A Closer Look at Euler Hermes and Credit Insurance

Introduction

Euler Hermes Shareholding Structure

Our Global Network

Euler Hermes Americas

Euler Hermes Awards & Honors

What is Credit Insurance?

Euler Hermes in Action
Euler Hermes is listed on the Paris Stock Exchange since April 2000. NYSE Euronext Paris. Euler Hermes Group ELE.

- Allianz – 68.16%
- Public – 29.03%
- Euler Hermes – 2.81%
Our Global Network
6,000+ staff worldwide including 1,500 risk experts
6 Continents

Continent with EH presence

Our office locations with licenses to issue policies
Euler Hermes Americas

Key Figures

7 countries in 2 continents

$ 300 million Regional Revenues

529 employees

est. 1893 oldest & largest credit insurer in North America

licensed in all 50 US states & the District of Columbia and all Canadian Provinces

distribution through an established network of direct agents, banks, and brokers

USA
Canada
Brazil
Mexico*
Argentina*
Colombia*
Chile*

*Through our joint venture with Solunion
**Euler Hermes – Awards and Honors 2014**

<table>
<thead>
<tr>
<th>Award Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Best private insurer in trade</td>
<td>Best private insurer in trade - Trade Finance Awards 2014</td>
</tr>
<tr>
<td>Best global Export Credit Agency</td>
<td>Best global Export Credit Agency – Trade Finance Awards 2014</td>
</tr>
<tr>
<td>Specialty Lines Insurer of the Year</td>
<td>Specialty lines insurer of the year – GCC. Mena Insurance Review 2014</td>
</tr>
<tr>
<td>Dedication to SMEs</td>
<td>Dedication to SMEs – Italy Milano Finanza Insurance &amp; Previdenza Awards 2014</td>
</tr>
<tr>
<td>Best trade credit insurer</td>
<td>Best trade credit insurer – Asia Pacific Global Trade Review 2013, 2014</td>
</tr>
<tr>
<td>Innovation Award</td>
<td>Innovation Award – UK Commercial Insurance Awards 2014</td>
</tr>
<tr>
<td>Best credit services provider</td>
<td>Best credit services provider – China 10th China International Credit and Risk Management Conference</td>
</tr>
<tr>
<td>Fastest growing credit insurance company</td>
<td>Fastest growing credit insurance company – UAE Global Banking &amp; Finance Review 2013, 2014</td>
</tr>
</tbody>
</table>
What is Credit Insurance?

- Manages both commercial and political risks
- Protection against your customers failure to pay its trade debts
- Maintain capital and cash flows
What does Credit Insurance do?
Safe Sales Expansion

What does Credit Insurance do?
Growing your business can mean taking on more risk. A Euler Hermes credit insurance policy covers your risk, giving you the ability to sell more with confidence.

**Objective:**

Company has a few large/new accounts that offer additional selling opportunities but reached their "comfort" exposure level. Interested in a credit risk protection program that would allow to safely increase sales.

<table>
<thead>
<tr>
<th>&quot;Comfort&quot; Exposure</th>
<th>$500,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved Coverage</td>
<td>$750,000</td>
</tr>
<tr>
<td>Additional Sales Opportunity</td>
<td>$250,000</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>10.00%</td>
</tr>
<tr>
<td>A/R Turns</td>
<td>8</td>
</tr>
<tr>
<td>Increased Revenue</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Increased Gross Profit</td>
<td>$200,000</td>
</tr>
</tbody>
</table>
Discover the value of investing in credit insurance to expand your client base and revenues. **Once you are free of risk, see how easy it can be to reach a positive ROI.**

<table>
<thead>
<tr>
<th>Enter these amounts below</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average A/R Balance</strong></td>
</tr>
<tr>
<td><strong>Total Yearly Sales (Revenues) on Credit</strong></td>
</tr>
<tr>
<td><strong>Gross Profit Margin From Sales</strong></td>
</tr>
<tr>
<td><strong>Total Number of Credit Customers</strong></td>
</tr>
<tr>
<td><strong>Turns</strong> - How many times you sell to a customer in one year</td>
</tr>
<tr>
<td><strong>Premium</strong> - Estimated annual cost of your Credit Insurance</td>
</tr>
<tr>
<td><strong>Average Credit Limit</strong> - Size of A/R per Customer</td>
</tr>
<tr>
<td><strong>Based on the Gross Profit Margin, this is the amount of additional Revenue you need to pay off the cost of the policy</strong></td>
</tr>
<tr>
<td><strong>Based on the average A/R per customer, this is the number of new shipments you need to justify the policy.</strong></td>
</tr>
<tr>
<td><strong>Based on the number of Turns, this is the total number of new customers you need to add to justify the policy.</strong></td>
</tr>
</tbody>
</table>

**Can this policy help you find 1 new customers or grow your business by $500,000?**
What does Credit Insurance do? | Safe Sales Expansion

Case Study: Ardwin Freight

“We have increased limits in some cases four-fold. It gives us a competitive advantage since we are interested in customers that our competitors are not. Credit insurance takes the uncertainty out of credit requests.”

