

# 1Q 2014 Financial results

Financial analysts meeting

April 30, 2014



1

- 1 Highlights**
- 2 Commercial & Risk overview
- 3 Year-to-date results
- 4 Appendices

# 1Q 2014 Operational highlights

**The modest uptick in most European economies improves the claims environment**

**Softening market leading to pressure on prices**

**On-going success of new products - trade finance cover and excess of loss**

**HSBC partnership now live in 10 of the 12 target markets.**

**Legal restructuring project on track**

# 1Q 2014 Financial highlights

**Turnover reaches €638 million, up by 4% at constant exchange rates (+3% at actual exchange rates)**

**Net loss ratio all attachment years is 49%, lower than last year by -9 pts**

**Gross technical expense ratio is 28.3% slightly up compared to last year**

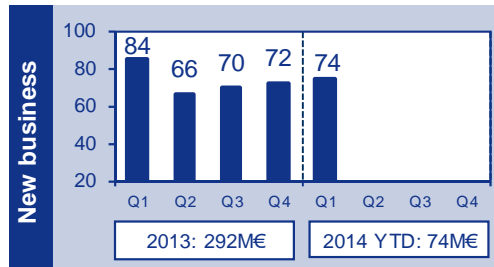
**Operating income remains very solid at €116.3 million up +22% against last year putting aside the €31.7 million one-shot gain recorded last year on the legal contribution of Spanish and Argentinean entities to the Solunion JV.**

**Net income at €82.7 million, up 29.2% excluding one-off realized gains in 2013**

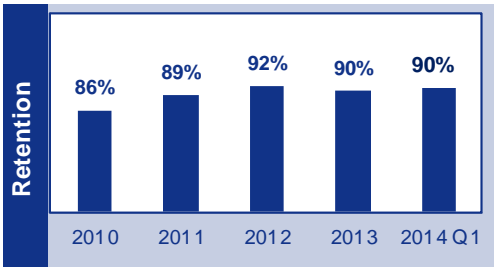
# 2

- 1 Highlights
- 2 Commercial & Risk overview**
- 3 Year-to-date results
- 4 Appendices

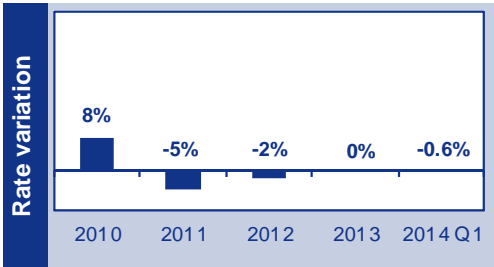
# Commercial overview



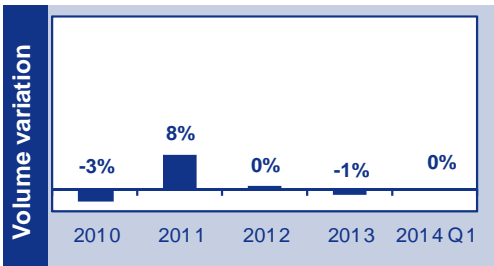
At the end of Q1 2014, new business reaches €74 million which is €10 million below the level of last year, yet in line with previous quarters.



Retention remains at the 2013 level of 90% with 48% of the total portfolio renewed in the first quarter.



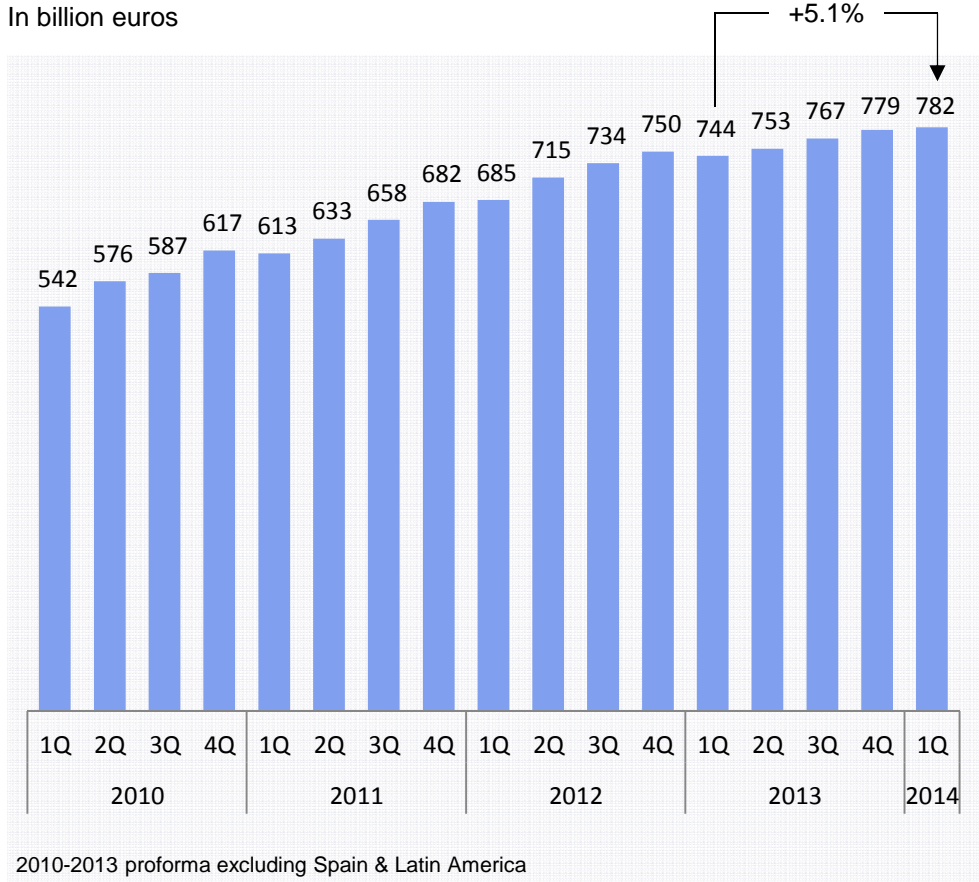
Average rates are slightly negative due to competitive pressure intensifying. Rates increased in Southern Europe, France and Asia Pacific but are under pressure in some growing markets and on large programs.



