

Euler Hermes 2016 half-year results: Agile in an adverse risk environment

PARIS – 2 AUGUST 2016

- Revenues at €1,301 million stable, at constant exchange rates and constant scope
- Net combined ratio at 79,8%
- Net income at €170 million, down 1%
- Solid solvency ratio of 165%

“The global risk environment remains unstable, and recovery paths will differ from one country to another,” said Wilfried Verstraete, chairman of the Euler Hermes board of management. “Within that context, Euler Hermes stays vigilant for any sign, negative or positive, that requires us to adjust our underwriting stance with the same agility we have proven in the past. In addition, our new “Accelerate” program will drive our business transformation. We are strengthening our investment in customer service and reallocating resources among product, geographic, and evolving technology priorities. In short, ensuring that we listen ever more closely to customers and respond to their needs in all we do.”

I. Results for the first six months of 2016

A. Key figures

P&L € million	30 June 2016	30 June 2015 <i>(published)</i>	Variation vs. 30 June 2015	
Earned premiums	1,097.1	1,122.3	-25.2	-2.2%
Service revenues	204.0	215.4	-11.5	-5.3%
Turnover	1,301.1	1,337.7	-36.7	-2.7%
Net technical result	151.9	193.1	-41.1	-21.3%
Net investment income	49.3	59.7	-10.3	-17.3%
Ordinary operating income	201.3	252.7	-51.4	-20.3%
Non-ordinary operating income & expenses	17.8	-1.4	19.2	
Operating income	219.1	251.4	-32.2	-12.8%
Net income, Group share	170.0	172.4	-2.3	-1.3%
Net claims ratio	53.3%	48.0%	5.2 pt.	
Net expense ratio	26.6%	27.0%	-0.4 pt	
Net combined ratio	79.8%	75.0%	4.8 pt.	

Balance sheet information € million	30 June 2016	31 December 2015	Variation vs. 31 December 2015	
Total assets	6,503.8	6,596.6	-92.8	-1.4%
Shareholders' equity, Group share	2,486.9	2,715.4	-228.5	-8.4%
Total financial liabilities	254.2	252.2	1.9	0.8%

B. Turnover

At €1,301 million at end of June, turnover was down 2.7% compared to half-year 2015 published figures. The sale of Bürgel in February 2016, retroactive to January 1st, accounts for most of the decrease (€18.9 million service revenues); foreign exchange also contributed negatively. At constant scope and constant FX, the topline is stable compared to H1 last year.

Turnover € million	30 June 2016	30 June 2015 <i>(published)</i>	Variation %	30 June 2015 <i>(1)</i>	Variation % <i>(1)</i>
Regions					
Germany, Austria, Switzerland (DACH)	353.3	376.1	-6.1%	360.1	-1.9%
France	208.7	200.7	4.0%	200.7	4.0%
Northern Europe	269.1	286.1	-5.9%	281.6	-4.4%
Mediterranean Countries, Middle East & Africa	178.2	173.6	2.6%	173.2	2.9%
Americas	167.7	164.4	2.0%	166.1	1.0%
Asia-Pacific	75.1	71.5	5.0%	69.6	7.9%
Inward from non-consolidated OE's and other <i>(2)</i>	49.0	65.4	-25.0%	49.1	0.0%
Euler Hermes Group	1 301.1	1 337.7	-2.7%	1 300.3	0.1%

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

(1) At constant exchange rates and constant scope. For comparison purposes, published 2015 data has been restated to take into account the following changes in scope: a) starting January 2016, Collection entities are included in the regions to foster business synergies; b) the Bürgel entities in Germany have been sold with retroactive impact to January 2016.

(2) Corporate entities + inter-region eliminations

At constant scope and exchange rates, premiums decreased by 0.9%, while service revenues remained dynamic (+5.5%).

France is back to positive turnover evolution, and MMEA still showed good growth thanks to successful commercial initiatives in Italy. The US and Asia slowed, as did large multinational products, a natural consequence of the risk and commercial action plans implemented. DACH and Northern Europe posted negative growth, suffering from pressure on rates.

C. Operating income

Operating income was solid at €219.1 million. This includes a €24.3 million realized gain before tax on the sale of the Bürgel entities on February 26, 2016 and a cost of €6.5 million linked to staff reduction plans currently in progress.

