

Paris, 28 July 2009

**Euler Hermes' results for the first half of 2009**  
**Turnover up by 1.1%** (at constant scope and exchange rates)  
**Technical result: -€59.5 million**  
**Operating income: €35.4 million**  
**Net income at breakeven**

*“Economic conditions continued to deteriorate throughout the second quarter of 2009. Many companies’ sales contracted and their cash positions worsened, resulting in a significant increase in the number of corporate failures since the beginning of the year. The current crisis has also impacted Euler Hermes, with earned premiums eroded by the drop in insured sales linked directly to the very difficult economic conditions and a rise in claims, which weighed on group profitability”, said Wilfried Verstraete, Chairman of the Euler Hermes Group Management Board, adding that “despite this difficult environment, Euler Hermes posted a positive operating income for the first half of 2009.”*

The Group Management Board submitted the results for the first half of 2009 to the Euler Hermes Supervisory Board on 28 July 2009. The results have been reviewed by the auditors and the Audit Committee.

**A. Key figures – First-half 2009** *(limited review)*

The first half of 2009 saw a continuation of the marked slowdown in the world economy. Euler Hermes expects the number of corporate failures to increase by a further 35% in 2009, following a 27% rise in 2008.

In this challenging environment, Euler Hermes recorded net income of €0.7 million in the first half of 2009, compared with €122.3 million in the first half of 2008.

<i>€ millions</i>	<b>H1 2009</b>	<b>H1 2008</b>	<b>Change</b>	<b>Change (%)</b>
Premiums	881.4	890.8	-9.3	-1.0%
Service revenues	203.1	192.9	10.2	5.3%
<b>Total turnover</b>	<b>1,084.5</b>	<b>1,083.6</b>	<b>0.9</b>	<b>0.1%</b>
Net technical result	-59.5	114.2	-173.7	-152.1%
Net investment income	94.9	87.2	7.7	8.8%
<b>Operating income</b>	<b>35.4</b>	<b>201.5</b>	<b>-166.0</b>	<b>-82.4%</b>
<b>Net income</b>	<b>0.7</b>	<b>122.3</b>	<b>-121.6</b>	<b>-99.4%</b>
Net loss ratio	88.4%	63.7%		
Net expense ratio	20.7%	18.8%		
Net combined ratio	109.1%	82.5%		



## B. Turnover

For the six months to 30 June 2009 the group's turnover totalled €1,084.5 million, corresponding to a 1.1% increase over the first half of 2008 at constant scope and exchange rates

Although turnover continued to rise in new markets, historical markets in Europe and North America saw a sharp contraction in clients' sales that weighed on earned premium volumes and was reflected in a 1% decline in turnover to end-June 2009.

### Breakdown of turnover by country (based on earned premiums)

€ million	30/06/2009 (1)	30/06/2008 (2)	Change (1)/(2)	30/06/2008 (3)	Change (1)/(3)
Germany	359.9	369.1	-2.5%	366.6	-1.8%
France	198.2	203.9	-2.8%	204.6	-3.1%
Italy	110.6	128.3	-13.9%	128.3	-13.9%
United Kingdom	95.7	102.2	-6.4%	89.5	6.9%
United States	79.6	66.0	20.6%	76.2	4.5%
Belgium	38.7	39.3	-1.5%	39.3	-1.5%
Netherlands	27.1	26.3	2.9%	26.3	2.9%
Nordic countries	25.7	23.2	10.8%	20.1	27.9%
Poland	26.0	25.8	0.9%	19.8	31.4%
<b>Subtotal main countries</b>	<b>961.4</b>	<b>984.3</b>	<b>-2.3%</b>	<b>970.7</b>	<b>-1.0%</b>
- o/w euro zone	734.4	767.0	-4.3%	765.1	-4.0%
<b>Subtotal new markets</b>	<b>123.1</b>	<b>99.4</b>	<b>23.9%</b>	<b>102.2</b>	<b>20.5%</b>
<b>Euler Hermes</b>	<b>1,084.5</b>	<b>1,083.6</b>	<b>0.1%</b>	<b>1,072.9</b>	<b>1.1%</b>

Note: (1) Credit insurance turnover with geographical reclassification

(2) Credit insurance turnover with geographical reclassification pro forma

(3) Credit insurance turnover with geographical reclassification pro forma at constant exchange rate

In most countries, the downturn in clients' sales, which was of exceptional magnitude in the second quarter of 2009, could not be offset by increases in premium rates or by higher group production levels.

## C. Operating income

The technical result, excluding financial income, represents a loss of €59.5 million compared with a profit of €114.2 million in 2008. The loss is attributable mainly to the sharp deterioration in the net cost of claims, which hit the net combined ratio after reinsurance. At 109.1%, this ratio is 26.6 points higher than in the first half of 2008.

The net cost of claims continued to rise sharply, increasing by 23.9%. This increase is due to the severe economic and financial crisis affecting most European countries, resulting in a significant rise in both the number and the value of claims. By contrast, in the first half of 2008 the current crisis started in Southern Europe and in the UK, and Northern European countries were largely unaffected.

For the first six months of 2009, Euler Hermes recognised negative runoff on previous attachment years of €14 million as a result of the high level of claims for the 2008 attachment year, mainly in Eastern Europe and South America. This compares with positive runoff of €14 million for the corresponding period in 2008.

Despite the 1.6% fall in net operating expenses, the net expense ratio deteriorated by 1.9 point (to 20.7% from 18.8% in the first half of 2008) due to the lower level of net earned premiums.



Despite a sharp downturn in interest rates in the first quarter of 2009, financial income in the first six months of the year nevertheless amounted to nearly €95 million, mainly due to the realisation of capital gains totalling €53.9 million on the bond and investment property portfolios.

The group's financial income more than offset its negative technical result, and operating income for the six months to end-June 2009 was positive at €35.4 million. It was, however, down by a very sharp 82.4% compared with the same period in 2008.

#### **D. Exceptional charges and corporation tax**

Euler Hermes recognised exceptional charges in the second quarter of 2009 totalling €7.5 million in connection with its Italian subsidiary's restructuring plan, as finalised to date.

Net income for the period was hit by the high effective tax rate, of 89.3%, resulting from significant tax rate differentials between the parent company and subsidiaries and from specific tax positions that resulted in the group's being unable to recognise deferred tax assets.

#### **E. Investment portfolio**

With poor visibility on the financial markets, Euler Hermes has maintained its very cautious investment management policy, notably via a reduction in the duration of bond portfolios. The annualised economic performance net of investment portfolio expense reached 5.7%. At the end of June 2009, the fair value of the investment portfolio, including cash and cash equivalents, was virtually unchanged from end-June 2008 at €3,330 million.

#### **F. Outlook**

In the first half of 2009, economic indicators of all countries continued to deteriorate. The fragile situation and the slow pace of the expected recovery will prevent any rapid decline in the number of corporate failures. Against this background, Euler Hermes does not foresee any significant improvement in the level of results before 2010.

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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 6,200 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 €2.2 billion in 2008.**

Euler Hermes has developed a credit intelligence network that enables it to analyse the financial stability of 40 million businesses across the globe.

The group protects worldwide business transactions totalling €700 billion.

Euler Hermes, subsidiary of Allianz, is listed on Euronext Paris. The group and its principal credit insurance subsidiaries are rated AA- by Standard & Poor's.

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