



# Q3 2012 Financial results

Financial analysts meeting

November 6<sup>th</sup>, 2012



A company of **Allianz** 



**EULER HERMES**

Our knowledge serving your success

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# Financial highlights

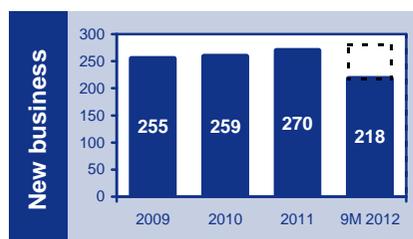
The Euler Hermes business model is resilient despite the difficult economic environment.

	9M 2012	9M 2012 vs 9M 2011
Top line growth is solid	1 792.9 M€	+5%
Net combined ratio is still low: <ul style="list-style-type: none"> <li>• <u>frequency claims under control</u> despite a rebound of worldwide insolvencies</li> <li>• limited impact of larger claims through <u>effective reinsurance scheme</u></li> <li>• <u>low cost ratio</u></li> </ul>	72.6%	+6.1 pts
Operating profit remains robust	353.7 M€	-7%
And so does the net income	247.8 M€	-10%

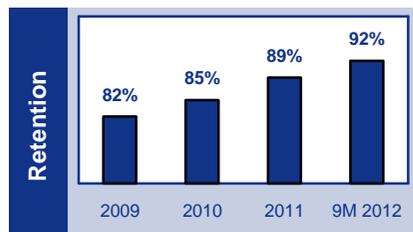
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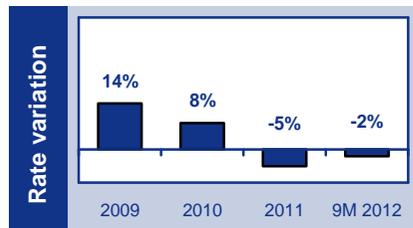
# Commercial performance



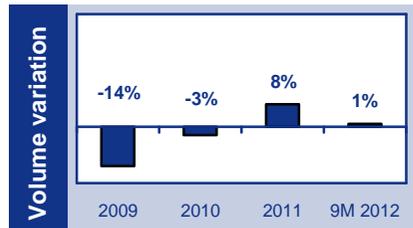
New production is 16 M€ ahead of last year which was a record year.



Retention rate stands at 92% at the end of 9M 2012 and has increased for the fourth consecutive year.



On recent renewals, net rate increases are already effective in Europe and APAC reflecting EH willingness to maintain risk / price adequacy.



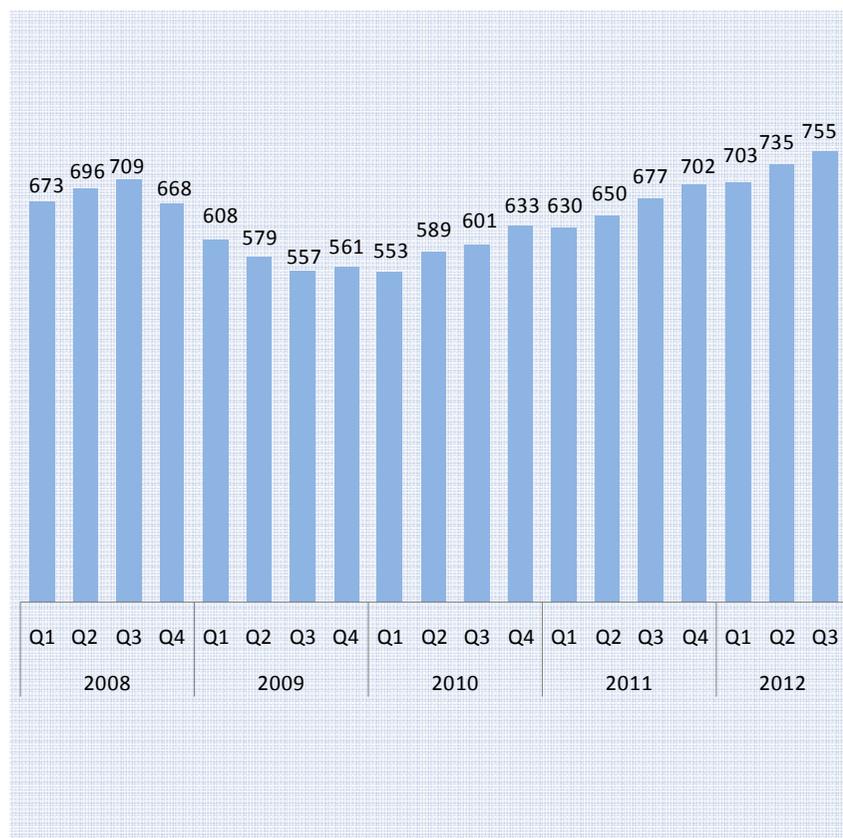
Lower volume variation compared to last year reflects a deepening slowdown in Europe and a slower growth in the Americas and Asia.

