

## Euler Hermes 2014 first quarter results: a solid start to 2014

### PARIS – 30 APRIL 2014

- Revenues at €637.5 million, up 4% over Q1 2013 at constant exchange rates (+3% at actual exchange rates)
- Ordinary operating income up 20%, to €117 million
- Net income at €82.7 million, up 29% excluding one-off realized gains in 2013

“Euler Hermes starts the year in a very strong position with continued solid growth and a year-on-year drop of 6.1 points in the combined ratio to 74.6%,” said Wilfried Verstraete, chairman of the Euler Hermes board of management. “We remain vigilant about the price/risk adequacy as the market is softening, and we are confident of delivering sustainable and profitable growth again this year. Anchored by prudent risk underwriting, the Group will continue to strengthen its product range, distribution channels and international presence.”

#### A. Key figures\*

<b>P&amp;L</b> € million	<b>31 March 2014</b>	<b>31 March 2013</b>	<b>Variation vs. 31 March 2013</b>	
Earned premiums	534.7	515.5	19.1	3.7%
Service revenues	102.8	103.8	-1.0	-0.9%
<b>Turnover</b>	<b>637.5</b>	<b>619.3</b>	18.2	2.9%
Net technical result	93.9	64.6	29.3	45.3%
Net investment income	23.4	32.9	-9.5	-28.8%
<b>Ordinary operating income</b>	<b>117.3</b>	<b>97.5</b>	19.8	20.3%
Non-ordinary operating income & expense	-1.1	29.8	-30.9	
<b>Operating income</b>	<b>116.3</b>	<b>127.3</b>	-11.1	-8.7%
<b>Net income, Group share</b>	<b>82.7</b>	<b>85.3</b>	-2.6	-3.1%
Net claims ratio	49.1%	57.7%	-8.6 pts	
Net expense ratio	25.5%	23.0%	2.5 pts	
Net combined ratio	74.6%	80.7%	-6.1 pts	

<b>Balance sheet information</b> € million	<b>31 March 2014</b>	<b>31 December 2013</b>	<b>Variation vs. 31 December 2013</b>	
Total assets	6,319.7	6,062.7	257.0	4.2%
Shareholders' equity, Group share	2,523.8	2,461.9	61.9	2.5%
Total financial liabilities	262.9	261.7	1.2	0.5%

\*not audited

Shareholders' equity increased by €61.9 million in Q1 2014, driven primarily by the €82.7 million positive net income generated in the quarter.

## B. Turnover

Revenues grew by 3.9% at constant FX rate versus the first quarter of 2013. Euler Hermes continues its growth trajectory, though at a slower pace than in 2013.

<i>Turnover</i> € million	<b>31 march</b> <b>2014</b>	<b>31 march</b> <b>2013</b> <i>(published)</i>	<i>Variation %</i>	<b>31 march</b> <b>2013</b> <i>(1)</i>	<i>Variation %</i> <i>(1)</i>
<b>Regions</b>					
Germany, Austria, Switzerland	196.2	203.2	-3.5%	202.9	-3.3%
France	102.5	103.8	-1.3%	103.8	-1.3%
Northern Europe	141.1	137.1	2.9%	134.9	4.6%
Mediterranean Countries, Middle East & Africa	79.1	74.9	5.6%	74.0	6.9%
Americas	63.1	68.3	-7.7%	57.5	9.7%
Asia-Pacific	25.7	23.1	10.9%	20.7	24.0%
EH Reinsurance + others <sup>(2)</sup>	29.9	8.7	N/A	19.6	N/A
<b>Euler Hermes Group</b>	<b>637.5</b>	<b>619.3</b>	<b>2.9%</b>	<b>613.4</b>	<b>3.9%</b>

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

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

(2) EH Reinsurance + Corporate entities + inter-region eliminations

Growth markets - the Americas, Asia, the Middle East - remain dynamic and drive most of the Group's growth. Asian revenues increased by 24%, while the Americas continue to grow at nearly double-digits.

The Group faces increased competitive pressure in its traditional European markets, especially in Germany, as a result of strengthening economic conditions. The subdued business environment in France is also reflected in the local top line.

Overall, premiums remain strong due both to new production and retention: at +4.6% vs Q1 2013 at constant FX rates (+3.7% at actual exchange rate). Insured volumes on the existing portfolio and prices are roughly stable.

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

## C. Operating income

Ordinary operating income is very solid at €117.3 million, up 20.3% year-on-year.

This strong performance is driven by a significant improvement in the net technical result (+€29.3 million) linked to the low combined ratio of 74.6%, down -6.1 points from Q1 2013.

The net claims ratio dropped significantly, 8.6 points in Q1 2014, to 49.1% from 57.7% in Q1 2013. Most regions contributed to the improvement, particularly the Mediterranean and Northern Europe regions which were hit last year by a high claims frequency. The year-on-year run-off ratio is also much higher in 2014 (11.7% versus 4.3%) as Q1 2013 included a large negative run-off on a Spanish case.

The net expense ratio is up 2.5 points against prior year, as the service margin - which is a component of the expense ratio - begins to feel pressure from decreasing claims and related collection revenues, and as we have a lower reinsurance commission on non-credit insurance business lines.

Investment income continues to be negatively impacted by foreign exchange headwinds: of the - €9.5 million decline in income between Q1 2013 and Q1 2014, €7.2 million is foreign exchange-related.

Last year, operating income was positively impacted by a €31.7 million gain linked to the legal contribution of Spanish and Argentinean entities to the Solunion joint venture.

The decrease in the operating income from €127.3 million in Q1 2013 to €116.3 million in Q1 2014 is due to this one-off effect in Q1 2013.

#### **D. Investment portfolio**

At the end of March 2014, the market value of the Group's investment portfolio had increased by €133 million to €4,296 million compared to year-end 2013, driven by positive operating cash flows and a re-evaluation of the bond portfolio.

#### **E. Net income**

Net income stands at €82.7 million, an increase of 29.2% over the quarter at comparable basis. The year-on-year decline of -3.1% is solely linked to the one-off gain generated in Q1 2013 from contributing entities to our new Solunion JV with MAPFRE.

#### **F. Outlook**

After falling to +2.3% in 2013 – the slowest pace since the 2009 crisis – we expect world GDP growth to show a slight improvement in 2014. However, the number of insolvencies is expected to remain high. The modest GDP uptick should support another year of positive growth for Euler Hermes, and enable the company to penetrate new markets and segments more deeply. The company will draw on its demonstrated ability to be both agile and robust in a softening market, and will retain its dual focus on helping clients to trade safely while managing their risks effectively.

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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 quarterly results to analysts.

On Wednesday, 30 April 2014, the Group Management Board of Euler Hermes (ELE.PA), a worldwide leader in credit insurance and in the areas of bonding, surety and collections, presented its consolidated quarterly results as of 31 March 2014 to the Euler Hermes Supervisory Board. The results have been reviewed by the Audit Committee.

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