

Euler Hermes

Q1 2009 financial results

6 May 2009

A company of Allianz 



Contents

1 Economic environment

2 Euler Hermes' actions and first achievements

3 Q1 2009 financial key data

4 Outlook

Contents

1 Economic environment

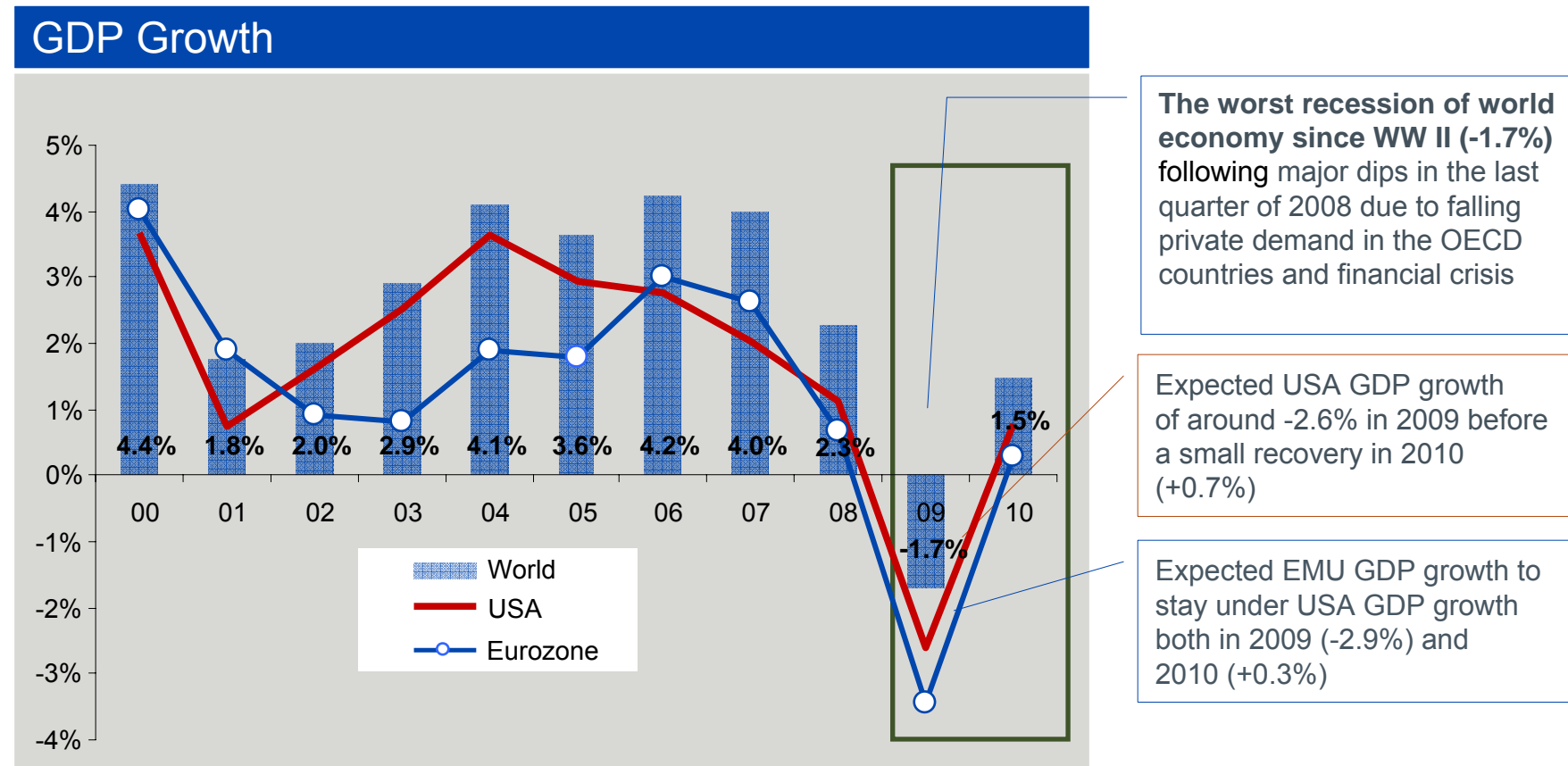
2 Euler Hermes' actions and first achievements

3 Q1 2009 financial key data

4 Outlook

Heading towards a great recession

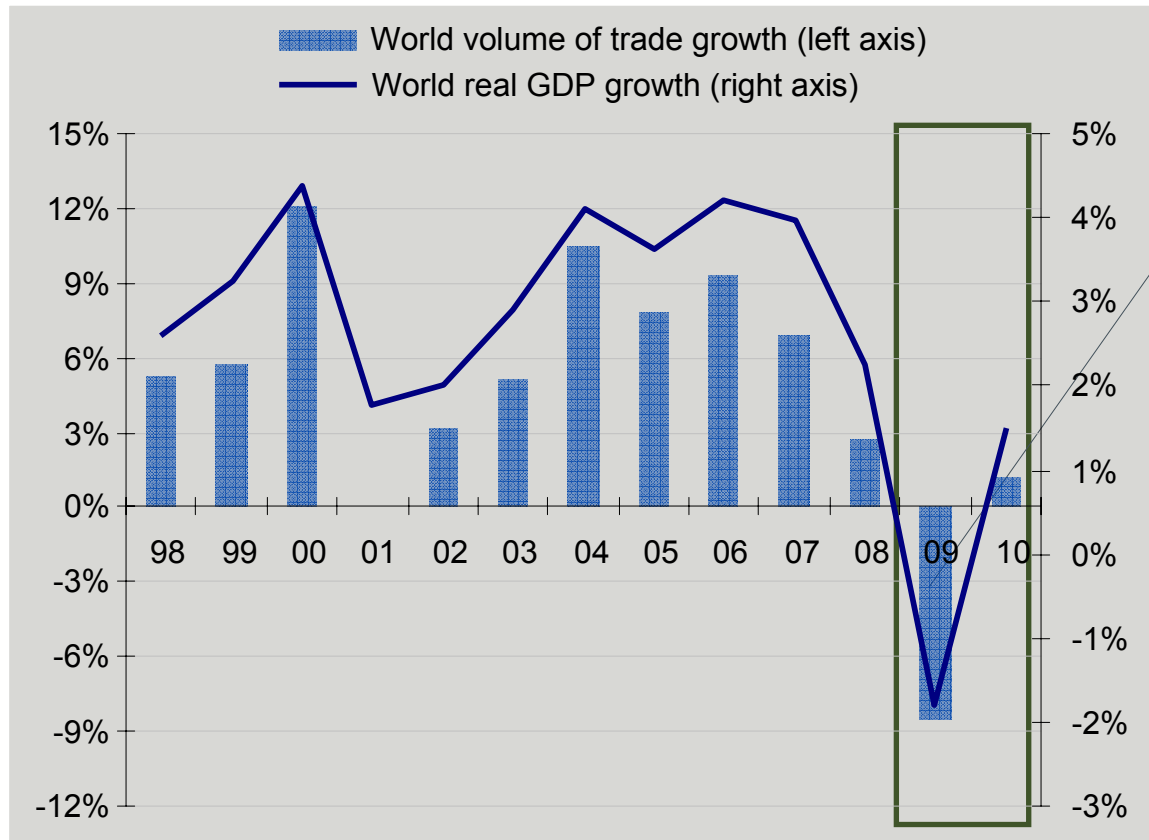
The world economy sank dangerously into crisis in winter 2008-2009, with no prospect of stabilising before the end of 2009



Sources: IHS Global Insight, Euler Hermes calculation and forecasts published end of March 2009 in the EH Economic outlook 2009 #2 (GDP 2007 weighting at current exchange rates)

The deepest trade recession since 50 years

A major contraction of world trade since October 2008



Expected the biggest fall since WWII for world trade in goods and services.

