

Euler Hermes nine-month results: holding course

PARIS – 5 NOVEMBER 2013

- Despite headwinds on foreign exchange, revenues rise by 3.8% year-on-year to € 1.86 billion (by 4.9% at constant exchange rates)
- Operating income: a solid € 334.4 million, in spite of the subdued economic environment and persistently low interest yield
- Net income: € 221.4 million, following the trend on operating income

“Euler Hermes has again demonstrated its ability to grow business in a difficult economic environment and despite some strong foreign exchange headwinds,” said Wilfried Verstraete, chairman of the Euler Hermes board of management. “Asia is still leading the way with 25% growth at constant exchange rates and the World Agency business is growing by 21% year-on-year. Good commercial performance, plus our agility in adapting our risk underwriting to changes in traditional and growth markets, allows us to post a solid € 334.4 million operating income to the end of September.”

I. Results for the first nine months of 2013

A. Key figures

P&L information € million	9M 2013	9M 2012 <small>(after application of IAS 19 revised)</small>	Change vs. 9M 2012	
Earned premiums	1,553.4	1,491.9	61.5	4.1%
Service revenues	307.5	301.0	6.5	2.1%
Turnover	1,860.9	1,792.9	68.0	3.8%
Net technical result	242.0	270.2	-28.3	-10.5%
Net investment income	70.7	85.7	-15.0	-17.5%
Non-ordinary operating income & expense	21.8	0.6	21.2	N/A
Operating income	334.4	356.6	-22.1	-6.2%
Net income, Group share	221.4	249.8	-28.4	-11.4%
Net claims ratio	52.6%	49.6%	2.9 pts	
Net expense ratio	24.2%	22.7%	1.5 pt	
Net combined ratio	76.8%	72.4%	4.4 pts	

Balance sheet information € million	30 September 2013	31 December 2012 <small>(after application of IAS 19 revised)</small>	Change vs. 31 December 2012	
Total assets	6,161.6	6,077.1	84.5	1.4%
Shareholders' equity, Group share	2,354.4	2,345.2	9.1	0.4%
Total financial liabilities	388.2	389.7	-1.6	-0.4%

The impact of revised IAS 19 cancelling the “corridor” on pensions is a €122 million decrease in shareholders' equity.

Shareholders' equity increased by €9.1 million, with €221.4 million of positive net income being offset by the €176.0 million dividend paid in May 2013 and a €25.9 million negative revaluation of the bond portfolio following a recent rise in interest rates.

B. Turnover

Turnover reached € 1,860.9 million at the end of September, up 3.8% compared to September 2012, but higher by 4.9% at constant exchange rates.

Turnover € million	9M 2013	9M 2012 <i>(published)</i>	Variation %	9M 2012 <i>(1)</i>	Variation % <i>(1)</i>
Regions					
Germany, Austria, Switzerland	596.4	581.0	2.6%	580.2	2.8%
France	305.0	312.2	-2.3%	312.2	-2.3%
Northern Europe	409.1	393.3	4.0%	386.5	5.9%
Mediterranean Countries, Middle East & Africa	230.3	240.2	-4.1%	211.6	8.8%
Americas	204.4	197.7	3.4%	190.5	7.3%
Asia-Pacific	69.2	58.4	18.5%	55.1	25.4%
EH Reinsurance + others <i>(2)</i>	46.6	10.1	N/A	37.6	N/A
Euler Hermes Group	1,860.9	1,792.9	3.8%	1,773.7	4.9%

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

(1) At constant exchange rates and pro forma (Spain and Argentina in 2012 in EH Re.)

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

Foreign exchange headwinds again weighed negatively on the top line in Q3, but at constant exchange rates all regions except France are growing. Asia and the Middle East continue to be strong growth drivers, as is the dynamic World Agency multinationals segment.

New business and client retention remain solid and drive growth. However, the impact from policyholders' insured turnover is globally negative for the Group – particularly for the top line in France.

C. Operating income

Operating income is down €22 million versus last year but still solid at €334.4 million.

The net claims ratio stands at a healthy level of 52.6%, up 2.9 points compared to last year, and in line with the net claims ratio at the end of June 2013.

The net expense ratio is up 1.5 points against 2012, when most remaining positive run-offs on reinsurance commissions linked to previous attachment years were booked. Before reinsurance, the expense ratio improved against last year.

As a result, the net combined ratio stands at 76.8%, vs. 72.4% at the end of September 2012.

Lower average bond yields, combined with reduced realized gains and negative foreign exchange, decreased net investment income by 17.5% to €70.7 million.

However, an exceptional profit of €32 million linked to the cession of Euler Hermes' Spanish and Argentinean entities to Solunion, the joint venture with MAPFRE, partially offsets this lower ordinary operating income.

Operating income for the first nine months of 2013 therefore stands at €334.4 million.

D. Investment portfolio

In the first nine months of 2013 the market value of the Group's investment portfolio increased by €8 million compared to end of year 2012 -- to €4,243 million. This evolution is linked to positive operating cash flows, partially offset by the dividend payment and the lower bond portfolio value

E. Net income

Net income reached €221.4 million in the first nine months of 2013. The decrease vs. last year is linked to the lower operating income.

F. Outlook

With the economic recovery still to materialize fully, Euler Hermes remains on course to deliver solid results in 2013 and is on track with previous guidance.

Business confidence is improving in the advanced economies, although downside risks remain. As in 2012 and 2013, Euler Hermes expects to drive its growth primarily from outside Europe. The Group will maintain its prudent approach to risk, while continuing its expansion strategy in growth markets to secure future profitability.

II. Results for the third quarter of 2013

P&L information € million	Q3 2013	Q2 2013	Q1 2013	Q4 2012*	Q3 2012*	Variation vs. Q3 2012		Q3 2012*	Variation vs. Q3 2012	
Earned premiums	508.9	529.0	515.5	503.2	501.8	7.1	1.4%	494.7	14.2	2.9%
Service revenues	99.3	104.4	103.8	101.8	101.2	-2.0	-1.9%	98.2	1.1	1.1%
Turnover	608.2	633.4	619.3	605.0	603.1	5.1	0.8%	592.8	15.3	2.6%
Net technical result	75.1	102.3	64.6	56.8	94.8	-19.8	-20.8%			
Net investment income	13.3	24.5	32.9	23.3	18.1	-4.8	-26.5%			
Non-ordinary operating income & expense	-7.3	-0.7	29.8	-9.2	3.7	-11.1	N/A			
Operating income	81.1	126.1	127.3	70.9	116.7	-35.6	-30.5%			
Net income, Group share	55.0	81.0	85.3	52.4	86.4	-31.4	-36.3%			
Net claims ratio	52.8%	47.8%	57.7%	57.9%	46.5%	6.3 pts				
Net expense ratio	24.9%	24.6%	23.0%	24.7%	25.3%	-0.4 pt				
Net combined ratio	77.6%	72.4%	80.7%	82.6%	71.8%	5.8 pts				

*published figures before application of IAS 19 revised

**at constant exchange rates

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 Tuesday, 5 November 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 results as of 30 September 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.

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