

Euler Hermes 2012 results

**PARIS – 13 FEBRUARY 2013** – The Group Management Board of Euler Hermes (ELE.PA), a global leader in credit insurance and in the areas of bonding, surety and collections, today presented its consolidated 12-month results as of 31 December 2012 to the Euler Hermes Supervisory Board. The results have been reviewed by the Audit Committee and external auditors.

**Highlights**

- Turnover up 5.4% year-on-year: €2,397.9 million
- Net combined ratio: 75.2%
- Robust operating income: €424.7 million
- Net income: €300.2 million
- Customer retention at record levels: 92%
- Proposed dividend: €4.00 per share

Wilfried Verstraete, chairman of the Euler Hermes Board of Management, said: “*Euler Hermes achieved excellent results in 2012 in a challenging environment. Thanks to the investments made in Brazil, California, China, the Middle East, Russia and Turkey in recent years, we were able to capture growth in our top line. Our focus on customer services was also rewarded by an all-time-high retention rate of 92%. This growth combined with a selective and disciplined technical underwriting allowed us to post a solid €300.2 million net income, below 2011 yet ahead of 2010.*”

**I. Results at the end of December 2012**

**A. Key figures**

Euler Hermes’ turnover for 2012 was €2,397.9 million, up 5.4% versus the prior year, boosted by growth outside traditional European markets. Operating profit remained strong at €424.7 million in the difficult economic context thanks to a strong underwriting discipline combined with adequate reinsurance protection. Both new production and retention reached another record high, with new production reaching €286 million and retention at 92% of the opening portfolio.

<b>P&amp;L information</b>	<b>12M</b>	<b>12M</b>	<b>Change</b>	
€ million	<b>2012</b>	<b>2011</b>	<b>vs. 12M 2011</b>	
Premiums written	2,146.4	2,024.9	121.5	6.0%
Earned premiums	1,995.1	1,896.1	98.9	5.2%
Service revenues	402.8	378.8	24.0	6.3%
<b>Turnover</b>	<b>2,397.9</b>	<b>2,274.9</b>	123.0	5.4%
Net technical result	324.2	358.7	-34.5	-9.6%
Net investment income	109.0	113.1	-4.0	-3.5%
Non-ordinary operating income & expense	-8.6	-8.0	-0.6	7.3%
<b>Operating income</b>	<b>424.7</b>	<b>463.7</b>	-39.1	-8.4%
<b>Net income, Group share</b>	<b>300.2</b>	<b>330.3</b>	-30.0	-9.1%
Net claims ratio	51.7%	45.1%	6.6 pts	
Net expense ratio	23.4%	24.8%	-1.4 pt	
Net combined ratio	75.2%	70.0%	5.2 pts	

<b>Balance sheet information</b>	<b>31 December 2012</b>	<b>31 December 2011</b>	<b>Change vs. 31 December 2011</b>	
€ million				
Total assets	6,064.2	5,818.1	246.0	4.2%
Shareholders' equity, Group share	2,466.7	2,277.9	188.9	8.3%
Total financial liabilities	389.7	393.4	-3.6	-0.9%

## B. Turnover

Growth was particularly strong in strategic markets such as Asia and the Americas. Top line growth was also partly driven by a positive exchange rate impact.

### Evolution of turnover by region

Turnover growth was slow in traditional European markets despite a positive commercial balance between new production, cancellations and rates. Slow GDP growth impacted insured turnover volumes, which contributed negatively to the growth in countries like France. However, the Group reaped the benefits of the strong strategic focus placed on the Americas and Asia in the last two years, achieving good growth in these areas where economies have also been more resilient. Initiatives in Turkey and the Gulf Countries also paid off and boosted growth in the Mediterranean region.

<b>Turnover</b>	<b>12M 2012</b>	<b>12M 2011</b>	<b>Variation %</b>	<b>12M 2011</b>	<b>Variation %</b>
€ million		(1)		(2)	
<b>Regions</b>					
Germany, Austria, Switzerland	777.0	773.2	0.5%	771.1	0.8%
France	413.7	416.5	-0.7%	416.5	-0.7%
Northern Europe	524.6	497.4	5.5%	515.5	1.8%
Mediterranean Countries, Middle East & Africa	321.0	298.0	7.7%	298.2	7.6%
Americas	266.0	223.8	18.8%	243.0	9.4%
Asia-Pacific	79.7	57.4	38.8%	65.2	22.3%
EH Reinsurance + others <sup>(3)</sup>	16.0	8.6	N/A	8.8	N/A
<b>Euler Hermes Group</b>	<b>2,397.9</b>	<b>2,274.9</b>	<b>5.4%</b>	<b>2,318.2</b>	<b>3.4%</b>

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

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

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

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

## C. Operating income

Operating income, which is below last year by 8.4%, remained very solid, driven by strong and profitable growth outside Europe and selective underwriting in the core European markets.

