

Quarterly Financial Information

As at March 31, 2017

(Unaudited)



EULER HERMES
Business insured. Success ensured.

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 2016, registered by the AMF on April 20, 2017 under no. D.17-0402.

No new standard, amendment or interpretation with significant impact on the financial statements of the Group, is mandatory from January 1st, 2017. The Group has not early adopted standards and interpretations that are not yet mandatorily effective as of January 1st, 2017.

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Significant events

Significant events

The following significant events occurred in the first quarter of 2017:

Share capital and share ownership

As at March 31, 2017, 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 March 31, 2017, Euler Hermes Group's share capital was composed of 42,641,635 shares, including 619,689 shares held in treasury stock.

Productivity plans

Productivity plans are on track in 1Q 2017 in Germany, France and Corporate entities following their announcement in 2016. As a reminder, a cumulated restructuring cost of €38.0 million has been booked at the end of December 2016 including a provision for restructuring allowance and consulting fees, mainly booked in Germany and France, and to a lesser extent in corporate entities.

Digital initiatives

Euler Hermes Group launched various digital initiatives during 1Q 2017, such as EH Sync, the new Euler Hermes broker portal in Netherlands and the partnership signed in March with Flowcast a Fintech company specialized in artificial intelligence (AI) in the United States.

Consolidated statement of financial position

(in € thousands)	March 31, 2017	December 31, 2016
Goodwill	107,681	108,320
Other intangible assets	126,203	126,092
Intangible assets	233,884	234,412
Investment property	76,018	76,678
Financial investments	3,797,072	3,792,116
Derivatives	8,694	12,358
Investments	3,881,784	3,881,152
Investments accounted for at the equity method	207,267	202,019
Share of assignees and reinsurers in the technical reserves and financial liabilities	629,212	598,982
Operating property and other property, plant and equipment	47,549	43,161
Acquisition costs capitalised	96,185	85,325
Deferred tax assets	31,568	32,131
Inwards insurance and reinsurance receivables	697,229	636,821
Outwards reinsurance receivables	8,492	58,110
Corporation tax receivables	80,458	75,046
Other receivables	219,872	208,458
Other assets	1,181,353	1,139,052
Cash	552,104	450,281
TOTAL ASSETS	6,685,604	6,505,898
Capital stock	13,645	13,645
Additional paid-in capital	272,307	272,307
Reserves	2,248,742	1,957,663
Net income, group share	88,242	286,952
Revaluation reserve	91,581	87,359
Foreign exchange translation	2,641	4,470
Shareholders' equity, Group share	2,717,158	2,622,396
Non controlling interests	51,161	50,616
Total shareholders' equity	2,768,319	2,673,012
Provisions for risks and charges	401,750	437,140
Bank borrowings	252,902	252,219
Other borrowings	2,707	2,031
Borrowings	255,609	254,250
Non-life technical reserves	2,423,062	2,355,816
Liabilities related to contracts	2,423,062	2,355,816
Deferred tax liabilities	181,176	182,014
Inwards insurance and reinsurance liabilities	215,435	217,961
Outwards reinsurance liabilities	79,562	39,773
Corporation tax payables	15,703	12,033
Other payables	344,988	333,899
Other liabilities	836,864	785,680
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,685,604	6,505,898

Consolidated income statement

(in € thousands excepted for the earnings per share)

	March 31, 2017	March 31, 2016
Premiums written	661,788	674,505
Premiums refunded	(28,581)	(31,424)
Change in unearned premiums	(78,370)	(86,376)
Earned premiums	554,837	556,705
Service revenues	101,768	103,574
Turnover	656,606	660,279
Investment income	17,053	19,233
Investment management charges	(2,764)	(3,289)
Net gain (loss) on sales of investments less impairment and depreciation writebacks	10,950	17,004
Change in fair value of investments recognised at fair value through profit or loss	(804)	757
Change in investment impairment provisions	(14)	-
Net change in foreign currency	622	(7,969)
Net investment income	25,042	25,736
Insurance services expenses	(260,749)	(273,223)
Outwards reinsurance income	109,002	122,299
Outwards reinsurance expenses	(155,641)	(164,583)
Net outwards reinsurance income or expenses	(46,639)	(42,284)
Contract acquisition expenses	(118,171)	(118,655)
Administration expenses	(60,167)	(57,723)
Other ordinary operating income	4,409	4,299
Other ordinary operating expenses	(91,124)	(94,597)
CURRENT OPERATING INCOME	109,206	103,832
Other non ordinary operating expenses	(1,270)	(1,076)
Other non ordinary operating income	936	24,420
OPERATING INCOME	108,872	127,176
Financing expenses	(1,354)	(1,440)
Share of Income from companies accounted for at the equity method	4,176	2,860
Corporation tax	(22,885)	(27,447)
CONSOLIDATED NET INCOME	88,809	101,149
o/w		
NET INCOME, GROUP SHARE	88,242	101,218
Non controlling interests	567	(69)
Earnings per share (in euros)	2.10	2.29
Diluted earnings per share (in euros)	2.10	2.29

