

# Quarterly Financial Information

As at September 30, 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 1, 2017. The Group has not early adopted standards and interpretations that are not yet mandatorily effective as of January 1, 2017.

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# Significant events

## Significant events

- **The following significant events occurred until the end of September 2017:**

### Changes in the share capital and in share ownership

As at September 30, 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 September 30, 2017, Euler Hermes Group's share capital was composed of 42,641,635 shares, including 624,589 shares held in treasury stock.

### Digital initiatives

Euler Hermes Group launched various digital initiatives during the first nine months of 2017:

- A partnership was signed in March with Flowcast, a Fintech company specialized in artificial intelligence (AI) in the United States,
- And on June 7, Euler Hermes launched the rollout of its innovative new "EH Sync" portal. Developed in close collaboration with brokers, its features include an advanced mobile-ready, digital interface with 360° policy data views and real-time customized alerts. Reflecting Euler Hermes' digital focus and broker collaboration strategy, EH Sync involved extensive international research and testing throughout the portal's development with more than 200 managers from 25 broker firms. EH Sync is being launched following a successful Netherlands pilot program earlier this year. The first wave of the EH Sync broker portal launch will include the UK, Italy and Belgium with a further rollout in other countries in the coming months.
- A Professional Capital Investment Fund has been newly created to invest directly or indirectly into innovative companies and mainly into digital initiatives. EH Digital Ventures is an equity fund which will favor the innovative technology and sectors such as : "BtoB finance", "fraud detection", "big data", "artificial intelligence", and more broadly "fintech" and "insuretech".

### German Export Credit Agency activities acquisition

As of July 1, 2017, EH Deutschland AG acquired the remaining 33% share of the German Export Credit Agency activities that were provided by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and 100% of the German United Loan Guarantee activities. The Export Credit Agency is now run fully by EH AG. The transaction includes the transfer of the 86 dedicated FTEs from PwC to EH AG.

The contractual purchase price consists of the value of the contractual relationship with the German Federal Government (€83.5 million) minus the pension liability (€12.6 million) and other staff-related liabilities, of a net value of 70.2 million euros. The contractual relationship has been accounted as an intangible asset.

### Restructuring programs

Euler Hermes has launched restructuring programs in order to reach a consistent Finance operating model allowing EH to deliver higher quality services and increased efficiency.

Alchemy projects consist in further developing Competence Centers throughout EH Northern Europe in several areas (Policy Administration, Risk and Information, Claims and Collection and Finance). As a result, EH Northern Europe intends to reallocate part of the workforce in the Region towards its existing Competence Centers. The OneFinance project consists in further centralizing the accounting and treasury functions.

- **Subsequent events:**

### 3% taxation on paid dividends ruled unconstitutional

On October 6, 2017, the French constitutional court ("Conseil Constitutionnel") ruled the 3% taxation on paid dividends unconstitutional, which will entail a tax reimbursement by the French State to the companies affected. It is certain at this stage that compensating measures will be introduced by the Government in order to keep the national budget under control. In view of the uncertainties surrounding the matter, no impact has been recognized in the financial statements as at September 30, 2017. Potential impact to be accounted for in Q4 is expected to increase the net income 2017 by minimum 5%.

