

9M 2017

Financial Results

Financial Analysts' Call

Tuesday, November 7<sup>th</sup>, 2017



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**Commercial performance** is improving in mature countries; traditional credit insurance is showing clear signs of recovery and specialty lines are growing. Q3 revenues are back to growth: +3.2% vs. Q3 2016 at constant exchange rates and scope.

Slight increase in exposure; 9M 2017 claims covered amounts are down -6.1% vs. 9M 2016. Net loss ratio is decreasing by 0.9 pt despite a few mid-size claims.

**Digital transformation** initiatives intensify; focus is on digital distribution of products, and on improving algorithms and extending data sets for underwriting and prospection purposes.

**Universal:** German ECA business acquired from **PricewaterhouseCoopers**: transaction has been closed as of July 1<sup>st</sup> and included in reported figures starting in Q3 2017.

**Productivity plans** are underway across Europe in order to finance the needed digital transformation.

**Turnover reaches €1,929 million**, up 0.3% at constant exchange rates and scope <sup>(1)</sup> vs 9M last year, driven by a positive Q3 (+3,2%)

**Net loss ratio all attachment years is 51.8%**, down 0.9 pt vs. 9M last year. The attritional claims rate remains at a low level, and continues to improve in emerging markets.

**Net cost ratio at 27.1%**, flat compared to last year, as savings resulting from already executed productivity efforts are financing digital initiatives.

**Ordinary operating income amounts to €312 million**, up 6.3% year-on-year thanks to the improved combined ratio and higher net financial income.

**Net income Group Share stands at €228 million**, up €2 million year-on-year.

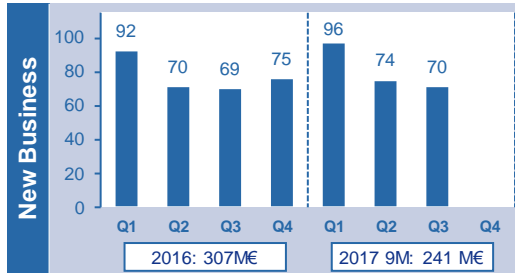
**3% dividend tax refund in France and compensatory measures<sup>(2)</sup>**: given the uncertainties surrounding the matter, no impact has been recognized in the 9M2017 financial statements. Potential impact to be accounted for in Q4 is expected to increase the 2017 net income by minimum 5%.

(1) ECA business acquired from PwC is included since July 2017. 9M 2016 has been restated pro-forma for comparative purposes.

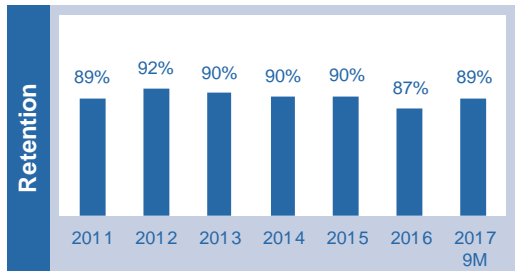
(2) On October 6, 2017, the French constitutional council ("Conseil Constitutionnel") ruled the 3% contribution on dividend distributions unconstitutional, which will entail a refund from the French State on the claimed back amounts by affected taxpayers. It appears certain at this stage that compensating measures will be introduced by the Government in order to keep the national budget under control.

# 2

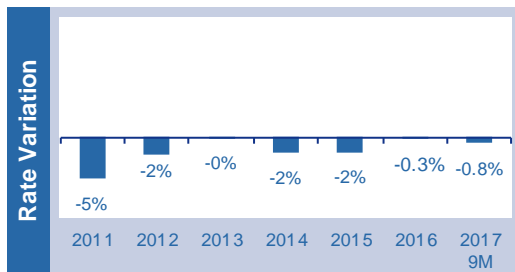
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New Business reaches €241 million which is €10 million above last year. Positive contributions from the USA, the UK and the multinational segment are partly offset by Italy and Nordics.



