

# Quarterly Financial Information

As at September 30, 2016

(Unaudited)



**EULER HERMES**  
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## Contents

These quarterly financial statements should be read in accordance with the IFRS accounting principles, as described in the last Registration Document published by the group for the financial year 2015, registered by the AMF on April 15, 2016 under no. D. 16-0343.

No new standard, amendment or interpretation with significant impact on the financial statements of the Group, is mandatory from January 1st, 2016. The Group has not early adopted standards and interpretations that are not yet mandatorily effective as of January 1st, 2016.

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# Significant events

The following significant events occurred in the third quarter of 2016:

## Share capital and share ownership

As at September 30, 2016, the Allianz group owned 26,864,230 shares out of a total of 42,641,635 shares, corresponding to 63% of the share capital of Euler Hermes Group. Consequently, Euler Hermes Group is integrated into the Allianz consolidation scope.

As at September 30, 2016, Euler Hermes Group's share capital was composed of 42,641,635 shares, including 640,439 shares held in treasury stock.

## Disposal of Bürgel group

The disposal for the sale of 100% of the Bürgel group was closed on February 26, 2016. This followed the signature of an agreement on December 18, 2015 between Euler Hermes AG and EOS the sellers, and CRIF, a global company headquartered in Bologna, Italy, providing credit information services, credit and software solutions.

The proceeds of the sales net of cash ceded are €34.4 million for Euler Hermes, and the realized gain after tax is €22.4 million. The realized gain has been accounted for in other non-ordinary operation income.

## Creation of a joint-venture with CPPIC

In February 2016, Euler Hermes Hong Kong Services Limited signed an agreement with China Pacific Property Insurance Company (CPPIC) to set up a trade credit insurance joint venture in China: CPPIC Euler Hermes Insurance Sales Co., Ltd.

CPPIC owns 51% of the shares of the joint-venture; Euler Hermes Hong Kong Services Limited owns 49%.

## Productivity plans

Productivity plans have been announced in Germany, France and Corporate entities, and a cumulated restructuring cost of €37.0 million has been booked at the end of September 2016 including a provision for restructuring allowance and consulting fees. The restructuring cost has been mainly booked in Germany and France, and to a lesser extent in corporate entities.

In Germany, as part of the project "Inspire 2020", Euler Hermes Deutschland has launched some productivity measures such as a voluntary leaver program (VLP) on April 6, 2016.

In France, an early retirement voluntary program agreement has been signed on June 28, 2016 between the entities of UES France and the trade unions. Under this agreement, employees meeting some eligibility requirements can, on a voluntary basis, be fully exempted of activity for a period of maximum 42 months before the legal age of retirement and receive a replacement allowance paid by the employer.

## Cession of the Graydon Holding N.V. participations

The disposal of Euler Hermes AG's participation Graydon Holding N.V. (i.e. 27.5% of Graydon Holding N.V. capital) was closed on September, 15<sup>th</sup> 2016. This followed the signature of an agreement on July 29<sup>th</sup>, 2016 between Euler Hermes AG and Atradius Credit Insurance N.V.

The €10.8 million realized gain after tax from disposal has been accounted for in other non ordinary operating income.