## Consolidated statement of financial position

(in € thousands)	September 30, 2017	December 31, 2016
Goodwill	102 755	108 320
Other intangible assets	210 219	126 092
<b>Intangible assets</b>	<b>312 974</b>	<b>234 412</b>
Investment property	74 873	76 678
Financial investments	3 858 613	3 792 116
Derivatives	12 191	12 358
<b>Investments</b>	<b>3 945 677</b>	<b>3 881 152</b>
<b>Investments accounted for at the equity method</b>	<b>201 077</b>	<b>202 019</b>
<b>Share of assignees and reinsurers in the technical reserves and financial liabilities</b>	<b>613 430</b>	<b>598 982</b>
Operating property and other property, plant and equipment	43 779	43 161
Acquisition costs capitalised	91 809	85 325
Deferred tax assets	31 112	32 131
Inwards insurance and reinsurance receivables	691 054	636 821
Outwards reinsurance receivables	3 393	58 110
Corporation tax receivables	75 093	75 046
Other receivables	220 559	208 458
<b>Other assets</b>	<b>1 156 799</b>	<b>1 139 052</b>
<b>Cash</b>	<b>318 878</b>	<b>450 281</b>
<b>TOTAL ASSETS</b>	<b>6 548 835</b>	<b>6 505 898</b>
Capital stock	13 645	13 645
Additional paid-in capital	272 307	272 307
Reserves	2 053 487	1 957 663
Net income, group share	228 055	286 952
Revaluation reserve	84 236	87 359
Foreign exchange translation	(32 938)	4 470
<b>Shareholders' equity, Group share</b>	<b>2 618 792</b>	<b>2 622 396</b>
Non controlling interests	51 346	50 616
<b>Total shareholders' equity</b>	<b>2 670 138</b>	<b>2 673 012</b>
<b>Provisions for risks and charges</b>	<b>436 662</b>	<b>437 140</b>
Bank borrowings	254 549	252 219
Other borrowings	2 037	2 031
<b>Borrowings</b>	<b>256 586</b>	<b>254 250</b>
Non-life technical reserves	2 375 181	2 355 816
<b>Liabilities related to contracts</b>	<b>2 375 181</b>	<b>2 355 816</b>
Deferred tax liabilities	153 533	182 014
Inwards insurance and reinsurance liabilities	214 809	217 961
Outwards reinsurance liabilities	64 440	39 773
Corporation tax payables	37 521	12 033
Other payables	339 965	333 899
<b>Other liabilities</b>	<b>810 268</b>	<b>785 680</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>6 548 835</b>	<b>6 505 898</b>

# Consolidated income statement

(in € thousand excepted for the earnings per share)

	September 30, 2017	September 30, 2016
Premiums written	1 796 330	1 788 641
Premiums refunded	(102 698)	(94 372)
Change in unearned premiums	(65 515)	(66 432)
<b>Earned premiums</b>	<b>1 628 117</b>	<b>1 627 837</b>
Service revenues	300 667	301 687
<b>Turnover</b>	<b>1 928 784</b>	<b>1 929 524</b>
Investment income	56 516	55 360
Investment management charges	(8 051)	(8 631)
Net gain (loss) on sales of investments less impairment and depreciation writebacks	24 064	20 687
Change in fair value of investments recognised at fair value through profit or loss	(4 066)	(1 279)
Change in investment impairment provisions	(14)	-
Net change in foreign currency	7 183	1 111
<b>Net investment income</b>	<b>75 632</b>	<b>67 248</b>
<b>Insurance services expenses</b>	<b>(794 735)</b>	<b>(799 276)</b>
Outwards reinsurance income	377 529	370 065
Outwards reinsurance expenses	(472 030)	(475 667)
<b>Net outwards reinsurance income or expenses</b>	<b>(94 501)</b>	<b>(105 602)</b>
<b>Contract acquisition expenses</b>	<b>(355 024)</b>	<b>(358 452)</b>
<b>Administration expenses</b>	<b>(183 464)</b>	<b>(176 485)</b>
<b>Other ordinary operating income</b>	<b>13 664</b>	<b>14 336</b>
<b>Other ordinary operating expenses</b>	<b>(278 068)</b>	<b>(277 474)</b>
<b>CURRENT OPERATING INCOME</b>	<b>312 288</b>	<b>293 819</b>
<b>Other non ordinary operating expenses</b>	<b>(16 816)</b>	<b>(37 408)</b>
<b>Other non ordinary operating income</b>	<b>-</b>	<b>35 087</b>
<b>OPERATING INCOME</b>	<b>295 472</b>	<b>291 498</b>
Financing expenses	(4 434)	(4 309)
Share of Income from companies accounted for at the equity method	10 396	11 487
Corporation tax	(71 326)	(72 474)
<b>CONSOLIDATED NET INCOME</b>	<b>230 108</b>	<b>226 202</b>
o/w		-
<b>NET INCOME, GROUP SHARE</b>	<b>228 055</b>	<b>225 936</b>
Non controlling interests	2 053	266
		-
Earnings per share (in euros)	5,43	5,24
Diluted earnings per share (in euros)	5,43	5,24
		-
<b>Earnings per share of continuing activities (in euros)</b>	<b>5,43</b>	<b>5,24</b>
Diluted earnings per share of continuing activities (in euros)	5,43	5,24

