

Euler Hermes 2016 full-year results: Strong performance sustained: solid results and solvency, stable dividend

PARIS – 9 February 2017

- Revenues at €2,570 million, stable at constant exchange rates and constant scope
- Net combined ratio at 79.8%
- Operating income at €373 million
- Net income at €287 million
- Solid solvency ratio of 166%
- Proposed dividend unchanged at €4.68 per share

“In 2016, companies faced a sluggish global economy, a slowdown in trade volumes and price competition. In addition, growth was threatened by political uncertainties and a series of unexpected events. In these volatile circumstances, Euler Hermes delivered strong results, with a net combined ratio at 79.8%,” said Wilfried Verstraete, chairman of the Euler Hermes board of management. “We kept our commitment to secure our profitability by actively managing our insurance portfolios across the globe and adjust our underwriting practices to market circumstances. The strong results form a solid underpinning from which to further roll-out the various initiatives we have launched: development of specialty products and innovative distribution solutions (digital/ banking). All these changes share a single unifying goal: better serve our customers wherever they are.”

I. Results for 2016

A. Key figures

P&L information € million	31 December 2016	31 December 2015 (published)	Variation vs. 31 December 2015	
Earned premiums	2 170.2	2 205.4	-35.2	-1.6%
Service revenues	399.7	432.9	-33.3 ⁽¹⁾	-7.7% ⁽¹⁾
Turnover	2 569.9	2 638.4	-68.5	-2.6%
Net technical result	301.5	301.4	0.1	0.0%
Net investment income	75.3	116.3	-41.0	-35.3%
Ordinary operating income	376.8	417.8	-40.9	-9.8%
Non-ordinary operating income & expenses	-3.5	-0.4	-3.1	
Operating income	373.3	417.4	-44.0	-10.5%
Net income, Group share	287.0	302.5	-15.5	-5.1%
Net claims ratio	52.2%	53.3%	-1.1 pt.	
Net expense ratio	27.6%	26.8%	0.8 pt	
Net combined ratio	79.8%	80.1%	-0.3 pt	

Balance sheet information € million	31 December 2016	31 December 2015 (published)	Variation vs. 31 December 2015	
Total assets	6 505.9	6 596.6	-90.7	-1.4%
Shareholders' equity, Group share	2 622.4	2 715.4	-93.0	-3.4%
Total financial liabilities	252.2	252.2	0.0	0.0%

(1) The sale of Bürgel explains €39.1 million lower service revenues in 12M 2016 compared to same period 2015.

B. Turnover

At €2,569.9 million at the end of December, turnover was down -2.6% compared to published figures last year. The sale of Bürgel, in February 2016, retroactive to January 1st, accounts for most of the decrease (€39.1 million service revenues); foreign exchange also contributed negatively. At constant scope and constant FX, topline increased by +0.3% compared to last year with earned premiums decreasing -0.2% while service revenues remained dynamic at +2.9%.

<i>Turnover</i>	31 December 2016	31 December 2015 (published)	<i>Variation %</i>	31 December 2015 (1)	<i>Variation % (1)</i>
€ million					
Regions					
Germany, Austria, Switzerland (DACH)	706.4	751.9	-6.1%	719.4	-1.8%
France	403.8	391.8	3.1%	391.8	3.1%
Northern Europe	528.4	557.5	-5.2%	537.6	-1.7%
Mediterranean Countries, Middle East & Africa	349.9	344.2	1.7%	344.5	1.6%
Americas	335.3	326.5	2.7%	335.6	-0.1%
Asia-Pacific	148.0	143.3	3.3%	142.2	4.1%
Inward from non-consolidated OE's and other (2)	98.0	123.1	-20.4%	91.4	7.3%
Euler Hermes Group	2,569.9	2,638.4	-2.6%	2,562.5	0.3%

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 1st, 2016.

(2) Corporate entities + inter-region eliminations

Europe continued to struggle with growth, suffering from strong pressure on rates and a lack of traction from insured volumes. France was an exception with +3.1% turnover growth, driven by new products and a small rebound in insured volumes. Non mature markets slowed, with APAC posting a +4.1% growth at constant FX in contrast compared with double digit rates in the past; other emerging countries decreasing (Gulf Countries, Turkey and Brazil), following the risk action plans implemented since last year.

C. Operating income

Operating income stood at €373.3 million, down by 10.5% year-on-year, with flat performance on the net technical result but a sharp decrease in net investment income.