The net claims ratio reached 53.3%, up 5.2 points compared to the same period last year, but decreasing quarter after quarter since Q3. The risk action plans put in place in emerging markets during the second half of 2015 brought a significant improvement to the claims ratio related to 2016. However the Group was impacted by a few mid-size claims related to 2015, resulting in a lower run off level compared to the previous year.

The net expense ratio of 26.6% is lower than same period last year (27.0%), essentially due to an improved service margin.

Net investment income reached €49.3 million in the first six months of 2016 compared to €59.7 million for the same period in 2015, impacted by low reinvestment yields and by a loss in foreign exchange result, mainly GBP.

D. Net income

Net income stood at €170.0 million, a decrease of 1.3% compared to the first half of 2015. The lower operating income was almost fully compensated by a gain realized on the Bürgel sale and a one-off gain in income tax.

E. Shareholders' equity

Shareholders' equity, Group share decreased by €228.5 million during the first semester, mainly driven by the dividend paid in June and the share buy-back and cancellation operation performed in May, partially compensated by the net positive result.

F. Investment portfolio

At the end of June 2016, the market value of the Group's investment portfolio has decreased by €110 million to €4,508 million versus year-end 2015, essentially as a result of the share buy-back.

G. Solvency II capitalization

The Solvency II economic ratio for Euler Hermes Group is 165% at end of June 2016. The ratio was 173% at end of December 2015 and translated into 162% pro-forma after buyback. Risk action plans implemented to secure the profitability of the group led to reconstitute part of the excess capital above the 160% target.

H. Outlook

The claims environment has not yet fully recovered and the Brexit vote added uncertainty in European economies and financial markets. But the recent claims trend is reassuring. Euler Hermes will continue to carefully monitor each market and is prepared to quickly adjust its commercial ambition and risk underwriting when required.

Digitalization, making our full product range available to a higher number of countries and developing new distribution channels are strategic priorities we intend to strongly leverage to better accompany customers in their journey to mitigate their credit risk. Adapting our company to changing market conditions means also having a good control of our cost base and productivity measures are being taken in low growth countries. Beyond commercial initiatives and a strict underwriting, it is valuable step in safeguarding our profitability.

II. Results for the second quarter of 2016

P&L € million	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Variation vs. Q2 2015	
-----Published data-----								
Earned premiums	540.4	556.7	545.3	537.8	558.0	564.3	-17.6	-3.1%
Service revenues	100.4	103.6	108.1	109.4	109.4	106.0	-9.0	-8.2%
Turnover	640.8	660.3	653.4	647.2	667.4	670.3	-26.6	-4.0%
Net technical result	73.9	78.1	54.1	54.3	99.2	93.8	-25.4	-25.6%
Net investment income	23.6	25.7	37.0	19.7	31.2	28.4	-7.6	-24.4%
Ordinary operating income	97.5	103.8	91.1	74.0	130.5	122.2	-33.0	-25.3%
Non-ordinary operating income & expenses	-5.5	23.3	0.9	0.0	-0.2	-1.2	-5.3	
Operating income	92.0	127.2	92.0	74.0	130.3	121.1	-38.3	3.1%
Net income, Group share	68.8	101.2	75.7	54.4	85.2	87.1	-16,4	-19,3%
Net claims ratio	52.6%	53.9%	60.3%	57.3%	45.2%	50.8%	7.4 pt	
Net expense ratio	27.7%	25.4%	25.2%	27.8%	28.7%	25.3%	-1.0 pt	
Net combined ratio	80.3%	79.3%	85.6%	85.2%	73.9%	76.1%	6.5 pt	

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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, the management report and the presentation of the half-year results to analysts.

On Tuesday, 2 August 2016, 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 half-year results as of 30 June 2016 to the Euler Hermes Supervisory Board. The results have been reviewed by the Audit Committee and limited review procedures on the condensed consolidated financial statements have been performed by the auditors. The issuance of the report on the interim financial information is in progress.

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Further information: www.eulerhermes.com, [LinkedIn](#) or Twitter [@eulerhermes](#).

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The company assumes no obligation to update any forward-looking statement.