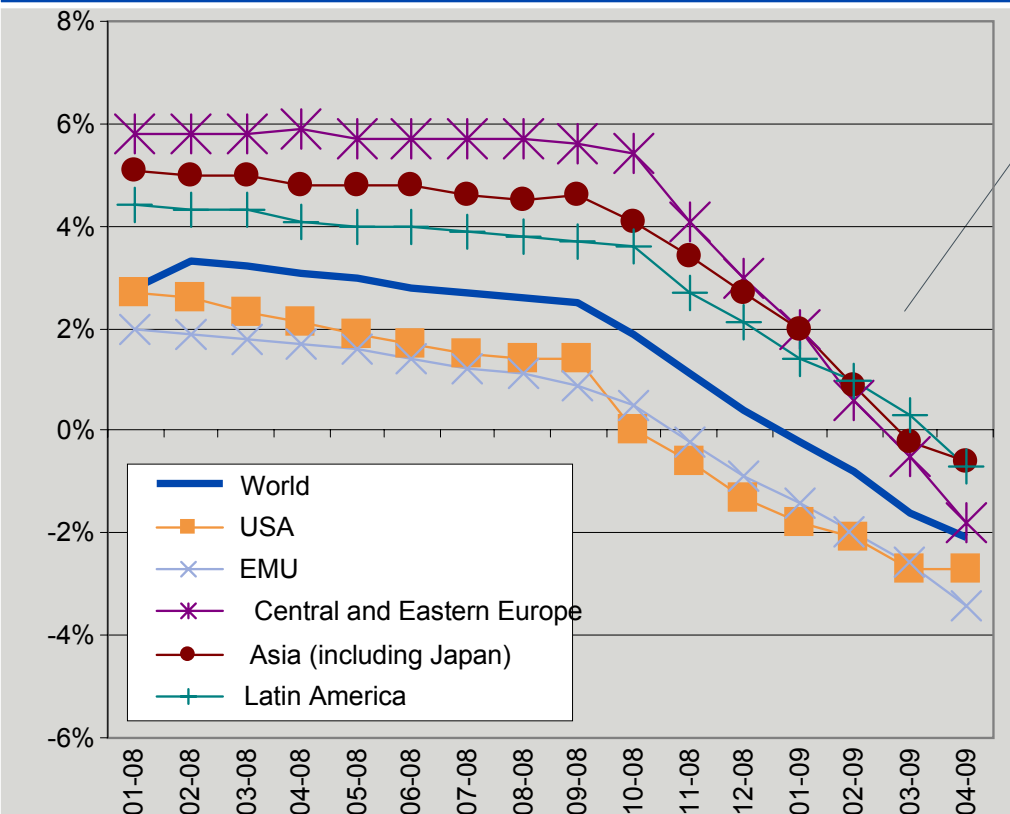
At least -8% for full year 2009 (after +2.5% in 2008 and a yearly average of almost 7% between 2003 and 2007)

Sources: IHS Global Insight, Euler Hermes calculation and forecasts published end of March 2009 in the EH Economic outlook 2009 #2 (GDP 2007 weighting at current exchange rates)

GDP forecasts on the downside since August 2008

Already more than - 4 points of GDP in six months for 2009 GDP forecasts
 ... still to be adjusted again after Q1-2009 GDP releases

GDP 2009 forecasts (consensus of economists)



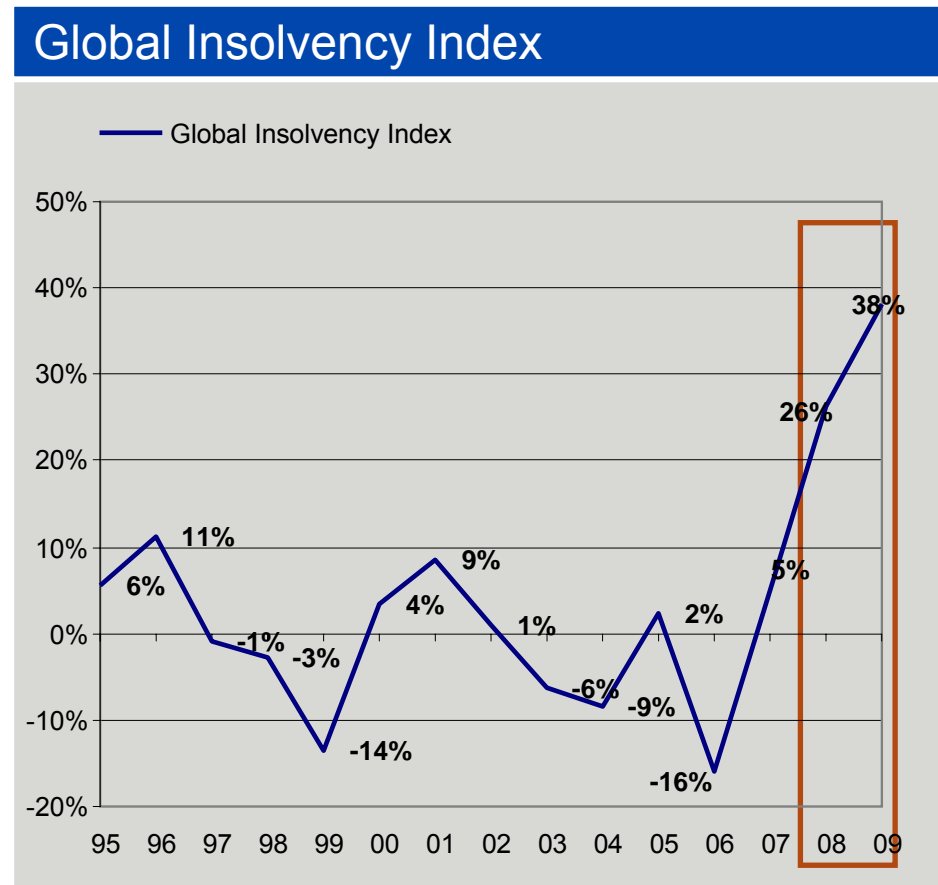
Revision forecasts for 2009 GDP (since October 2008):

- Central and Eastern Europe (-6.1 points)
- Asia including Japan (-4.8 points)
- USA (-4.1 points)
- EMU, Middle East and Africa (-3.5 points)
- Latin America (-3.4 points)

Source: Consensus Forecasts (GDP 2007 weighting at current exchange rates)

Business insolvencies on the rise

EH Global Insolvency Index up by +26% in 2008 (after +5% in 2007)
... to rebound again even more in 2009



Sources: IHS Global Insight, Euler Hermes calculation and forecasts, **Index 100 = 1997**, GDP 2007 weighting at current exchange rates
Note: the EH Global Insolvency Index countries account for 85% of world GDP

Contents

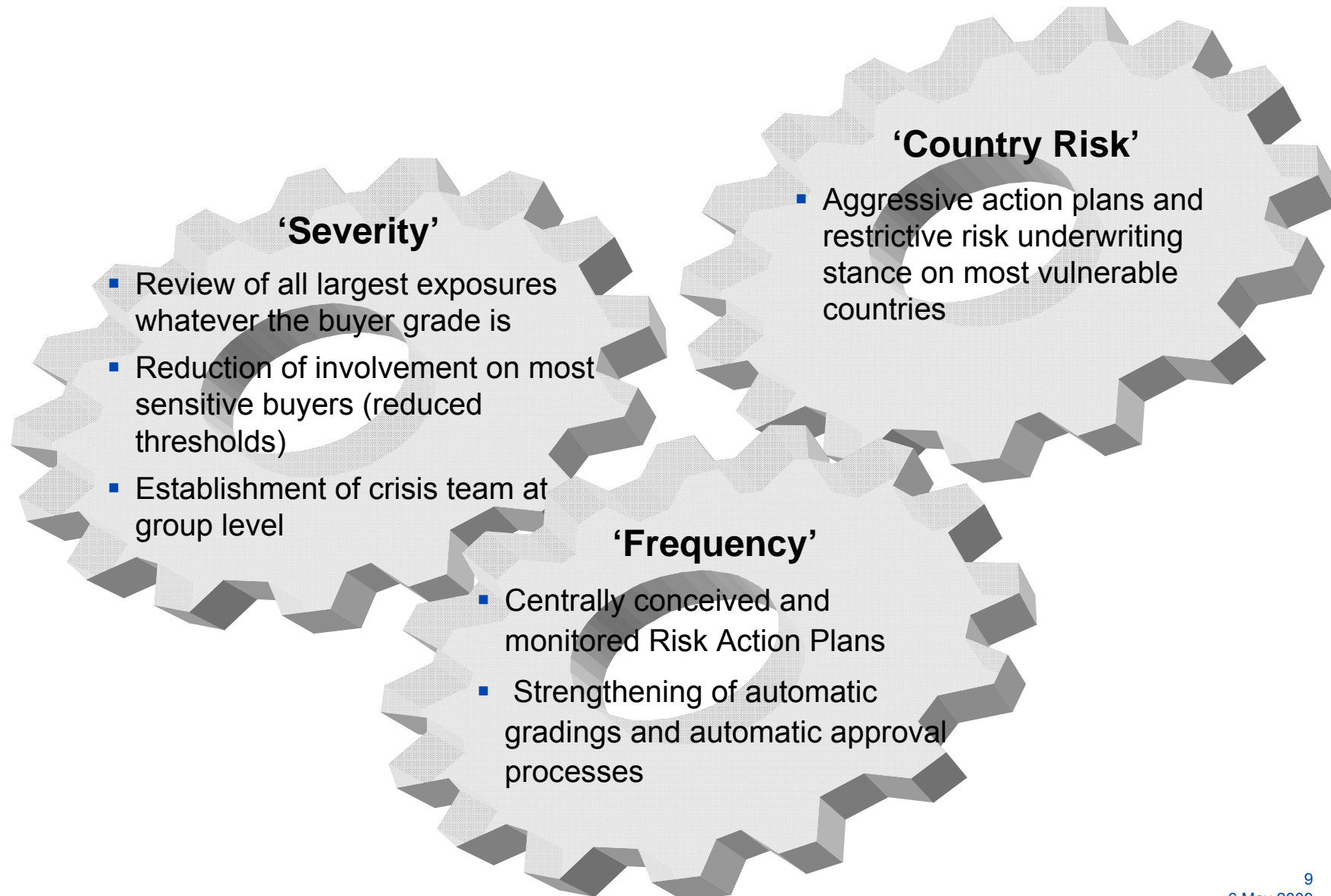
1 Economic environment

2 Euler Hermes' actions and first achievements

3 Q1 2009 financial key data

4 Outlook

The 3 components of the Risk Action Plan



Risk Action Plan (RAP)