The contribution from customers' insured turnover is flat overall but the situation is improving due to the economic recovery in the US and the Eurozone, even if it is still timid.

# Risk overview

In billion euros

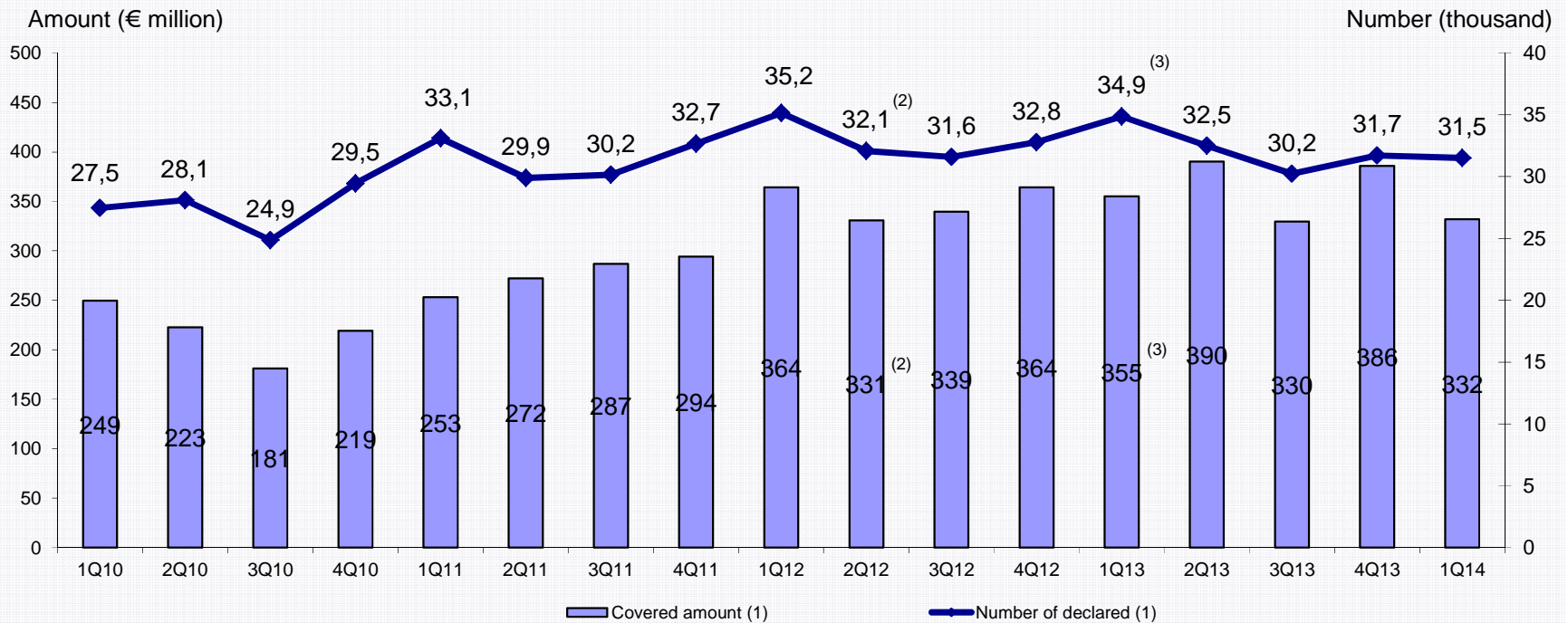


	4Q 2013	1Q 2014
Grade weight		
1-5	84.8%	85.1%
6-10	15.2%	14.9%

The grade mix continues to improve with grades 6-10 now representing less than 15% of the total portfolio.

