

Half-Year Financial Report

As at June 30, 2017



EULER HERMES
Business insured. Success ensured.

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|--|-----------|
| REPORT OF THE GROUP MANAGEMENT BOARD..... | 4 |
| Key events of the period..... | 4 |
| Subsequent events..... | 5 |
| Activity of Euler Hermes Group SA..... | 6 |
| Euler Hermes Group consolidated results | 6 |
| Solvency II economic ratio..... | 11 |
| Euler Hermes implemented its own internal model | 11 |
| Solvency II economic ratio ¹ as of June 30, 2017 | 11 |
| CONDENSED CONSOLIDATED FINANCIAL STATEMENTS | 13 |
| Consolidated balance sheet | 13 |
| Consolidated income statement | 14 |
| Consolidated statement of other comprehensive income..... | 15 |
| Consolidated statement of cash flows | 16 |
| Note 1 Significant events..... | 20 |
| Note 2 IFRS accounting and valuation rules | 21 |
| Note 3 Goodwill | 23 |
| Note 4 Investment and operating property | 24 |
| Note 5 Financial investments | 25 |
| Note 6 Investments accounted for at equity method | 28 |
| Note 7 Cash and cash equivalents..... | 29 |
| Note 8 Technical reserves..... | 30 |
| Note 9 Breakdown of operating income | 31 |
| Note 10 Other operating revenues and expenses..... | 32 |
| Note 11 Earnings per share..... | 32 |
| Note 12 Segment data..... | 32 |
| Note 13 Related parties..... | 37 |
| Note 14 Commitments given and received..... | 38 |
| Note 15 Subsequent events | 39 |
| STATUTORY AUDITORS' REPORT ON THE 2017 HALF-YEAR FINANCIAL | |
| INFORMATION | 40 |
| DECLARATION BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL | |
| REPORT..... | 42 |

REPORT OF THE GROUP MANAGEMENT BOARD

For the 1st half ended June 30, 2017

Key events of the period

The following significant events occurred in the first half 2017:

Changes in the share capital and in share ownership

As at June 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 June 30, 2017, Euler Hermes Group's share capital was composed of 42,641,635 shares, including 619,189 shares held in treasury stock.

Digital initiatives

Euler Hermes Group launched various digital initiatives during H1 2017:

- A partnership was signed in March with Flowcast a Fintech company specialized in artificial intelligence (AI) in the United States,
- And on June 7th, 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.

Subsequent events

The following subsequent event occurred since June 30, 2017, which wouldn't impact the assumptions of the half-year closing:

Agreements signed with PriceWaterhouseCoopers regarding the Export Credit Guarantee business

On March 3, 2017, PriceWaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (« PwC ») and Euler Hermes Deutschland AG (“EH AG”) signed three amendments to reallocate business services within the German export support scheme. Following the closing of deal as of July 1, 2017, Euler Hermes will be fully in charge of the Export Credit Guarantee (“ECG”) service activity and the Untied Loan Guarantee (“ULG”) service activity, while PwC will remain in charge of the Investment Guarantee (“IG”) service activity.

The transfer of PwC employees working in the fields of ECG and ULG to EH AG, related assets and know-how took effect on July 1, 2017.

Activity of Euler Hermes Group SA

Euler Hermes Group SA is the parent company of the Euler Hermes group. It generates a large part of its revenues from shareholdings.

Euler Hermes Group consolidated results

Turnover

| <i>In € million</i> | <i>Turnover</i> | <i>H1 2017</i> | <i>H1 2016</i> | <i>Variation %</i> | <i>H1 2016</i> | <i>Variation %</i> |
|---|-----------------|----------------|------------------|--------------------|----------------|--------------------|
| | | | <i>published</i> | | <i>(1)</i> | <i>(1)</i> |
| Regions | | | | | | |
| Germany, Switzerland, Austria | | 347.4 | 353.3 | -1.7% | 353.2 | -1.6% |
| France | | 209.1 | 208.7 | 0.2% | 209.4 | -0.1% |
| Northern Europe | | 273.1 | 269.1 | 1.5% | 263.8 | 3.5% |
| Med. countries, Middle East and Africa | | 168.8 | 178.2 | -5.3% | 179.2 | -5.8% |
| Americas | | 173.2 | 167.7 | 3.2% | 174.3 | -0.6% |
| Asia Pacific | | 69.3 | 75.1 | -7.7% | 77.7 | -10.9% |
| Inward from non-consolidated OE's and other (2) | | 45.1 | 49.0 | -8.0% | 43.3 | 4.2% |
| Euler Hermes Group | | 1,286.0 | 1,301.1 | -1.2% | 1,300.8 | -1.1% |

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

(1) At constant exchange rates and proforma: 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

At €1,286.0 million at the end of June, turnover is down 1.2% compared to half-year 2016 published figures. Foreign exchange impact is overall neutral at Group level. Topline is down, at -1.1% at constant FX with earned premiums decreasing by -0.7% and service revenues by -3.4%.