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# Exposure

In billion euros

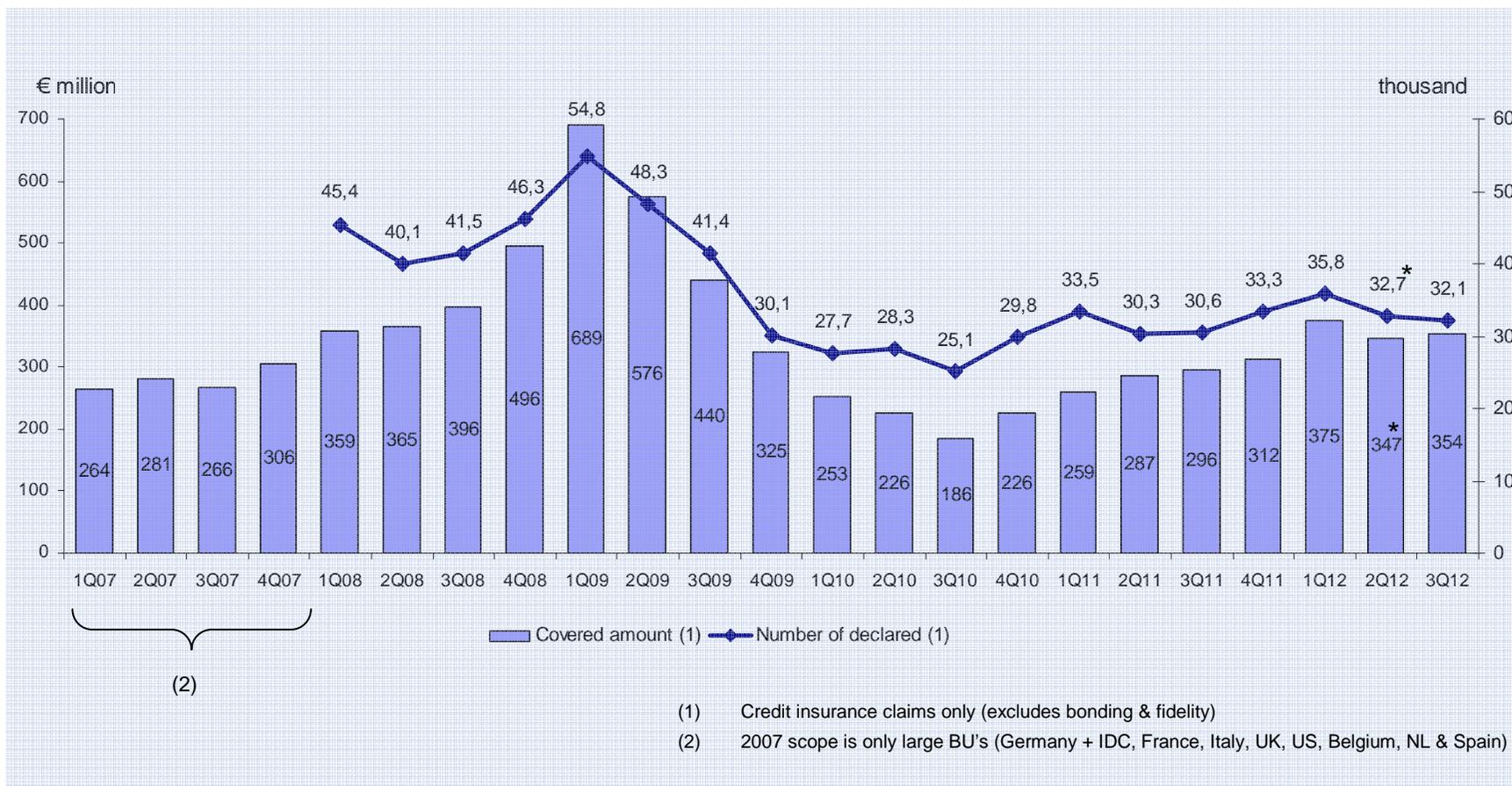


In billion euros

	Q4 2011	Q3 2012
Grade		
<b>1-5</b>	<b>575.2</b>	<b>625.6</b>
<b>6-10</b>	<b>127.2</b>	<b>129.9</b>
<b>Total</b>	<b>702.4</b>	<b>755.4</b>

Exposure is increasing but mostly on good grades (1-5)

# Claims development\*



- Claims covered amount is higher than last year but is still below the budgeted level
- Stabilization in Q3 after a deceleration observed between Q1 and Q2