Edwin Sahakian, Owner of Ardwin Freight
What does Credit Insurance do?

Better Financing Options

SAFE SALES EXPANSION
EXPORT SALES PROTECTION
DEBT COLLECTION
REDUCTION IN BAD DEBT RESERVES
PROTECTION AGAINST CATASTROPHIC LOSS
CREDIT FUNCTION SUPPORT
**Finance tool**

**Access to Capital Analysis**

<table>
<thead>
<tr>
<th></th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Sales</strong></td>
<td><strong>Advance Rate</strong></td>
<td><strong>Availability</strong></td>
</tr>
<tr>
<td>Domestic</td>
<td>$30,000,000</td>
<td>80.00%</td>
</tr>
<tr>
<td>Export</td>
<td>$10,000,000</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$40,000,000</td>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Average A/R**

<table>
<thead>
<tr>
<th></th>
<th><strong>Before</strong></th>
<th><strong>After</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>$2,500,000</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Export</td>
<td>$833,333</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$3,333,333</td>
<td>$2,000,000</td>
</tr>
</tbody>
</table>

- Eliminate concern on high concentration with key accounts
- Borrow against export receivables
- Obtain more capital at reduced rates
- Free up working capital
Case Study: Specialty Forest Products

“We pay our mills in 10 days but don’t see payment from our customer for another 30-60 days. We need to have a line of credit with our bank in order to make this business work. Having trade credit insurance allows us to have an entirely different – and much more comfortable – conversation with our financial partner.”

Doug Konop, CFO of Specialty Forest Products
What does Credit Insurance do?

Export Sales Protection

- Safe Sales Expansion
- Better Financing Options
- Debt Collection
- Reduction in Bad Debt Reserves
- Protection Against Catastrophic Loss
- Credit Function Support
Case Study: Weston Forest Products

“One of the major reasons Euler Hermes is a great partner is that they know our industry, not just locally but on a global basis. Whether a potential buyer is in Texas or Lebanon, we find that there is always information in the Euler Hermes database. I don’t think anyone is as comprehensive as Euler Hermes in our industry. When you’re in the position of extending credit to a new customer, your decision can’t wait. They make it very quick and easy for us to get an opinion on whether we should be pursuing that business.”

Rick Ekstein President and CEO of Weston Forest Products
What does Credit Insurance do? | Export Sales Protection

**Export Coverage**

Provides an organization with increased sales, cost savings and protection from unexpected losses

- Eliminates the need for Letters of Credit
- Increases your competitive edge by allowing you to offer open terms
- Export receivables are no longer non-performing assets allowing you to secure more favorable financing
- Export protection for exposure from political risk
What does Credit Insurance do?

Debt Collection

SAFE SALES EXPANSION
BETTER FINANCING OPTIONS
EXPORT SALES PROTECTION
REDUCTION IN BAD DEBT RESERVES
PROTECTION AGAINST CATASTROPHIC LOSS
CREDIT FUNCTION SUPPORT
At Euler Hermes we help you collect your debts through a wide range of global solutions for commercial debt collection.

1. **First approach:** Amicable collection in close proximity to your debtor
2. **If this fails, second approach:** Legal proceeding via our worldwide network of lawyers
What does Credit Insurance do? | Debt Collection

Risk Map

Download our Economic App

United States (USA)

AA 1

LATEST REPORTS
- U.S.: Fed unlikely to move before...
- Payment Behavior Index (PBI) p...
- Consumer Electronics in US
- An additional USD88bn of U.S....
- US Businesses’ payment behavio...

KEY FIGURES
- GDP (US$ trn) 17.410...

Back to Main

A Closer Look at Euler Hermes and Credit Insurance
What does Credit Insurance do?

**Reduction in Bad Debt Reserves**
Euler Hermes will protect your credit risk while freeing up your bad debt reserve, allowing you to reallocate the capital for better use.

