

## Euler Hermes 2014 nine-month results – maintaining momentum

### PARIS – 28 OCTOBER 2014

- Turnover up 2.2% at constant exchange rates (+1.8% at current exchange rates) to €1,894 million
- Ordinary operating income, increasing by 7.8% to €337 million
- Net income up 5% year-on-year to €232.5 million

“Credit insurance will be of even greater importance to our clients given recent macroeconomic news,” declared Wilfried Verstraete, Chairman of the Euler Hermes Board of Management. “If this translates into another slowdown in Europe, in particular in Germany and France, it could lead to a resurgence in insolvencies. We are equipped for this scenario, as demonstrated by past results and shown again this quarter. Our growth engines outside Europe have delivered the expected momentum and operating income is solid.”

### I. Results for the first nine months of 2014

#### A. Key figures\*

P&L information € million	9M2014	9M2013	Variation vs. 30 September 2013	
Earned premiums	1,588.6	1,553.4	35.1	2.3%
Service revenues	305.0	307.5	-2.4	-0.8%
<b>Turnover</b>	<b>1,893.6</b>	<b>1,860.9</b>	32.7	1.8%
Net technical result	271.0	242.0	29.0	12.0%
Net investment income	66.0	70.7	-4.7	-6.6%
<b>Ordinary operating income</b>	<b>337.0</b>	<b>312.7</b>	24.3	7.8%
Non-ordinary operating income & expenses	-21.7	21.8	-43.5	
<b>Operating income</b>	<b>315.2</b>	<b>334.4</b>	-19.2	-5.8%
<b>Net income, Group share</b>	<b>232.5</b>	<b>221.4</b>	11.1	5.0%
Net claims ratio	48.2%	52.6%	-4.4 pts	
Net expense ratio	26.5%	24.2%	2.3 pts	
Net combined ratio	74.7%	76.8%	-2.1 pts	

Balance sheet information € million	30 September 2014	31 December 2013	Variation vs. 31 December 2013	
Total assets	6,417.5	6,062.7	354.8	5.9%
Shareholders' equity, Group share	2,494.7	2,461.9	32.8	1.3%
Total financial liabilities	273.4	261.7	11.7	4.5%

\*Not audited

Shareholders' equity increased by €32.8 million during the first nine months of 2014, driven by the positive operating cash flows partly offset by the dividend payment made in June.

## B. Turnover

At the end of September, the Group grew its total turnover by 2.2% at constant exchange rates. While growth markets (including Americas, Asia and the Middle East) increased their business by 13.9% versus the previous year at constant exchange rates, mature markets overall posted limited growth (+0.3%).

<i>Turnover</i> € million	<b>30 September 2014</b>	<b>30 September 2013</b> <small>(published)</small>	<i>Variation</i> %	<b>30 September 2013</b> <small>(1)</small>	<i>Variation</i> % <small>(1)</small>
<b>Regions</b>					
Germany, Austria, Switzerland	570.3	596.4	-4.4%	596.4	-4.4%
France	302.5	305.0	-0.8%	305.0	-0.8%
Northern Europe	413.1	409.1	1.0%	410.8	0.6%
Mediterranean Countries, Middle East & Africa	245.9	230.3	6.8%	227.7	8.0%
Americas	196.0	204.4	-4.1%	176.0	11.4%
Asia-Pacific	76.2	69.2	10.1%	66.2	15.0%
Non-consolidated OE's and other <sup>(2)</sup>	89.6	46.6	N/A	70.8	N/A
<b>Euler Hermes Group</b>	<b>1,893.6</b>	<b>1,860.9</b>	<b>1.8%</b>	<b>1,852.8</b>	<b>2.2%</b>

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

(1) At constant exchange rates and pro forma (Mexico & Chile in 2013 in EH Re.)

(2) Corporate entities + inter-region eliminations

Premiums grew by 2.3% at actual exchange rates and 2.7% at constant exchange rates. Good commercial traction in non-mature markets and a strong momentum in new products are compensating pressure on prices and flat insured turnover volumes in mature markets, especially in Germany and France.

Service revenues, the second component of turnover, remained under pressure as collection revenues follow the downward trend in frequency claims.

## C. Operating income

Euler Hermes delivered a robust ordinary operating income at €337.0 million, up 7.8% year-on-year.