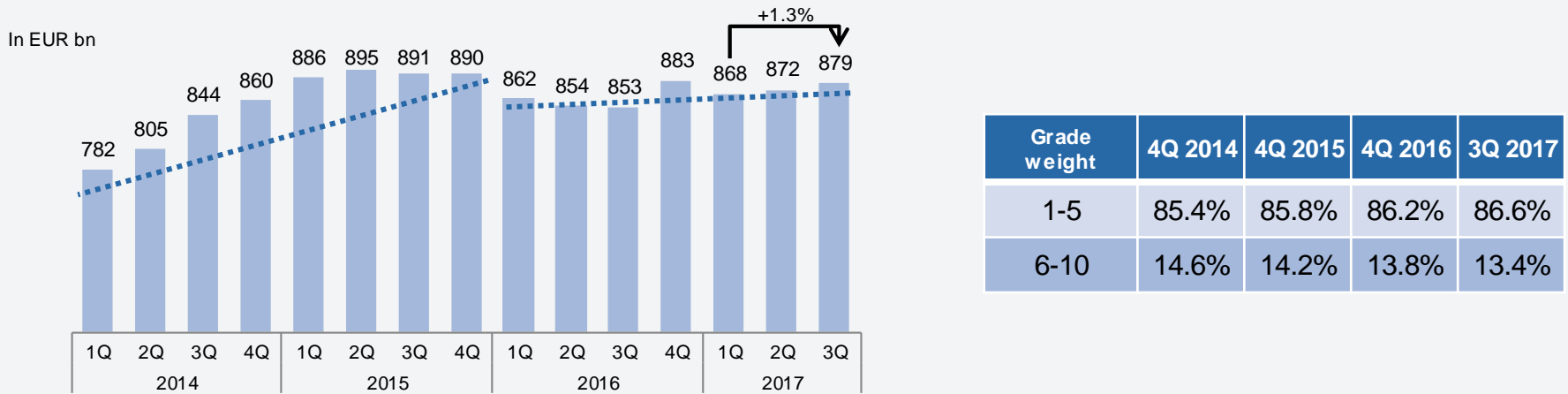
Retention rate stands at 89%, 2 pts above last year's level.



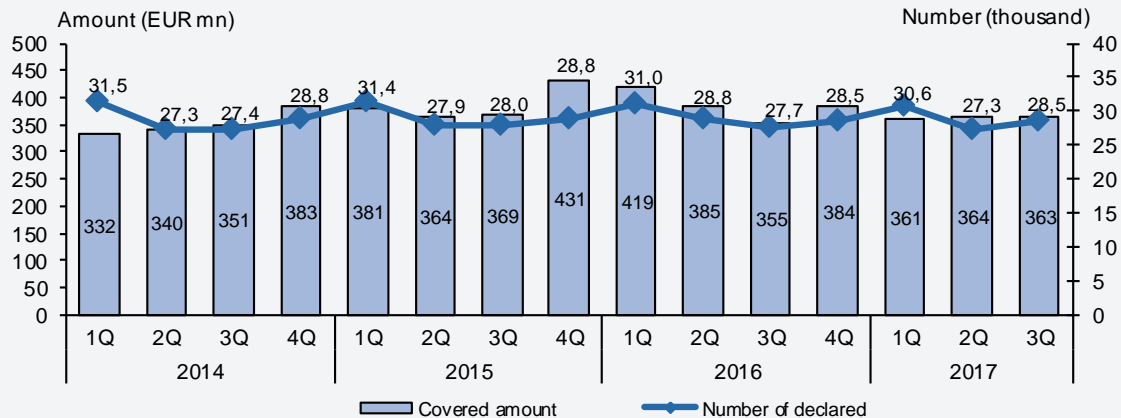
Renewal rate evolution remains negative at -0.8% which is behind the level of 9M last year (-0.4%). Negative rates in Italy, France and Germany are only partly offset by positive contributions from the emerging markets, the UK and the multinational segment.

