

Euler Hermes 2016 nine-month results: decisive step towards business transformation

PARIS – 8 November 2016

- Revenues at €1,930 million, stable at constant exchange rates and constant scope.
- Net combined ratio at 79.7%.
- Operating income at €292 million including €37 million restructuring costs.
- Net income at €226 million, at last year level.

“In a continued global economic context of volatility and low growth, we have succeeded in maintaining a net combined ratio below 80% despite premium pressure in our large European markets,” said Wilfried Verstraete, chairman of the Euler Hermes board of management. “This stable performance is, in large part, a result of our sound underwriting practices, but also our commitment to developing new products and services in order to adapt to changing client needs. A first partnership in the digital arena was recently announced, and our clients will also see the fruits of our Accelerate business transformation program, designed to deliver outstanding customer service.”

I. Results for the first nine months of 2016

A. Key figures*

| P&L information € millior. | 30 September 2016 | 30 September 2015 (published) | Variation vs. 30 September 2015 | |
|--|--------------------------|---|--|----------------------|
| Earned premiums | 1,627.8 | 1,660.1 | -32.3 | -1.9% |
| Service revenues | 301.7 | 324.8 | -23.1 ⁽¹⁾ | -7.1% ⁽¹⁾ |
| Turnover | 1,929.5 | 1,985.0 | -55.4 | -2.8% |
| Net technical result | 226.6 | 247.3 | -20.7 | -8.4% |
| Net investment income | 67.2 | 79.4 | -12.1 | -15.3% |
| Ordinary operating income | 293.8 | 326.7 | -32.9 | -10.1% |
| Non-ordinary operating income & expenses | -2.3 | -1.4 | -0.9 | 66.4% |
| Operating income | 291.5 | 325.3 | -33.8 | -10.4% |
| Net income, Group share | 225.9 | 226.8 | -0.8 | -0.4% |
| Net claims ratio | 52.7% | 51.1% | 1.6 pt. | |
| Net expense ratio | 27.0% | 27.3% | -0.3 pt | |
| Net combined ratio | 79.7% | 78.3% | 1.4 pt. | |

| Balance sheet information € million | 30 September 2016 | 31 December 2015 (published) | Variation vs. 31 December 2015 | |
|---|--------------------------|--|---|-------|
| Total assets | 6,413.3 | 6,596.6 | -183.4 | -2.8% |
| Shareholders' equity, Group share | 2,526.2 | 2,715.4 | -189.2 | -7.0% |
| Total financial liabilities | 253.7 | 252.2 | 1.5 | 0.6% |

*not audited

⁽¹⁾ The sale of Bürgel explains €28.8 million lower service revenues in 9M 2016 compared to same period 2015.

B. Turnover

At €1,929.5 million at end of September, turnover was down -2.8% compared to 9M 2015 published figures. The sale of Bürgel in February 2016, retroactive to January 1st, accounts for most of the decrease (€28.8 million service revenues); foreign exchange also contributed negatively. At constant scope and constant FX, topline increased by +0.1% compared to September last year with earned premiums decreasing by 0.5% while service revenues remained dynamic at +3.5%.

| <i>Turnover</i> | <i>30 September 2016</i> | <i>30 September 2015 (published)</i> | <i>Variation %</i> | <i>30 September 2015 (1)</i> | <i>Variation % (1)</i> |
|---|------------------------------|--|--------------------|--------------------------------------|----------------------------|
| € million | | | | | |
| Regions | | | | | |
| Germany, Austria, Switzerland (DACH) | 529.4 | 562.8 | -5.9% | 538.7 | -1.7% |
| France | 304.3 | 295.6 | 3.0% | 295.6 | 3.0% |
| Northern Europe | 399.9 | 422.6 | -5.4% | 410.3 | -2.5% |
| Mediterranean Countries, Middle East & Africa | 263.7 | 258.7 | 1.9% | 258.7 | 1.9% |
| Americas | 250.4 | 245.7 | 1.9% | 250.1 | 0.1% |
| Asia-Pacific | 109.2 | 107.2 | 1.9% | 105.7 | 3.4% |
| Inward from non-consolidated OE's and other (2) | 72.6 | 92.4 | -21.4% | 68.6 | 5.9% |
| Euler Hermes Group | 1,929.5 | 1,985.0 | -2.8% | 1,927.7 | 0.1% |

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

(1) At constant exchange rates and constant scope. For comparison purposes, published 2015 data has been restated to take into account the following changes in scope: a) starting January 2016, Collection entities are included in the regions to foster business synergies; b) the Bürgel entities in Germany have been sold with retroactive impact to January 2016.

(2) Corporate entities + inter-region eliminations

France posted positive growth for the second consecutive quarter, MMEA staid on a path of steady growth, while Asia and Americas slowed down, a consequence of the implemented risk and commercial action plans. DACH and Northern Europe again posted negative growth, impacted by pressure on rates.

C. Operating income

Operating income stood at €291.5 million, down by 10.4% year-on-year.