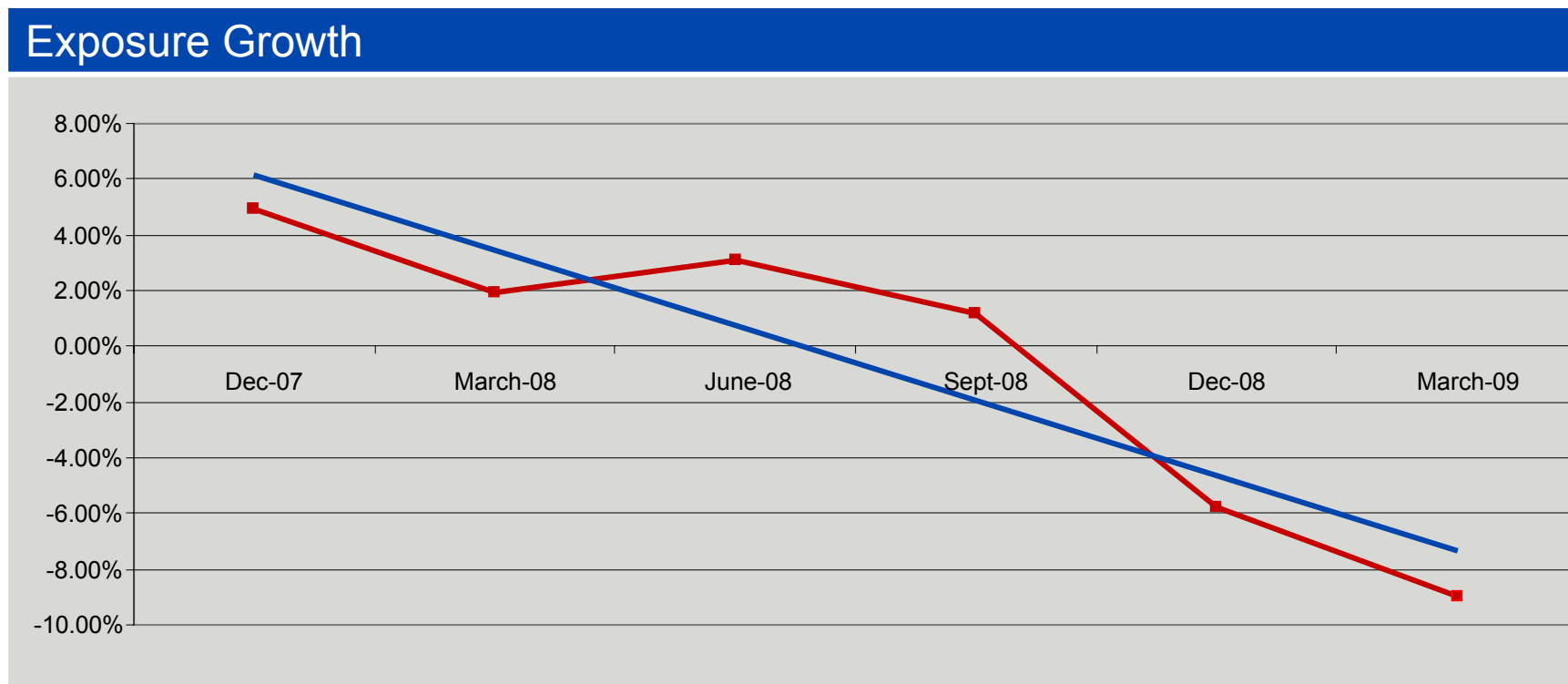
▪ **Severity action plan**

- Reassessing of all buyers > with exposure in excess of € 50 million regardless of the grade
- New full program implemented again on April 1st 2009

▪ **Frequency action plan**

- Strong actions on buyers with grades ≥ 5
- Net reduction of exposure during 2009 Q1: € 60bn (- 9%)

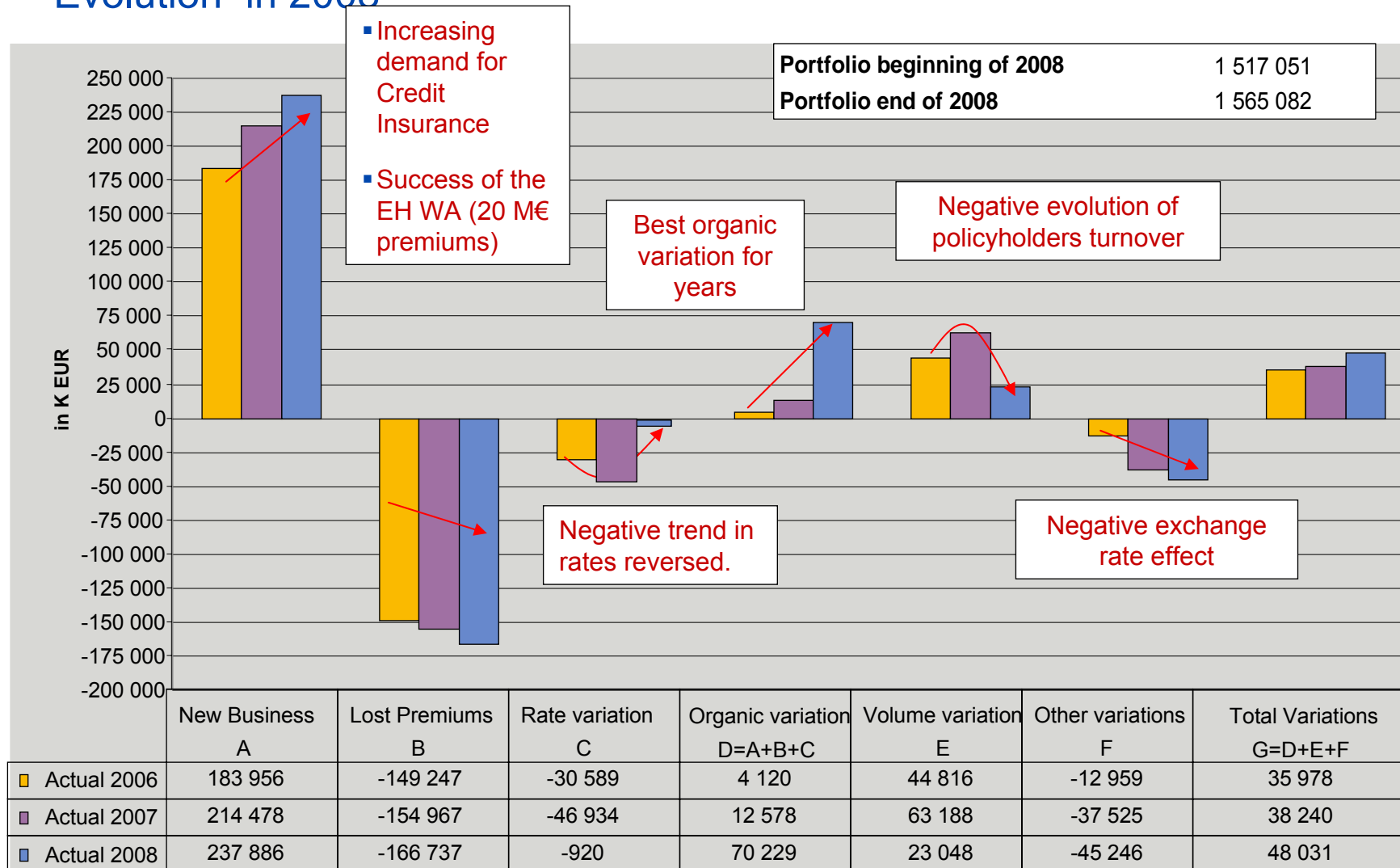
Evolution of Exposure Growth (evolution of exposure in percentage quarter per quarter)