## Consolidated statement of other comprehensive income

(in € thousands)	September 30, 2017	September 30, 2016
<b>NET INCOME, GROUP SHARE</b>	<b>228 055</b>	<b>225 936</b>
<b>Net income, Non controlling interests</b>	<b>2 053</b>	<b>226</b>
Actuarial gains and losses on defined benefit plans net of tax	5 476	(55 037)
<b>Other comprehensive income - Items that may never be reclassified to profit and loss</b>	<b>5 476</b>	<b>(55 037)</b>
Available-for-sale investments - reclassification to net income	(23 747)	(13 000)
Tax impact	1 016	7 057
Available-for-sale investments - changes arising during the period	27 441	58 115
Tax impact	(672)	(13 886)
Foreign currency translation adjustments	(44 577)	(33 382)
<b>Other comprehensive income - Items that may be reclassified to profit and loss in future periods</b>	<b>(40 539)</b>	<b>4 904</b>
Other comprehensive income - non controlling interests share net of tax	(250)	(79)
<b>Total comprehensive income</b>	<b>194 795</b>	<b>175 990</b>
Total comprehensive income, Group share	192 992	175 803
Total comprehensive income, Non controlling interests	1 803	187

# Consolidated statement of cash flows

(in € thousands)	September 30, 2017	September 30, 2016
<b>Net income, Group share</b>	<b>228 055</b>	<b>225 936</b>
Corporation tax	71 326	72 474
Financing expense	4 434	4 309
Minority interests	2 053	266
(Income) loss of companies accounted for at the equity method	(10 396)	(11 487)
<b>Operating income before tax</b>	<b>295 472</b>	<b>291 498</b>
Allocation to and writebacks of depreciation, amortization and reserves	44 267	59 741
Change in technical reserves	58 301	49 636
Change in deferred acquisition costs	(3 945)	(9 932)
Change in fair value of financial instruments recognised at fair value through the income statement (excluding cash and cash equivalents)	(337)	3 667
Realised capital (gains)/losses net of writebacks	(24 130)	(56 185)
Unrealised foreign exchange (gain) loss in company accounts	(17 532)	(5 010)
Interest revenues received accrued	133	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>56 757</b>	<b>48 075</b>
Dividends received from companies accounted for at the equity method	9 922	9 284
Change in liabilities and receivables relating to insurance and reinsurance transactions	16 234	(73 123)
Change in operating receivables and liabilities	(2 147)	(21 585)
Change in other assets and liabilities	(16 691)	(17 621)
Corporation tax	(82 254)	(96 037)
<b>Cash flow related to operating activities</b>	<b>(74 936)</b>	<b>(199 082)</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>277 293</b>	<b>140 491</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	-	-
Others	-	-
<b>Cash flow linked to changes in the consolidation scope</b>	<b>-</b>	<b>41 487</b>
Disposals of AFS securities	690 686	867 858
Disposals of investment properties	-	-
Disposals of securities held for trading	4 588	4 630
<b>Cash flow linked to disposals and redemptions of investments</b>	<b>695 274</b>	<b>872 488</b>
Acquisitions of AFS securities	(921 566)	(604 969)
Acquisitions of HTM securities	-	-
Acquisitions of investment and operating properties	(319)	(405)
Acquisitions of trading securities	(4 311)	(4 102)
<b>Cash flow linked to acquisitions of investments</b>	<b>(926 196)</b>	<b>(609 476)</b>
Disposals of other investments and intangible assets <sup>(1)</sup>	720 244	2 368 024
Acquisitions of other investments and intangible assets <sup>(1)</sup>	(689 969)	(2 230 475)
<b>Cash flow linked to acquisitions and disposals of other investments and intangible assets</b>	<b>30 275</b>	<b>137 549</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(200 647)</b>	<b>442 048</b>

