

Euler Hermes 2017 first quarter results: Strong performance

PARIS – 5 May 2017

- Revenues at €656.6 million, down 0.7pt at constant exchange rates
- Net combined ratio at 78.4%, down 0.9pt year on year
- Ordinary operating income at €109.2 million, up 5.2% year on year
- Net income at €88.2 million, up 11.9% year on year on a like-for-like basis

“Euler Hermes has in 2017 once again posted strong first quarter results with a net combined ratio at 78.4%. Actions implemented during 2016 to protect profitability are bearing fruit. Commercial performance - especially in new business - is beginning to show signs of an upturn, even if not yet fully translated in Group financial results”, said Wilfried Verstraete, chairman of the Euler Hermes board of management. “In an economic environment characterized by uncertainties and still increasing geopolitical tension, we continue to transform the company for its digital future. Successfully launched digital initiatives include the broker portal pilot in the Netherlands, the geographical extension of E-bonds, and internal digital skills training. Bonding and transactional cover products are developing positively, and productivity plans in Germany and France are on track. Euler Hermes is well positioned to take advantage of an economic upside and to maintain high performance levels.”

I. Results for the first three months of 2017

A. Key figures

P&L information € million	31 March 2017	31 March 2016 (published)	Variation vs. 31 March 2016	
Earned premiums	554.8	556.7	-1.9	-0.3%
Service revenues	101.8	103.6	-1.8	-1.7%
Turnover	656.6	660.3	-3.7	-0.6%
Net technical result	84.2	78.1	6.1	7.8%
Net investment income	25.0	25.7	-0.7	-2.7%
Ordinary operating income	109.2	103.8	5.4	5.2%
Non-ordinary operating income & expenses	-0.3	23.3	-23.7	-101.4%
Operating income	108.9	127.2	-18.3	-14.4%
Net income, Group share	88.2	101.2	-13.0	-12.8%
Net claims ratio	52.8%	53.9%	-1.1 pt.	
Net expense ratio	25.6%	25.4%	0.2 pt	
Net combined ratio	78.4%	79.3%	-0.9 pt	

Balance sheet information € million	31 March 2017	31 March 2016 (published)	Variation vs. 31 March 2016	
Total assets	6,685.6	6,505.9	179.7	2.8%
Shareholders' equity, Group share	2,717.2	2,622.4	94.7	3.6%
Total financial liabilities	252.9	252.2	0.7	0.3%

B. Turnover

At €656.6 million at the end of March, turnover is down -0.6% compared to Q1 2016. Foreign exchange impact is significant for some regions, but overall neutral at Group level. Topline is down, at -0.7% at constant FX, with earned premiums decreasing by -0.4% and service revenues by -2.3%.

<i>Turnover</i>	31 March 2017	31 March 2016	<i>Variation %</i>	31 March 2016	<i>Variation %</i>
<i>€ million</i>		<i>(published)</i>		<i>(1)</i>	<i>(1)</i>
Regions					
Germany, Austria, Switzerland (DACH)	177.7	180.6	-1.6%	180.9	-1.8%
France	106.3	104.7	1.5%	104.7	1.5%
Northern Europe	136.6	137.1	-0.4%	132.9	2.7%
Mediterranean Countries, Middle East & Africa	88.8	90.2	-1.5%	89.8	-1.1%
Americas	89.8	85.3	5.3%	89.5	0.4%
Asia Pacific	35.3	38.8	-9.1%	39.9	-11.6%
Inward from non-consolidated OEs and other (2)	22.1	23.5	-5.9%	23.5	-5.9%
Euler Hermes Group	656.6	660.3	-0.6%	661.2	-0.7%

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

(1) At constant exchange rates

(2) Corporate entities + inter-region eliminations

Regional evolution varies. Growth ambition has been revised downward in Asia and the Middle East, which recorded negative turnover evolution compared to last year. The Americas increased only +0.4% at constant FX in the first quarter due to low insured volumes and negative rate variation, and in spite of good commercial performance otherwise. The pricing environment in DACH remains challenging. However, Northern Europe posts a strong commercial start and +2.7% growth at constant FX, and France benefits from good traction in specialty lines.