# Trade credit insurance claims development

2010-2013 proforma excluding Spain & Latin America



- The number of declared claims is stabilising at the same level as 4Q 2013
- The covered amount decreases by 14% compared to 4Q 2013 - which included a few mid-size claims - and is back to the low level of 3Q 2013

(1) Credit insurance claims only (excludes bonding & fidelity)  
 (2) Excluding Schlecker claim  
 (3) Excluding Pescanova claim

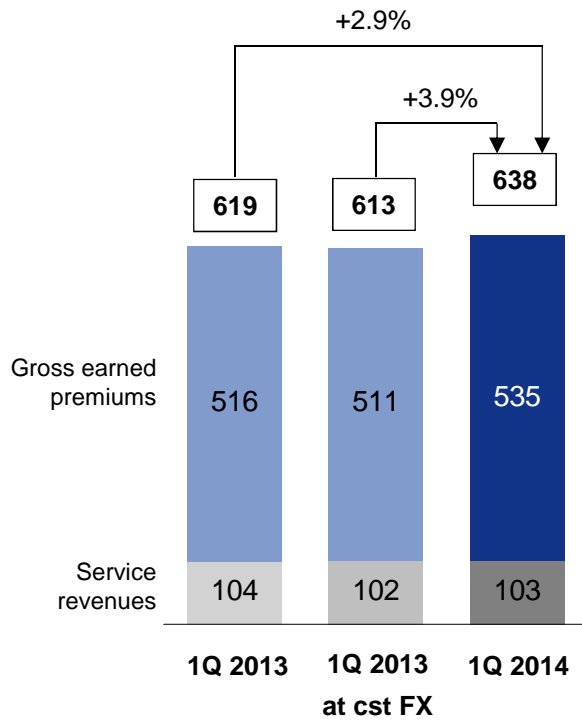




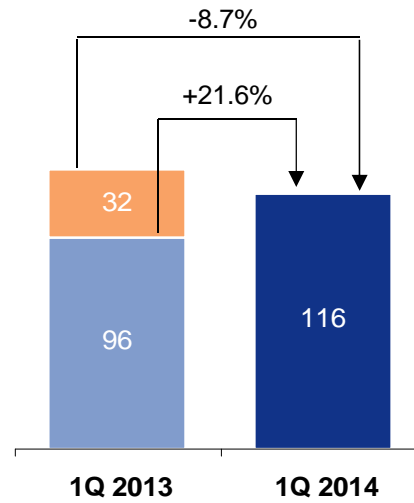
# 3

- 1 Highlights
- 2 Commercial & Risk overview
- 3 Year-to-date results**
- 4 Appendices

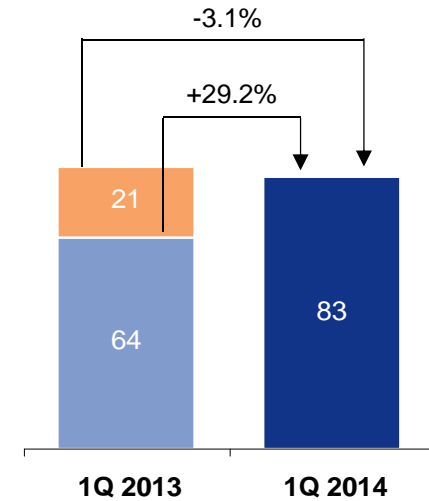
# Strong turnover and very solid profitability



**Turnover**  
(EUR mn)



**Operating income**  
(EUR mn)



**Net income, Group share**  
(EUR mn)



Gain on the legal contribution of the Spanish and Argentinean entities to the Solunion JV