Premiums were down by -0.8% and -0.7% at constant FX.

Europe resumes growth thanks to specialty lines and encouraging commercial development: Northern Europe posts +3.5% growth proforma and at constant foreign exchange, development of specialty lines in France is in line with expectations, and DACH is progressively regaining ground quarter after quarter. Non mature markets such as Asia and the Middle East are significantly affected by our previously-revised underwriting stance.

| <i>In € million</i> | <i>Turnover</i> | <i>H1 2017</i> | <i>H1 2016</i> | <i>Variation %</i> | <i>H1 2016</i> | <i>Variation %</i> |
|---------------------|-----------------|----------------|------------------|--------------------|----------------|--------------------|
| | | | <i>published</i> | | <i>(1)</i> | <i>(1)</i> |
| Earned Premiums | | 1,088.8 | 1,097.1 | -0.8% | 1,096.6 | -0.7% |
| Service revenues | | 197.2 | 204.0 | -3.3% | 204.2 | -3.4% |
| Turnover | | 1,286.0 | 1,301.1 | -1.2% | 1,300.8 | -1.1% |

(1) At constant exchange rates

Service revenues decreased by -3.3% and -3.4% at constant FX compared to last year.

Earned premiums

| <i>In € million</i> | H1 2017 | H1 2016 | Variation % |
|----------------------------|--------------|--------------|--------------|
| Gross earned premiums | 1,088.8 | 1,097.1 | -0.8% |
| Ceded premiums | -312.7 | -318.3 | -1.8% |
| Net earned premiums | 776.1 | 778.8 | -0.3% |
| Cession rate | 28.7% | 29.0% | |

Gross earned premiums decreased by 0.8% compared to last year and net earned premiums declined by -0.3% only. Retention slightly increased due to a more favourable mix of line of business.

Claims costs

| <i>In € million</i> | H1 2017 | H1 2016 | Variation % |
|--|---------------|---------------|--------------|
| Gross claims costs current attachment year | -614.2 | -624.9 | -1.7% |
| Gross claims costs previous attachment years | 96.7 | 72.1 | 34.0% |
| Total gross claims costs | -517.5 | -552.8 | -6.4% |
| Ceded claims costs | 115.7 | 138.0 | -16.1% |
| Total net claims costs | -401.8 | -414.8 | -3.1% |

| | H1 2017 | H1 2016 |
|--|---------------|---------------|
| Net claims ratio, current attachment year | -60.4% | -61.1% |
| Net claims ratio, previous attachment years | 8.7% | 7.8% |
| Net claims ratio | -51.8% | -53.3% |

Gross claims costs current attachment year amounted €614.2 million, on the decrease compared to the first half of 2016. The gross claims ratio current year is at 56.4%, down -0.5 points compared to same period last year. This is the result of continuous risk action plans impact launched in 2015. In net terms, the claims ratio on the current attachment year showed the same trend with a -0.7pt decrease.

Gross claims costs for previous attachment years amounted €96.7 million, higher by €24.6 million compared to last year and the gross claims ratio previous attachment years was 8.9%, up 2.3pt compared to last year. This improvement is due to a more favourable claims environment compared to H1 2016: the group was hit last year by some mid-size cases in some emerging countries, namely Turkey, Gulf countries and Asia.

In net terms, the claims ratio for previous attachment years stands at 8.7%, up only by 0.9pt compared to H1 2016, as reinsurance is slightly less favourable than it was last year.

As a consequence the net claims ratio all attachment years in H1 2017 was 51.8%, down by 1.5pt. compared to last year, and at its lowest level since the third quarter 2015.