\* Excluding Schlecker claim

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## Key figures Q3 2012

(€ mn)	Actual Q3 2012	Actual Q3 2011	Variation in amount	Variation in %
Turnover	603.1	580.1	23.0	4%
<b>Net technical result</b>	<b>94.8</b>	<b>97.6</b>	<b>-2.8</b>	<b>-3%</b>
Net financial income (excluding financing costs)	18.1	22.3	-4.2	-19%
Operating income	116.7	112.6	4.1	4%
• Of which realised gains and losses	1.6	-2.8	4.4	
• Net of realised gains and losses	115.1	115.5	-0.4	0%
<b>Net consolidated result</b>	<b>86.4</b>	<b>83.5</b>	<b>2.9</b>	<b>3%</b>
Euler Hermes Net combined ratio (including Service margin)	<b>71.8%</b>	<b>67.8%</b>		
• Euler Hermes Net loss ratio	46.5%	41.9%		
• Euler Hermes Net cost ratio	25.3%	25.8%		

# Quarterly results overview

(€million)	2008				2009				2010				2011				2012		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Consolidated Turnover	527,2	556,4	540,4	542,5	548,6	535,9	512,7	488,6	505,5	534,0	542,2	567,0	544,2	582,4	580,1	568,2	589,9	600,0	603,1
Net Technical Result	53,1	61,1	23,3	-102,0	-11,1	-48,4	-11,6	6,3	24,5	95,8	135,6	92,8	70,5	132,4	97,6	58,2	81,0	91,6	94,8
Ordinary Operating income	74,4	127,0	46,7	-79,6	43,1	-7,6	12,4	35,8	67,1	127,0	164,5	113,3	103,4	167,6	119,9	80,8	105,3	134,9	112,9
<b>Consolidated Net Income</b>	<b>38.4</b>	<b>83.9</b>	<b>30.0</b>	<b>-68.7</b>	<b>16.5</b>	<b>-15.8</b>	<b>0.2</b>	<b>18.1</b>	<b>47.6</b>	<b>99.8</b>	<b>108.4</b>	<b>38.6</b>	<b>75.3</b>	<b>117.2</b>	<b>83.5</b>	<b>54.2</b>	<b>66.4</b>	<b>95.0</b>	<b>86.4</b>

# Key financials

(€ mn)	Actual Q3 2012	Actual Q3 2011	Variation in amount	Variation in %
Technical result	94.8	97.6	-2.8	-3%
Financial income net of expenses	18.1	22.3	-4.2	-19%
<b>Ordinary operating Income</b>	<b>112.9</b>	<b>119.9</b>	<b>-7.0</b>	<b>-6%</b>
Other non ordinary operating income and expense	3.7	-7.3	11.0	NA
<b>Operating income</b>	<b>116.7</b>	<b>112.6</b>	<b>4.1</b>	<b>+4%</b>
Financing expenses	-2.9	-4.7	1.8	+38%
Income from non-consolidated companies	4.1	4.5	-0.4	-9%
<b>Profit before tax</b>	<b>117.9</b>	<b>112.4</b>	<b>5.5</b>	<b>+5%</b>
Corporation tax	-30.5	-28.3	-2.2	-8%
Minority interest	-0.9	-0.5	-0.4	+80%
<b>Consolidated net income</b>	<b>86.4</b>	<b>83.5</b>	<b>2.9</b>	<b>+3%</b>
<b>Tax rate</b>	<b>25.9%</b>	<b>25.2%</b>		

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# Key figures

(€ mn)	Actual 9M 2012	Actual 9M 2011	Variation in amount	Variation in %
Turnover	1,792.9	1,706.7	86.2	+5%
<b>Net technical result</b>	<b>267.4</b>	<b>300.5</b>	<b>-33.1</b>	<b>-11%</b>
Net financial income (excluding financing costs)	85.7	90.4	-4.7	-5%
Operating income	353.7	379.8	-26.1	-7%
• Of which realised gains and losses	18.4	18.2	0.2	+1%
• Net of realised gains and losses	335.3	361.7	-26.4	-7%
<b>Net consolidated result</b>	<b>247.8</b>	<b>276.0</b>	<b>-28.2</b>	<b>-10%</b>
Euler Hermes Net combined ratio (including Service margin)	<b>72.6%</b>	<b>66.5%</b>		
• Euler Hermes Net loss ratio	49.6%	42.1%		
• Euler Hermes Net cost ratio	23.0%	24.4%		

