

Euler Hermes half-year results: steady growth and robust results

PARIS – 26 JULY 2012 – The Group Management Board of Euler Hermes (ELE.PA), a worldwide leader in credit insurance and in the areas of bonding, surety and collections, today presented its consolidated half-year results as of 30 June 2012 to the Euler Hermes Supervisory Board. The results have been reviewed by the auditors and the Audit Committee.

Highlights

- Turnover of €1,189.8 million, up 5.6% year-on-year
- Increased penetration in growth markets; Americas turnover growth 8.2%, Asia 30.1% at constant scope and exchange rates
- Net combined ratio of 73.1%
- Operating income reached €237.1 million
- Net income amounted to €161.4 million

Wilfried Verstraete, chairman of the Euler Hermes Board of Management, said, “Our robust results in the first half of 2012 despite a challenging economic environment reflect well on our core business strategy and prudent risk underwriting on behalf of our clients. The operational focus of our Excellence program continues to deliver results in top line growth and expense ratio improvement.”

“Record client retention levels and continued market penetration in key regions confirms the value of credit risk insurance as a risk management tool for our clients.”

I. Results at the end of June 2012

A. Key figures

Top line growth is strong, at 5.6%, reflecting an increasing appetite for credit insurance coverage in the growth markets. Operating income reached €237.1 million and is strong, although lower than last year. Claims frequency remains under control; reinsurance recoveries have proved effective on a few larger cases, and the expense ratio is decreasing.

€ million	1H 2012	1H 2011	Change vs. 1H 2011	
Premiums written	1 152,9	1 085,0	67,9	6,3%
Earned premiums	990,1	938,0	52,0	5,5%
Service revenues	199,8	188,5	11,3	6,0%
Turnover	1 189,8	1 126,5	63,3	5,6%
Net technical result	172,6	202,9	-30,3	-14,9%
Net investment income	67,6	68,1	-0,6	-0,8%
Ordinary operating income	240,2	271,1	-30,9	-11,4%
Non-ordinary operating income & expense	-3,1	-3,9	0,8	-19,7%
Operating income	237,1	267,2	-30,1	-11,3%
Net income	161,4	192,5	-31,1	-16,2%
Net claims ratio	51,3%	42,2%	8,9 pts	
Net expense ratio	21,8%	23,6%	-1,8 pts	
Net combined ratio	73,1%	65,8%	7,1 pts	

B. Turnover

Demand for credit insurance was solid in the first half of 2012 amid continuing economic slow-down. New production was stronger than in the 2011 record year. Customer retention reached a record of 93% and facilitated 5.5% premium growth despite flattening prices and insured turnover volume on the existing portfolio.

Evolution of turnover by region

Overall Group market penetration is increasing in growth markets. Americas and Asia grew 8.2% and 30.1% respectively, at constant scope and exchange rates. A strategic revision in both regions refocused on key markets and partnerships and produced positive results. Business in China alone grew by 45% over the period at constant scope and exchange rates. Growth in traditional markets remains on average above 3% but is hampered by a sluggish GDP evolution impacting the insured volume.

<i>Turnover</i>	<i>1H</i>	<i>1H</i>	<i>Variation</i>	<i>1H</i>	<i>Variation</i>
<i>€ million</i>		<i>(1)</i>	<i>%</i>	<i>(2)</i>	<i>%</i>
Regions					
Germany, Austria, Switzerland	387.2	383.6	0.9%	383.7	0.9%
France	212.1	207.7	2.1%	207.7	2.1%
Northern Europe	258.6	250.7	3.1%	255.9	1.0%
Mediterranean Countries & Africa	161.4	144.4	11.8%	144.5	11.8%
Americas	127.4	107.7	18.3%	117.7	8.2%
Asia-Pacific	38.2	28.5	34.1%	29.4	30.1%
EH Reinsurance + others (3)	4.9	4.0	23.5%	3.1	58.8%
Euler Hermes Group	1,189.8	1,126.5	5.6%	1,142.0	4.2%

Area contribution : After intra-region eliminations & before inter-region eliminations

(1) Pro forma with Gulf Countries transfer from Asia Pacific to Med. Countries & Africa

(2) Pro forma with Gulf Countries transfer from Asia Pacific to Med. Countries & Africa and at constant exchange rates

(3) EH Reinsurance + Corporate entities + inter-region eliminations

C. Operating income

The operating profit remained strong at €237.1 million, although down from a year ago. The net expense ratio improved by 1.8 point, with lower expense ratios both in gross terms due to the Excellence program and in net terms after reinsurance commission. The net claims ratio increased 9.1 points year-on-year, of which 5 points are linked to three claims, including Schlecker. The remaining increase is due to higher claims frequency compared to the still very low levels observed in 2011.

