

## Euler Hermes 2014 half year results: Euler Hermes holds its course

### PARIS – 30 JULY 2014

- Turnover €1,269 million: Up 2.2% for the first six months year-on-year at constant exchange rates (+1.3% at actual exchange rates)
- Ordinary operating income €245 million: A 9% increase year-on-year
- Net income €173 million: Up 19% excluding one-off realized gains in 2013

“In a softening market, Euler Hermes posts strong profitability again this quarter, supported by a net combined ratio of 71.5% in the second quarter of 2014, down from 74.6% in the first quarter,” said Wilfried Verstraete, Chairman of the Euler Hermes Group Board of Management. “Because of still-high insolvency levels in most markets, we remained vigilant in underwriting our risks and hence reported fewer claims than in the first half of 2013. We continue to generate good commercial traction in non-mature markets, which grew by 12% at constant exchange rates year-on-year.”

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

#### A. Key figures

P&L information € million	6M2014	6M2013	Variation vs. 30 June 2013	
			In € mn	%
Earned premiums	1,064.0	1,044.6	19.5	1.9%
Service revenues	204.6	208.2	-3.6	-1.7%
<b>Turnover</b>	<b>1,268.6</b>	<b>1,252.7</b>	15.9	1.3%
Net technical result	195.8	166.9	28.9	17.3%
Net investment income	48.9	57.3	-8.5	-14.8%
<b>Ordinary operating income</b>	<b>244.7</b>	<b>224.3</b>	20.4	9.1%
Non-ordinary operating income & expenses	-2.0	29.1	-31.2	
<b>Operating income</b>	<b>242.6</b>	<b>253.4</b>	-10.7	-4.2%
<b>Net income, Group share</b>	<b>173.2</b>	<b>166.4</b>	6.8	4.1%
Net claims ratio	46.8%	52.5%	-5.7 pts	
Net expense ratio	26.3%	23.9%	2.4 pts	
Net combined ratio	73.1%	76.4%	-3.3 pts	

Balance sheet information € million	30 June 2014	31 December 2013	Variation vs. 31 December 2013	
			In € mn	%
Total assets	6,287.4	6,062.7	224.7	3.7%
Shareholders' equity, Group share	2,426.2	2,461.9	-35.6	-1.4%
Total financial liabilities	260.2	261.7	-1.5	-0.6%

Shareholders' equity decreased by €35.6 million during the first semester, driven primarily by the dividend payment in June 2014 that was not fully compensated by the six-month positive net result.

## B. Turnover

Growth decelerated during the first half of 2014 compared to the last three years. The slowdown is driven primarily by Germany, where the market has been softening and the competitive pressure increasing, and France. Growth remains solid in non-mature markets, +12% at constant exchange rates.

<i>Turnover</i> € million	<b>30 June 2014</b>	<b>30 June 2013</b> (published)	<b>Variation %</b>	<b>30 June 2013</b> (1)	<b>Variation %</b> (1)
<b>Regions</b>					
Germany, Austria, Switzerland	383.4	399.5	-4.0%	399.3	-4.0%
France	205.3	206.5	-0.6%	206.5	-0.6%
Northern Europe	277.3	273.6	1.3%	272.5	1.8%
Mediterranean Countries, Middle East & Africa	163.5	151.7	7.7%	150.2	8.8%
Americas	125.4	139.0	-9.8%	117.8	6.5%
Asia-Pacific	50.9	47.7	6.7%	43.6	16.8%
Non-consolidated OE's and other (2)	62.8	34.6	N/A	51.6	N/A
<b>Euler Hermes Group</b>	<b>1,268.6</b>	<b>1,252.7</b>	<b>1.3%</b>	<b>1,241.4</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 & Colombia in 2013 in EH Re.)

(2) Corporate entities + inter-region eliminations

Premiums are up 1.9%, and 2.7% at constant exchange rates. Good commercial performance in growing markets (Americas, APAC and the Middle East) and new products are compensating for stronger competitive pressure and flat insured turnover volumes in mature markets.

The group has also extended its bank distribution partnerships to BNP Paribas in May 2014. A national agreement was signed which involves offering corporate clients of BNP Paribas in France credit insurance to meet their need to hedge customer risks.

Service revenues, the second component of turnover, decreased slightly, with monitoring fees globally flat and collection revenues lower following the downward trend in claims.