Commercial actions in 2009

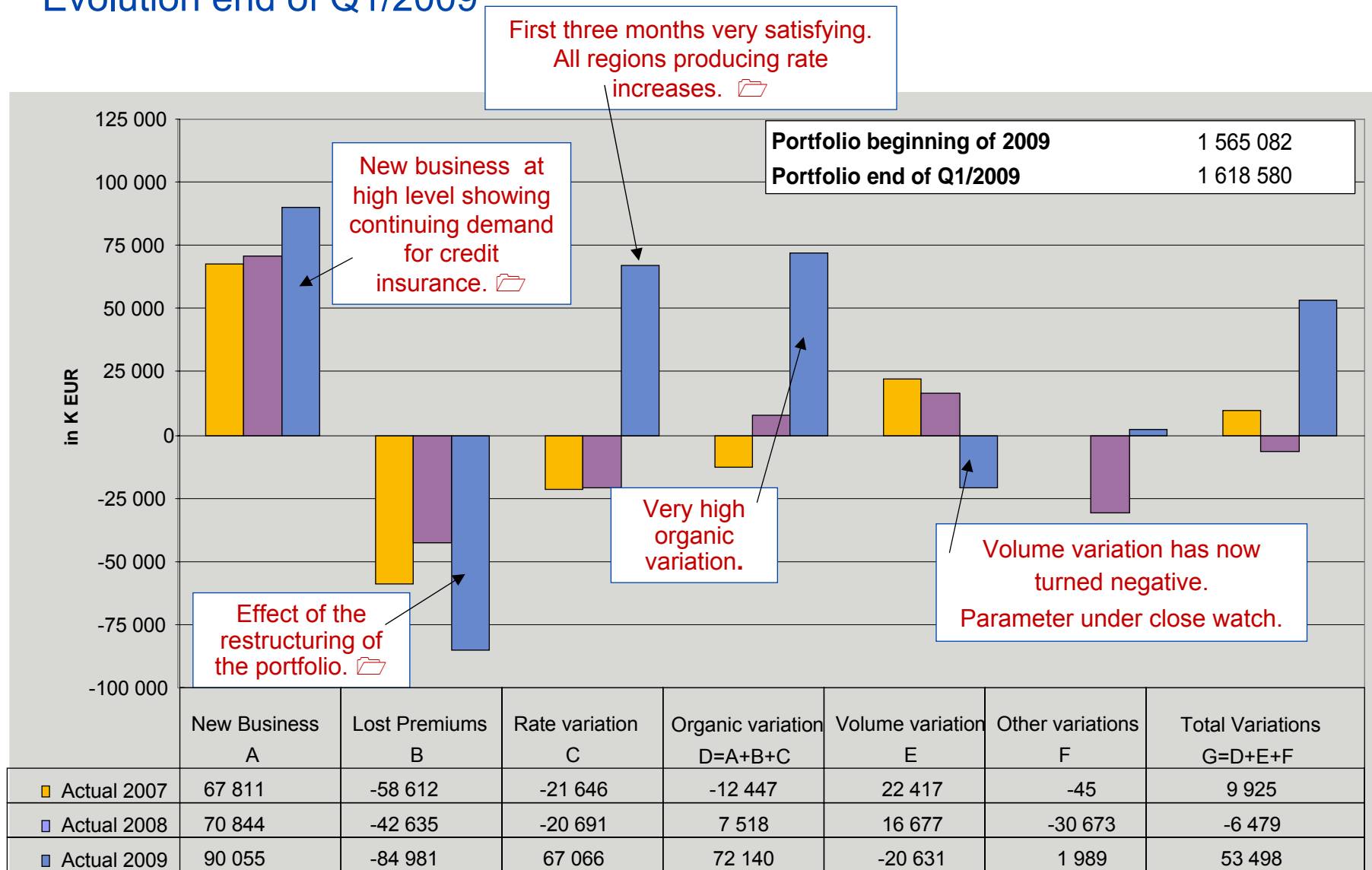
- Repricing according to the credit risk
- Discipline in commercial actions
- Proactive communication with policyholders and partners
- Regular adaptation according to knowledge (about environment both claims situation and market)

Global Overview of Credit Insurance Portfolio Value Evolution in 2008



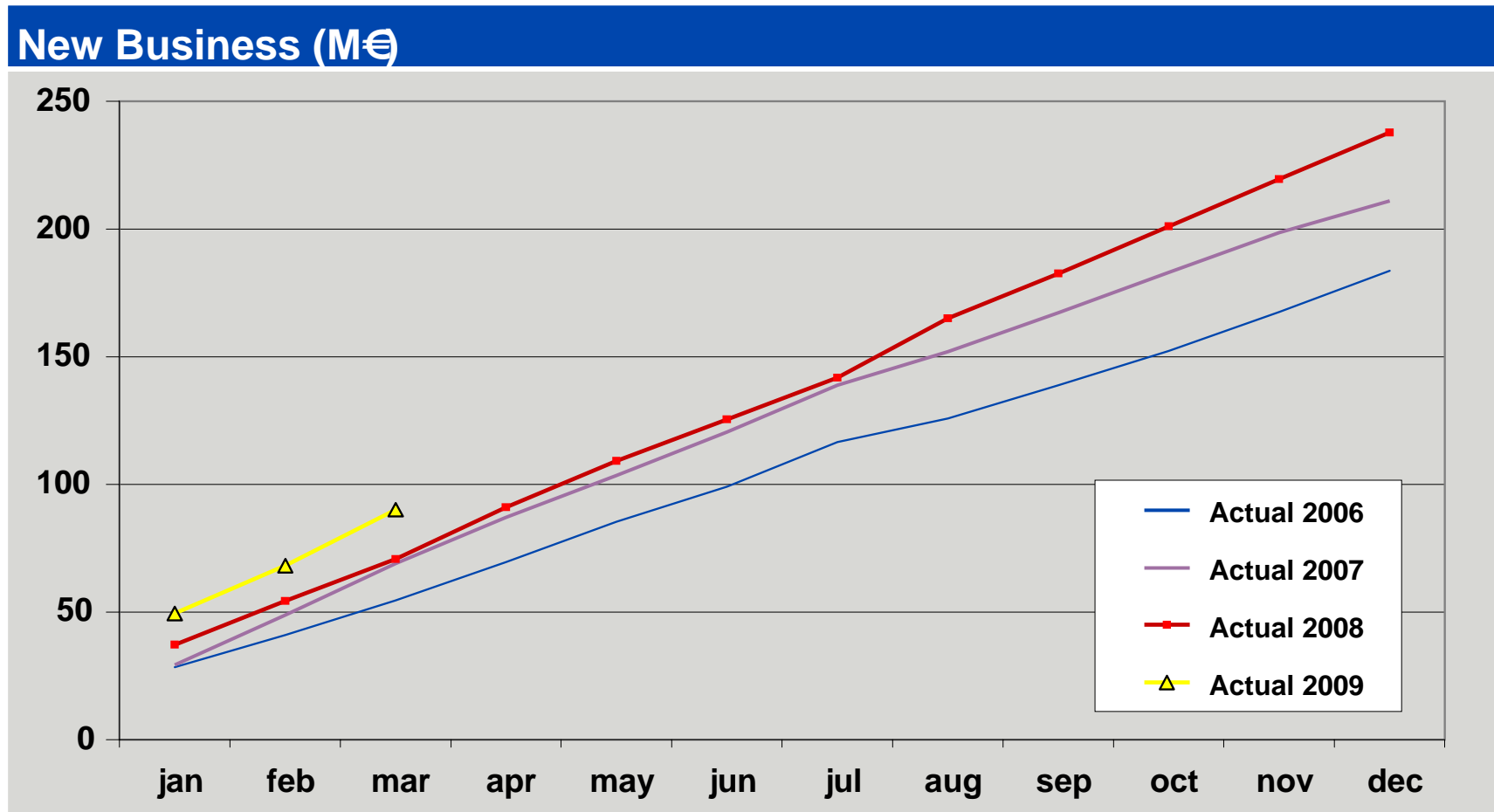
Next slide

Global overview of Credit Insurance Portfolio Value Evolution end of Q1/2009



[Next](#)