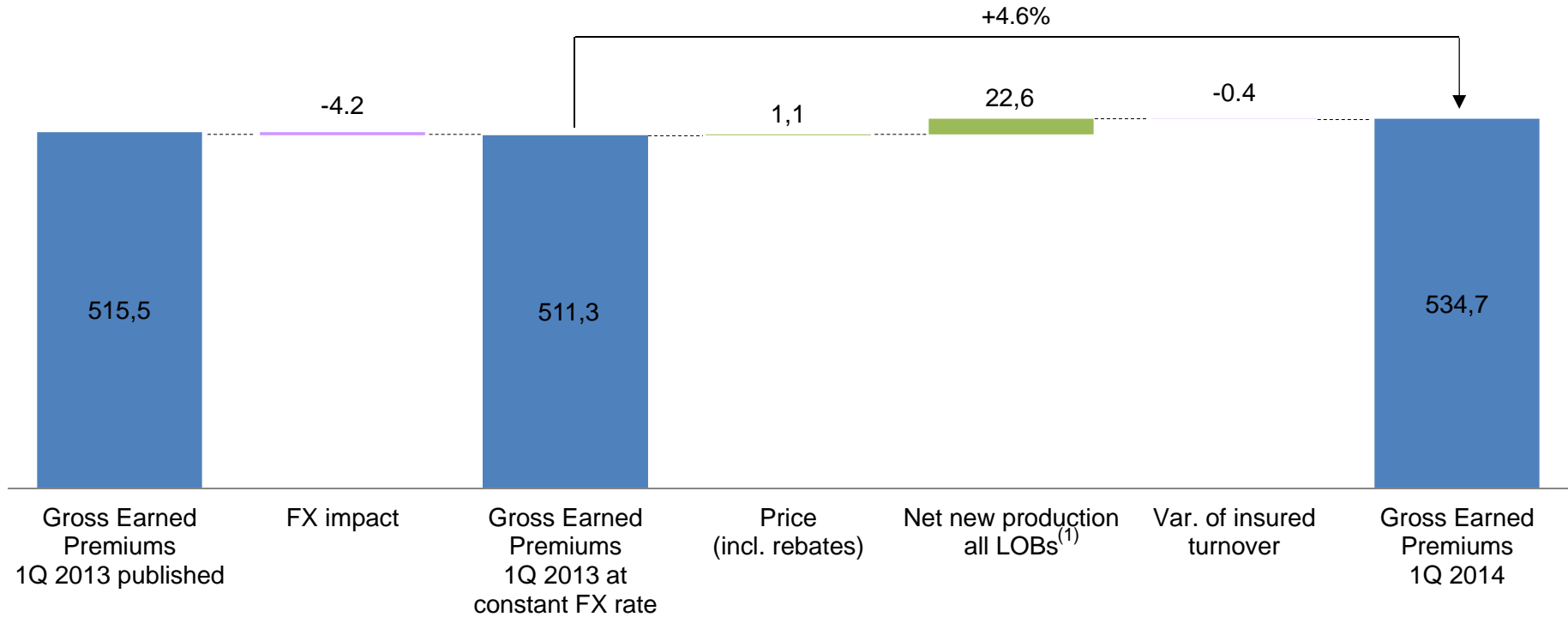
# Turnover growth reaches +3.9% at constant exchange rates (+2.9% at actual rates)

EUR mn	1Q 2014	1Q 2013 Actual FX	Δ %	1Q 2013 CST FX & proforma	Δ %
DACH	196	203	-3%	203	-3%
France	103	104	-1%	104	-1%
Northern Europe	141	137	3%	135	5%
Med. Countries, Middle East & Africa	79	75	6%	74	7%
Americas	63	68	-8%	58 <sup>(1)</sup>	10%
Asia Pacific	26	23	11%	21	24%
Non-consolidated OEs & Inter region	30	9	N/A	20	53%
<b>Turnover</b>	<b>638</b>	<b>619</b>	<b>2,9%</b>	<b>613</b>	<b>3,9%</b>
<b>Europe</b>	<b>537</b>	<b>524</b>	<b>3%</b>	<b>524</b>	<b>2%</b>
<b>Outside Europe</b>	<b>101</b>	<b>96</b>	<b>5%</b>	<b>89</b>	<b>13%</b>

(1) 2013 pro forma with Mexico, Colombia & Chile transferred to Solunion

# Net new production is the driver for growth

(€ million)

