

Euler Hermes 2015 half-year results: Revenues and operating income increase in a challenging environment

PARIS – 28 JULY 2015

- Revenues at €1,338 million, up 5.4% for the first six months year-on-year at actual exchange rates (+1.3% at constant exchange rates)
- Operating income at €251.4 million, up 3.6%
- Net income at €172.4 million, stable (-0.5%)

“Euler Hermes marks mid-year 2015 with continuing good operating performance,” stated Wilfried Verstraete, chairman of the Euler Hermes Board of Management. “The Group’s growth is driven again by non-mature markets where we make strategic investments in people and product offerings. Operating result progresses steadily in a globally soft market with pockets of turbulence. In this context we are closely watching unfolding events in order to help clients manage their risks prudently.”

I. Results for the first six months of 2015

A. Key figures

| P&L € million | 30 June 2015 | 30 June 2014 | Variation vs. 30 June 2014 | |
|--|---------------------|---------------------|---------------------------------------|-------|
| Earned premiums | 1,122.3 | 1,064.0 | 58.3 | 5.5% |
| Service revenues | 215.4 | 204.6 | 10.8 | 5.3% |
| Turnover | 1,337.7 | 1,268.6 | 69.1 | 5.4% |
| Net technical result | 193.1 | 195.8 | -2.8 | -1.4% |
| Net investment income | 59.7 | 48.9 | 10.8 | 22.1% |
| Current operating income | 252.7 | 244.7 | 8.0 | 3.3% |
| Non-ordinary operating income & expenses | -1.4 | -2.0 | 0.7 | |
| Operating income | 251.4 | 242.6 | 8.7 | 3.6% |
| Net income, Group share | 172.4 | 173.2 | -0.9 | -0.5% |
| Net claims ratio | 48.0% | 46.8% | 1.2 pt. | |
| Net expense ratio | 27.0% | 26.3% | 0.7 pt | |
| Net combined ratio | 75.0% | 73.1% | 2.0 pt. | |

| Balance sheet information € million | 30 June 2015 | 31 December 2014 | Variation vs. 31 December 2014 | |
|---|---------------------|-------------------------|---|--------|
| Total assets | 6,562.2 | 6,359.7 | 202.5 | 3.2% |
| Shareholders' equity, Group share | 2,590.3 | 2,580.5 | 9.7 | 0.4% |
| Total financial liabilities | 252.2 | 284.2 | -32.0 | -11.3% |

Shareholders' equity Group share increases by €9.7 million in the first semester, driven mainly by the net positive result as well as the positive impact of translation differences, partly compensated by the dividend paid in June 2015.

B. Turnover

Revenues grow by 5.4% and by 1.3% at constant exchange rates versus the first half-year of 2014 despite a slowdown in Europe, where markets suffer from declining prices and non-growing insurable volumes. The turnover decrease of Germany, Austria, Switzerland (DACH region) slowed during the second quarter but this improvement is counterbalanced by a negative quarter in France. Consistent with previous quarters, Asia Pacific, Americas and to a lesser extent Mediterranean countries, Middle East and Africa (MMEA region) carry the Group's growth.

| Turnover € million | 30 June 2015 | 30 June 2014 <i>(published)</i> | Variation % | 30 June 2014 <i>(1)</i> | Variation % <i>(1)</i> |
|--|-------------------------------|---|--------------------|---|----------------------------------|
| Regions | | | | | |
| Germany, Austria, Switzerland | 376.1 | 383.4 | -1.9% | 386.7 | -2.7% |
| France | 200.7 | 205.3 | -2.2% | 205.3 | -2.2% |
| Northern Europe | 286.1 | 277.3 | 3.2% | 287.6 | -0.5% |
| Mediterranean Countries, Middle East & Africa | 173.6 | 163.5 | 6.2% | 167.4 | 3.7% |
| Americas | 164.4 | 125.4 | 31.1% | 150.0 | 9.6% |
| Asia-Pacific | 71.5 | 50.9 | 40.4% | 59.4 | 20.4% |
| Inward from non-consolidated OE's and other <i>(2)</i> | 65.4 | 62.8 | 4.1% | 63.9 | 2.3% |
| Euler Hermes Group | 1,337.7 | 1,268.6 | 5.4% | 1,320.3 | 1.3% |

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

(1) At constant exchange rates

(2) Corporate entities + inter-region eliminations

Premiums are up 5.5% essentially driven by the good growth in strong currency markets. The strong net new production in these markets (Americas, APAC and the Middle East) and in the multinational segment is compensating for disappointing results in Western Europe, especially in Germany and France where new production is sluggish.