C. Operating income

The net combined ratio remains below 80% at 78.4%, down compared to last year (-0.9pt) and the net technical result is consequently up by +€6.1 million. Frequency claims improved noticeably, resulting in the net claims ratio being down to 52.8%, vs 53.9% for the same period in 2016. The net expense ratio is 25.6% for Q1 2017, in line with Q1 last year.

Net investment income is €25.0 million, almost the same level as last year. As a result, ordinary operating income stands at €109.2 million, up +5.2% and entirely driven by the improved net loss ratio.

Including non-ordinary items, total operating income is €108.9 million in Q1 2017, compared to €127.2 million in Q1 last year, which included the gains from the sale of the Bürgel entities in Germany (€24.3 million before tax).

D. Net income

Net income stands at €88.2 million, -12.8% lower year-on-year. The deviation is explained by exceptional gains realized last year on the sale of Bürgel, partly compensated by the improved net combined ratio this year. On a like-for-like basis, net income improved by 11.9%.

E. Investment portfolio

At €4,631 million at the end of March 2017, the market value of the Group investment portfolio increased by €107 million vs year-end 2016, essentially driven by the positive cash-flows of the period.

F. Outlook

The market outlook for 2017 remains uncertain, even if recent forecasts show signs of an upturn. Modest economic development is expected in Europe, and the US will accelerate, but emerging markets face continuing growth challenges. Some sectors will experience a bottoming out of prices and start recovering, however higher insolvency volumes or greater loss severity could also generate domino effects among fragile suppliers.

In this environment, Euler Hermes will continue its selective risk underwriting while supporting growth through new products and specialty lines. The focus on customer initiatives and services remains central to the strategy. The Group will also continue to accelerate its transformation through investments in digitalization, productivity and process optimization.

II. Results for the first quarter of 2017

P&L € million	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016	Variation vs. 1Q 2016	
						<i>Published data</i>	
Earned premiums	554.8	542.4	530.7	540.4	556.7	-1.9	-0.3%
Service revenues	101.8	98.0	97.7	100.4	103.6	-1.8	-1.7%
Turnover	656.6	640.4	628.5	640.8	660.3	-3.7	-0.6%
Net technical result	84.2	74.9	74.6	73.9	78.1	6.1	7.8%
Net investment income	25.0	8.1	17.9	23.6	25.7	-0.7	-2.7%
Ordinary operating income	109.2	83.0	92.5	97.5	103.8	5.4	5.2%
Non-ordinary operating income & expenses	-0.3	-1.2	-20.1	-5.5	23.3	-23.7	n/a
Operating income	108.9	81.8	72.4	92.0	127.2	-18.3	-14.4%
Net income, Group share	88.2	61.0	55.9	68.8	101.2	-13.0	-12.8%
Net claims ratio	52.8%	50.9%	51.5%	52.6%	53.9%	-1.1	pt.
Net expense ratio	25.6%	29.3%	28.0%	27.7%	25.4%	0.2	pt
Net combined ratio	78.4%	80.1%	79.5%	80.3%	79.3%	-0.9	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, May 5th, 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 March 31st, 2017 to the Euler Hermes Supervisory Board. The results have been reviewed by the Audit Committee.

CONTACTS

Euler Hermes Group Finance Director and Investor Relations

Etienne Defraigne +33 (0)1 84 11 39 19
etienne.defraigne@eulerhermes.com

Publicis Consultants

Romain Sulpice +33 (0)1 44 82 46 21
romain.sulpice@mslfrance.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 5,800+ 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](#).

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", "plans", "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) changing levels of competition, (ix) changes in laws and regulations, including monetary convergence and the European Monetary Union, (x) changes in the policies of central banks and/or foreign governments, (xi) the impact of acquisitions, including related integration issues, (xii) reorganization measures, and (xiii) 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.