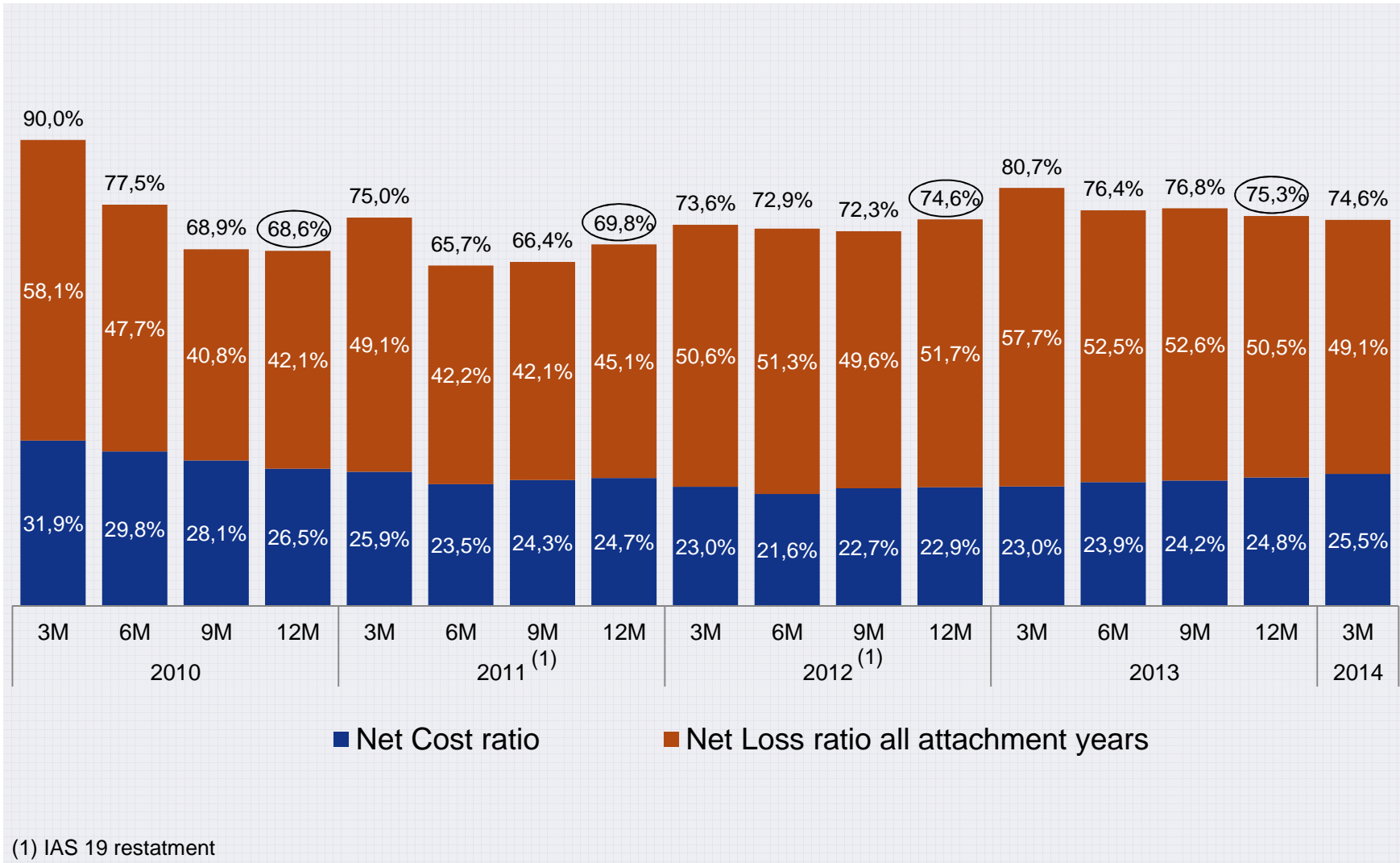


(1) New production net of wastages

# Continuous decrease in the net loss ratio, reaching 49.1% in 1Q 2014



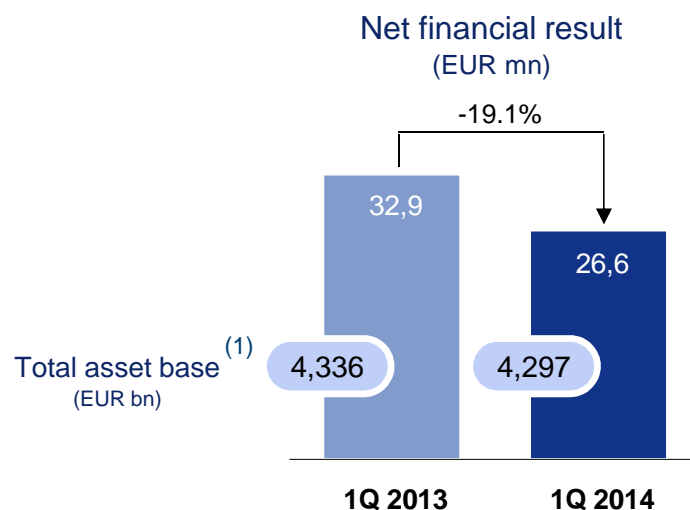
# The net combined ratio follows the decreasing net loss ratio trend



# Reinsurance result evolution

EUR mn	1Q 2014	1Q 2013	Δ	Δ%
Gross earned premiums	534,7	515,5	19,1	3,7%
Ceded premiums	-156,5	-171,8	15,3	-8,9%
<b>Net earned premiums</b>	<b>378,2</b>	<b>343,8</b>	<b>34,4</b>	<b>10,0%</b>
<i>Cession rate</i>	<i>29,3%</i>	<i>33,3%</i>	<i>-4,1 pts</i>	
Gross claims costs	-257,6	-275,4	17,7	-6,4%
Ceded claims costs	72,1	77,1	-5,0	-6,5%
<b>Net claims costs</b>	<b>-185,6</b>	<b>-198,2</b>	<b>12,7</b>	<b>-6,4%</b>
<i>Cession rate</i>	<i>28,0%</i>	<i>28,0%</i>	<i>0,0 pts</i>	
<b>Reinsurance commission</b>	<b>54,9</b>	<b>63,0</b>	<b>-8,1</b>	<b>-12,9%</b>
<i>Reinsurance commission rate</i>	<i>35,1%</i>	<i>36,7%</i>	<i>-1,6 pts</i>	
<b>Net Claims ratio CY</b>	<b>60,7%</b>	<b>61,9%</b>	<b>-1,2 pts</b>	
<b>Net Claims ratio PY</b>	<b>-11,7%</b>	<b>-4,3%</b>	<b>-7,4 pts</b>	
<b>Net Claims ratio</b>	<b>49,1%</b>	<b>57,7%</b>	<b>-8,6 pts</b>	
<b>Net Costs ratio</b>	<b>25,5%</b>	<b>23,0%</b>	<b>2,5 pts</b>	
<b>Net Combined ratio</b>	<b>74,6%</b>	<b>80,7%</b>	<b>-6,1 pts</b>	