Growth has picked-up in service revenues since the start of the year after a few quarters of decline, growing at 1.9% year-on-year at constant exchange rates. Collection revenues are still decreasing but limit and monitoring fees are catching up with the exposure increase.

C. Operating income

Operating income is solid at €251.4 million, up 3.6% year-on-year.

The net claims ratio remains at a healthy level of 48.0%, up 1.2 points compared to H1 2014 but below the level of the full year 2014 (48.8%).

In gross terms, before reinsurance, the claims ratio improves by 2.6 points compared to June 2014. This improvement is not reflected in net terms since reinsurance was exceptionally favorable last year on claims (favorable line of business and attachment year mix increasing the cession rate to the reinsurers).

The net expense ratio stands at 27.0%, up +0.7 point compared to H1 2014, essentially due to a detrimental effect on the ratio of growing the business in higher cost ratio and hard currency countries.

Net investment income reaches €59.7 million in the first semester of 2015 versus €48.9 million in the first semester of 2014. The rise is linked to positive foreign exchange result this year and to higher realized gains on bonds and equity investments.

At the end of June 2015, operating income reaches €251.4 million, up €8.7 million year-on-year.

D. Investment portfolio

The market value of the Group's investment portfolio at the end of June 2015 decreases by €17.4 million to €4,440.5 million compared to year-end 2014, linked to the dividend payment in June which was almost completely offset by the positive operating cash-flow.

E. Net income

Net income remains overall stable at €172.4 million compared to the first semester of 2014, due to an impairment of €3.9 million on an information company held out at equity and a higher tax rate than last year.

F. Outlook

Since the beginning of the year, European markets and businesses have repeatedly held their breath during the ongoing Greek crisis. While the current status is less dramatic than it could be, there is still no clear long-term visibility.

We have significantly reduced our exposure in Greece, but continue to support client relationships locally as we have in the past. This scenario is typical of the anticipation and reactive agility that we exercise daily, and that underpins our delivery of a healthy bottom line historically and in the future.

Our risk focus is heightened during times of turbulence, and also plays an essential role in non-mature markets where we intend to further accelerate growth.

II. Results for the second quarter of 2015

| P&L € million | 2Q 2015 | 1Q 2015 | 4Q 2014 | 3Q 2014 | 2Q 2014 | 1Q 2014 | Variation vs. 2Q 2014 | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------------------|--------------|
| | | | | | | | In € mn | % |
| Earned premiums | 558.0 | 564.3 | 537.3 | 524.5 | 529.3 | 534.7 | 28.6 | 5.4% |
| Service revenues | 109.4 | 106.0 | 96.1 | 100.4 | 101.8 | 102.8 | 7.7 | 7.5% |
| Turnover | 667.4 | 670.3 | 633.4 | 625.0 | 631.1 | 637.5 | 36.3 | 5.7% |
| Net technical result | 99.2 | 93.8 | 80.1 | 75.1 | 101.9 | 93.9 | -2.7 | -2.6% |
| Net investment income | 31.2 | 28.4 | 19.1 | 17.1 | 25.4 | 23.4 | 5.8 | 22.8% |
| Ordinary operating income | 130.5 | 122.2 | 99.2 | 92.3 | 127.3 | 117.3 | 3.1 | 2,5% |
| Non-ordinary operating income & expenses | -0.2 | -1.2 | -1.3 | -19.7 | -1.0 | -1.1 | 0.8 | -80.4% |
| Operating income | 130.3 | 121.1 | 97.9 | 72.6 | 126.4 | 116.3 | 3.9 | 3.1% |
| Net income, Group share | 85.2 | 87.1 | 69.5 | 59.3 | 90.5 | 82.7 | -5.3 | -5.8% |
| Net claims ratio | 45.2% | 50.8% | 50.6% | 50.9% | 44.4% | 49.1% | 0.8 pt | |
| Net expense ratio | 28.7% | 25.3% | 26.9% | 27.1% | 27.0% | 25.5% | 1.7 pt. | |
| Net combined ratio | 73.9% | 76.1% | 77.5% | 78.0% | 71.5% | 74.6% | 2.4 pt. | |

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, the management report and the presentation of the half-year results to analysts.

On Monday, 27 July 2015, 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 half-year results as of 30 June 2015 to the Euler Hermes Supervisory Board. The results have been reviewed by the Audit Committee and limited review procedures on the condensed consolidated financial statements have been performed by the auditors. The issuance of the report on the interim financial information is in progress.

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