# Exposure is slightly growing quarter after quarter and covered claims are stabilizing, at a lower level than last year

## Exposure is steadily increasing since the beginning of the year



## 9M 2017 claims covered amount decreased by 6.1% vs. 9M 2016 but is stable over the last three quarters

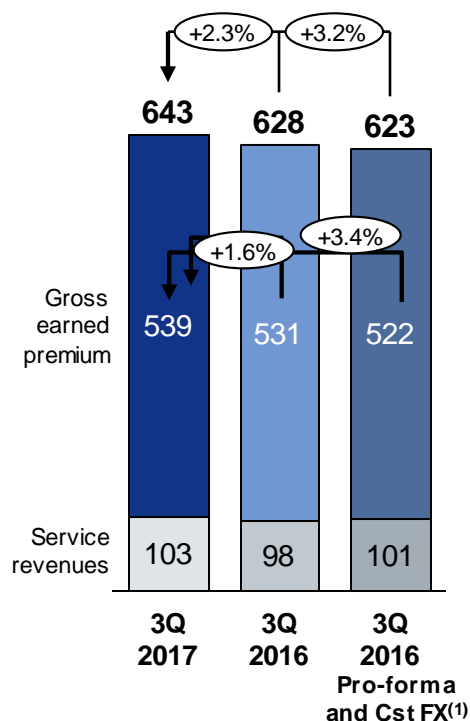


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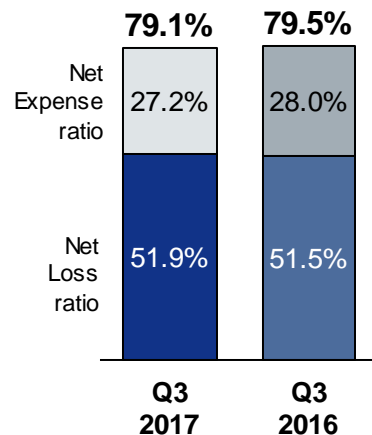
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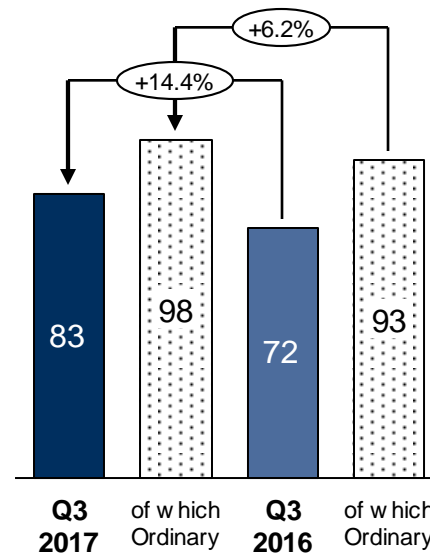
# Q3: Turnover growth is back. Operating income and net result are both above last year's levels thanks to improved net technical result and higher financial income



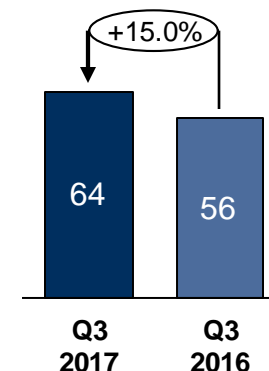
**Turnover**  
(EUR mn)



**Net Combined ratio**  
(in %)



**Operating income<sup>(2)</sup>**  
(EUR mn)



**Net income, Group share<sup>(2)</sup>**  
(EUR mn)

(1) ECA business acquired from PwC is included since July 2017. Q3 2016 has been restated pro-forma for comparative purposes.  
 (2) In Q3 2016, operating income included €+11 million gains (€11 million after tax) from the sale of Graydon participation, and €-31 million (€-21 million after tax) restructuring expenses. Q3 2017 includes €-15 million (€-11 million after tax) restructuring expenses.

# Q3: Turnover is up 3.2%, with traditional credit insurance back to growth and all regions contributing except DACH and MMEA

EUR mn	Q3 2017	Q3 2016	Δ %	Q3 2016 Pro-forma @Cst Fx <sup>(1)</sup>	Δ %
DACH	179	176	1.5%	180	-0.8%
France	102	96	6.8%	96	6.6%
Northern Europe	135	131	3.4%	130	4.2%
Med. Countries, Middle East & Africa	82	86	-3.6%	84	-1.9%
Americas	83	83	0.4%	79	5.7%
Asia Pacific	36	34	6.5%	31	15.9%
<i>Inward from non-consolidated OEs &amp; Other <sup>(2)</sup></i>	25	24	5.4%	23	7.3%
<b>Turnover</b>	<b>643</b>	<b>628</b>	<b>2.3%</b>	<b>623</b>	<b>3.2%</b>

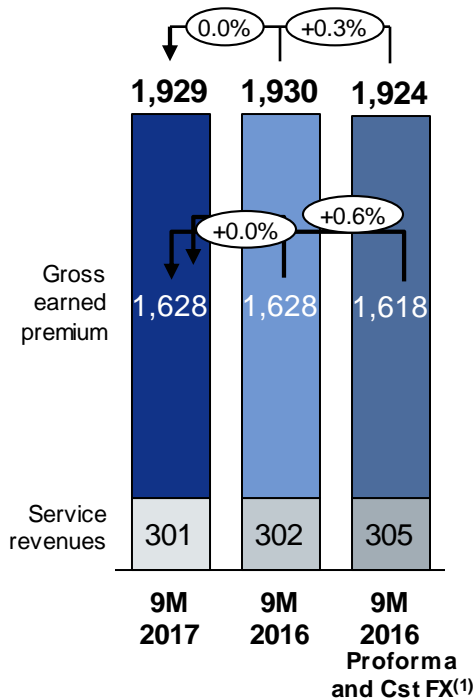
(1) At constant exchange rates and pro-forma: ECA business acquired from PwC is included starting July 2017, and a new collection business model was set up starting January 2017, impacting intragroup flows within regions (no impact at consolidated level). 2016 has been restated accordingly.