Consolidated statement of other comprehensive income

(in € thousands)	March 31, 2017	March 31, 2016
NET INCOME, GROUP SHARE	88,242	101,218
Net income, Non controlling interests	567	(69)
Actuarial gains and losses on defined benefit plans net of tax	3,515	(12,915)
Other comprehensive income - Items that may never be reclassified to profit and loss	3,515	(12,915)
Available-for-sale investments - reclassification to net income	(10,610)	(10,395)
Tax impact	438	6,143
Available-for-sale investments - changes arising during the period	14,786	17,339
Tax impact	589	(5,894)
Foreign currency translation adjustments	(2,810)	(26,130)
Other comprehensive income - Items that may be reclassified to profit and loss in future periods	2,393	(19,477)
Other comprehensive income - non controlling interests share net of tax	(22)	(105)
Total comprehensive income	94,695	68,652
Total comprehensive income, Group share	94,150	68,826
Total comprehensive income, Non controlling interests	545	(174)

Consolidated statement of cash flows

(in € thousands)	March 31, 2017	December 31, 2016
Net income, Group share	88,242	101,218
Corporation tax	22,885	27,447
Financing expense	1,354	1,440
Minority interests	567	(69)
(Income) loss of companies accounted for at the equity method	(4,176)	(2,860)
Operating income before tax	108,872	127,176
Allocation to and writebacks of depreciation, amortization and reserves	(11,127)	(9,479)
Change in technical reserves	21,323	80,756
Change in deferred acquisition costs	7,506	6,061
Change in fair value of financial instruments recognised at fair value through the income statement (excluding cash and cash equivalents)	(358)	2,483
Realised capital (gains)/losses net of writebacks	(10,875)	(41,331)
Unrealised foreign exchange (gain) loss in company accounts	208	5,005
Interest revenues received accrued	(1,450)	6,966
Adjustment for elements included in operating income that do not correspond to cash flows and reclassification of financing and investment flows	5,227	50,461
Dividends received from companies accounted for at the equity method	-	5,669
Change in liabilities and receivables relating to insurance and reinsurance transactions	34,904	(22,478)
Change in operating receivables and liabilities	(14,735)	13,005
Change in other assets and liabilities	(3,673)	1,180
Corporation tax	(31,258)	(36,417)
Cash flow related to operating activities	(14,762)	(39,041)
CASH FLOW FROM OPERATING ACTIVITIES	99,337	138,596
Acquisitions of subsidiaries and joint ventures, net of acquired cash	-	-
Disposals of subsidiaries and joint ventures, net of ceded cash	-	34,385
Acquisitions of equity interests in companies accounted for at the equity method	-	-
Disposals of equity method investments	-	-
Cash flow linked to changes in the consolidation scope	-	34,385
Disposals of AFS securities	219,574	528,519
Matured HTM securities	-	-
Disposals of investment properties	1	-
Disposals of securities held for trading	4,462	4,070
Cash flow linked to disposals and redemptions of investments	224,037	532,589
Acquisitions of AFS securities	(228,966)	(167,623)
Acquisitions of HTM securities	-	-
Acquisitions of investment and operating properties	(52)	(324)
Acquisitions of trading securities	(743)	135
Cash flow linked to acquisitions of investments	(229,761)	(167,812)
Disposals of other investments and intangible assets ⁽¹⁾	306,200	919,048
Acquisitions of other investments and intangible assets ⁽¹⁾	(298,016)	(856,005)
Cash flow linked to acquisitions and disposals of other investments and intangible assets	8,184	63,043
CASH FLOW FROM INVESTING ACTIVITIES	2,460	462,205

⁽¹⁾ These amounts are mainly composed of short term cash operations.