# Consolidated statement of financial position

(in € thousands)	September 30, 2016	December 31, 2015
Goodwill	105 367	114 852
Other intangible assets	127 067	118 728
<b>Intangible assets</b>	<b>232 434</b>	<b>233 580</b>
Investment property	77 353	78 974
Financial investments	3 612 843	4 018 454
Derivatives	11 105	15 469
<b>Investments</b>	<b>3 701 301</b>	<b>4 112 897</b>
<b>Investments accounted for at the equity method</b>	<b>198 548</b>	<b>193 292</b>
<b>Share of assignees and reinsurers in the technical reserves and financial liabilities</b>	<b>598 634</b>	<b>662 811</b>
Operating property and other property, plant and equipment	43 418	45 124
Acquisition costs capitalised	88 047	76 131
Deferred tax assets	29 766	10 564
Inwards insurance and reinsurance receivables	629 292	605 041
Outwards reinsurance receivables	8 141	21 793
Corporation tax receivables	70 024	20 414
Other receivables	250 807	232 318
Asset classified as Held for sale	1 686	37 247
<b>Other assets</b>	<b>1 121 181</b>	<b>1 048 632</b>
Cash	561 169	345 414
<b>TOTAL ASSETS</b>	<b>6 413 267</b>	<b>6 596 626</b>
Capital stock	13 645	14 510
Additional paid-in capital	272 306	465 007
Reserves	1 932 627	1 856 619
Net income, group share	225 936	302 476
Revaluation reserve	97 604	65 772
Foreign exchange translation	(15 891)	11 037
<b>Shareholders' equity, Group share</b>	<b>2 526 227</b>	<b>2 715 421</b>
Non controlling interests	50 017	61 807
<b>Total shareholders' equity</b>	<b>2 576 244</b>	<b>2 777 228</b>
<b>Provisions for risks and charges</b>	<b>454 191</b>	<b>365 032</b>
Bank borrowings	253 746	252 242
Other borrowings	2 023	-
<b>Borrowings</b>	<b>255 769</b>	<b>252 242</b>
Non-life technical reserves	2 374 413	2 387 556
<b>Liabilities related to contracts</b>	<b>2 374 413</b>	<b>2 387 556</b>
Deferred tax liabilities	175 245	154 571
Inwards insurance and reinsurance liabilities	190 908	219 156
Outwards reinsurance liabilities	31 402	107 810
Corporation tax payables	33 647	18 395
Other payables	321 448	299 650
Liabilities classified as Held for sale	-	14 986
<b>Other liabilities</b>	<b>752 650</b>	<b>814 568</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>6 413 267</b>	<b>6 596 626</b>

# Consolidated income statement

(in € thousands excepted for the earnings per share)

	September 2016	September 2015
Premiums written	1 788 641	1 850 263
Premiums refunded	(94 372)	(98 737)
Change in unearned premiums	(66 432)	(91 385)
<b>Earned premiums</b>	<b>1 627 837</b>	<b>1 660 141</b>
Service revenues	301 687	324 817
<b>Turnover</b>	<b>1 929 524</b>	<b>1 984 958</b>
Investment income	55 360	62 335
Investment management charges	(8 631)	(8 342)
Net gain (loss) on sales of investments less impairment and depreciation writebacks	20 687	21 166
Change in fair value of investments recognised at fair value through profit or loss	(1 279)	(2 988)
Change in investment impairment provisions	-	(43)
Net change in foreign currency	1 111	7 236
<b>Net investment income</b>	<b>67 248</b>	<b>79 364</b>
<b>Insurance services expenses</b>	<b>(799 276)</b>	<b>(785 482)</b>
Outwards reinsurance income	370 065	355 269
Outwards reinsurance expenses	(475 667)	(485 861)
<b>Net outwards reinsurance income or expenses</b>	<b>(105 602)</b>	<b>(130 592)</b>
<b>Contract acquisition expenses</b>	<b>(358 452)</b>	<b>(354 026)</b>
<b>Administration expenses</b>	<b>(176 485)</b>	<b>(161 416)</b>
<b>Other ordinary operating income</b>	<b>14 336</b>	<b>12 997</b>
<b>Other ordinary operating expenses</b>	<b>(277 474)</b>	<b>(319 120)</b>
<b>CURRENT OPERATING INCOME</b>	<b>293 819</b>	<b>326 684</b>
<b>Other non ordinary operating expenses</b>	<b>(37 408)</b>	<b>(3 808)</b>
<b>Other non ordinary operating income</b>	<b>35 087</b>	<b>2 443</b>
<b>OPERATING INCOME</b>	<b>291 498</b>	<b>325 319</b>
Financing expenses	(4 309)	(6 662)
Share of Income from companies accounted for at the equity method	11 487	8 434
Corporation tax	(72 474)	(99 236)
<b>CONSOLIDATED NET INCOME</b>	<b>226 202</b>	<b>227 855</b>
<i>o/w</i>		
<b>NET INCOME, GROUP SHARE</b>	<b>225 936</b>	<b>226 764</b>
Non controlling interests	266	1 091
<b>Earnings per share (in euros)</b>	<b>5,24</b>	<b>5,13</b>
<b>Diluted earnings per share (in euros)</b>	<b>5,24</b>	<b>5,13</b>
<b>Earnings per share of continuing activities (in euros)</b>	<b>5,24</b>	<b>5,13</b>
<b>Diluted earnings per share of continuing activities (in euros)</b>	<b>5,24</b>	<b>5,13</b>