(2) Corporate entities + inter-region eliminations

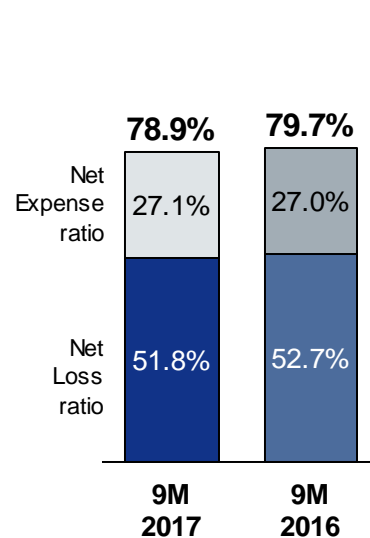
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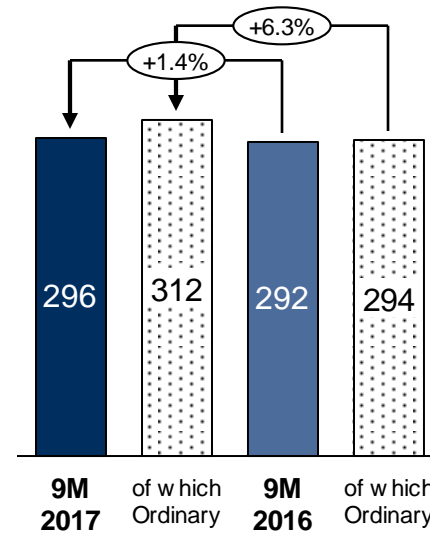
# 9M: Topline is back to growth, net combined ratio is improving, operating income and net results are above last year's levels



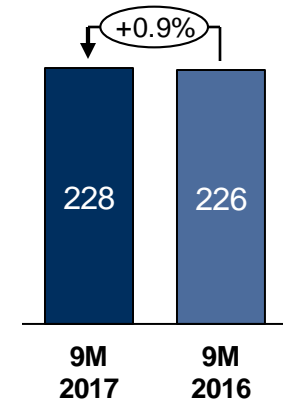
**Turnover**  
(EUR mn)



**Net Combined ratio**  
(in %)



**Operating income(2)**  
(EUR mn)



**Net income, Group share(2)**  
(EUR mn)

(1) ECA business acquired from PwC is included since July 2017. 9M 2016 has been restated pro-forma for comparative purpose.

(2) In 9M 2016, operating income included €35 million gains (€33 million after tax) from the sale of Bürgel and Graydon participations, and €-37 million (€-25 million after tax) restructuring expenses. 9M 2017 includes €-17 million (€-12 million after tax) restructuring expenses.