Consolidated statement of cash flows

(in € thousands)	March 31, 2017	December 31, 2016
Decreases in capital	-	-
Transactions between shareholders	-	-
Change in treasury stock	554	39
Dividends paid	-	-
Cash flow linked to transactions with the shareholders	554	39
Changes in debts and subordinated securities	(257)	1 033
Interest paid	(967)	(1 441)
Cash flow from Group financing	(1 224)	(408)
CASH FLOW FROM FINANCING ACTIVITIES	(670)	(369)
Impact of foreign exchange differences on cash and cash equivalents	(54)	(2 620)
Reclassification	749	-
OTHER NET CHANGES IN CASH	695	(2 620)
Change in cash flows	101 822	597 812
Change in cash and cash equivalents	101 822	597 812
Cash and cash equivalents at beginning of period	450 277	345 414
Cash and cash equivalents at end of period	552 099	943 226

Consolidated statement of changes in equity

As at March 31, 2017

(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
Opening Shareholders' equity	13 645	272 307	2 275 897	87 359	4 470	(31 282)	2 622 396	50 616	2 673 012
Available-for-sale assets (AFS)									
Measurement gain / (loss) taken to shareholders' equity	-	-	-	15 375	-	-	15 375	-	15 375
Impact of transferring realised gains and losses to income statement	-	-	-	(10 172)	-	-	(10 172)	-	(10 172)
Actuarial gain / (loss) on defined benefit plans	-	-	3 515	-	-	-	3 515	2	3 517
Impact of translation differences	-	-	-	(981)	(1 829)	-	(2 810)	(24)	(2 834)
Components of other comprehensive income net of tax	-	-	3 515	4 222	(1 829)	-	5 908	(22)	5 886
Net income for the year	-	-	88 242	-	-	-	88 242	567	88 809
Comprehensive income of the period	-	-	91 757	4 222	(1 829)	-	94 150	545	94 695
Capital movements	-	-	-	-	-	521	521	-	521
Dividend distributions	-	-	-	-	-	-	-	-	-
Cancellation of gains/losses on treasury shares	-	-	-	-	-	33	33	-	33
Transaction between shareholders	-	-	1	-	-	-	1	-	1
Other movements	-	-	56	-	-	1	57	-	57
Closing Shareholders' equity	13 645	272 307	2 367 711	91 581	2 641	(30 727)	2 717 158	51 161	2 768 319

As at March 31, 2017, the share capital of Euler Hermes Group consists of 42,641,635 fully paid-up shares. At the same date Euler Hermes Group holds 619,689 treasury shares.

During the period, the increase in the revaluation reserve totalled €4,222 thousand net of taxes, thereof €15,177 thousand gain due to re-evaluation at market value of available-for-sale (AFS) investments, recorded in revaluation reserve, and €10,172 thousand realized gains on AFS disposals, recognized in the income statement.

The decrease in translation reserves by €1,848 thousand during the exercise relates mainly to the US dollar for an impact of €-4,018 thousand, the Polish zloty for €1,315 thousand and the Singapore dollar for €1,015 thousand.

As at March 31, 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
Opening Shareholders' equity	14 510	465 007	2 216 689	65 772	11 037	(57 594)	2 715 421	61 807	2 777 228
Available-for-sale assets (AFS)									
Measurement gain / (loss) taken to shareholders' equity	-	-	-	11 445	-	-	11 445	-	11 445
Impact of transferring realised gains and losses to income statement	-	-	-	(4 792)	-	-	(4 792)	-	(4 792)
Actuarial gain / (loss) on defined benefit plans	-	-	(12 915)	-	-	-	(12 915)	-	(12 915)
Impact of translation differences	-	-	-	(6 802)	(19 328)	-	(26 130)	(105)	(26 235)
Components of other comprehensive income net of tax	-	-	(12 915)	(149)	(19 328)	-	(32 392)	(105)	(32 497)
Net income for the year	-	-	101 218	-	-	-	101 218	(69)	101 149
Comprehensive income of the period	-	-	88 303	(149)	(19 328)	-	68 826	(174)	68 652
Capital movements	-	-	-	-	-	(40)	(40)	-	(40)
Dividend distributions	-	-	-	-	-	-	-	-	-
Cancellation of gains/losses on treasury shares	-	-	-	-	-	79	79	-	79
Transaction between shareholders	-	-	-	-	-	-	-	(10 007)	(10 007)
Other movements	-	-	14	1	-	-	15	-	15
Closing Shareholders' equity	14 510	465 007	2 305 006	65 624	(8 291)	(57 555)	2 784 301	51 626	2 835 927