Press release

Euler Hermes on Expo Milan 2015: Giving the Italian economy a chance

ROME - 5 MAY 2015 - Expo Milan will make a limited but positive contribution of 0.1% to Italian GDP in 2015. In total, including first-round effects, the Expo could bring up to +0.4% of GDP from tourism (15 million visitors), export revenue (+10% in some sectors), additional output (€ 6 billion) and new jobs (approx. 100,000). These are some of the main conclusions by Euler Hermes, the worldwide leader in credit insurance, in its economic study “Expo Milano 2015: Made in Italy alla grande?”

“In the history of economy, Universal Exhibitions have always been turning points and a chance for re-launch,” said Michele Pignotti, the head of Mediterranean Countries, Middle East and Africa (MMEA) region for Euler Hermes. “Milan and Italy are ready to play that role, as Expo 2015 promises to be one of the levers to support the Italian recovery this year.”

According to the Euler Hermes report, the Expo will be one of several components enabling a slight recovery in Italy after three consecutive years of contraction. The other factors are:

- rising confidence and the resulting private consumption recovery
- a lower euro driving € 6 billion of additional exports in 2015
- the easing of financing constraints, with a steady decline of real interest rates on SME loans and credit demand recovery, and
- lower energy prices and the IRAP tax cut pushing up corporate margins.

Expo Milan as an innovation driver

Expo 2015 should foster synergies between foreign and Italian companies argued Ana Boata and Andrea Pignagnoli, respectively European economist for Euler Hermes and economist for Euler Hermes Italy, and co-authors of the study.

For example, Italian products will benefit from increased visibility by and additional demand from tourists. More than 30% of Expo participants will come from abroad, mainly from Argentina, Brazil, China, Turkey, UAE and the USA. This will also play the other way around: offering new markets for Italian products abroad, as some Expo participants could become importers of Italian goods and promoters of Italian services in their home countries. The traditional export sectors such as agrifood, energy, machinery and textile should be the main winners.

The Expo legacy? 40% of the newly-created companies at a risk of default

Legacy effects of mega-events are often linked to sustained efforts before and after the event, to harness the benefits and limit the risks. A potential scenario is that post-event, activity would decline, especially in those sectors which should be the main winners in 2015. Government initiatives to make the region live post-Expo will be key for the approximately 10,000 companies created since 2013. These initiatives are even more important in a period of economic recovery, as Italian business insolvencies will finally enter a downward trend after seven consecutive years of increases: -2% in 2015 and -5% in 2016.

Within this baseline scenario, Euler Hermes expects business insolvencies to continue to decline in 2017 and 2018. However, the co-authors see an increasing risk that the drop in activity will not be compensated after the Expo ends. In this case, Euler Hermes expects that approximately 40% of newly-created companies will default. The drop in activity could cause one-third of the newly-created companies in the construction sector to default in 2017. The sector is already in a difficult situation, with insolvencies at record high levels (3,500 per year: +12% in 2014). The hotel and restaurant sector would be less impacted; tourist flows should increase post-Expo as Italy would have strengthened its attractiveness. Only 1 in 10 companies would default in this sector in 2017. In total, in the worst case scenario, 2,500 companies could default in 2017 (+14% rise from 2016) and 1,500 in 2018 (+7%).
Expo impact (incl. first-round legacy effects), pps of GDP

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portugal</td>
<td>1998</td>
<td>1.2</td>
</tr>
<tr>
<td>Germany</td>
<td>2000</td>
<td>0.3</td>
</tr>
<tr>
<td>Japan</td>
<td>2005</td>
<td>1.4</td>
</tr>
<tr>
<td>China</td>
<td>2010</td>
<td>5</td>
</tr>
<tr>
<td>Italy</td>
<td>2015</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Sources: Official sources, Euler Hermes

Contacts:

**Euler Hermes Group Media Relations**
Remi Calvet – +33(0)1 84 11 61 41
remi.calvet@eulerhermes.com

**Euler Hermes MMEA**
Head of Communications
Guglielmo Santella – +39 335 84 96 775
guglielmo.santella@eulerhermes.com

---

**Euler Hermes** is the global leader in trade credit insurance and a recognized specialist in the areas of bonding, guarantees and collections. With more than 100 years of experience, the company offers business-to-business (B2B) clients financial services to support cash and trade receivables management. Its proprietary intelligence network tracks and analyzes daily changes in corporate solvency among small, medium and multinational companies active in markets representing 92% of global GDP. Headquartered in Paris, the company is present in over 50 countries with 6,000+ employees. Euler Hermes is a subsidiary of Allianz, listed on Euronext Paris (ELE.PA) and rated AA- by Standard & Poor’s and Dagon Europe. The company posted a consolidated turnover of €2.5 billion in 2014 and insured global business transactions for €860 billion in exposure at the end of 2014. Further information: www.eulerhermes.com, LinkedIn or Twitter @eulerhermes.

**Euler Hermes Italia** is the Italian leader in credit insurance. A member of the Euler Hermes group, it contributes to the business development of its insured, by protecting their customer portfolio. With 400 collaborators in central and local offices, it covers the whole Italian territory with 27 managing agencies. Euler Hermes Italia insures more than 4500 enterprises of any size and importance.

---

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”, “plan”, “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) changes in laws and regulations, including monetary convergence and the European Monetary Union, (ix) changes in the policies of central banks and/or foreign governments, (x) the impact of acquisitions, including related integration issues, (xi) reorganization measures, and (xii) 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. The company assumes no obligation to update any forward-looking statement.