# Premiums evolution

## By region

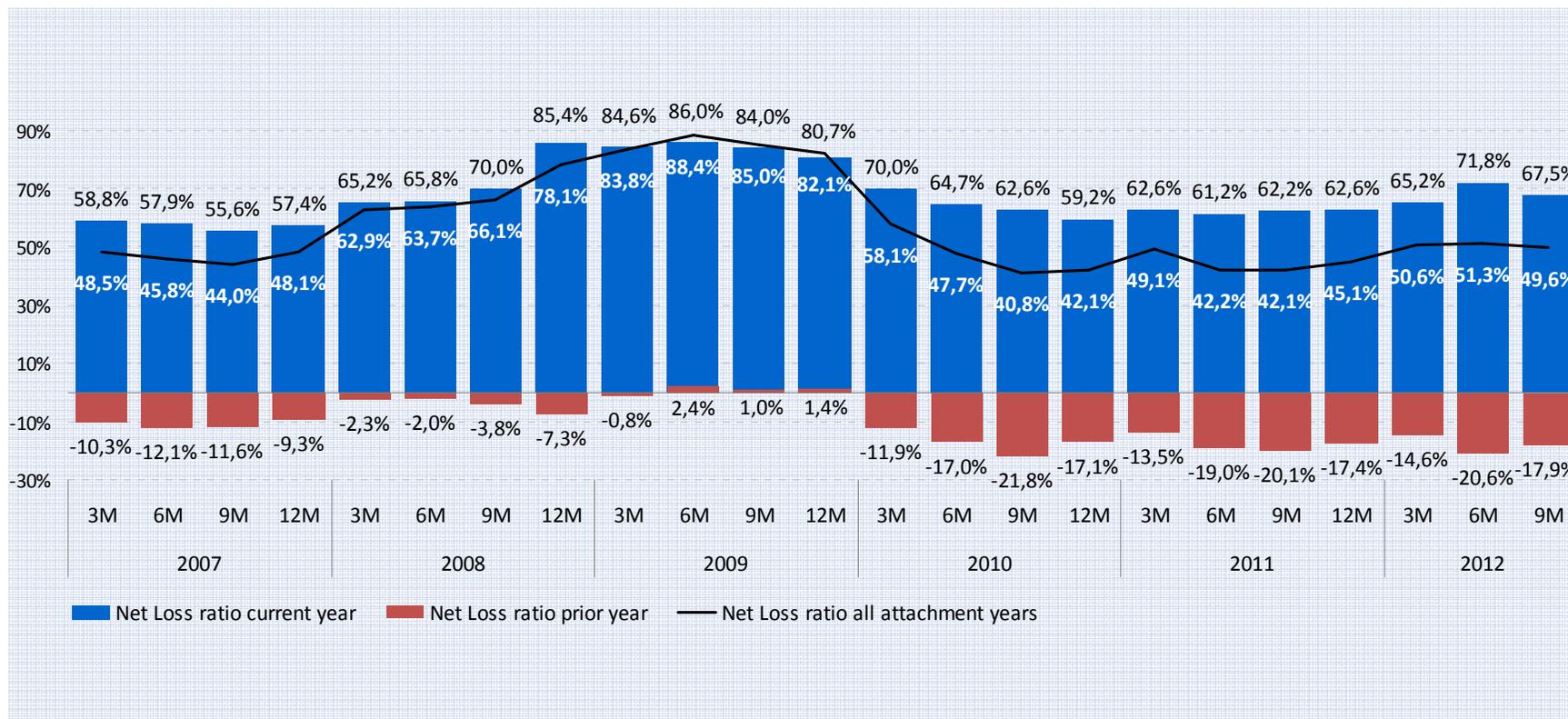
(€ mn)	Actual 9M 2012	Actual <sup>(2)</sup> 9M 2011	Variation in amount	Variation in %
DACH	450.3	456.8	-6.5	-1%
France	256.3	255.8	0.5	0%
Northern Europe	338.3	319.6	18.7	6%
Med. Countries & Africa <sup>(1)</sup>	193.6	178.3	15.3	9%
Americas	170.3	141.2	29.1	21%
Asia & Pacific	46.4	35.3	11.1	31%
Others (incl. EH Re & inter region elim.)	36.6	36.8	-0.2	-1%
<b>Total Gross Earned Premiums</b>	<b>1,491.9</b>	<b>1,423.8</b>	<b>68.1</b>	<b>5%</b>

(1) In 2012, operational responsibility of Gulf countries has been transferred from Asia Pacific to Med. Countries & Africa