The net claims ratio at end September reached 52.7%, up 1.6 points compared to the same period last year, but it was down to 51.5% in the sole quarter Q3 2016, the lowest quarterly level since Q2 2015.

The net expense ratio of 27.0% was lower compared to the same period last year (27.3%), essentially due to an improved service margin.

Net investment income reached €67.2 million at end September compared to €79.4 million for the same period last year, impacted by low reinvestment yields and lower foreign exchange gains.

The Group engaged in restructuring plans in some European countries, aiming at a reduction of approx. 300 FTE at full implementation from 2019 onwards. Total expected savings at full speed should be in the range of €32 to €35 million, including non-HR related savings. The freed-up capacity will allow further investing in international and product developments as well as in digitalization, and will also compensate the expected decrease in investment income.

The one-off restructuring costs booked at end of September for €37 million pre-tax are compensated by the gains realised on the sale of Bürgel and Graydon, two information companies (€35 million pre-tax).

D. Net income

Net income stood at €225.9 million, almost at last year's level (€226.8 million).

E. Investment portfolio

At €4,450 million at the end of September 2016, the market value of the Group investment portfolio decreased by €168 million vs year-end 2015, essentially as a result of the share buy-back in May 2016.

F. Solvency ratio

The published Solvency II economic ratio was 165% at the end of June. The Group will next communicate its solvency position with the 2016 full year results.

G. Outlook

The recent trend in claims is reassuring and Euler Hermes has stabilized its exposure after several quarters of steady decrease. Euler Hermes remains vigilant for any sign that would require to adjust its commercial and risk underwriting stances.

The Group has engaged one step further in its business transformation program with the launch of productivity measures in mature European countries which will free up capacity to make necessary digital investments. This altogether demonstrates our ability for change while preserving our profitability.

II. Results for the third quarter of 2016

| P&L € million | 3Q 2016 | 2Q 2016 | 1Q 2016 | 4Q 2015 | 3Q 2015 | 2Q 2015 | 1Q 2015 | Variation vs. 3Q 2015 | |
|--|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------------------|--------------|
| | ----- Published data ----- | | | | | | | | |
| Earned premiums | 530,7 | 540,4 | 556,7 | 545,3 | 537,8 | 558,0 | 564,3 | -7,1 | -1,3% |
| Service revenues | 97,7 | 100,4 | 103,6 | 108,1 | 109,4 | 109,4 | 106,0 | -11,7 | -10,7% |
| Turnover | 628,5 | 640,8 | 660,3 | 653,4 | 647,2 | 667,4 | 670,3 | -18,8 | -2,9% |
| Net technical result | 74,6 | 73,9 | 78,1 | 54,1 | 54,3 | 99,2 | 93,8 | 20,4 | 37,5% |
| Net investment income | 17,9 | 23,6 | 25,7 | 37,0 | 19,7 | 31,2 | 28,4 | -1,8 | -9,2% |
| Ordinary operating income | 92,5 | 97,5 | 103,8 | 91,1 | 74,0 | 130,5 | 122,2 | 18,6 | 25,1% |
| Non-ordinary operating income & expenses | -20,1 | -5,5 | 23,3 | 0,9 | 0,0 | -0,2 | -1,2 | -20,1 | na |
| Operating income | 72,4 | 92,0 | 127,2 | 92,0 | 74,0 | 130,3 | 121,1 | -1,5 | -2,1% |
| Net income, Group share | 55,9 | 68,8 | 101,2 | 75,7 | 54,4 | 85,2 | 87,1 | 1,5 | 2,7% |
| Net claims ratio | 51,5% | 52,6% | 53,9% | 60,3% | 57,3% | 45,2% | 50,8% | -5,8 | pt |
| Net expense ratio | 28,0% | 27,7% | 25,4% | 25,2% | 27,8% | 28,7% | 25,3% | +0,2 | pt |
| Net combined ratio | 79,5% | 80,3% | 79,3% | 85,6% | 85,2% | 73,9% | 76,1% | -5,7 | pt |

GLOSSARY

Expense Ratio or Cost Ratio: contract acquisition expenses, administration expenses and service margin as a proportion of earned premiums. The service margin corresponds to service revenues less other ordinary operating income and expenses. It can be in "gross terms" i.e. before reinsurance, or "net terms" which includes the reinsurance commission.

Claims Ratio: claims costs from all attachment years as a proportion of earned premiums. It can be in "gross terms" i.e. before reinsurance, or "net terms" which includes the part ceded to the reinsurers.

Combined Ratio: sum of the expense ratio and the claims ratio.

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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 Tuesday, 8 November 2016, 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 30 September 2016 to the Euler Hermes Supervisory Board. The results have been reviewed by the Audit Committee.

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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 6,400+ employees. Euler Hermes is a subsidiary of Allianz, listed on Euronext Paris (ELE.PA) and rated AA- by Standard & Poor's and Dagong Europe. The company posted a consolidated turnover of over €2.6 billion in 2015 and insured global business transactions for €890 billion in exposure at the end of 2015. Further information: www.eulerhermes.com, [LinkedIn](#) or Twitter [@eulerhermes](#).

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