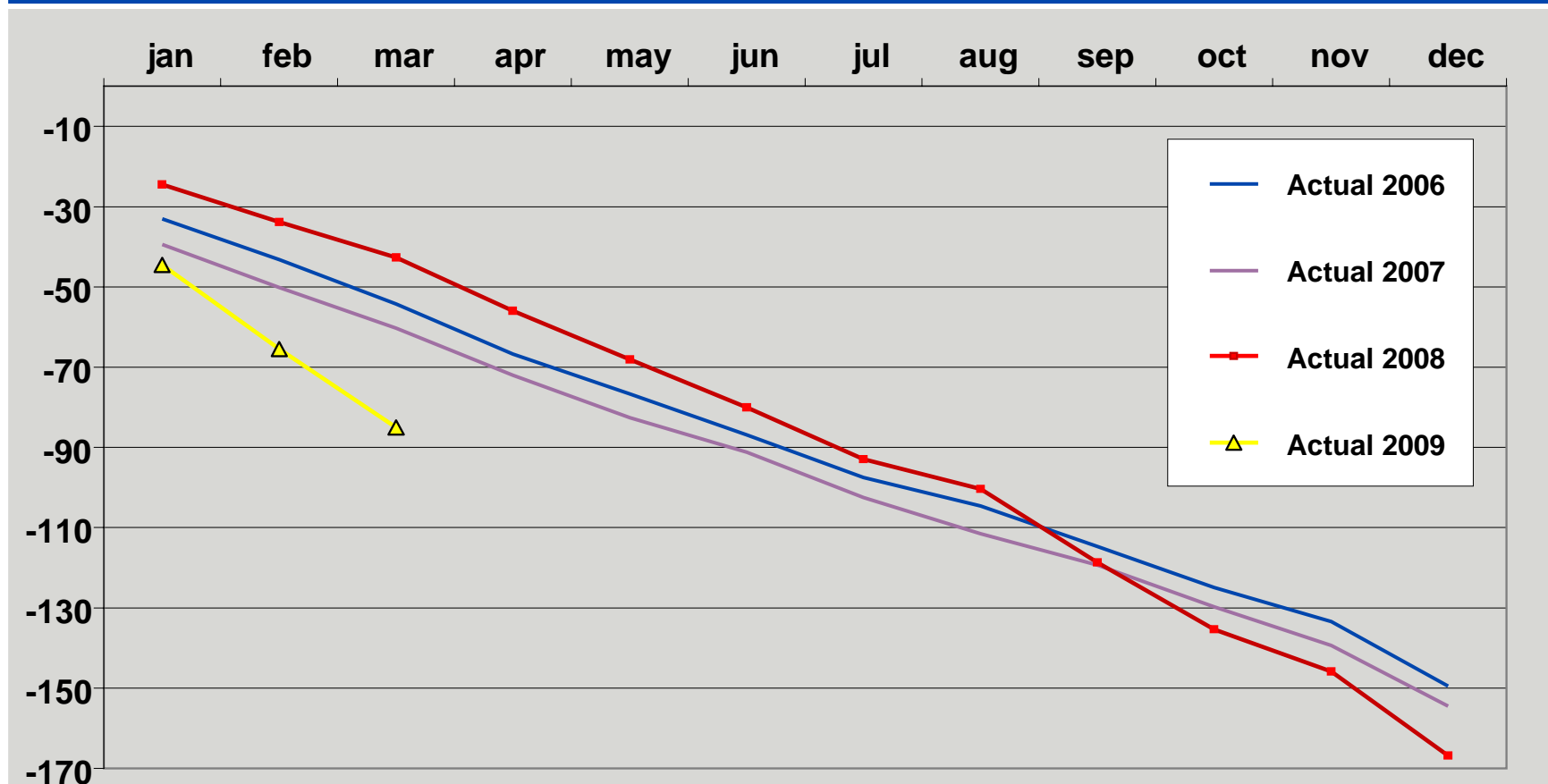
History of new business



Back

History of lost business

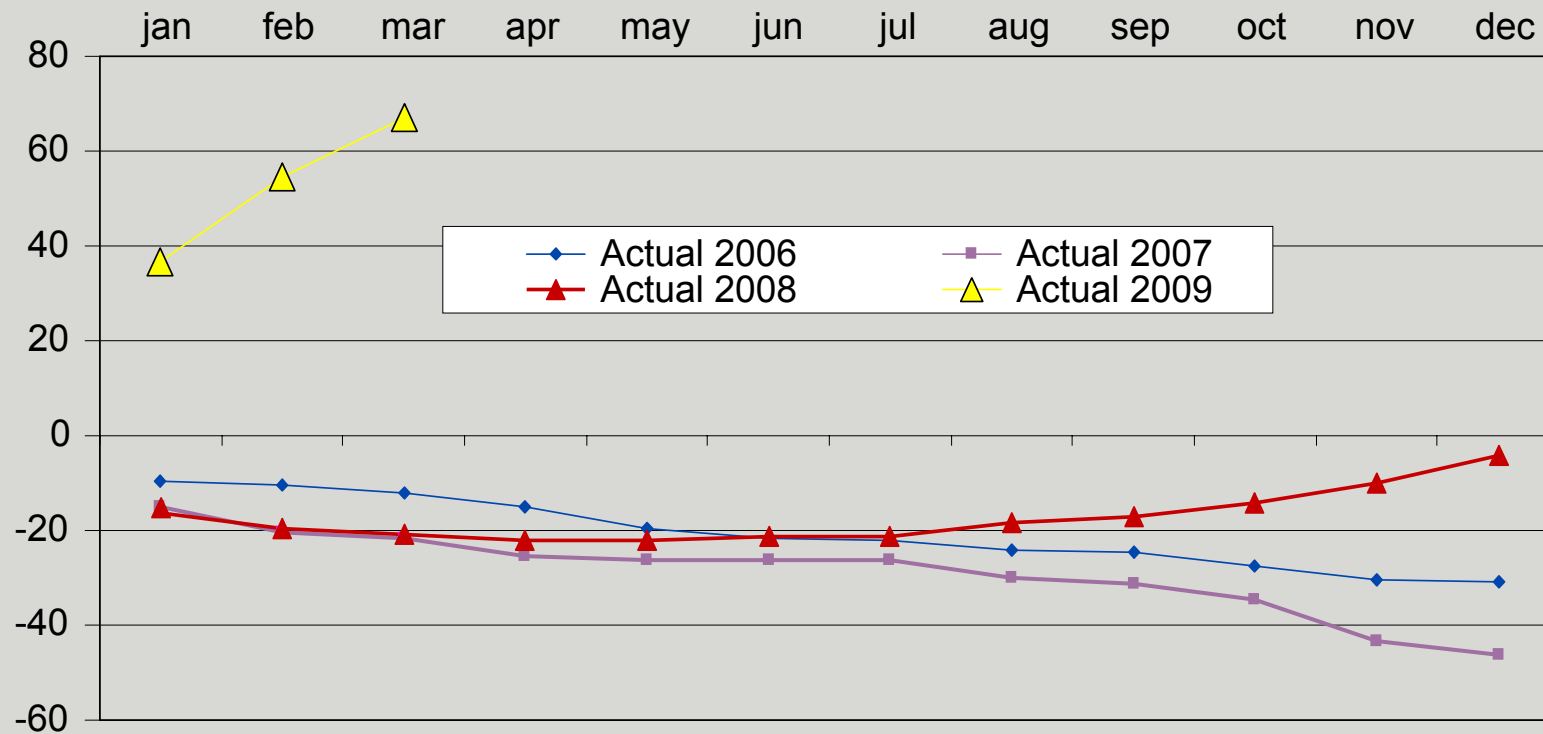
Lost Business (M€)



[Back](#)