### Enter the amount below

<table>
<thead>
<tr>
<th>Average A/R Balance</th>
<th>$10,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bad Debt Reserve</td>
<td>$800,200</td>
</tr>
<tr>
<td>Premium</td>
<td>$100,002</td>
</tr>
<tr>
<td>Total Coverage</td>
<td>$7,000,424</td>
</tr>
</tbody>
</table>

#### Percentage of A/R Secured
- **with Bad Debt Reserve:** 8%
- **Percentage Exposed:** 92%

#### Percentage of A/R Secured
- **with Credit Insurance:** 70%
- **Percentage Exposed:** 30%

#### If you take Credit Insurance Premium out of Bad Debt Reserve:

<table>
<thead>
<tr>
<th>Credit Insurance Coverage</th>
<th>$7,000,424</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ Bad Debt Reserve</td>
<td>$800,200</td>
</tr>
<tr>
<td>- Premium</td>
<td>$100,002</td>
</tr>
<tr>
<td>Total Protection</td>
<td>$7,700,622</td>
</tr>
</tbody>
</table>

- **Total Secured:** 77%
- **Total Exposed:** 23%

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**Today your accounts receivable are only** 8% **protected**

**Tomorrow your accounts receivable could be** 77% **protected**

*without adding $1 to your budget*
What does Credit Insurance do?

Protection Against Catastrophic Loss

- Safe Sales Expansion
- Better Financing Options
- Export Sales Protection
- Debt Collection
- Reduction in Bad Debt Reserves
- Credit Function Support
What does Credit Insurance do? | Protection Against Catastrophic Loss

Accounts Receivable: The Only Major Asset Left Uninsured

There is a greater chance that a business will experience a loss within their accounts receivable than any other asset.

- Where does the A/R fall on a client’s Balance Sheet?
- What amount of loss would seriously impact a company’s financial stability or annual profit?
- How many accounts have credit extended over that limit?
What does Credit Insurance do? | Protection Against Catastrophic Loss

Effects Of A Bad Debt Loss

The table below shows the amount of sales required to recover from a bad debt loss.

A $50,000 debt @ 6% profit margin requires you to generate an additional $833,000 to just to BREAK EVEN.

<table>
<thead>
<tr>
<th>Profit Margin</th>
<th>$25,000</th>
<th>$50,000</th>
<th>$100,000</th>
<th>$250,000</th>
<th>$500,000</th>
<th>$1,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2%</td>
<td>$1,250,000</td>
<td>$2,500,000</td>
<td>$5,000,000</td>
<td>$12,500,000</td>
<td>$25,000,000</td>
<td>$50,000,000</td>
</tr>
<tr>
<td>4%</td>
<td>$625,000</td>
<td>$1,250,000</td>
<td>$2,500,000</td>
<td>$6,250,000</td>
<td>$12,500,000</td>
<td>$25,000,000</td>
</tr>
<tr>
<td>6%</td>
<td>$416,667</td>
<td>$833,333</td>
<td>$1,666,667</td>
<td>$4,166,667</td>
<td>$8,333,333</td>
<td>$16,666,667</td>
</tr>
<tr>
<td>8%</td>
<td>$312,500</td>
<td>$625,000</td>
<td>$1,250,000</td>
<td>$3,125,000</td>
<td>$6,250,000</td>
<td>$12,500,000</td>
</tr>
<tr>
<td>10%</td>
<td>$250,000</td>
<td>$500,000</td>
<td>$1,000,000</td>
<td>$2,500,000</td>
<td>$5,000,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>15%</td>
<td>$166,667</td>
<td>$333,333</td>
<td>$666,667</td>
<td>$1,666,667</td>
<td>$3,333,333</td>
<td>$6,666,667</td>
</tr>
</tbody>
</table>
“My Accounts Are As Good as Gold.” Really?

Bankruptcies are inevitable and have happened to big named companies

Failures come from increasingly unpredictable sources

- Management Deficiencies
- Complex Financial Restructuring
- Legal Maneuvering (Ch. 11)
- Product Liability
- Regulatory Changes
- Political & Global Economic Change

Will your business be part of the Cash Flow Domino?

Euler Hermes monitors beyond the primary debtor
What does Credit Insurance do?

Credit Function Support

- Safe Sales Expansion
- Better Financing Options
- Export Sales Protection
- Debt Collection
- Reduction in Bad Debt Reserves
- Protection Against Catastrophic Loss
Euler Hermes seems to know about every one of our customers. They have a vast amount of knowledge that provides us with the information needed to pick the right new customers and raise limits on our current accounts. With a more efficient process in our credit department in place, we can now focus on our customers and help them run their business more effectively.”

Jeff Woolley, General Manager of Vision Business Products
Risk Management
Sector & buyer risks: A structured approach combining local insight and global overview

What does Credit Insurance do? | Credit Function Support

Firms / Partnerships
Limited companies
Public registry
Credit reference agencies

Payment information
Payment performance date
Risk information network
Specialist investigation teams

Euler Hermes
worldwide database
40 million+ companies

Public Information
Exclusive to Euler Hermes

Our knowledge serving your success
Euler Hermes Risk Business Model:
Our manual grade… predicting default

The grading service of Euler Hermes forecasts the probability of default.