# Net financial result impacted by negative foreign exchange result



	1Q 2013	1Q 2014
Current investment income	22.2	19.4
Investment management charges	-1.4	-2.1
Net change in foreign currency	4.9	-2.3
Net gain (loss) on sales of investments less impairment and depreciation write-backs	7.2 <sup>(2)</sup>	8.4
<b>Net financial result before financing expense and before 'at equity' result<sup>(3)</sup></b>	<b>32.9</b>	<b>23.4</b>
Financing expense	-2.8	-1.4
At equity result <sup>(3)</sup>	2.8	4.6
<b>TOTAL Net financial result</b>	<b>32.9</b>	<b>26.6</b>

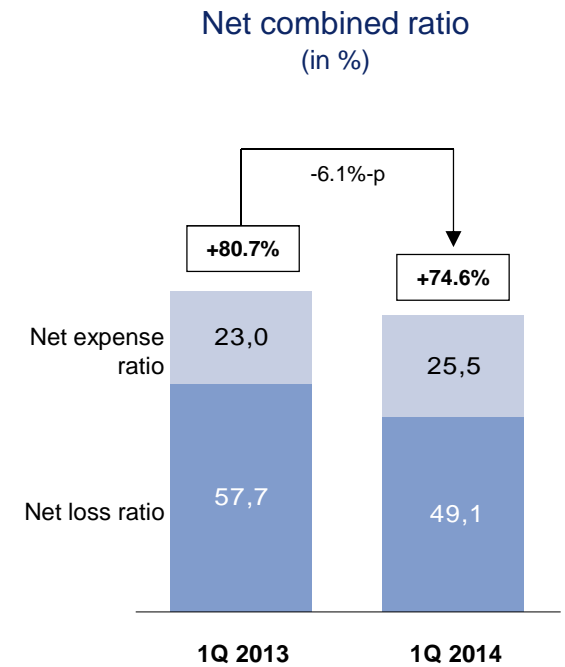
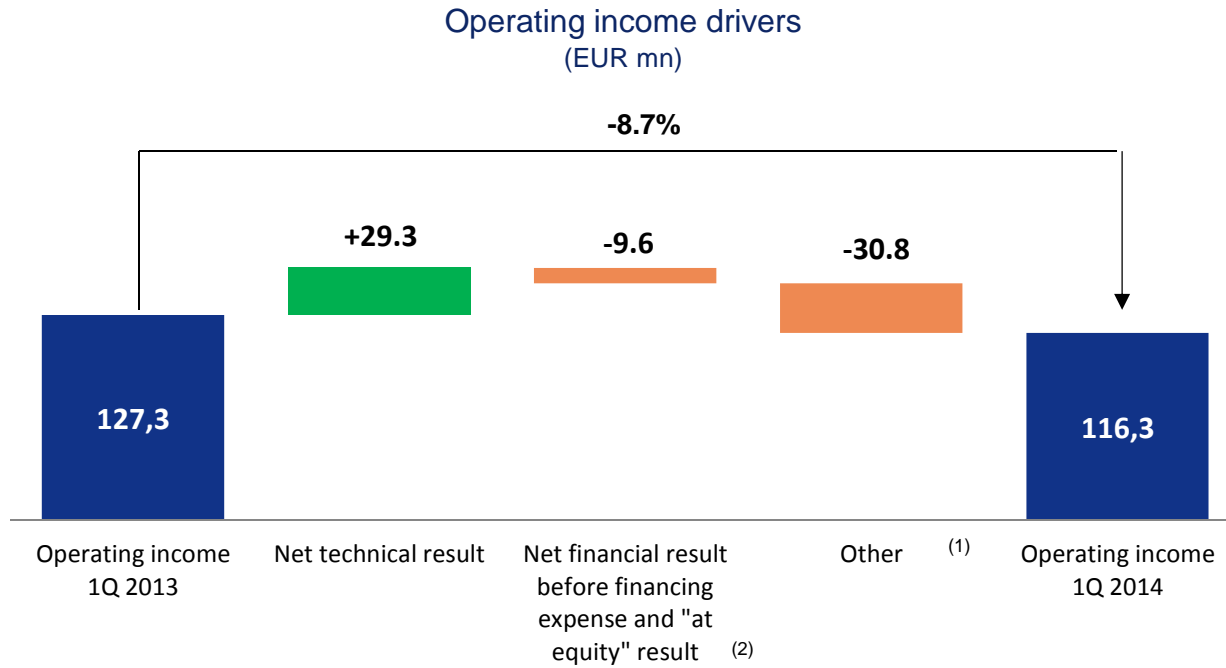
(1) Market value