History of Rate Variations

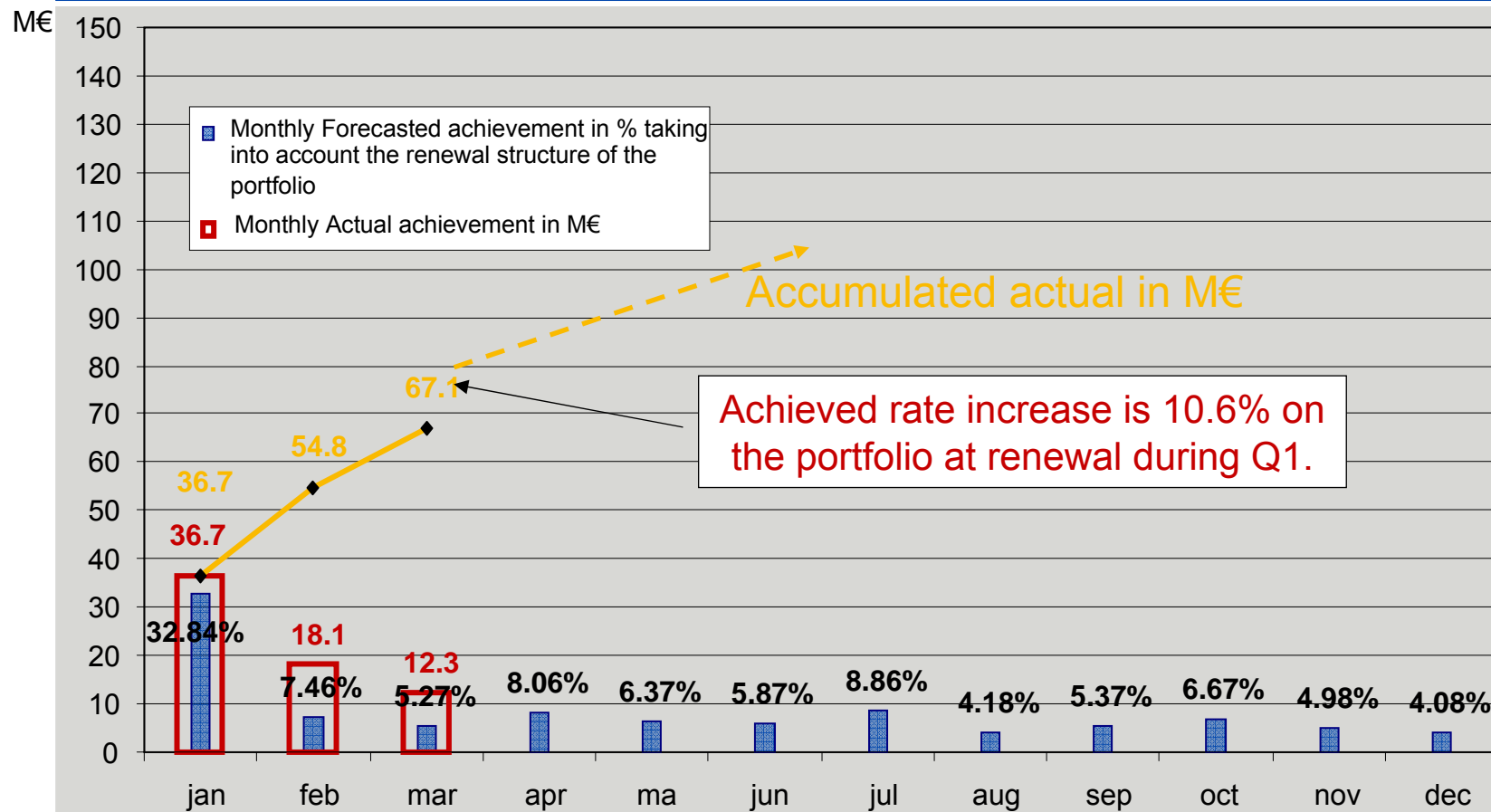
EH Group Rate Variation Impact (M€)



Next slide

Overview of 2009 Rate Increase

2009 Rate Increase



Back

EH World Agency - Q1 2009 results

- Still strong demand in Multinational Market Segment
 - +20% in number of prospects compared to Q4 2008 and 10% increase in insurable turnover volume
- Strong increase (126%) in new business (= €5.4Mio) compared to Q1 2008
- Clients willing to pay a higher price
 - 53% premium rate increase compared to Q1 2008
- EH WA has leading market share
 - 62% (expected new premium) in Q1 2009 in market segment of previously not insured multinational companies (market penetration)
- Although self insurance remains a challenge
 - 43% of non insured multinational companies remain self-insured
- Current biggest challenge for the promotion of the credit insurance solution to multinational customer is our low risk acceptance rate <50% due to the severe economic downturn

Situation in the credit reinsurance market

SwissRe withdrawal should affect the market in 2010

- By reducing the capacity available
- By tougher selection from the remaining market players looking for quality

However...

- Some reinsurers could take the opportunity to grow at the right momentum
- In some countries, the State offers complementary capacity (i.e. France with the CAP, Spain through reinsurance scheme)

Euler Hermes in this scenario

- Being a company of Allianz (multi-liner), SwissRe would marginally reduce its capacity to Euler Hermes
- Part of the capacity allocated by SwissRe is on a multi-years basis
- Euler Hermes proved to be a reliable and profitable partner over the cycles

Contents

1 Economic environment

2 Euler Hermes' actions and first achievements

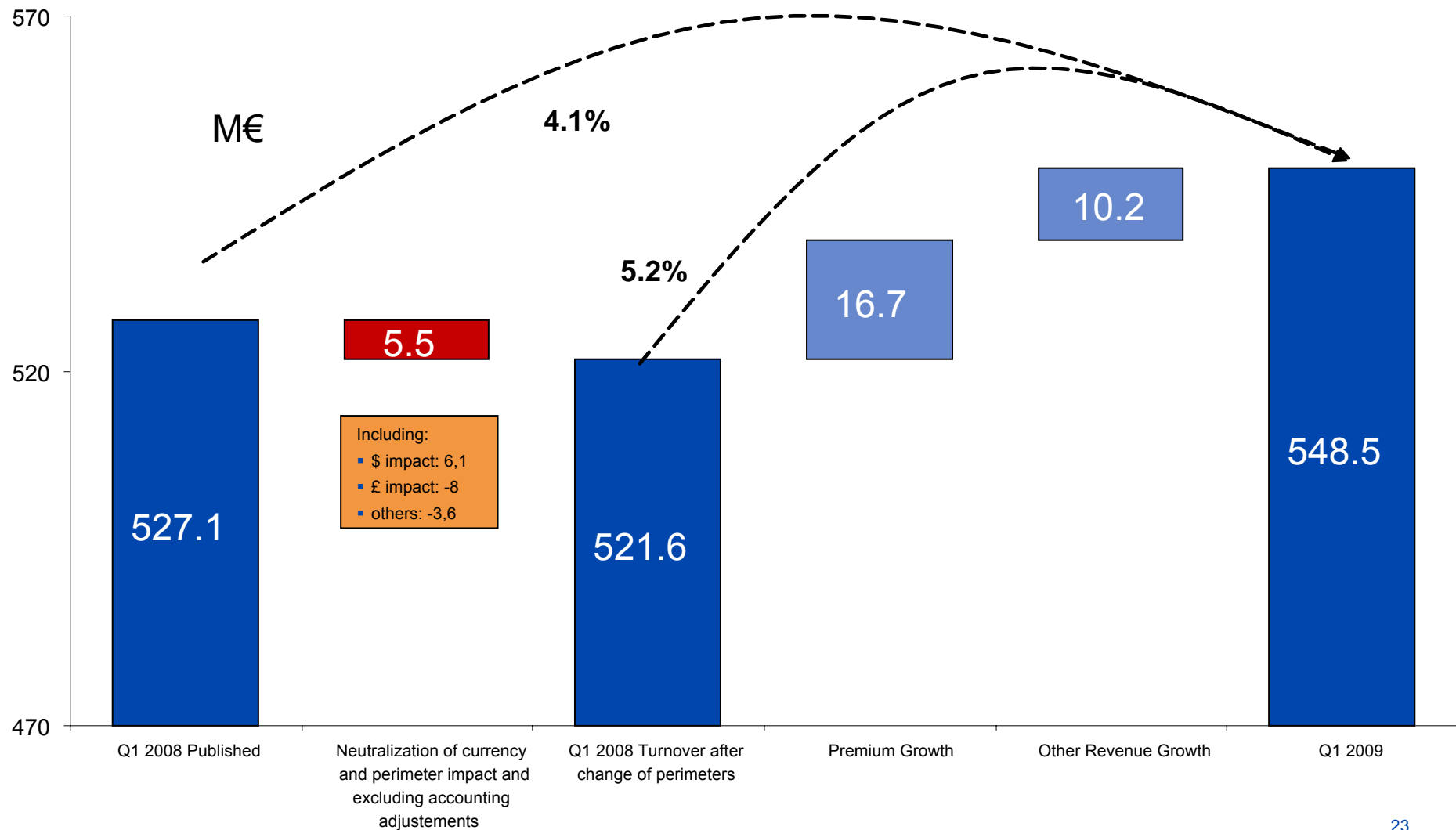
3 Q1 2009 financial key data

4 Outlook

Key Figures 2009

in million of euros	Q1 2009 YTD	Q1 2008 YTD	Variation in amount	Variation in %
<i>Gross Written Premiums</i>	531.8	526.8	5.0	0.9%
<i>Gross Earned Premiums</i>	448.3	436.7	11.6	2.7%
<i>Service Fees</i>	100.2	90.5	9.8	10.8%
Turnover	548.5	527.1	21.4	4.1%
Technical result	-11.1	53.1	-64.3	-120.9%
Net financial income (excluding financing costs)	54.2	21.3	32.9	154.6%
Operating income <i>Of which realised gains and losses</i>	43.1 33.3	74.4 0.0	-31.3 33.3	-42.1%
Net consolidated result	16.5	38.4	-21.9	-56.9%
AZ Net combined ratio	112.3%	90.5%		
Euler Hermes Net combined ratio (including Service margin)	103.0%	83.1%		

Q1 2009 Turnover evolution



Q1 2009 GWP evolution per country

in thousand of euros	Q1 2009	Q1 2008*	Variation in %
France	85 025	84 396	0.7%
United Kingdom	55 429	54 491	1.7%
US	39 362	37 445	5.1%
Italy	59 935	61 180	-2.0%
Germany	175 130	176 346	-0.7%
Other Large BU's	51 957	50 124	3.7%
Total large BU's	466 838	463 982	0.6%
International Development Centers	64 935	55 458	17.1%
Total Gross Written Premiums	531 772	519 440	2.4%