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

## Consolidated statement of cash flows

(in € thousands)	September 30, 2017	September 30, 2016
Increases and decreases in capital	(28)	(168 452)
Change in treasury stock	142	130
Dividends paid	(197 803)	(198 611)
<b>Cash flow linked to transactions with the shareholders</b>	<b>(197 689)</b>	<b>(366 933)</b>
Changes in debts and subordinated securities	1 084	5 974
<i>Issue</i>	(2 391)	22 225
<i>Repayment</i>	3 475	(16 251)
Interest paid	(4 441)	(4 318)
<b>Cash flow from Group financing</b>	<b>(3 357)</b>	<b>1 656</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(201 046)</b>	<b>(365 277)</b>
Impact of foreign exchange differences on cash and cash equivalents	(8 512)	(1 469)
Reclassification	1 513	(38)
<b>OTHER NET CHANGES IN CASH</b>	<b>(6 999)</b>	<b>(1 507)</b>
<b>Change in cash flows</b>	<b>(131 399)</b>	<b>215 755</b>
<b>Change in cash and cash equivalents</b>	<b>(131 399)</b>	<b>215 755</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>450 277</b>	<b>345 414</b>
<b>Cash and cash equivalents at end of period</b>	<b>318 878</b>	<b>561 169</b>



## Consolidated statement of changes in equity

As at September 30, 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
<b>Opening Shareholders' equity</b>	<b>13 645</b>	<b>272 307</b>	<b>2 275 897</b>	<b>87 359</b>	<b>4 470</b>	<b>(31 282)</b>	<b>2 622 396</b>	<b>50 616</b>	<b>2 673 012</b>
Available-for-sale assets (AFS)									
Measurement gain / (loss) taken to shareholders' equity	-	-	-	26 769	-	-	26 769	-	26 769
Impact of transferring realised gains and losses to income statement	-	-	-	(22 731)	-	-	(22 731)	-	(22 731)
Actuarial gain / (loss) on defined benefit plans	-	-	5 476	-	-	-	5 476	2	5 478
Impact of translation differences	-	-	-	(7 169)	(37 408)	-	(44 577)	(252)	(44 829)
<b>Components of other comprehensive income net of tax</b>	<b>-</b>	<b>-</b>	<b>5 476</b>	<b>(3 131)</b>	<b>(37 408)</b>	<b>-</b>	<b>(35 063)</b>	<b>(250)</b>	<b>(35 313)</b>
<b>Net income for the year</b>	<b>-</b>	<b>-</b>	<b>228 055</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>228 055</b>	<b>2 053</b>	<b>230 108</b>
<b>Comprehensive income of the period</b>	<b>-</b>	<b>-</b>	<b>233 531</b>	<b>(3 131)</b>	<b>(37 408)</b>	<b>-</b>	<b>192 992</b>	<b>1 803</b>	<b>194 795</b>
Capital movements	-	-	-	-	-	-	-	-	-
Dividend distributions	-	-	(196 730)	-	-	-	(196 730)	(1 073)	(197 803)
Cancellation of gains/losses on treasury shares	-	-	-	-	-	102	102	-	102
Transaction between shareholders	-	-	(2)	-	-	-	(2)	-	(2)
Other movements	-	-	26	8	-	-	34	-	34
<b>Closing Shareholders' equity</b>	<b>13 645</b>	<b>272 307</b>	<b>2 312 722</b>	<b>84 236</b>	<b>(32 938)</b>	<b>(31 180)</b>	<b>2 618 792</b>	<b>51 346</b>	<b>2 670 138</b>

As at September 30, 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 624,589 treasury shares.

During the period, the decrease in the revaluation reserve totaled €3,123 thousand net of taxes, thereof €26,769 thousand gain due to re-evaluation at market value of available-for-sale (AFS) investments, recorded in revaluation reserve, and €-22,731 thousand realized gains on AFS disposals, recognized in the income statement.

The decrease in translation reserves by €37,408 thousand during the exercise relates mainly to the US dollar for an impact of €-27,742 thousand, the Hong Kong dollar for €-4,524 thousand and the British pound for €-3,133 thousand.

## 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>