

Euler Hermes posts strong half year 2013 results

PARIS – 24 JULY 2013

- Revenues rise by 5.3% for the first six months year-on-year to € 1,252.7 million
- Record quarterly turnover in the second quarter: € 633.4 million
- Operating income increases by 6.2% year-on-year to € 253.4 million
- Net income up 2.4% over 2012 to € 166.4 million

“Euler Hermes maintains its momentum,” said Wilfried Verstraete, chairman of the Euler Hermes Board of Management. “Revenues are up 5.3% compared to last year and operating income is up 6.2% year-on-year, a substantial achievement against the current global economic backdrop. Our flexible underwriting approach that is finely-tuned to individual countries and sectors, combined with our agility in tapping new markets, enable us to maintain our successful course and generate profitable growth quarter after quarter.”

## I. Results for the first six months of 2013

### A. Key figures

<b>P&amp;L information</b> € million	<b>6M 2013</b>	<b>6M 2012</b> (after application of IAS 19 revised)	<b>6M 2012</b> (published)	<b>Change vs. 6M 2012*</b>	
Earned premiums	1,044.6	990.1	990.1	54.5	5.5%
Service revenues	208.2	199.8	199.8	8.4	4.2%
<b>Turnover</b>	<b>1,252.7</b>	<b>1,189.8</b>	<b>1,189.8</b>	62.9	5.3%
Net technical result	166.9	174.2	172.6	-7.3	-4.2%
Net investment income	57.3	67.6	67.6	-10.2	-15.1%
<b>Ordinary operating income</b>	<b>224.3</b>	<b>241.8</b>	<b>240.2</b>	-17.5	-7.2%
Non-ordinary operating income & expense	29.1	-3.1	-3.1	32.2	N/A
<b>Operating income</b>	<b>253.4</b>	<b>238.7</b>	<b>237.1</b>	14.7	6.2%
<b>Net income, Group share</b>	<b>166.4</b>	<b>162.5</b>	<b>161.4</b>	3.9	2.4%
Net claims ratio	52.5%	51.3%	51.3%	1.2	pt
Net expense ratio	23.9%	21.6%	21.8%	2.3	pts
Net combined ratio	76.4%	72.9%	73.1%	3.5	pts

\*variation with 6M 2012 restated after application of IAS 19 revised

<b>Balance sheet information</b> € million	<b>30 June 2013</b>	<b>31 December 2012</b> (after application of IAS 19 revised)	<b>31 December 2012</b> (published)	<b>Change vs. 31 December 2012*</b>	
Total assets	6,067.6	6,077.1	6,064.2	-9.5	-0.2%
Shareholders' equity, Group share	2,295.8	2,345.2	2,466.7	-49.4	-2.1%
Total financial liabilities	386.8	389.7	389.7	-3.0	-0.8%

\*variation with 31 December 2012 restated after application of IAS 19 revised (€122 million impact on net equity Group share)

The impact of the IAS 19 revision cancelling the “corridor” method on pensions is a € 121.5 million decrease in shareholders’ equity. Shareholders’ equity for 2012 has been restated accordingly. The Group share of shareholders’ equity decreased by € 49.4 million, due to the payment of a € 176.0

million dividend and to a negative revaluation of the bond portfolio which was partially offset by € 166.4 million of net income.

## B. Turnover

Total turnover reached € 1.25 billion, growing by 5.3% in the first two quarters and 6.1% at constant exchange rate. The second quarter of 2013 achieved a record turnover of €633 million.

<b>Turnover</b> € million	<b>6M 2013</b>	<b>6M 2012</b> <i>(published)</i>	<b>Variation</b> %	<b>6M 2012</b> <i>(1)</i>	<b>Variation</b> %
<b>Regions</b>					
Germany, Austria, Switzerland	399.5	387.2	3.2%	386.7	3.3%
France	206.5	212.1	-2.6%	212.1	-2.6%
Northern Europe	273.6	258.6	5.8%	256.1	6.9%
Mediterranean Countries, Middle East & Africa	152.0	161.4	-5.9%	142.7	6.5%
Americas	139.0	127.4	9.1%	123.2	12.9%
Asia-Pacific	47.5	38.2	24.1%	36.8	29.0%
EH Reinsurance + others (2)	34.6	4.9	N/A	23.4	N/A
<b>Euler Hermes Group</b>	<b>1,252.7</b>	<b>1,189.8</b>	<b>5.3%</b>	<b>1,180.9</b>	<b>6.1%</b>

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

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

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

The growth engines of 2012 continue to drive 2013 results: Asia, the Americas, and the Middle East. Growth is also picking up in mature markets. After two years of flat top line development, Germany is now growing at 3%.