# Consolidated statement of other comprehensive income

(in € thousands)	September 30, 2016	September 30, 2015
<b>NET INCOME, GROUP SHARE</b>	<b>225 936</b>	<b>226 764</b>
Net income, Non controlling interests	266	1 091
Actuarial gains and losses on defined benefit plans net of tax	(55 037)	17 943
<b>Other comprehensive income - Items that may never be reclassified to profit and loss</b>	<b>(55 037)</b>	<b>17 943</b>
Available-for-sale investments - reclassification to net income	(13 000)	(19 985)
Tax impact	7 057	6 063
Available-for-sale investments - changes arising during the period	58 115	(29 363)
Tax impact	(13 886)	10 991
Foreign currency translation adjustments	(33 382)	29 326
<b>Other comprehensive income - Items that may be reclassified to profit and loss in future periods</b>	<b>4 904</b>	<b>(2 968)</b>
Other comprehensive income - non controlling interests share net of tax	(79)	28
<b>Total comprehensive income</b>	<b>175 990</b>	<b>242 858</b>
Total comprehensive income, Group share	175 803	241 739
Total comprehensive income, Non controlling interests	187	1 119

# Consolidated statement of cash flows

(in € thousands)	30 septembre 2016	30 septembre 2015
<b>Net income, Group share</b>	<b>225 936</b>	<b>226 764</b>
Corporation tax	72 474	99 236
Financing expense	4 309	6 662
Minority interests	266	1 091
(Income) loss of companies accounted for at the equity method	(11 487)	(8 434)
<b>Operating income before tax</b>	<b>291 498</b>	<b>325 319</b>
Allocation to and writebacks of depreciation, amortization and reserves	59 741	41 118
Change in technical reserves	49 636	73 116
Change in deferred acquisition costs	(9 932)	(12 995)
Change in fair value of financial instruments recognised at fair value through the income statement (excluding cash and cash equivalents)	3 667	(763)
Realised capital (gains)/losses net of writebacks	(56 185)	(21 698)
Unrealised foreign exchange (gain) loss in company accounts	(5 010)	-
Revenues and expenses linked to stock options and similar	-	7 775
Interest revenues received accrued	6 158	-
<b>Adjustment for elements included in operating income that do not correspond to cash flows and reclassification of financing and investment flows</b>	<b>48 075</b>	<b>98 057</b>
Dividends received from companies accounted for at the equity method	9 284	7 773
Change in liabilities and receivables relating to insurance and reinsurance transactions	(73 123)	(50 824)
Change in operating receivables and liabilities	(21 585)	(6 889)
Change in other assets and liabilities	(17 621)	967
Corporation tax	(96 037)	(136 211)
<b>Cash flow related to operating activities</b>	<b>(199 082)</b>	<b>(185 184)</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>140 491</b>	<b>238 192</b>
Acquisitions of subsidiaries and joint ventures, net of acquired cash	-	-
Disposals of subsidiaries and joint ventures, net of ceded cash	34 368	-
Acquisitions of equity interests in companies accounted for at the equity method	(3 631)	-
Disposals of equity method investments	10 750	-
Merger	-	-
<b>Cash flow linked to changes in the consolidation scope</b>	<b>41 487</b>	<b>-</b>
Disposals of AFS securities	867 858	730 449
Matured HTM securities	-	-
Disposals of investment properties	-	-
Disposals of securities held for trading	4 630	8 586
<b>Cash flow linked to disposals and redemptions of investments</b>	<b>872 488</b>	<b>739 035</b>
Acquisitions of AFS securities	(604 969)	(681 959)
Acquisitions of HTM securities	-	-
Acquisitions of investment and operating properties	(405)	(4 767)
Acquisitions of trading securities	(4 102)	(2 231)
<b>Cash flow linked to acquisitions of investments</b>	<b>(609 476)</b>	<b>(688 957)</b>
Disposals of other investments and intangible assets <sup>(1)</sup>	2 368 024	2 038 654
Acquisitions of other investments and intangible assets <sup>(1)</sup>	(2 230 475)	(1 986 837)
<b>Cash flow linked to acquisitions and disposals of other investments and intangible assets</b>	<b>137 549</b>	<b>51 817</b>
Disposal of Assets classified as Held for Sale	-	61 120
Acquisition of Assets classified as Held for Sale	-	(2 027)
<b>Cash flow linked to acquisitions and disposals of Assets classified as Held for Sale</b>	<b>-</b>	<b>59 093</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>442 048</b>	<b>160 988</b>

<sup>(1)</sup> These amounts are mainly composed of short term cash operations.

