

Euler Hermes' results for the first quarter of 2011

Turnover: €544 million
Net technical result: €70 million
Ordinary operating income: €103 million
Net income: €75 million

The first quarter of 2011 confirmed an ongoing global economic recovery already observed in 2010. In this environment, Euler Hermes posted a €544 million Q1 2011 turnover, up 7.6% compared to Q1 2010. "The Group is confident that it will achieve continuous top line recovery throughout 2011 as retention is strong at over 90% and the outlook on insured turnover is positive", declared Wilfried Verstraete, Chairman of the Euler Hermes Board of Management. The group recorded a net income of €75.3 million, compared to €47.6 million at the end of March 2010. This strong increase was mainly driven by an improved combined ratio (75.0%).

The Group Management Board presented the consolidated results as at 31 March 2011 to the Euler Hermes Supervisory Board on 6 May 2011. The results have been reviewed by the Audit Committee.

A. Key figures

In the first quarter of 2011, Euler Hermes recorded a net income of €75.3 million, compared to €47.6 million at the end of March 2010. This strong increase is the result of an improved combined ratio which dropped from 90.0% to 75.0%, with the net claims ratio and the net expense ratio decreasing by 9 and 6 points, respectively.

€ million			Change	
	Q1 2011	Q1 2010	vs Q1 2010	
Gross written premiums	534.5	512.1	22.4	4.4%
Gross earned premiums	452.6	417.4	35.2	8.4%
Service revenues	91.5	88.2	3.3	3.8%
Total turnover	544.1	505.5	38.6	7.6%
Net technical result	70.5	24.5	46.0	187.8%
Net investment income	32.9	42.6	-9.7	-22.8%
Ordinary operating income	103.4	67.1	36.3	54.1%
Non-ordinary operating expenses	-1.2	0.0	-1.2	na
Operating income	102.2	67.1	35.1	52.3%
Net income	75.3	47.6	27.7	58.2%
Net claims ratio	49.1%	58.1%		
Net expense ratio	25.9%	31.9%		
Net combined ratio	75.0%	90.0%		

B. Turnover

For the first three months of 2011, group turnover reached €544 million, increasing by 7.6% compared to the first three months of 2010. All regions are contributing to this increase towards last year, but especially so Northern and Southern Europe and the Americas. After the Q4 2010 peak of €567 million, Q1 2011 turnover is back to Q3 2010 level (€542 million), penalised by the seasonality of the portfolio renewal (47% of the portfolio has been renewed during the first quarter - Q1 figures are traditionally lower than in subsequent quarters) and by rate decreases conceded at the beginning of 2011 renewals.

Breakdown of turnover by region (based on earned premiums)

€ million	Q1 2011	Q1 2010	Change vs. Q1 2010	
Region (group contribution)				
Germany	182.9	175.4	7.4	4.2%
France	93.9	91.3	2.6	2.8%
Northern Europe	119.1	108.2	10.9	10.1%
Southern Europe	64.4	57.8	6.6	11.5%
Americas	52.9	45.3	7.6	16.8%
Asia Pacific	16.3	14.5	1.8	12.5%
EH Re + others	14.7	13.1	1.6	12.0%
Euler Hermes	544.1	505.5	38.6	7.6%

C. Ordinary operating income

The net technical result, before financial income, reached €70.5 million at the end of March 2011, compared to €24.5 million at the end of March 2010. Net claims ratio and net expense ratio improved by 9 points and 6 points, respectively, over the last twelve months.

Net claims decreased to €142.7 million, down by 8% compared to Q1 2010. Net claims ratio on current attachment year is 62.6% against 70% last year. With a positive contribution of additional run-off of €7.3 million the net claims ratio all attachment years was 49.1% compared to 58.1% at end of March 2010.

Claims frequency had dropped significantly in 2010 compared to the crisis year 2009 and bottomed out in third quarter 2010. During the last quarter 2010 and in Q1 2011, covered claims amounts increased again, due to a more flexible risk underwriting policy to support customers' demands. As a result, claims ratio current year is rising against previous quarters, in line with the group's expectations.

Euler Hermes has taken the appropriate measures to contain the risks arising from the recent developments in Japan and in the Middle East and North African countries. So far, there has been no significant increase in claims notifications.

The net expense ratio improved by 6 points from 31.9% to 25.9% between Q1 2010 and Q1 2011. The increase in gross expenses (impact +3.4 points) was overcompensated by higher commissions (impact -6 points), by higher service fees (impact -1.2 point), and by the increase in net premiums (impact -2.3 points).

Combined ratio stands at 75% in Q1 2011 against 90% in Q1 2010 and 68% in Q4 2010.

Net investment income as at 31 March 2011 reached €32.9 million, €9.7 million below the level of last year. The decline is mostly attributable to the absence of foreign exchange gains contrary to last year (impact of €8.2 million). The decrease in realised gains (€-4.1 million) was partially compensated by higher current investment income (€+2.5 million), mostly on equity.



As a result of the higher turnover, lower net claims and net expense level, ordinary operating income has increased from €67.1 million at the end of March 2010 to €103.4 million at the end of March 2011.

D. Investment portfolio

At end of March 2011, the market value of the group's investment portfolio increased by €97 million compared to end of 2010, to €3 865 million, due to free cash flow generation and despite a decrease in the unrealised capital gains reserves, which is mostly due to rising interest rates

E. Non ordinary expenses

As at 31 March 2011, €1.2 million of restructuring charges, mostly consulting fees, were booked on the project Excellence.

F. Net result

Euler Hermes' strong operational performance is also reflected in net income which reached €75.3 million at end of March 2011 compared to €47.6 million at end of March 2010.

G. Outlook

The start into 2011 still benefits from the 2010 recovery. However the world economy growth is expected to slow down in 2011 (+3.1% after 4.1% in 2010, +1.8% in OECD countries after +2.5% in 2010). At the same time, country risk remains strong and is more complex, volatile and global than before.

In this context, businesses face multiple risks and look for further support in their trade risk management. This is why Euler Hermes trusts that demand for credit insurance will remain solid.

New production is expected to gain momentum and retention rate should be above 90% on remaining renewals (half of the portfolio). As expected, the pressure on prices is strong but Euler Hermes is still confident to be able to deliver a 5-6% growth of its premiums in 2011.

All financial information is available on Euler Hermes website

<http://www.eulerhermes.com/en/finance/finance.html>

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 €2.15 billion in 2010.**

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 insured worldwide business transactions totalling €633 billion exposure end of December 2010.

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.

www.eulerhermes.com

Contacts

Investor relations

Nicolas Hein: +33 (0)1 40 70 54 65

nicolas.hein@eulerhermes.com

Clarisse Kopff: +33 (0)1 40 70 51 38

Clarisse.kopff@eulerhermes.com

Media relations

Raphaële Hamel: +33 (0)1 40 70 81 33

raphaele.hamel@eulerhermes.com

**Cautionary Note Regarding Forward-Looking Statements**

The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Euler Hermes Group's core business and core markets, (ii) performance of financial markets, including emerging markets, and including market volatility, liquidity and credit events (iii) the frequency and severity of insured loss events, including from natural catastrophes and including the development of loss expenses, (iv) persistency levels, (v) the extent of credit defaults, (vi) interest rate levels, (vii) currency exchange rates including the Euro/U.S. Dollar exchange rate, (viii) changing levels of competition, (ix) changes in laws and regulations, including monetary convergence and the European Monetary Union, (x) changes in the policies of central banks and/or foreign governments, (xi) the impact of acquisitions, including related integration issues, (xii) reorganization measures, and (xiii) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

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