(2) Excluding realized gains from entities spined-off to Solunion (Spain & Argentina)

(3) Share of income from companies accounted by the equity method



# Main operating income drivers



(1) 2013 included realized gains on the contribution of Spain & Argentina to Solunion for EUR 31.7mn  
 (2) Share of income from companies accounted by the equity method

Net income at €82.7 million, up 29.2% excluding the one-off realized gain in 2013

EUR mn	1Q 2014	1Q 2013	Δ
<b>Ordinary operating Income</b>	117,3	97,5	19,8
Other non ordinary operating income and expense	-1,1	29,8	-30,9
<b>Operating income</b>	116,3	127,3	-11,1
Financing expenses	-1,4	-2,8	1,4
Income from non-consolidated companies	4,6	2,8	1,8
<b>Profit before tax</b>	119,5	127,3	-7,9
Corporation tax	-36,2	-40,5	
Minority interest	-0,5	-1,5	
<b>Net income (Group share)</b>	82,7	85,3	-2,6

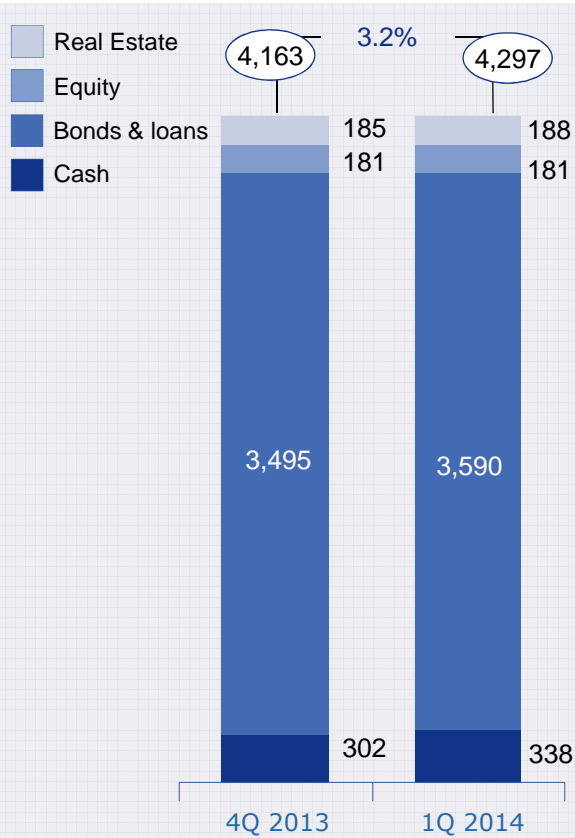
# 4

- 1 Highlights
- 2 Commercial & Risk overview
- 3 Year-to-date results
- 4 Appendices**

# Asset allocation

(EUR mn)

## Asset base (1)



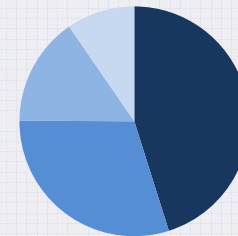
(1) Market value

## Fixed income portfolio

### By type of issuer

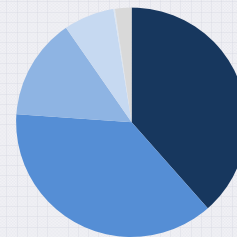
- Treasuries
- Securitised
- Corporates
- Cash

45%  
30%  
15%  
10%

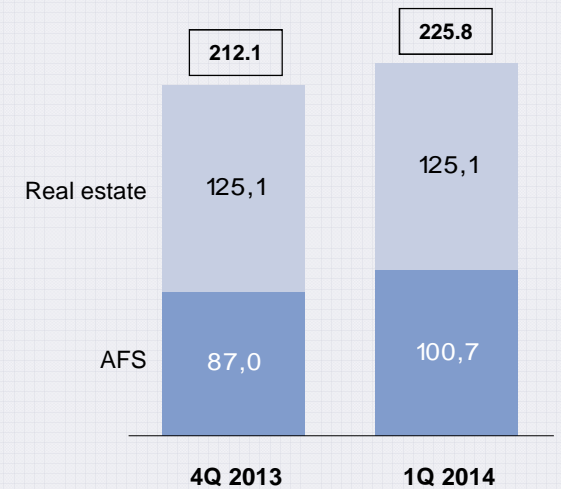


### By rating

- AAA 38.5%
- AA 37.6%
- A 14.3%
- BBB 7.1%
- BB 0.2%
- Not rated 2.3%



### Unrealised gains/ losses



# Glossary

1/2

- **Ceded Claims Costs**

Gross Claims Costs corresponding to business assigned to reinsurers

- **Ceded Premium**

Premium corresponding to business assigned to reinsurers

- **Cession Rate**

Ceded Premium divided by Gross Earned Premium

- **Combined Ratio**

Sum of the Cost ratio and the Loss ratio

- **Cost ratio (or Expense ratio)**

Overheads and service margin as a proportion of earned premiums

- **Credit insurance**

Insurance against the risks of non-payment of companies trade receivables

- **Gross Claims Costs**

Claims Costs before reinsurance

- **Gross Earned Premium**

Earned premium before reinsurance

- **Gross Technical Result**

Result from insurance activities (excluding reinsurance operations and including service income and expenses)