## Consolidated statement of cash flows

(in € thousands)	September 30 th 2016	September 30 th 2015
Increases and decreases in capital	(168 452)	-
Change in treasury stock	130	16 560
Dividends paid	(198 611)	(195 730)
<b>Cash flow linked to transactions with the shareholders</b>	<b>(366 933)</b>	<b>(179 170)</b>
Changes in loans and subordinated securities	5 974	(30 367)
<i>Issue</i>	22 225	105 972
<i>Repayment</i>	(16 251)	(136 339)
Interest paid	(4 318)	(7 952)
<b>Cash flow from Group financing</b>	<b>1 656</b>	<b>(38 319)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(365 277)</b>	<b>(217 489)</b>
Impact of foreign exchange differences on cash and cash equivalents	(1 469)	2 874
Reclassification	(38)	8
<b>OTHER NET CHANGES IN CASH</b>	<b>(1 507)</b>	<b>2 882</b>
<b>Change in cash flows</b>	<b>215 755</b>	<b>184 573</b>
<b>Change in cash and cash equivalents</b>	<b>215 755</b>	<b>184 573</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>345 414</b>	<b>332 624</b>
<b>Cash and cash equivalents at end of period</b>	<b>561 169</b>	<b>517 197</b>

At the end of September 2016, the cash position increased by €215,755 thousand.

- Cash flow from operating activities decreased by €97.7 million, from €238.2 million at the end of September 2015 to €140.5 million at the end of September 2016, mainly due to the increase of the net liabilities from insurance and reinsurance operations and of net operating liabilities.
- Investment activities contributed to cash inflows up to €442 million at the end of September 2016, against €161 million at the end of September 2015, mainly due to net disposals in AFS securities for €262.9 million at the end of September 2016 against net acquisitions in AFS securities for €48.5 million at the end of September 2015.
- Cash outflows from the financing activities increased from €-217.5 million at the end of September 2015 to €-365.3 million at the end of September 2016, mainly due to the decrease in capital of Euler Hermes Group.



# Consolidated statement of changes in equity

As at September 30, 2016

(in € thousands)	Capital Stock	Additional paid-in-capital	Consolidation reserve and Retained earnings	Revaluation reserve	Translation reserve	Treasury shares	Shareholders' equity, group share	Non controlling interests	Total shareholders' equity
<b>Opening Shareholders' equity</b>	<b>14 510</b>	<b>465 007</b>	<b>2 216 689</b>	<b>65 772</b>	<b>11 037</b>	<b>(57 594)</b>	<b>2 715 421</b>	<b>61 807</b>	<b>2 777 228</b>
Available-for-sale assets (AFS)	-	-	-	-	-	-	-	-	-
Measurement gain / (loss) taken to shareholders' equity	-	-	-	44 229	-	-	44 229	-	44 229
Impact of transferring realised gains and losses to income statement	-	-	-	(5 943)	-	-	(5 943)	-	(5 943)
Actuarial gain / (loss) on defined benefit plans	-	-	(55 037)	-	-	-	(55 037)	-	(55 037)
Impact of translation differences	-	-	-	(6 454)	(26 928)	-	(33 382)	(79)	(33 461)
<b>Components of other comprehensive income net of tax</b>	<b>-</b>	<b>-</b>	<b>(55 037)</b>	<b>31 832</b>	<b>(26 928)</b>	<b>-</b>	<b>(50 133)</b>	<b>(79)</b>	<b>(50 212)</b>
<b>Net income for the year</b>	<b>-</b>	<b>-</b>	<b>225 936</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>225 936</b>	<b>266</b>	<b>226 202</b>
<b>Comprehensive income of the period</b>	<b>-</b>	<b>-</b>	<b>170 899</b>	<b>31 832</b>	<b>(26 928)</b>	<b>-</b>	<b>175 803</b>	<b>187</b>	<b>175 990</b>
Capital movements	(865)	(192 701)	-	-	-	25 114	(168 452)	-	(168 452)
Dividend distributions	-	-	(196 641)	-	-	-	(196 641)	(1 970)	(198 611)
Cancellation of gains/losses on treasury shares	-	-	-	-	-	130	130	-	130
Transaction between shareholders	-	-	-	-	-	-	-	(10 007)	(10 007)
Other movements	-	-	(34)	-	-	-	(34)	-	(34)
<b>Closing Shareholders' equity</b>	<b>13 645</b>	<b>272 306</b>	<b>2 190 913</b>	<b>97 604</b>	<b>(15 891)</b>	<b>(32 350)</b>	<b>2 526 227</b>	<b>50 017</b>	<b>2 576 244</b>