# Turnover is also back to growth on a 9M basis at constant scope and FX

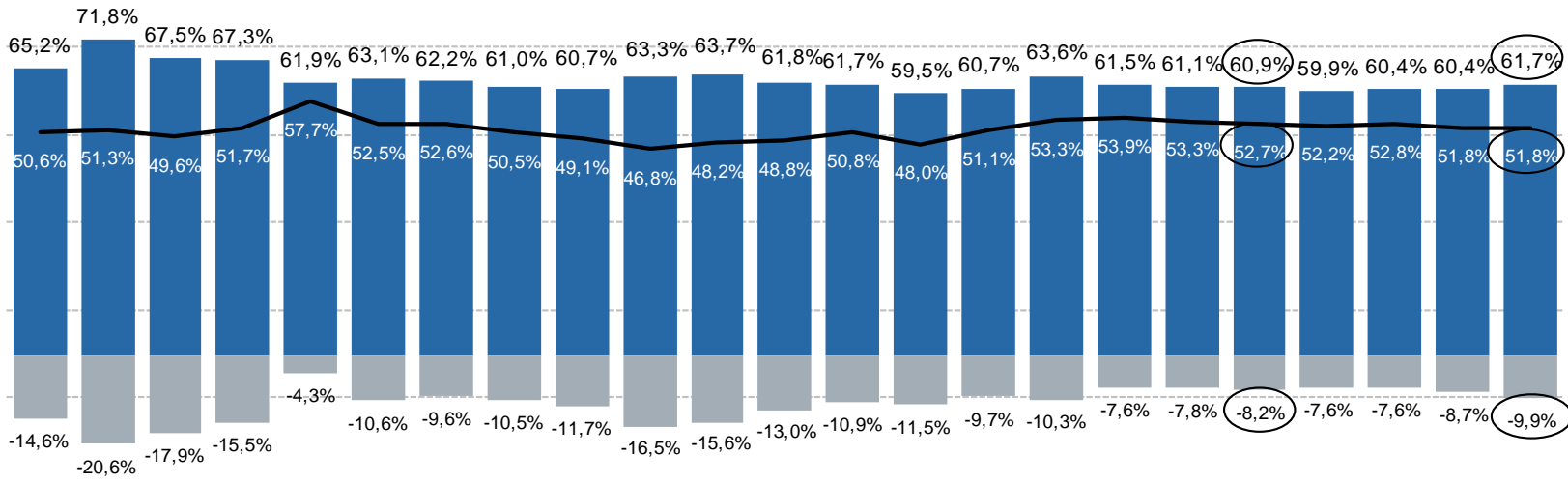
EUR mn	9M 2017	9M 2016	Δ %	9M 2016 Pro-forma @Cst Fx <sup>(1)</sup>	Δ %
DACH	526	529	-0.6%	532	-1.2%
France	311	304	2.3%	305	2.0%
Northern Europe	408	400	2.1%	394	3.8%
Med. Countries, Middle East & Africa	251	264	-4.7%	263	-4.6%
Americas	256	250	2.3%	253	1.3%
Asia Pacific	106	109	-3.3%	109	-3.1%
<i>Inward from non-consolidated OEs &amp; Other<sup>(2)</sup></i>	70	73	-3.6%	67	3.7%
<b>Turnover</b>	<b>1,929</b>	<b>1,930</b>	<b>0.0%</b>	<b>1,924</b>	<b>0.3%</b>

(1) At constant exchange rates and pro-forma: ECA business acquired from PwC is included starting July 2017, and a new collection business model was set up starting January 2017, impacting intragroup flows within regions (no impact at consolidated level). 2016 has been restated accordingly.

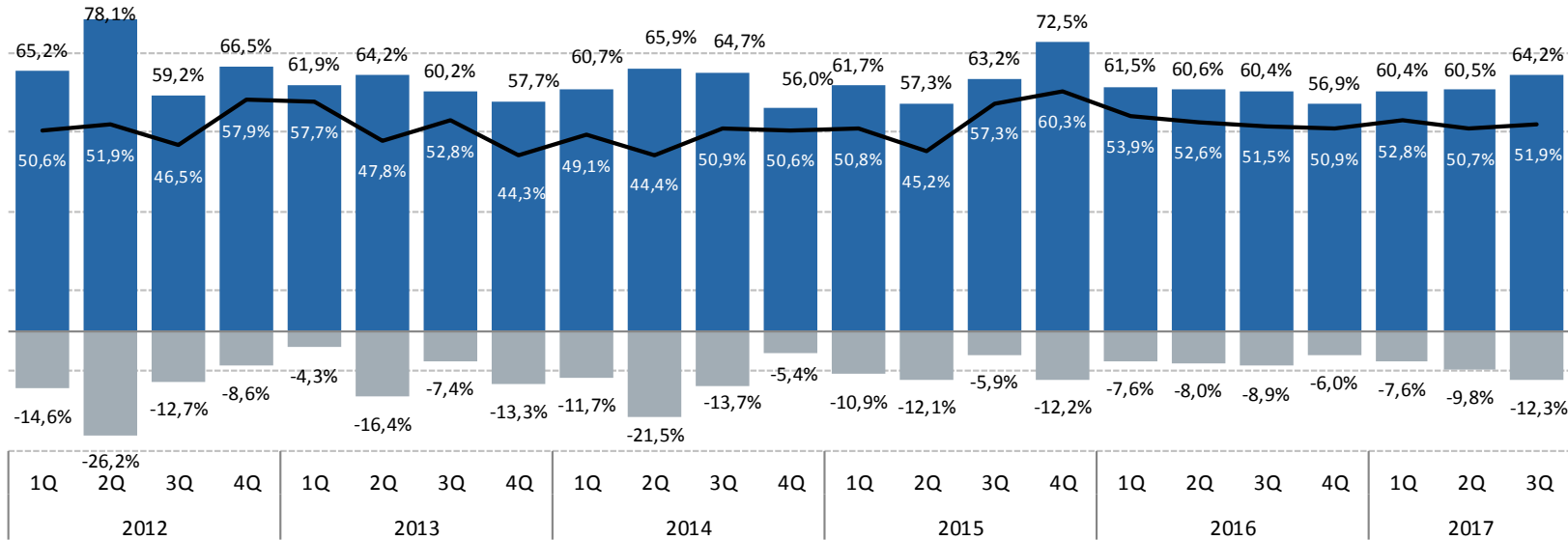
(2) Corporate entities + inter-region eliminations

