

Euler Hermes first quarter 2013 results

Euler Hermes begins 2013 with a strong quarter

- Revenues increase by 5.0% in the first quarter to €619.3 million
- Operating income grows by 19.4% to €127.3 million
- Quarterly net income rises by 27.5% to €85.3 million

PARIS – 25 APRIL 2013 – [Wilfried Verstraete](#), chairman of the Euler Hermes Board of Management, said “The Americas and Asia are the growth champions of the Group and enabled us to post another 5% increase in top line this quarter. On the claims side, thanks to disciplined underwriting, activity seems to be stabilizing, apart from one large claim. Despite the long-lasting slowdown in Europe, Euler Hermes is holding its course on growth and profitability targets.”

A. Key figures

Euler Hermes’ turnover at the end of March 2013 stands at €619.3 million, up 5% versus the first quarter of 2012, driven by dynamic top line in growth markets. Despite a challenging market environment in Europe, operating income is up 19.4% year-on-year, at €127.3 million, boosted by the gains on the legal contribution of the Spanish and Argentinean entities to the [Solunion](#) joint venture with MAPFRE.

P&L information € million	3M 2013	3M 2012* <small>(after application of revised IAS 19)</small>	Change vs. 3M 2012*	
Earned premiums	515.5	491.7	23.8	4.8%
Service revenues	103.8	98.2	5.6	5.7%
Turnover	619.3	589.9	29.5	5.0%
Net technical result	64.6	81.8	-17.2	-21.0%
Net investment income	32.9	24.3	8.6	35.5%
Non-ordinary operating income & expense	29.8	0.6	29.2	N/A
Operating income	127.3	106.7	20.6	19.4%
Net income, Group share	85.3	66.9	18.4	27.5%
Net claims ratio	57.7%	50.6%	7.1	pts
Net expense ratio	23.0%	23.0%	0	pt
Net combined ratio	80.7%	73.6%	7.1	pts

*Revised IAS 19 has a positive impact, on the first quarter 2012, of €0.8 million on the net technical result and on the operating income, and of €0.5 million on the net income, Group share.

Balance sheet information € million	31 March 2013	31	31 December	Change	
		December 2012 (after application of revised IAS 19)	2012 (published)	vs. 31 December 2012*	
Total assets	6,269.4	6,077.1	6,064.2	192.3	3.2%
Shareholders' equity, Group share	2,422.4	2,345.2	2,466.7	77.1	3.3%
Total financial liabilities	392.2	389.7	389.7	2.4	0.6%

*variation with 31 December 2012 restated after application of revised IAS 19 (€121.5 million impact on net equity, Group share)

The impact of revised IAS 19 cancelling the "corridor" on pensions is a €121.5 million decrease in shareholders' equity. After revision of IAS 19, the shareholder's equity increased by €77.1 million, mainly driven by €85.3 million of positive net income.

B. Turnover

The growth pattern in the first three months of 2013 is similar to that of 2012. The Americas, Asia and the Middle East are the primary drivers. Germany has returned to a positive turnover evolution, while France is suffering from a negative contribution of insured turnover volumes.

Turnover € million	3M 2013	3M 2012	Variation %	3M 2012 (1)	Variation %
Regions					
Germany, Austria, Switzerland	203.2	196.9	3.2%	196.7	3.3%
France	103.8	106.6	-2.6%	106.7	-2.6%
Northern Europe	137.1	126.7	8.2%	126.8	8.1%
Mediterranean Countries, Middle East & Africa	74.9	78.4	-4.5%	69.5	7.8%
Americas	68.3	62.7	9.0%	61.4	11.3%
Asia-Pacific	23.1	17.5	32.0%	17.4	33.1%
Euler Hermes Reinsurance + other (2)	8.7	1.0	N/A	9.4	N/A
Euler Hermes Group	619.3	589.9	5.0%	588.0	5.3%

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

(1) Pro forma (Spain and Argentina in 2012 in EH Re.) and at constant exchange rates

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

C. Operating income

Operating income increased by 19.4% to €127.3 million. The net claims ratio stands at 57.7% versus 50.6% at the end of March 2012 but is very much in line with Q4 2012 (57.9%). A €16.7 million net reserve was booked on Pescanova, a Spanish fishing company, and reduced the run-off ratio related to the prior year by 4.9 pts.

The net expense ratio remained stable at 23.0%.

The net combined ratio is 80.7% compared to 73.6% last year; most of the increase is linked to the Pescanova claim.

Net investment income reached €32.9 million in the first quarter 2013 versus €24.3 million in the first quarter of last year. The rise is essentially linked to positive foreign exchange result this year in contrast to foreign exchange losses last year.

The high level of non-ordinary operating income is primarily composed of €31.7 million of gains on the legal contribution of Spanish and Argentinean entities to the Solunion joint venture with MAPFRE. Solunion is consolidated at equity and contributes at the same time to the technical result of Euler Hermes via Euler Hermes Reinsurance which has a share in Solunion's reinsurance treaty.

D. Investment portfolio

At end of March 2013, the market value of the Group's investment portfolio increased by €101 million to €4,336 million, linked to positive cash-flows.

E. Net income

Net income is €85.3 million at the end of March 2013 versus €66.9 million at the end of March 2012. The 27.5% increase is primarily driven by gains from the legal contribution of entities to the joint venture with MAPFRE.

F. Outlook

As in 2012, Euler Hermes expects that the demand for credit insurance coverage will remain strong, especially in growth markets (Brazil, China, Middle East, Russia United States and Turkey), which should allow the Group to post a 2013 top line growth in the range of 3% to 5%.

2013 is unlikely to see an improvement in the European economic situation whereas the Americas and Asia will continue to drive the world GDP growth.

Euler Hermes has proven to have effective risk management tools and governance and a good reinsurance protection. In addition, we expect to generate further productivity gains from our business transformation processes. This should allow Euler Hermes to mitigate the impact of the continued slowdown in Europe and generate good financial results once again in 2013.

Financial and regulated information are available on Euler Hermes' website
<http://www.eulerhermes.com/finance/>

The financial documentation section includes the press release, the consolidated financial statements and the presentation of the quarterly results to analysts.

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