## C. Operating income

Ordinary operating income is very solid at €244.7 million, up 9.1% year on year.

This improvement is driven by the net technical result (+€28.9 million) in line with the lower combined ratio (73.1% vs. 76.4% during the first half of 2013).

Following selective risk underwriting, the net loss ratio stands at a healthy level of 46.8%, 5.7 pts below last year, driven by lower claims in all regions. The net loss ratio includes a 16.5% positive net run-off from previous attachment years, compared to 10.6% at the end of June 2013.

The net expense ratio is 26.3%, up 2.4 points compared to the same period in 2013. This is only due to lower reinsurance commissions compared to the first semester of 2013 that benefited from positive run-offs on commissions linked to previous years, and to a shortfall in collections revenues linked to the decreasing claims activity. The expense ratio before service margin and reinsurance remains stable.

Net investment income is €48.9 million vs. €57.3 million at half-year 2013, driven by a €2.9 million decline on the portfolio yield, mostly on bonds, a €3 million adverse foreign exchange impact compared to last year, and a €2.1 million decline in realized gains on the bond and equity portfolio.

Non-ordinary operating income and expenses included a €31.7 million gain in 2013 linked to the creation of the Solunion joint venture; hence the year-on-year decrease in total operating income. Excluding this one-off impact, operating income is up 9.5% at €242.6 million.

## D. Investment portfolio

At the end of June 2014, the market value of the Group's investment portfolio is up €78 million to €4,242 million versus €4,163 million at 2013 year-end, driven by positive operating cash flows.

## E. Net income

Net income of €173.2 million is a 19% year-on-year increase on a comparable basis, excluding the one-off gain last year on contributing entities to the Solunion joint venture with MAPFRE. This increase, which is stronger than the one achieved in operating income, 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

Euler Hermes delivered good growth in strategic areas such as Asia, the Americas and the Middle East, but so far economic recovery in most European countries is slow to materialize. The Group remains confident of its growth path as European macroeconomic indicators are expected to improve, and in demonstrating agility in seizing new market opportunities, innovating new products and expanding distribution partnerships. Its track record in effectively managing risk is solid and profitability is expected to remain strong.

## II. Results for the second quarter of 2014

P&L € million	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Variation vs. Q2 2013	
							In € mn	%
Earned premiums	529.3	534.7	525.6	508.9	529.0	515.5	0.3	0.1%
Service revenues	101.8	102.8	99.8	99.3	104.4	103.8	-2.6	-2.5%
<b>Turnover</b>	<b>631.1</b>	<b>637.5</b>	<b>625.3</b>	<b>608.2</b>	<b>633.4</b>	<b>619.3</b>	<b>-2.3</b>	<b>-0.4%</b>
Net technical result	101.9	93.9	103.3	75.1	102.3	64.6	-0.4	-0.4%
Net investment income	25.4	23.4	15.5	13.3	24.5	32.9	1.0	4.0%
<b>Ordinary operating income</b>	<b>127.3</b>	<b>117.3</b>	<b>118.8</b>	<b>88.4</b>	<b>126.8</b>	<b>97.5</b>	<b>0.6</b>	<b>0.5%</b>
Non-ordinary operating income & expenses	-1.0	-1.1	5.4	-7.3	-0.7	29.8	-0.3	39.2%
<b>Operating income</b>	<b>126.4</b>	<b>116.3</b>	<b>124.2</b>	<b>81.1</b>	<b>126.1</b>	<b>127.3</b>	<b>0.3</b>	<b>0.3%</b>
<b>Net income, Group share</b>	<b>90.5</b>	<b>82.7</b>	<b>92.3</b>	<b>55.0</b>	<b>81.0</b>	<b>85.3</b>	<b>9.4</b>	<b>11.7%</b>
Net claims ratio	44.4%	49.1%	44.3%	52.8%	47.8%	57.7%	-3.4 pts	
Net expense ratio	27.0%	25.5%	26.6%	24.9%	24.6%	23.0%	2.4 pts	
Net combined ratio	71.5%	74.6%	70.9%	77.6%	72.4%	80.7%	-1.0 pt	

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

On Wednesday, 30 July 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 half-year results as of 30 June 2014 to the Euler Hermes Supervisory Board. The results have been reviewed by the Audit Committee and the auditors.

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