(2) Proforma figures including Gulf countries transfer

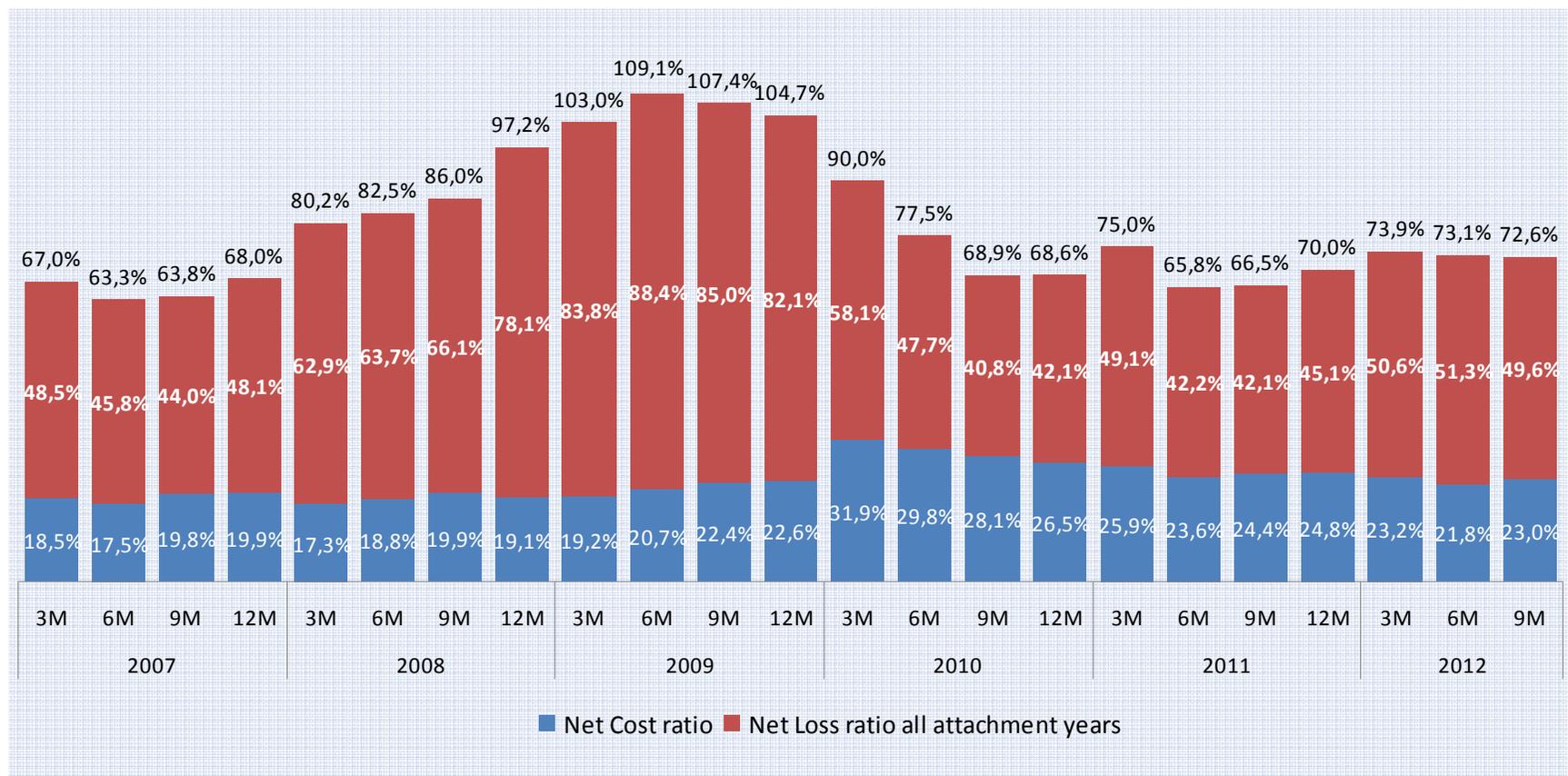
# Net loss ratio evolution

## Year-to-date ratio



# Net combined ratio evolution

## Year-to-date ratio



# Reinsurance result

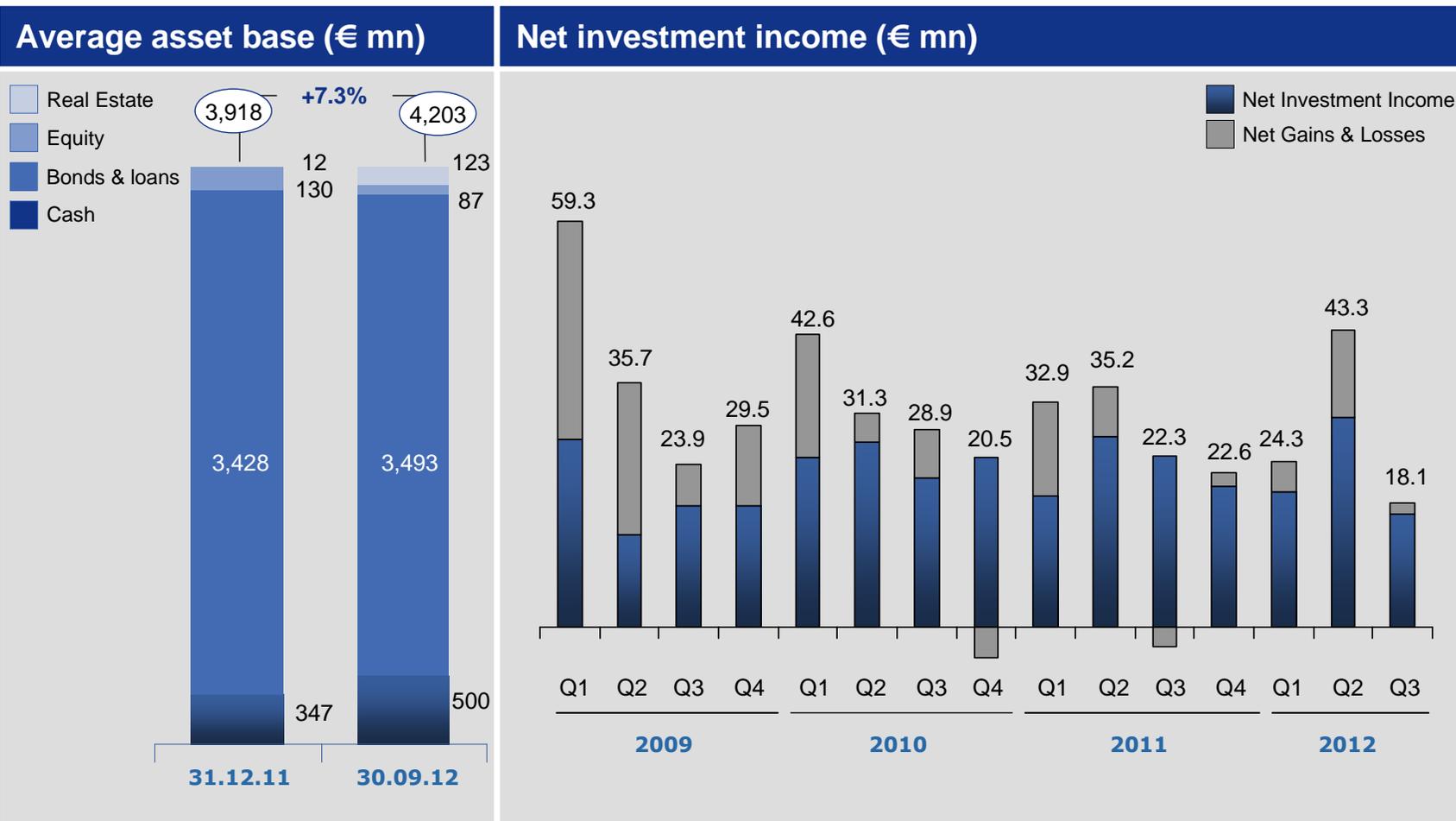
(€ mn)	Actual 9M 2012	Actual 9M 2011	Variation in amount	Variation in %
Gross earned premiums	1,491.9	1,423.8	68.1	5%
Ceded premiums	-487.6	-506.9	19.3	4%
<b>Net earned premiums</b>	<b>1,004.3</b>	<b>916.9</b>	<b>87.4</b>	<b>10%</b>
<i>Cession rate</i>	32.7%	35.6%		-2.9 pts
Gross claims costs	-755.3	-540.8	-214.5	-40%
Ceded claims costs	256.7	154.6	102.1	66%
<b>Net claims costs</b>	<b>-498.6</b>	<b>-386.2</b>	<b>-112.4</b>	<b>-29%</b>
<i>Cession rate</i>	34.0%	28.6%		5.4 pts
<b>Reinsurance commission</b>	<b>186.7</b>	<b>176.0</b>	<b>10.7</b>	<b>6%</b>
<i>Reinsurance commission rate</i>	38.3%	34.7%		3.6 pts
<b>Total ceded result</b>	<b>-44.2</b>	<b>-176.3</b>	132.1	75%
Net claims ratio CY	67.5%	62.2%		5.3 pts