Nine months ended September 30th, 2015

(in € thousand)	Capital Stock	Additional paid-in-capital	Consolidation reserve and Retained earnings	Revaluation reserve	Translation reserve	Treasury shares	Shareholders' equity, group share	Non controlling interests	Total shareholders' equity
<b>Opening Shareholders' equity</b>	<b>14 510</b>	<b>465 007</b>	<b>2 092 254</b>	<b>99 242</b>	<b>(12 973)</b>	<b>(77 515)</b>	<b>2 580 525</b>	<b>62 142</b>	<b>2 642 667</b>
Available-for-sale assets (AFS)	-	-	-	-	-	-	-	-	-
Measurement gain / (loss) taken to shareholders' equity	-	-	-	(18 372)	-	-	(18 372)	-	(18 372)
Impact of transferring realised gains and losses to income statement	-	-	-	(13 922)	-	-	(13 922)	-	(13 922)
Actuarial gain / (loss) on defined benefit plans	-	-	17 943	-	-	-	17 943	-	17 943
Impact of translation differences	-	-	-	4 890	24 436	-	29 326	28	29 354
<b>Components of other comprehensive income net of tax</b>	<b>-</b>	<b>-</b>	<b>17 943</b>	<b>(27 404)</b>	<b>24 436</b>	<b>-</b>	<b>14 975</b>	<b>28</b>	<b>15 003</b>
<b>Net income for the year</b>	<b>-</b>	<b>-</b>	<b>226 764</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>226 764</b>	<b>1 091</b>	<b>227 855</b>
<b>Comprehensive income of the period</b>	<b>-</b>	<b>-</b>	<b>244 707</b>	<b>(27 404)</b>	<b>24 436</b>	<b>-</b>	<b>241 739</b>	<b>1 119</b>	<b>242 858</b>
Capital movements	-	-	-	-	-	16 121	16 121	-	16 121
Dividend distributions	-	-	(194 548)	-	-	-	(194 548)	(1 182)	(195 730)
Cancellation of gains/losses on treasury shares	-	-	-	-	-	439	439	-	439
Other movements	-	-	(26)	-	-	1	(25)	-	(25)
<b>Closing Shareholders' equity</b>	<b>14 510</b>	<b>465 007</b>	<b>2 142 387</b>	<b>71 838</b>	<b>11 463</b>	<b>(60 954)</b>	<b>2 644 251</b>	<b>62 079</b>	<b>2 706 330</b>

As at September 30, 2016, the share capital of Euler Hermes Group consists of 42,641,635 fully paid-up shares, down 2,700,542 as compared to the share capital as at December 31, 2015. This decrease is related to the cancellation of shares in May 2016. This operation, along with the prior shares buyback from Allianz Vie, results in a €166,795 thousand decrease in consolidated shareholder's equity. As at September 30, 2016, Euler Hermes Group holds 640,439 treasury shares.

In accordance with IAS 39, available-for-sale (AFS) investments were revaluated at market value with the resulting gain or loss being taken directly to the revaluation reserve with no impact on the consolidated income statement. During the period, the increase in the revaluation reserve totalled €31,832 thousand net of taxes. The decrease in translation reserves by €26,928 thousand during the exercise relates mainly to the pound sterling for €22,309 thousand and the US dollar for €8,135 thousand. The non-controlling interests are down by €11,790 thousand. This is mainly due to the sale of the Bürgel group.