The net combined ratio remained below 80%, at exactly 79.8%, slightly down compared to last year (-0.3pt). Improvement on the net claims ratio compensated the increase in net expense ratio.

The net claims ratio at year-end was 52.2%, down by 1.1 points compared to the same period last year. Euler Hermes observed a notable improvement on frequency claims, and the net claims ratio Q4 2016 returned to its lowest level since Q3 2015.

The net expense ratio was 27.6% at year-end 2016, compared to 26.8% last year, as costs, namely HR expenses, grow faster than premiums. On-going restructuring initiatives should reverse that trend.

Net investment income reached €75.3 million at the end of December compared to €116.3 million for the same period last year, impacted by low reinvestment yields, lower foreign exchange result, and lower realized gains on the financial portfolio.

2016 operating income also included €38.0 million in costs (pre-tax) for restructuring, which was accounted for by the end of September when the voluntary leavers programs were announced. This cost was compensated by the gains realised on the sale of Bürgel and Graydon, two information companies (€35.1 million pre-tax).

D. Net income and dividend

Net income stood at €287 million, below last year by -5.1% with the slight decrease being entirely linked to the financial income after an exceptional contribution of that caption to the results of 2015. Based on a net result of €6.70 per share, the Euler Hermes Management Board will propose a stable dividend of €4.68 per share. This corresponds to a payout ratio of 68.5%.

E. Investment portfolio

At €4,525 million at the end of December 2016, the market value of the Group investment portfolio decreased by €93 million vs year-end 2015, essentially as a result of a share buy-back done in May 2016.

F. Solvency ratio

The Solvency II economic ratio for Euler Hermes Group was 166% at the end of December. It increased from 162% in December 2015 pro-forma restated for the share buyback transaction of May 2016.

G. Outlook

The economic outlook for 2017 remains uncertain: increasingly protectionist trade policies, continued pressure on prices, and the promised rebound will depend greatly on the policy shift in the U.S. and the resilience of China and Europe. In addition, the downward trend in global insolvencies is expected to come to an end.

Euler Hermes will continue its sound underwriting practices and costs efficiencies, which underpinned the strength of its business model once again in 2016 with a net combined ratio below 80%. In parallel, Euler Hermes will accelerate its transformation around new products, new services and digitalization, to further improve the customer experience.

II. Results for the fourth quarter of 2016

P&L € million	4Q 2016	3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015	Variation vs. 4Q 2015	
	----- Published data -----									
Earned premiums	542,4	530,7	540,4	556,7	545,3	537,8	558,0	564,3	-2,9	-0,5%
Service revenues	98,0	97,7	100,4	103,6	108,1	109,4	109,4	106,0	-10,1	-9,4%
Turnover	640,4	628,5	640,8	660,3	653,4	647,2	667,4	670,3	-13,0	-2,0%
Net technical result	74,9	74,6	73,9	78,1	54,1	54,3	99,2	93,8	20,8	38,5%
Net investment income	8,1	17,9	23,6	25,7	37,0	19,7	31,2	28,4	-28,9	-78,2%
Ordinary operating income	83,0	92,5	97,5	103,8	91,1	74,0	130,5	122,2	-8,1	-8,9%
Non-ordinary operating income & expenses	-1,2	-20,1	-5,5	23,3	0,9	0,0	-0,2	-1,2	-2,2	na
Operating income	81,8	72,4	92,0	127,2	92,0	74,0	130,3	121,1	-10,2	-11,1%
Net income, Group share	61,0	55,9	68,8	101,2	75,7	54,4	85,2	87,1	-14,7	-19,4%
Net claims ratio	50,9%	51,5%	52,6%	53,9%	60,3%	57,3%	45,2%	50,8%	-9,5 pt.	
Net expense ratio	29,3%	28,0%	27,7%	25,4%	25,2%	27,8%	28,7%	25,3%	4,1 pt.	
Net combined ratio	80,1%	79,5%	80,3%	79,3%	85,6%	85,2%	73,9%	76,1%	-5,4 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 full year results to analysts.

On Thursday, 9 February 2017, 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 results as of 31 December 2016 to the Euler Hermes Supervisory Board. The results have been reviewed by the Audit Committee. The audit procedures for the consolidated accounts have been completed. The audit report will be issued following the completion of the remaining audit procedures.

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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 5.900+ 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 €2.6 billion in 2016 and insured global business transactions for €883 billion in exposure at the end of 2016. Further information: www.eulerhermes.com, [LinkedIn](#) or Twitter [@eulerhermes](#).

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