Net claims ratio PY	-17.9%	-20.1%		2.2 pts
<b>Net claims ratio</b>	<b>49.6%</b>	<b>42.1%</b>		<b>7.5 pts</b>
<b>Net cost ratio</b>	<b>23.0%</b>	<b>24.4%</b>		<b>-1.4 pts</b>
<b>Net combined ratio</b>	<b>72.6%</b>	<b>66.5%</b>		<b>6.1 pts</b>

# Financial result

(excluding income from non-consolidated companies)

(€ mn)	Actual YTD 9M 2012	Actual YTD 9M 2011	Variation in amount	Variation in %
Income from investment property	0.5	0.9	-0.4	-41%
Income from securities	55.4	54.7	0.7	1%
Other financial income	18.1	19.7	-1.6	-8%
<b>Investment income</b>	<b>74.1</b>	<b>75.2</b>	<b>-1.1</b>	<b>-2%</b>
<b>Investment expenses</b>	<b>-8.2</b>	<b>-7.1</b>	<b>-1.1</b>	<b>-16%</b>
<b>Net Foreign Exchange result</b>	<b>1.4</b>	<b>4.1</b>	<b>-2.7</b>	<b>-65%</b>
<b>Net gains and losses on sales of investments less impairment and amortization</b>	<b>18.4</b>	<b>18.2</b>	<b>0.2</b>	<b>1%</b>
<b>Net financial income (excluding financing expense)</b>	<b>85.7</b>	<b>90.4</b>	<b>-4.7</b>	<b>-5%</b>