# 9M 2017 net loss ratio is 0.9 pt lower than last year

**YTD**



**Quarterly**

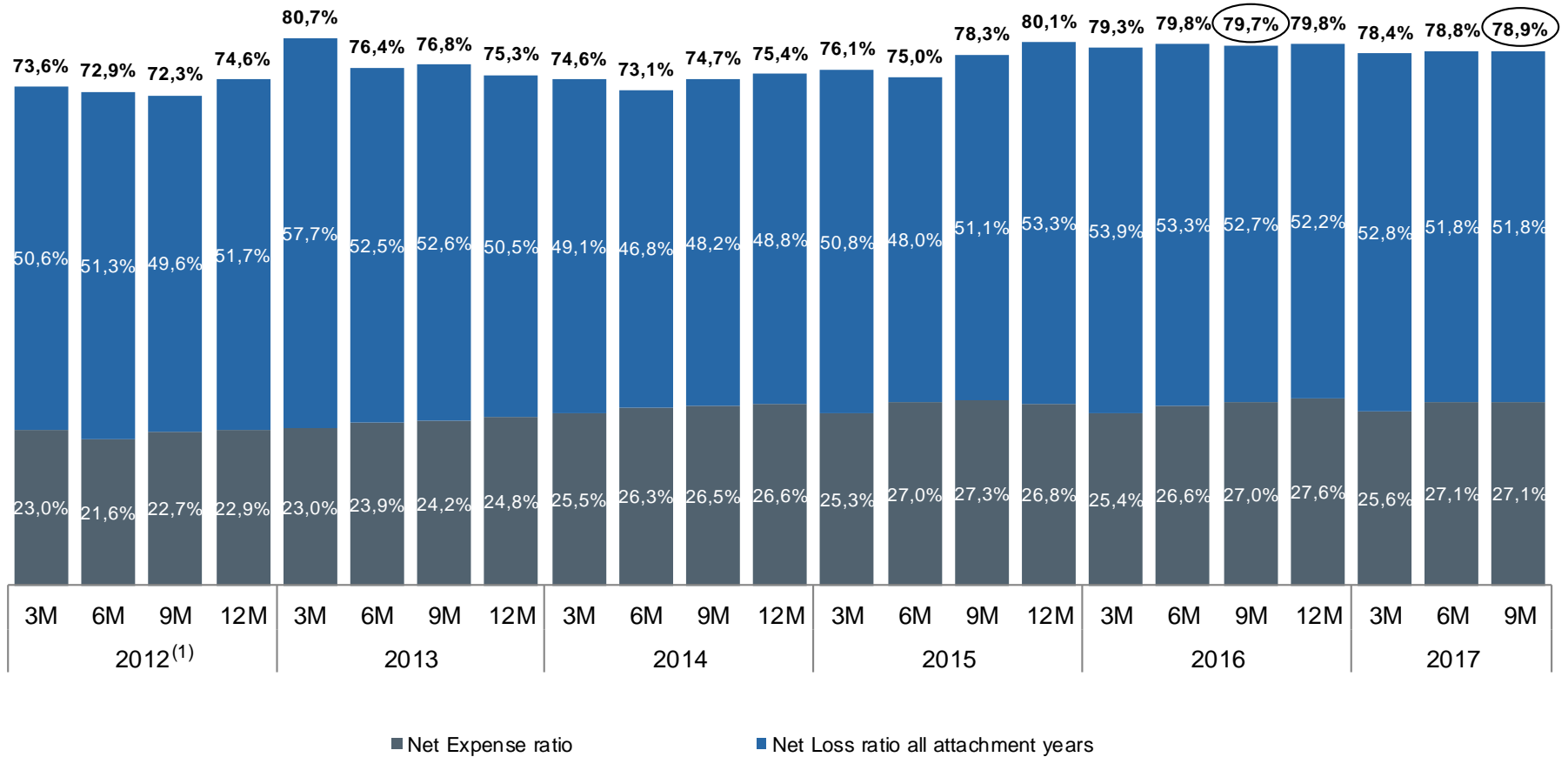


Net Loss ratio current year

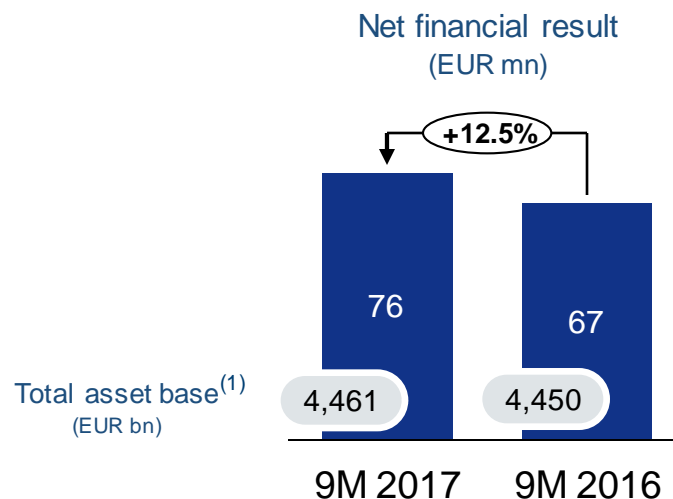
Net Loss ratio prior years

Net Loss ratio all attachment years

# Stable net combined ratio, below our target level of 80%



# Net financial income is increasing thanks to a favorable FX result



Current investment income	57	55
Investment management charges	-8	-9
Net change in foreign currency	7	1
Net gain (loss) on sales of investments less impairment and depreciation write-backs	20	19
<b>Net financial result before financing expense and before 'at equity' result</b>	<b>76</b>	<b>67</b>

(1) Market value

(2) Share of income from companies accounted by the equity method



# Net income at €228 million, driven by improved net technical result and financial income which compensate for the restructuring costs

EUR mn	9M 2017	9M 2016	Δ
<b>Net technical result</b>	<b>237</b>	<b>227</b>	<b>10</b>
Financial income net of expenses	76	67	8
<b>Ordinary operating Income</b>	<b>312</b>	<b>294</b>	<b>18</b>
Other non ordinary operating income and expense <sup>(1)</sup>	-17	-2	-14
<b>Operating income</b>	<b>295</b>	<b>291</b>	<b>4</b>
Financing expenses	-4	-4	0
Income from non-consolidated companies	10	11	-1
<b>Profit before tax</b>	<b>301</b>	<b>299</b>	<b>3</b>
Corporation tax	-71	-72	1
Minority interest	-2	0	-2
<b>Net income (Group share)</b>	<b>228</b>	<b>226</b>	<b>2</b>
<b>Tax rate</b>	<b>23.7%</b>	<b>24.3%</b>	