This improvement is driven by the net technical result (+€29.0 million), which is a result of a lower combined ratio (74.7% vs. 76.8% end of September 2013).

The net loss ratio stands at a healthy level of 48.2%, 4.4 pts below last year, driven by lower claims in all regions and all lines of business. The net loss ratio also benefits from a 15.5% positive net run-off from previous attachment years, which compares to 9.6% at the end of September 2013, which was impacted by one large claim in Spain.

The net expense ratio is up 2.3 points compared to the same period in 2013 (26.5% versus 24.2%), due to a lower contribution from reinsurance commissions and pressure on the collection margin.

Net investment income is €66.0 million vs. € 70.7 million at the end of September 2013, primarily due to lower reinvestment yields on the bond portfolio.

Non-ordinary operating expenses include a €17.2 million impairment at the end of September 2014 related to Germany headquarters in Hamburg, following the decision to dispose of the premises and move to a new building in 2018. Conversely, in 2013, the non-ordinary operating income included a €31.7 million gain linked to the contribution of entities to the Solunion joint venture. Hence the 5.8% year-on-year decrease in total operating income. Excluding these two one-off impacts in 2014 and in 2013, operating income is up 9.8%.

## D. Investment portfolio

At the end of September 2014, the market value of the Group's investment portfolio is up €201 million to €4,364 million versus €4,163 million at 2013 year-end, driven by positive operating cash flows.

## E. Net income

Net income rose by 5.0% year-on-year, standing at €232.5 million. This increase is linked to the good performance of Solunion, captured in the income from entities consolidated at equity, combined with a lower average tax rate.

## F. Outlook

A swift recovery in Europe is now unlikely as the necessary building blocks still need to be secured. Though we expect timid positive developments in 2015, both for emerging and advanced economies, liquidity, demand and political risk will continue to subdue global growth (+2.9% in 2015, after +2.5% in 2014) and global trade (+4.5% in 2015, after +3.7% in 2014).

In this environment, growing the business outside traditional markets remains our priority. Vigilance in risk underwriting is the steady rudder by which we will continue to steer, in order to ensure the enduring profitability of our business.

## II. Results\* for the third quarter of 2014

P&L € million	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Variation vs. Q3 2013	
Earned premiums	524.5	529.3	534.7	525.6	508.9	15.6	3.1%
Service revenues	100.4	101.8	102.8	99.8	99.3	1.2	1.2%
<b>Turnover</b>	<b>625.0</b>	<b>631.1</b>	<b>637.5</b>	<b>625.3</b>	<b>608.2</b>	<b>16.8</b>	<b>2.8%</b>
Net technical result	75.1	101.9	93.9	103.3	75.1	0.1	0.1%
Net investment income	17.1	25.4	23.4	15.5	13.3	3.8	28.4%
<b>Ordinary operating income</b>	<b>92.3</b>	<b>127.3</b>	<b>117.3</b>	<b>118.8</b>	<b>88.4</b>	<b>3.9</b>	<b>4.4%</b>
Non-ordinary operating income & expenses	-19.7	-1.0	-1.1	5.4	-7.3	-12.4	N/A
<b>Operating income</b>	<b>72.6</b>	<b>126.4</b>	<b>116.3</b>	<b>124.2</b>	<b>81.1</b>	<b>-8.5</b>	<b>-10.5%</b>
<b>Net income, Group share</b>	<b>59.3</b>	<b>90.5</b>	<b>82.7</b>	<b>92.3</b>	<b>55.0</b>	<b>4.3</b>	<b>7.8%</b>
Net claims ratio	50.9%	44.4%	49.1%	44.3%	52.8%	-1.8 pt	
Net expense ratio	27.1%	27.0%	25.5%	26.6%	24.9%	2.2 pts	
Net combined ratio	78.0%	71.5%	74.6%	70.9%	77.6%	0.4 pt	

\*Not audited

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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 results for first nine months of 2014 to analysts.

On Tuesday, 28 October 2014, the Group Management Board of Euler Hermes (ELE.PA), a worldwide leader in credit insurance and in the areas of bonding and collections, presented its consolidated results as of 30 September 2014 to the Euler Hermes Supervisory Board. The results have been reviewed by the Audit Committee.

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