In 2012, the net claims ratio increased 6.6 points year-on-year to 51.7%, of which 2.6 points are linked to three claims, including the Schlecker case. The remaining increase is modest, in a context of rising insolvencies, and considering the exceptionally low claims levels witnessed in 2011.

The net expense ratio is 1.4 points lower than last year at 23.4%, benefiting from effective cost control and better reinsurance conditions.

The net combined ratio is 75.2% compared to 70.0% last year, and remains strong given adverse market conditions.

Net investment income decreased from €113.1 million in 2011 to €109.0 million in 2012, mainly due to a lower foreign exchange result. Investment income is otherwise almost stable as the impact of decreasing yields on the performance of the bond portfolio has been offset through diversification and a slight increase in duration, as well as higher realized gains.

## D. Investment portfolio

At end December 2012, the market value of the Group's investment portfolio increased by €317 million to €4,235 million, after €192 million in dividends were paid in June.

## E. Net income

Net income is €300.2 million in 2012, compared to €330.3 million in 2011, a decrease of 9.1% which follows the decrease in operating profit.

## F. Dividends

On the basis of a net result of €6.84 per share, the Euler Hermes management board will propose the distribution of a dividend of €4.00 per share, down from €4.40 last year, representing a pay-out ratio of 60%.

## G. Shareholder's equity

Shareholders' equity Group share at the end of December 2012 was €2,467 million versus €2,278 million at end December 2011. This increase is mainly driven by the 2012 result (+€300 million) and the increase of investment portfolio (+€60 million) net of the dividend paid in 2012 (-€192 million).

## H. Outlook

In 2013 we anticipate a gradual recovery of the global economy but only from the second half of the year. After five consecutive years of crisis, world GDP should only benefit from a modest growth as the Eurozone will still face economic, political and social headwinds.

We believe companies will increasingly turn to trade credit insurance in this period for the insight it offers in differentiating between true opportunities and risks.

Euler Hermes will continue to actively seek growth outside its traditional markets, while keeping a strong focus on underwriting discipline given the continuing negative global trend in business insolvencies, especially across Europe.

## II. Results for the fourth quarter of 2012

### Key figures

P&L information € million	Q4	Q3	Q2	Q1	Q4	Variation	
	2012	2012	2012	2012	2011	vs. Q4 2011	
Earned premiums	503.2	501.8	498.4	491.7	472.4	30.8	6.5%
Service revenues	101.8	101.2	101.6	98.2	95.9	6.0	6.2%
<b>Turnover</b>	<b>605.0</b>	<b>603.1</b>	<b>600.0</b>	<b>589.9</b>	<b>568.2</b>	<b>36.8</b>	<b>6.3%</b>
Net technical result	56.8	94.8	91.6	81.0	58.2	-1.3	-2.3%
Net investment income	23.3	18.1	43.3	24.3	22.6	0.7	3.3%
Non-ordinary operating income & expense	-9.2	3.7	-3.7	0.6	3.1	-12.3	N/A
<b>Operating income</b>	<b>70.9</b>	<b>116.7</b>	<b>131.2</b>	<b>105.9</b>	<b>83.9</b>	<b>-12.9</b>	<b>-15.4%</b>
<b>Net income, Group share</b>	<b>52.4</b>	<b>86.4</b>	<b>95.0</b>	<b>66.4</b>	<b>54.2</b>	<b>-1.8</b>	<b>-3.3%</b>
Net claims ratio	57.9%	46.5%	51.9%	50.6%	54.2%	3.7	pts
Net expense ratio	24.7%	25.3%	20.4%	23.2%	26.2%	-1.5	pt
Net combined ratio	82.6%	71.8%	72.3%	73.9%	80.4%	2.2	pts

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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**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 €2.4 billion in 2012.

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 €770 billion exposure end of December 2012.

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

For more information visit [www.eulerhermes.com](http://www.eulerhermes.com) or follow us on Twitter [@eulerhermes](https://twitter.com/eulerhermes)

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The company assumes no obligation to update any forward-looking statement.