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# Simplified Group P&L

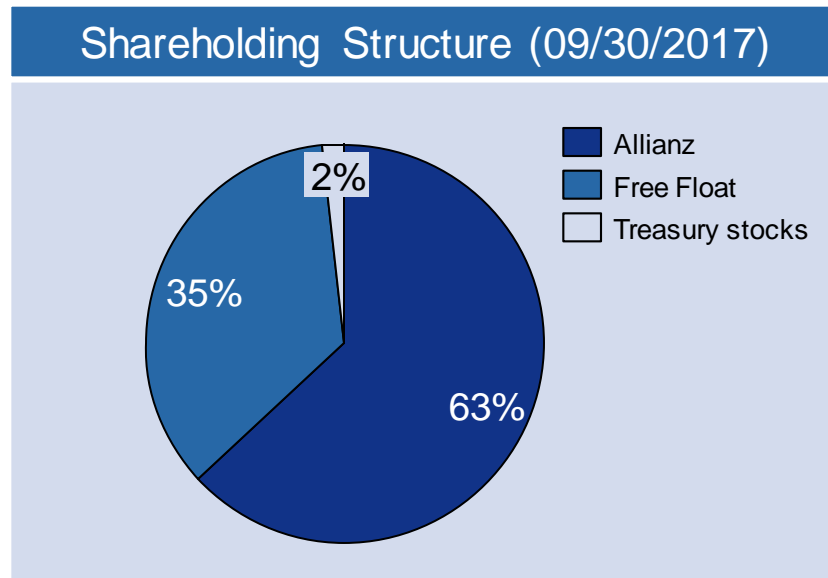
	9M 2017	9M 2016
Gross Earned Premiums	1,628	1,628
Service revenues	301	302
<b>Turnover</b>	<b>1,929</b>	<b>1,930</b>
Gross claims CY	-939	-929
Run off	144	129
<b>Claims costs</b>	<b>-795</b>	<b>-799</b>
<b>Gross technical expenses</b>	<b>-796</b>	<b>-791</b>
<b>Gross technical result</b>	<b>338</b>	<b>339</b>
<b>Outward result</b>	<b>-95</b>	<b>-106</b>
Non technical expenses	-7	-7
<b>Technical result</b>	<b>237</b>	<b>227</b>
<b>Net investment income</b>	<b>76</b>	<b>67</b>
Other non ordinary operating income & expenses	-17	-2
<b>Operating income</b>	<b>295</b>	<b>291</b>
Financing expenses	-4	-4
Share of income from companies accounted at the equity method	10	11
<b>Total profit before tax</b>	<b>301</b>	<b>299</b>
Income taxes	-71	-72
<b>Total profit after tax (at 100%)</b>	<b>230</b>	<b>226</b>
Minority interests	-2	0
<b>Total profit after tax HB3</b>	<b>228</b>	<b>226</b>

Next Events	Dates
FY 2017 Earnings (webcast)	February 9 <sup>th</sup> 2018
1Q 2018 Earnings (webcast)	May 4 <sup>th</sup> 2018
1H 2018 Earnings (webcast)	July 31 <sup>st</sup> 2018

Stock Market Data	As of 09/30/2017
Listing	Euronext Paris
Code	ELE.PA
Shares outstanding	<b>42,641,635</b>
Market cap. (€ mn)	<b>4,264</b>

### Investor Relations Contact

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- **Ceded Claims Costs:** Gross Claims Costs corresponding to business assigned to reinsurers
- **Ceded Premium:** Premium corresponding to business assigned to reinsurers
- **Cession Rate:** Ceded Premium divided by Gross Earned Premium
- **Combined Ratio:** Sum of the Cost ratio and the Loss ratio
- **Cost ratio (or Expense ratio):** Overheads and service margin as a proportion of earned premiums
- **Credit insurance:** Insurance against the risks of non-payment of companies trade receivables
- **Gross Claims Costs:** Claims Costs before reinsurance
- **Gross Earned Premium:** Earned premium before reinsurance
- **Gross Technical Result:** Result from insurance activities (excluding reinsurance operations and including service income and expenses)
- **Loss:** Situation in which a risk is realized and which entitles the policyholder to indemnification, thus triggering application of the indemnification provided for in the credit insurance policy.
- **Loss ratio (or Claim ratio):** Claims costs as a proportion of the earned premiums
- **Net Claims Costs:** Gross Claims Costs net of reinsurance
- **Net Earned Premium:** Gross Earned Premiums net of reinsurance
- **Net Technical Result:** Result from insurance activities (including reinsurance operations and service income and expenses)
- **Outward commission:** Remuneration paid by the reinsurer to the ceding insurer for the premiums ceded
- **Premium:** Amount paid by the policyholder to the insurance company in exchange for risk coverage. A distinction is made between:
  - **Written premium:** Amount invoiced during the period for coverage against the risks stipulated in the policy
  - **Earned premium:** Portion of the premium written during the period or earlier corresponding to the coverage of risks during the period concerned
- **Reinsurance:** An operation by which an insurer obtains cover from a third party (the reinsurer) for part of the risks that it has guaranteed, in exchange for the payment of a premium
- **Retention Rate:** Net Earned Premium divided by Gross Earned Premium
- **Run-off:** Claims reserves release related to previous years' policies whose risks are over
- **Information services:** Research and analysis carried out to provide our policyholders with the required credit insurance cover, and monitoring of the solvency of their customers
- **Collection services:** Extra-judicial and/or judicial procedure conducted by Euler Hermes to secure payment of a receivable from the debtor
- **Turnover:** Turnover is composed of gross earned premiums and service revenues

These assessments are, as always, subject to the disclaimer provided below.

## 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.

### **No duty to update.**

The company assumes no obligation to update any information contained herein.