* At constant exchange rate and perimeter and excluding accounting adjustments

Q1 2009 Gross Earned Premiums evolution per country

in thousand of euros	Q1 2009	Q1 2008*	Variation in %
France	81 337	80 515	1.0%
United Kingdom	44 161	40 613	8.7%
US	36 284	33 527	8.2%
Italy	48 839	48 648	0.4%
Germany	142 487	142 596	-0.1%
Other Large BU's	43 598	43 008	1.4%
Total large BU's	396 706	388 907	2.0%
International Development Centers	51 593	42 696	20.8%
Total Gross Earned Premiums	448 299	431 603	3.9%

* At constant exchange rate and perimeter and excluding accounting adjustments

Q1 2009 Service Fees evolution per country

in thousand of euros	Q1 2009	Q1 2008*	Variation in %
France	19 447	18 618	4.5%
United Kingdom	3 387	3 408	-0.6%
US	5 590	6 088	-8.2%
Italy	8 950	10 166	-12.0%
Germany	39 362	35 701	10.3%
Other Large BU's	14 098	9 559	47.5%
Total large BU's	90 835	83 540	8.7%
International Development Centers	9 408	6 505	44.6%
Total Service Fees	100 242	90 045	11.3%

* At constant exchange rate and perimeter and excluding accounting adjustments

Key figures 2009 – Profit & Loss – part 1

in thousand of euros	Q1 2009 YTD	Q1 2008 YTD	Variation in %
Net earned premium	312 650	327 899	-4.7%
Net claims cost	-262 011	-206 121	27.1%
Net technical & non-technical expenses	-88 956	-90 500	-1.7%
Operating income from insurance activities	-38 317	31 277	
Combined ratio from insurance activities Format Allianz	112,3%	90,5%	
Service revenues	100 242	90 453	10.8%
Service expenses	-73 050	-68 595	6.5%
Operating profit from service activities	27 192	21 858	24.4%
Total Technical Result	-11 125	53 135	
Full technical combined ratio including service activities FORMAT EH/AGF⁽¹⁾	103.0%	83.1%	
Of which Loss Ratio	83.8%	62.9%	
Cost Ratio	19.2%	20.3%	

(1) Excluding net non technical expenses (Employee Participation within French Company)

2009 Net earned premium evolution

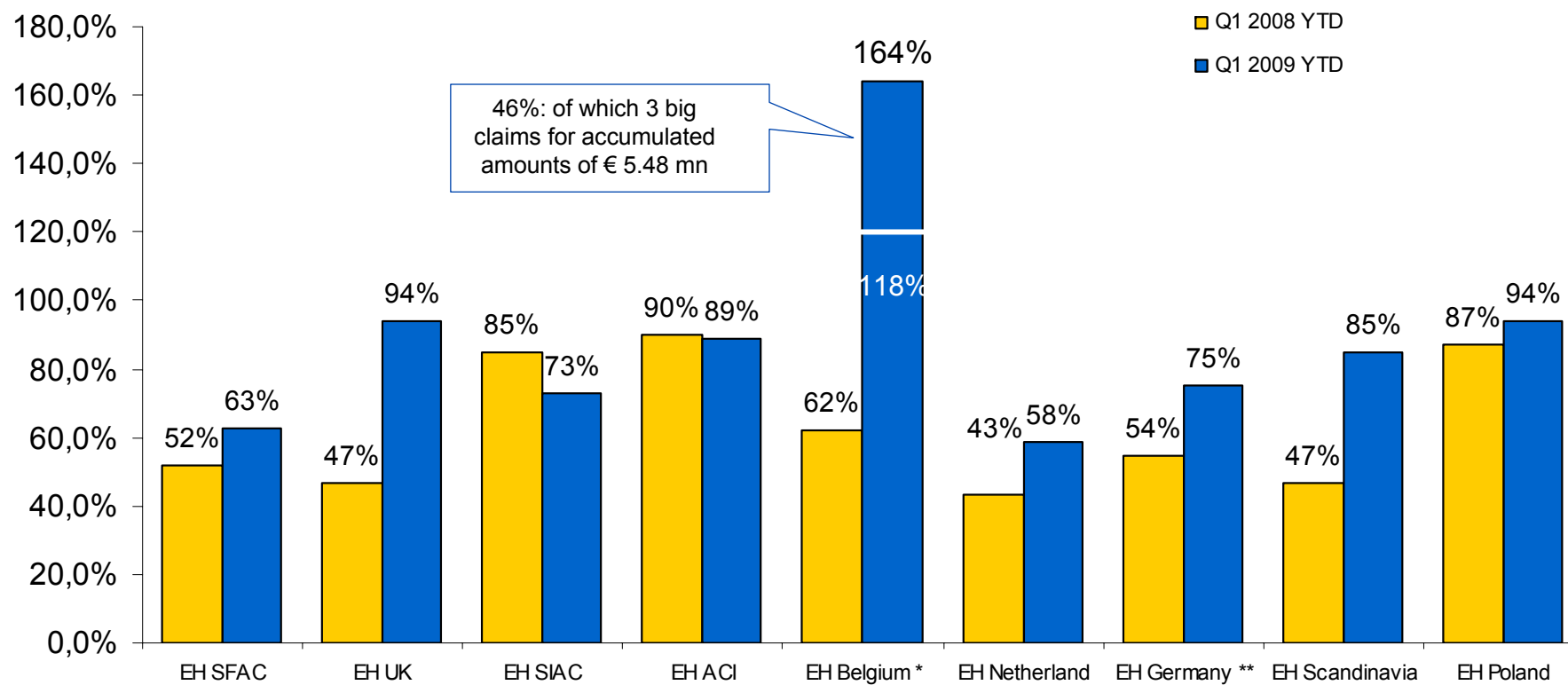
in thousand of euros	Q1 2009 YTD	Q1 2008 YTD	Variation in %
Gross earned premiums	448 299	436 683	2.7%
Ceded premiums	-135 649	-108 785	24.7%
Net earned premiums	312 650	327 899	-4.7%
Cession rate	-30.3%	-24.9%	
Cession rate without XoL premium (assumed XOL=1.6% retention in 2008) (assumed XOL=2.5% retention in 2009)	-28.5%	-23.7%	

2009 Net claims costs evolution

In thousand of euros	Q1 2009 YTD	Q1 2008 YTD	Variation %
Gross claims costs current attachement years	-354 391	-266 509	33.0%
Ceded claims costs current attachement years	89 788	52 839	69.9%
Net claim costs current attachement years	-264 603	-213 670	23.8%
<i>Cession rate current attachement years</i>	<i>25%</i>	<i>20%</i>	
Gross claims costs previous attachement years	3 456	11 242	-69.3%
Ceded claims costs previous attachement years	-864	-3 693	-76.6%
Net claims costs previous attachement years	2 592	7 549	-65.7%
<i>Cession rate previous attachement year</i>	<i>25%</i>	<i>33%</i>	
Claims costs	-262 011	-206 121	27.1%
Gross Claims ratio current attachement year	-79.1%	-61.0%	
Gross Claims ratio attachement previous year	0.8%	2.6%	
Gross Claims ratio	-78.3%	-58.5%	
Net Claims ratio current attachement year	-84.6%	-65.2%	
Net Claims ratio attachement previous year	0.8%	2.3%	
Net Claims ratio	-83.8%	-62.9%	

