3%
<b>Euler Hermes</b>	<b>533.1</b>	<b>536.0</b>	<b>-0.5%</b>	<b>546.1</b>	<b>-2.4%</b>

Notes: (1) Turnover with geographical reclassification (average rate June 2010)  
(2) Turnover with geographical reclassification pro forma (average rate June 2009)  
(3) Turnover with geographical reclassification pro forma corrected from exchange rates and perimeter effects

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**Euler Hermes** is the worldwide leader in credit insurance and one of the leaders in the areas of bonding, guarantees and collections. With 6,200 employees in over 50 countries, Euler Hermes offers a complete range of services for the management of B-to-B trade receivables and **posted a consolidated turnover of €2.1 billion in 2009.**

Euler Hermes has developed a credit intelligence network that enables it to analyse the financial stability of 40 million businesses across the globe.

The group protects worldwide business transactions totalling €700 billion.

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

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