<table>
<thead>
<tr>
<th>GRADE</th>
<th>MEANING</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Exceptional</td>
</tr>
<tr>
<td>2</td>
<td>Very strong</td>
</tr>
<tr>
<td>3</td>
<td>Strong</td>
</tr>
<tr>
<td>4</td>
<td>Good</td>
</tr>
<tr>
<td>5</td>
<td>Above average</td>
</tr>
<tr>
<td>6</td>
<td>Below average</td>
</tr>
<tr>
<td>7</td>
<td>Weak</td>
</tr>
<tr>
<td>8</td>
<td>Distressed</td>
</tr>
<tr>
<td>9</td>
<td>Uninsurable</td>
</tr>
<tr>
<td>10</td>
<td>Failed</td>
</tr>
</tbody>
</table>
What does Credit Insurance do? | Credit Function Support

**Euler Hermes Risk Business Model:**
Merging buyer risk with country risk

A multi-dimensional approach to risk underwriting
A partnership with Euler Hermes provides you with more than just a credit insurance policy. As a valued EH client, you gain access to a multi-purpose strategic tool designed to meet the changing needs of your business.

**Claims & Collections**

International presence with local teams to handle claims quickly and efficiently

**Dedicated service team**

- Experienced account managers
- Strategic risk underwriters
- Risk meetings and constant dialogue

**Online tools & reporting**

- **EOLIS**: risk management, claims & collection filing and follow-up, policy management tools
- **Smartview**: real-time reporting and consolidated views

**Economic Research**

Access to actionable economic intelligence strategic forecasting and market specific analysis

**Risk services**

Risk to market
Risk teams worldwide
Euler Hermes in Action

Credit Insurance in Action

What do our Customers think of us?

A Policy to fit your Business Needs

Next Steps

Home
Euler Hermes in Action

Credit Insurance in Action

SAFE SALES EXPANSION

BETTER FINANCING OPTIONS

PROTECTION AGAINST CATASTROPHIC LOSS

EXPORT SALES PROTECTION

REDUCTION IN BAD DEBT RESERVES

DEBT COLLECTION

CREDIT FUNCTION SUPPORT
What do our Customers think of us?

“Credit insurance has helped us grow and handle larger project deals with ease and safety.”
- Jeff Woolley, General Manager of Vision Business Products.

“When you’ve got tens of millions of dollars of receivables all over the world, and you know the risks going on all over the world, it can be stressful. Credit insurance allows me to sleep better, and that is worth a lot.”
- Rick Ekstein, President and CEO of Weston Forest Products

“This can be a very competitive business. With credit insurance, we don’t have to ask for cash up front or payment on delivery, which makes us much more competitive. This is the tool we needed to take more market share from our competitors.”
- Ori Ben-Amotz, Chief Financial Officer of Hadco

“We’ve learned that this product is more than just insurance. It’s an opportunity to learn ways to optimize your business and credit processes.”
- Doug Konop, CFO of Specialty Forest Products

“Our credit insurance policy not only offers us security in the event of non-payment, but also provides robust knowledge that allows us to take an informed view on whether we should offer credit to certain companies.”
- Cathy Jimenez, Credit Manager at Del Campo
### Euler Hermes in Action

#### A Policy to Fit your Business Needs

<table>
<thead>
<tr>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period of Agreement</td>
</tr>
<tr>
<td>Estimated Sales</td>
</tr>
<tr>
<td>Premium Factor</td>
</tr>
<tr>
<td>Estimated Premium</td>
</tr>
<tr>
<td>Policy Deductible</td>
</tr>
<tr>
<td>Non-Qualifying Loss</td>
</tr>
<tr>
<td>Co-Insurance</td>
</tr>
</tbody>
</table>
Application & Implementation

1. Application
   - Basic **company** info
   - Sales & loss history
   - Key buyer data
   - Goals of applicant

2. Underwriting
   - Goals of applicant reviewed
   - Commercial structure created
   - Risk analysis of key buyers
   - Proposal drafted

   **Timeline for underwriting:**
   - 5-7 business days on Domestic
   - 15-20 business days on export

3. Review
   - Presentation to applicant
   - Q & A session
   - Evaluation & review
   - Structure acceptance

4. Implementation
   - Selection of policy start date and payment method
   - Coverage enforced
   - Fill-in underwriting
   - Safe sales expansion begins
   - Balance sheet strengthened
   - Credit efficiencies gained