Despite two of the three significant claims affecting the second quarter, the net combined ratio was lower at the end of June (73.1%) than in was at the end of March (73.9%), due to a continuously improving net cost ratio.

The net investment income was stable from June 2011 to June 2012, despite the low yield environment. Sound management of the bond portfolio produced a 3.5% growth in current investment income, before realized gains and foreign exchange impact.

D. Investment portfolio

At the end of June 2012, the market value of the Group's investment portfolio increased by €130.6 million compared to the end of 2011, to €4,048.6 million, after €193 million of dividends were paid early June.

E. Net income

Net income was €161.4 million at the end of June 2012, a reduction of €31.1 million compared to one year ago, as a result of lower operating profit and a one-off tax rate impact in the first quarter. The second quarter tax rate returned to the level of 27.5%.

F. Outlook

Despite sustained and substantial market uncertainty and an increasingly challenging trading environment, the Group's business model remains resilient and profitable. Risk/price adequacy continues to be a focal point.

In 2012 and 2013, businesses will face increased pressure on trade receivables management. Contributing factors include lower economic, credit and trade growth prospects, private deleveraging, and mounting business insolvencies worldwide. The risk expertise and vigilance of Euler Hermes in risk underwriting can help customers identify economies that offer additional trade route opportunities.

II. Results for the second quarter of 2012

Key figures

€ million	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Variation vs Q2 2011		Variation vs Q1 2012	
Earned premiums	498,4	491,7	472,4	485,8	485,4	12,9	2,7%	6,6	1,3%
Service revenues	101,6	98,2	95,9	94,4	97,0	4,6	4,8%	3,4	3,5%
Turnover	600,0	589,9	568,2	580,1	582,4	17,5	3,0%	10,1	1,7%
Net technical result	91,6	81,0	58,2	97,6	132,4	-40,8	-30,8%	10,6	13,1%
Net investment income	43,3	24,3	22,6	22,3	35,2	8,1	22,9%	19,0	78,4%
Ordinary operating income	134,9	105,3	80,8	119,9	167,6	-32,8	-19,5%	29,6	28,1%
Non-ordinary operating income & expense	-3,7	0,6	3,1	-7,3	-2,6	-1,1	40,8%	-4,3	NA
Operating income	131,2	105,9	83,9	112,6	165,0	-33,8	-20,5%	25,3	23,9%
Net income	95,0	66,4	54,2	83,5	117,2	-22,2	-18,9%	28,7	43,2%
Net claims ratio	51,9%	50,6%	54,2%	41,9%	35,9%	16,0 pts		1,3 pts	
Net expense ratio	20,4%	23,2%	26,2%	25,8%	21,5%	-1,1 pts		-2,8 pts	
Net combined ratio	72,3%	73,9%	80,4%	67,8%	57,4%	14,9 pts		-1,5 pts	

All financial information is available on Euler Hermes' website
<http://www.eulerhermes.com/en/finance/finance.html>

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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 6,000+ 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 €2.27 billion in 2011.**

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

The Group insured worldwide business transactions totaling €702 billion exposure end of December 2011.

Euler Hermes, subsidiary of Allianz, is listed on Euronext Paris. The Group is rated AA- by Standard & Poor's.

www.eulerhermes.com

Cautionary note regarding forward-looking statements: The statements contained herein may include 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 Euler Hermes Group's core business and core markets, (ii) performance of financial markets, including emerging markets, and including market volatility, liquidity and credit events (iii) the frequency and severity of insured loss events, including from natural catastrophes and including the development of loss expenses, (iv) persistency levels, (v) the extent of credit defaults, (vi) interest rate levels, (vii) currency exchange rates including the Euro/U.S. Dollar exchange rate, (viii) changing levels of competition, (ix) changes in laws and regulations, including monetary convergence and the European Monetary Union, (x) changes in the policies of central banks and/or foreign governments, (xi) the impact of acquisitions, including related integration issues, (xii) reorganization measures, and (xiii) 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 company assumes no obligation to update any forward-looking statement.