# Investments



# Key financials

(€ mn)	Actual 9M 2012	Actual 9M 2011	Variation in amount	Variation in %
Technical result	267.4	300.5	-33.1	-11%
Financial income net of expenses	85.7	90.4	-4.7	-5%
<b>Ordinary operating Income</b>	<b>353.1</b>	<b>391.0</b>	<b>-37.9</b>	<b>-10%</b>
Other non ordinary operating income and expense	0.6	-11.1	11.7	NA
<b>Operating income</b>	<b>353.7</b>	<b>379.8</b>	<b>-26.1</b>	<b>-7%</b>
Financing expenses	-10.0	-13.1	3.1	23%
Income from non-consolidated companies	10.2	12.9	-2.8	-21%
<b>Profit before tax</b>	<b>353.9</b>	<b>379.7</b>	<b>-25.8</b>	<b>-7%</b>
Corporation tax	-102.8	-101.3	-1.5	-1%
Minority interest	-3.2	-2.3	-0.9	-39%
<b>Consolidated net income</b>	<b>247.8</b>	<b>276.0</b>	<b>-28.2</b>	<b>-10%</b>
<b>Tax rate</b>	<b>29.1%</b>	<b>26.7%</b>		

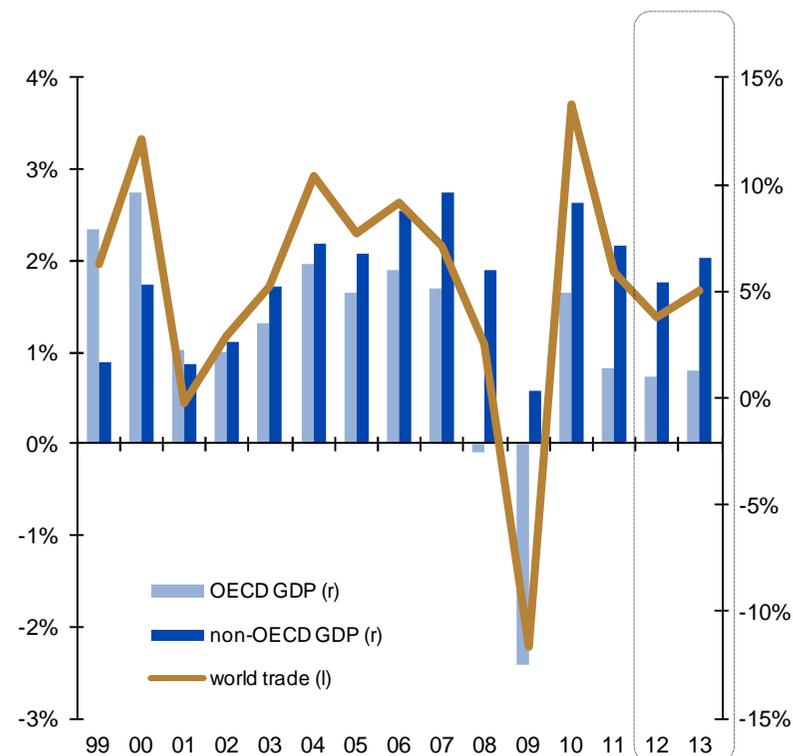
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# Economic outlook

## Where are we going ?

- **World economy to improve only moderately in 2013 (+2.8% GDP growth) after an even weaker than expected 2012 (+2.5%)**
  - ✓ World GDP revised down again slightly this quarter (vs June forecast: -0.1pp for 2012 & -0.2pp for 2013)
  - ✓ mainly due to the deepening slowdown of the Eurozone (in deeper recession than expected (-0,5% in 2012))
  
- **But there are still reasons for caution with:**
  - ✓ **The Eurozone concerns**
    - ✓ Greek crisis
    - ✓ sovereign debt issues
    - ✓ bank's solvency and deleveraging
  - ✓ **The G7 concerns**
    - ✓ US and Japan government debt levels
    - ✓ US housing weakness
  - ✓ **The MENA concerns**
    - ✓ oil price shock/supply disruptions
  - ✓ **The China concerns**
    - ✓ soft landing/successful transition