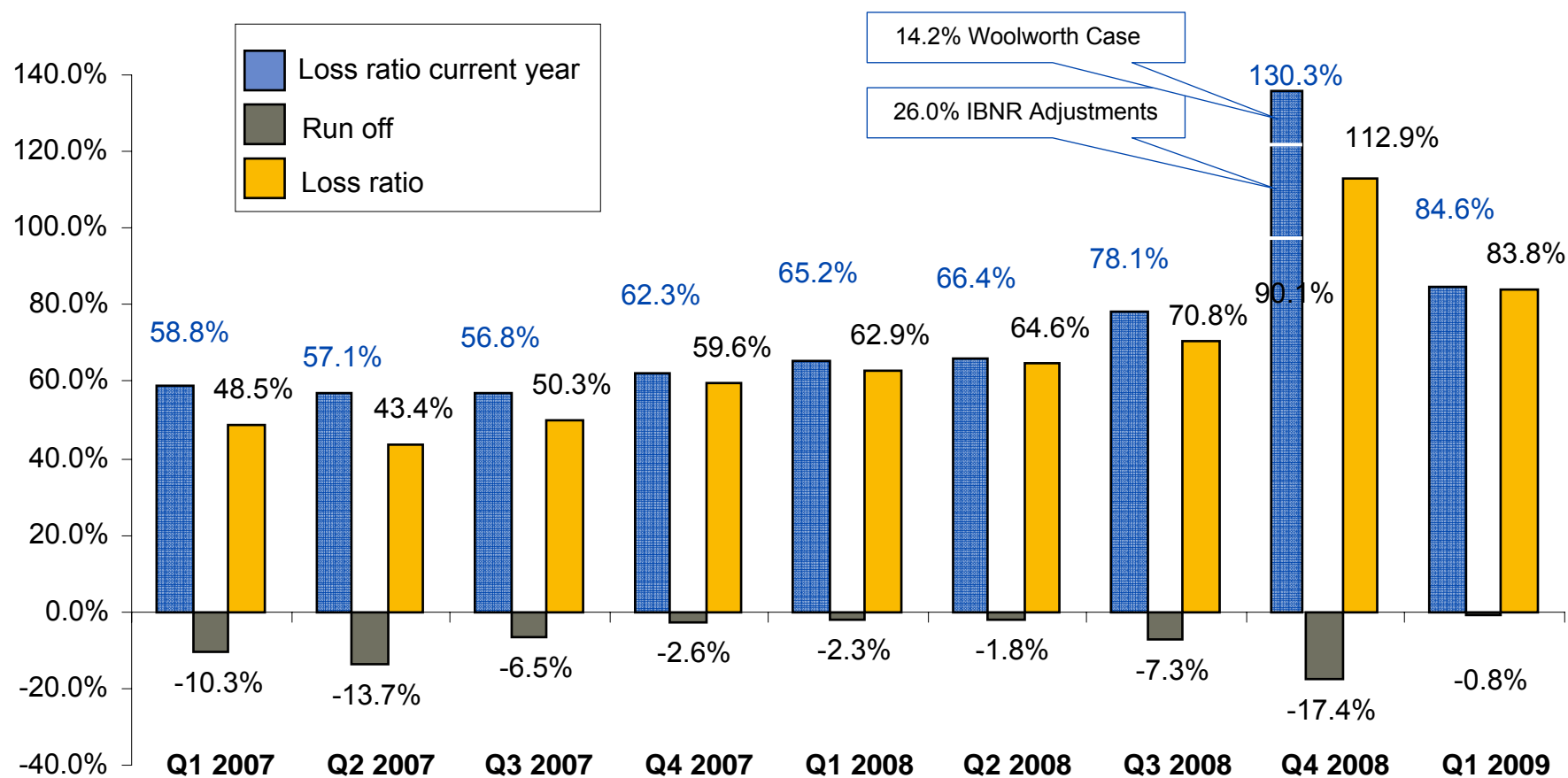
- Lower 2009 Run-off compared to 2008

2009 Gross loss ratio per operating entity



- * Operational figures from commercial credit insurance activity only.
- ** Including branches in Eastern Europe, Asia & Oceania.

EH Group net loss ratio evolution



2009 Gross Expenses Evolution

in thousand of euros	Q1 2009 YTD	Q1 2008 YTD	Variation in %
Contract acquisition expenses	-85 195	-84 671	0.6%
Administration expenses	-45 108	-45 219	-0.2%
Service expenses	-73 050	-68 595	6.5%
Other ordinary income and charges	-1 929	-7 603	-74.6%
Total recurrent expenses	-205 281	-206 086	-0.4%
Total Gross Expenses	-205 281	-206 086	-0.4%
of which non technical expenses	-1 815	-2 136	
Total gross Technical expenses	-203 466	-203 950	-0.2%

2009 Net Expenses Evolution

<i>In thousand of euros</i>	Q1 2009 YTD	Q1 2008 YTD	Variation %
Total gross technical expenses	-203 466	-203 950	-0.2%
Service fees	100 242	90 453	10.8%
Expenses net of fees	-103 224	-113 497	-9.1%
Reinsurance commission	43 275	46 992	-7.9%
Net technical expenses	-59 949	-66 506	-9.9%
Gross earned premium	448 299	436 683	2.7%
Net premium	312 650	327 899	-4.7%
Gross technical expense ratio	23.0%	26.0%	
Net technical expense ratio	19.2%	20.3%	

2009 Net Financial income evolution

<i>In thousand of euros</i>	Q1 2009 YTD	Q1 2008 YTD	variation %
Income from investment property	1 561	1 695	-7.9%
Income from securities-Bonds	16 417	15 466	6.1%
Income from securities-equities	271	582	-53.5%
Income from securities	16 688	16 049	4.0%
Other financial income	6 066	14 009	-56.7%
Investments income	24 315	31 752	-23.4%
Investment expenses	(1 762)	(1 830)	-3.7%
Net Fx result	(148)	(7 109)	-97.9%
Net gains and losses on sales of investments less impairment and amortisation	31 833	(1 507)	-2212.3%
Net financial income (excluding financing expense)	54 238	21 306	154.6%

2009 Net Financial Portfolio evolution

<i>(in thousands of euros)</i>	2009.03					2008.12				
	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Unrealized gains and losses	Amortized cost	Revaluation reserve	Net carrying amount	Fair value	Unrealized gains and losses
- Equities	118 971	2 577	121 780	121 552	(228)	136 083	16 064	152 147	152 147	-
- Bonds	1 741 542	51 824	1 793 366	1 793 364	(2)	1 812 265	62 584	1 874 849	1 874 903	54
- Loans and other investments	525 586	-	525 586	525 586	-	563 990	-	563 990	563 990	-
Total Financial investments	2 386 099	54 401	2 440 732	2 440 502	(230)	2 512 338	78 648	2 590 986	2 591 040	54
Build third party use	-	-	58 703	114 683	55 980	-	-	71 834	134 139	62 305
Cash	-	-	894 146	894 146	-	-	-	613 907	613 907	-
Total			3 393 581	3 449 331	55 750			3 276 727	3 339 086	62 359

2009 key figures – Profit & Loss – part 2

in thousand of euros	Q1 2009 YTD	Q1 2008 YTD	Variation in %
Technical result	(11 126)	53 135	-120.9%
Financial income net of expenses	54 238	21 306	154.6%
Ordinary operating income	43 112	74 441	-42.1%
Financing expenses	-3 261	-3 828	-14.8%
equity method	2 076	1 549	34.0%
Corporation tax	-24 510	-32 425	-24.4%
Minority interest	-882	-1 346	-34.5%
Consolidated net income	16 535	38 391	-56.9%
Tax rate	-58.5%	-44.9%	

2009 Change in shareholder's equity

<i>(in thousands of euros)</i>	Capital stock	Additional paid-in capital	Retained earnings	Revaluation reserve				Shareholders' equity, group share	Minority interests	Total shareholders' equity
					Translation reserve	Other Treasury shares	Total other			
Opening Shareholders' equity	14 426	451 924	1 476 216	50 279	(73 191)	(84 697)	(157 888)	1 834 957	20 328	1 855 285
Available-for-sale assets (AFS)	-	-	-	-	-	-	-	-	-	-
Measurement gain / (loss) taken to shareholders' equity	-	-	-	(1 684)	-	-	-	(1 684)	(25)	(1 709)
Impact of transferring realised gains and losses to income statement	-	-	-	(17 707)	-	-	-	(17 707)	-	(17 707)
Cash flow hedges	-	-	-	-	-	-	-	-	-	-
Gain / (loss) taken to shareholders' equity	-	-	-	-	-	-	-	-	-	-
Impact of transferring realised profits and losses in the year to income statement	-	-	-	-	-	-	-	-	-	-
Impact of transfers on the initial amount of hedges	-	-	-	-	-	-	-	-	-	-
Impact of translation differences	-	-	-	-	7 843	-	7 843	7 843	(271)	7 572
Current and deferred tax taken directly to or transferred to shareholders' equity	-	-	-	-	-	-	-	-	-	-
Net income recognised in shareholders' equity	-	-	-	(19 391)	7 843	-	7 843	(11 548)	(296)	(11 844)
Net income for the year	-	-	16 535	-	-	-	-	16 535	882	17 417
Total revenues and losses recognised for the period	-	-	16 535	(19 391)	7 843	-	7 843	4 987	586	5 573
Capital movements	-	-	-	-	-	(529)	(529)	(529)	-	(529)
Dividend distributions	-	-	-	-	-	-	-	-	-	-
Shareholders' equity component of share-based payment plans	-	-	111	-	-	-	-	111	-	111
Cancellation of gains/losses on treasury shares	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	557	-	-	-	-	557	35	592
Closing Shareholders' equity	14 426	451 924	1 493 419	30 888	(65 348)	(85 226)	(150 574)	1 840 083	20 949	1 861 032

Contents

1 Economic environment

2 Euler Hermes' actions and first achievements

3 Q1 2009 financial key data

4 Outlook

Outlook

- Considering the uncertainty of the current economic environment, it is not possible to give any detailed outlook
- However, Euler Hermes confirms its commitment to remain profitable in 2009

Thank you
for your attention.