Again this year, top line growth is supported by strong new production and a sustained record retention rate of 92%. Demand for credit insurance is high both in mature markets where risk awareness is growing as insolvencies increase, and in non-mature markets where clients use credit insurance to safely expand their business.

## C. Operating income

Despite rising insolvencies in main markets (+8 % expected globally in 2013), profitability remains strong and operating income is € 253.4 million, up 6.2% compared to last year.

The net claims ratio changed minimally compared to last year, at 52.5% against 51.3% in 2012. The low claims ratio level is the result of our selective underwriting in fragile economies, and our capacity to adjust rapidly to deteriorating environments.

The net expense ratio increased by 2.3 points against last year, when we booked most remaining positive run-offs on commissions linked to previous attachment years. Before reinsurance, the expense ratio improved against last year.

The net combined ratio stands at 76.4 % against 72.9 % in 2012. The 3.5 points deviation is entirely linked to the reserve booked on Pescanova, a Spanish fishing company.

The slight decline in the net technical result linked to this specific reserve, and the decrease in the net financial income linked to both declining bond yields and lower foreign exchange result, are more than offset by an exceptional profit of € 32 million linked to the cession of the Spanish and Argentinean entities to Solunion, the joint venture with MAPFRE.

As a result, total operating income at the end of June 2013 is € 253.4 million, up € 14.7 million against last year.

## D. Investment portfolio

Market value of the Group's investment portfolio decreased by € 73 million and equates to € 4,161 million. This evolution is linked to the dividend payment and to a downward revaluation of the bond portfolio linked to the higher rates, both not completely offset by operating cash inflows.

## E. Net income

Net income reached €166.4 million in the first half of 2013, up 2.4% compared to last year.

## F. Outlook

Euler Hermes expects that global economic growth will slow to 2.4% in 2013 before recovering slightly in 2014. In Europe, the contraction will most likely be sharper than anticipated and the recovery delayed to 2014.

“This pressure is not new,” said Wilfried Verstraete. “We remain cautious on risk and, based on the current outlook, are in a good position to deliver a solid performance once again this year. We continue to broaden our position across regions and business segments, which underpins both the growth and the profitability of our business.”

## II. Results for the second quarter of 2013

<b>P&amp;L information</b> € million	<b>Q2</b> <b>2013</b>	<b>Q1</b> <b>2013</b>	<b>Q4</b> <b>2012*</b>	<b>Q3</b> <b>2012*</b>	<b>Q2</b> <b>2012*</b>	<b>Variation</b> <b>vs. Q2 2012</b>	
Earned premiums	529.0	515.5	503.2	501.8	498.4	30.7	6.2%
Service revenues	104.4	103.8	101.8	101.2	101.6	2.8	2.7%
<b>Turnover</b>	<b>633.4</b>	<b>619.3</b>	<b>605.0</b>	<b>603.1</b>	<b>600.0</b>	<b>33.4</b>	<b>5.6%</b>
Net technical result	102.3	64.6	56.8	94.8	91.6	10.7	11.7%
Net investment income	24.5	32.9	23.3	18.1	43.3	-18.8	-43.5%
<b>Ordinary operating income</b>	<b>126.8</b>	<b>97.5</b>	<b>80.2</b>	<b>112.9</b>	<b>134.9</b>	<b>-8.1</b>	<b>-6.0%</b>
Non-ordinary operating income & expense	-0.7	29.8	-9.2	3.7	-3.7	3.0	N/A
<b>Operating income</b>	<b>126.1</b>	<b>127.3</b>	<b>70.9</b>	<b>116.7</b>	<b>131.2</b>	<b>-5.1</b>	<b>-3.9%</b>
<b>Net income, Group share</b>	<b>81.0</b>	<b>85.3</b>	<b>52.4</b>	<b>86.4</b>	<b>95.0</b>	<b>-14.0</b>	<b>-14.7%</b>
Net claims ratio	47.8%	57.7%	57.9%	46.5%	51.9%	-4.1	pts
Net expense ratio	24.6%	23.0%	24.7%	25.3%	20.4%	4.2	pts
Net combined ratio	72.4%	80.7%	82.6%	71.8%	72.3%	0.1	pt

\*published figures before application of IAS 19 revised

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.

On Wednesday the 24 July 2013, the Group Management Board of Euler Hermes (ELE.PA), a worldwide leader in credit insurance and in the areas of bonding, surety and collections, presented its consolidated half-year results as of 30 June 2013 to the Euler Hermes Supervisory Board. The results have been reviewed by the auditors and the Audit Committee.

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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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