- **Loss**

Situation in which a risk is realized and which entitles the policyholder to indemnification, thus triggering application of the indemnification provided for in the credit insurance policy.

- **Loss ratio (or Claim ratio)**

Claims costs as a proportion of the earned premiums

- **Net Claims Costs**

Gross Claims Costs net of reinsurance

- **Net Earned Premium**

Gross Earned Premiums net of reinsurance

- **Net Technical Result**

Result from insurance activities (including reinsurance operations and service income and expenses)

# Glossary

2/2

- **Outward commission**

Remuneration paid by the reinsurer to the ceding insurer for the premiums ceded

- **Premium**

Amount paid by the policyholder to the insurance company in exchange for risk coverage. A distinction is made between:

- **Written premium**

Amount invoiced during the period for coverage against the risks stipulated in the policy

- **Earned premium**

Portion of the premium written during the period or earlier corresponding to the coverage of risks during the period concerned

- **Reinsurance**

An operation by which an insurer obtains cover from a third party (the reinsurer) for part of the risks that it has guaranteed, in exchange for the payment of a premium

- **Retention Rate**

Net Earned Premium divided by Gross Earned Premium

- **Run-off**

Claims reserves release related to previous years policies which risks are over

- **Services**

- **Information services**

Researches and analysis carried out to provide our policyholders with the required credit insurance cover, and monitoring of the solvency of their customers

- **Collection services**

Extra-judicial and/or judicial procedure conducted by Euler Hermes to secure payment of a receivable from the debtor

- **Turnover**

Turnover is composed of gross earned premiums and service revenues

# Investors relations

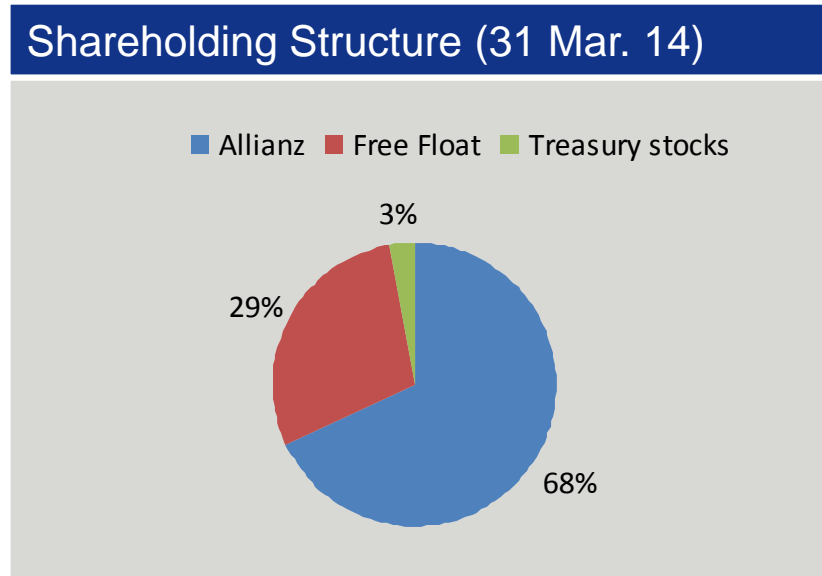
Next Events	Date
General Assembly	May. 28 <sup>th</sup> , 2014
2Q 2014 Earnings (webcast)	Jul. 30 <sup>th</sup> , 2014
3Q 2014 Earnings (webcast)	Oct. 28 <sup>th</sup> , 2014

Stock Market Data	As at 31 Mar. 14
Listing	Euronext Paris
Code	ELE.PA
Shares outstanding	45,342,177
Market cap. (€ mn)	4,153

### Investors Relations Contact

Clarisse Kopff, Head of Group controlling, accounting and investor relations  
+33 (0)1 84 11 51 38  
[clarisse.kopff@eulerhermes.com](mailto:clarisse.kopff@eulerhermes.com)

Catherine Zeller, General secretary  
+33 (0)1 84 11 40 60  
[catherine.zeller@eulerhermes.com](mailto:catherine.zeller@eulerhermes.com)



# Disclaimer

These assessments are, as always, subject to the disclaimer provided below.

## 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.

### **No duty to update.**

The company assumes no obligation to update any information contained herein.