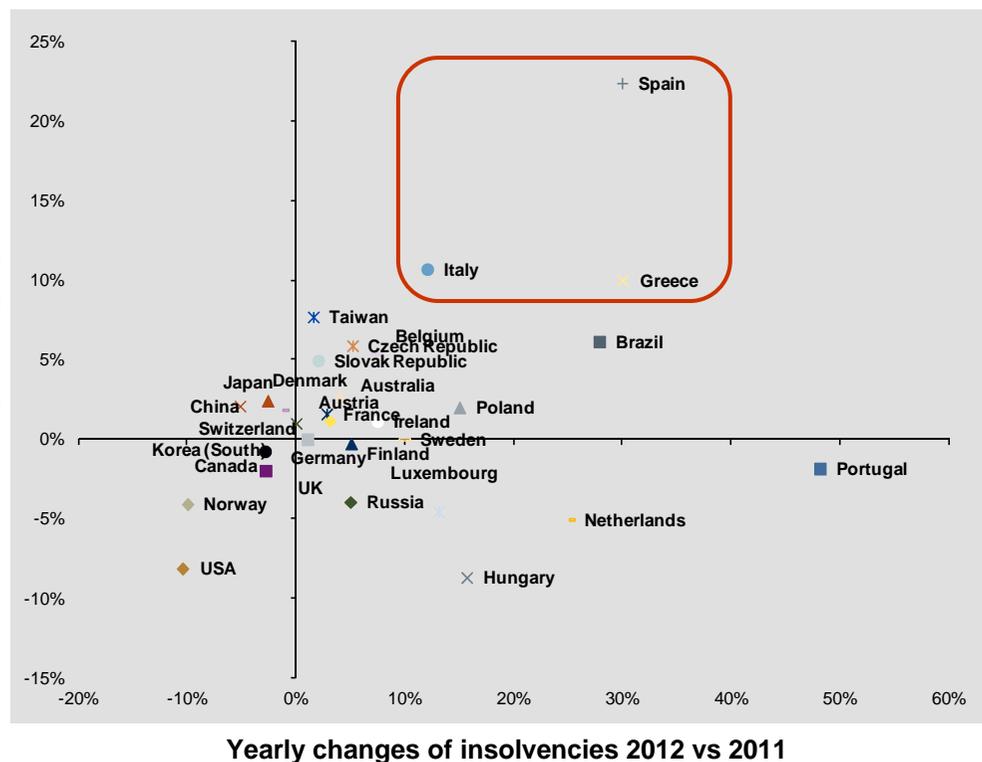
Forecasts

Sources: IHS Global Insight, Euler Hermes

# Economic outlook

## What is the insolvencies evolution?

- Worldwide insolvencies are expected to increase by +3% for FY 2013, after a +4% rebound in FY 2012, mainly because of (Southern) Europe



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# Glossary

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- **Ceded Claims Costs**

Gross Claims Costs corresponding to business assigned to reinsurers

- **Ceded Premium**

Premium corresponding to business assigned to reinsurers

- **Cession Rate**

Ceded Premium divided by Gross Earned Premium

- **Combined Ratio**

Sum of the Cost ratio and the Loss ratio

- **Cost ratio (or Expense ratio)**

Overheads and service margin as a proportion of earned premiums

- **Credit insurance**

Insurance against the risks of non-payment of companies trade receivables

- **Gross Claims Costs**

Claims Costs before reinsurance

- **Gross Earned Premium**

Earned premium before reinsurance

- **Gross Technical Result**

Result from insurance activities (excluding reinsurance operations and including service income and expenses)

- **Loss**

Situation in which a risk is realized and which entitles the policyholder to indemnification, thus triggering application of the indemnification provided for in the credit insurance policy.

- **Loss ratio (or Claim ratio)**

Claims costs as a proportion of the earned premiums

- **Net Claims Costs**

Gross Claims Costs net of reinsurance

- **Net Earned Premium**

Gross Earned Premiums net of reinsurance

- **Net Technical Result**

Result from insurance activities (including reinsurance operations and service income and expenses)

# Glossary

## 2/2

### ▪ **Outward commission**

Remuneration paid by the reinsurer to the ceding insurer for the premiums ceded

### ▪ **Premium**

Amount paid by the policyholder to the insurance company in exchange for risk coverage. A distinction is made between:

#### - **Written premium**

Amount invoiced during the period for coverage against the risks stipulated in the policy

#### - **Earned premium**

Portion of the premium written during the period or earlier corresponding to the coverage of risks during the period concerned

### ▪ **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

### ▪ **Retention Rate**

Net Earned Premium divided by Gross Earned Premium

### ▪ **Run-off**

Claims reserves release related to previous years policies which risks are over

### ▪ **Services**

#### - **Information services**

Researches and analysis carried out to provide our policyholders with the required credit insurance cover, and monitoring of the solvency of their customers

#### - **Collection services**

Extra-judicial and/or judicial procedure conducted by Euler Hermes to secure payment of a receivable from the debtor

### ▪ **Turnover**

Turnover is composed of gross earned premiums and service revenues

## Investors relations

Next Events	Date
Q4 2012 Earnings (webcast)	Feb. 13 <sup>th</sup> , 2013
Q1 2013 Earnings (webcast)	Apr. 25 <sup>th</sup> , 2013

Stock Market Data	As at 28 Sep. 12
Listing	Euronext Paris
Code	ELE.PA
Shares outstanding	45,212,727
Market cap. (€ mn)	2,327

### Investors Relations Contact

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### Shareholding Structure (30 Sep. 12)

■ Allianz ■ Free Float ■ Treasury stocks