Technical expenses

| <i>In € million</i> | H1 2017 | H1 2016 | Variation % |
|---------------------------------------|--------------|--------------|-------------|
| Contract acquisition expenses | 234.6 | 235.0 | -0.2% |
| Administration expenses | 118.8 | 116.7 | 1.8% |
| Other ordinary income and expenses | 180.3 | 182.0 | -0.9% |
| Total gross operating expenses | 533.8 | 533.7 | 0.0% |
| of which non technical expenses | 3.6 | 5.2 | -29.9% |
| Total gross technical expenses | 530.1 | 528.5 | 0.3% |

Gross technical expenses were slightly up +0.3%. Contract acquisition expenses are lower than last year following topline evolution, other ordinary income and expense are also down in links with lower service related income. Administration expenses include internal investments in digital and support functions, and in process transformations, where underlying productivity gains are not yet visible.

As a result the gross technical expense ratio stood at 30.6%, higher than last year by 1.0pt. due to lower topline. Net technical expenses ratio was 27.1%, up +0.5pt compared to last year thanks to more favourable commission received from reinsurers.

| <i>In € million</i> | H1 2017 | H1 2016 | Variation % |
|--|----------------|----------------|--------------------|
| Gross technical expenses | -530.1 | -528.5 | 0.3% |
| Service revenues | 197.2 | 204.0 | -3.3% |
| Gross technical expenses net of service revenues | -332.9 | -324.5 | 2.6% |
| Gross earned premiums | 1,088.8 | 1,097.1 | -0.8% |
| Commissions received from reinsurers | 122.9 | 117.6 | 4.5% |
| Premiums ceded | -312.7 | -318.3 | -1.8% |
| Net technical expenses | -210.0 | -206.9 | 1.5% |
| Net premiums | 776.1 | 778.8 | -0.3% |
| Gross technical expenses ratio | 30.6% | 29.6% | |
| Net technical expenses ratio | 27.1% | 26.6% | |

Net technical result

| <i>In € million</i> | H1 2017 | H1 2016 | Variation % |
|--|----------------|----------------|--------------------|
| Net earned premiums | 776.1 | 778.8 | -0.3% |
| Net claims costs | -401.8 | -414.8 | -3.1% |
| Net technical expenses | -210.0 | -206.9 | 1.5% |
| Other non technical charges | -3.6 | -5.2 | -29.9% |
| Net technical result ⁽¹⁾ | 160.6 | 151.9 | 5.7% |
| Net combined ratio | 78.8% | 79.8% | |

(1) Net technical result = current operating income before net investment income

At €160.6 million, the net technical result increased by €8.7 million compared to last year and the net combined ratio was down 1pt at 78.8%, consequence of the lower net claims ratio.

Net investment income

| <i>In € million</i> | H1 2017 | H1 2016 | Variation % |
|---|-------------|-------------|----------------|
| Revenues from investment property | 4.5 | 3.1 | 44.5% |
| Revenues from equity and debt securities | 27.4 | 25.9 | 5.6% |
| Revenues from securities-Bonds | 21.0 | 19.9 | 5.8% |
| Revenues from securities-equities | 6.3 | 6.0 | 4.9% |
| Other financial income | 6.8 | 8.7 | -21.6% |
| Investment income | 38.7 | 37.7 | 2.5% |
| Investment management charges | -5.5 | -5.9 | -6.5% |
| Net change in foreign currency | 2.7 | -3.5 | -177.4% |
| Net gain and loss on sales of investments less impairment and amortisation | 17.6 | 21.1 | -16.5% |
| Net investment income (excluding financing expenses) | 53.4 | 49.3 | 8.5% |

The net investment income (before financing expenses) is up +8.5% compared to last year.

The current investment income amounted €38.7 million, up 2.5% compared to last year due to higher revenues from real estate and higher yields from the bonds portfolio.

Net change in foreign currency contributed positively, with a gain of €2.7 million for the first semester of 2017, to be compared with a loss of €3.5 million last year.

Net realized gains were at €17.6 million, compared to 21.1 million last year.

At end of June 2017, the market value of the Group's investment portfolio decreased by €145.4 million compared to end of 2016, to €4,378.7 million, after payment of €197 millions of dividend in June.

| <i>In € million</i> | June 30, 2017 | | | | | December 31, 2016 | | | | |
|---|------------------|---------------------|---------------------|----------------|--|-------------------|---------------------|---------------------|----------------|--|
| | Historical value | Revaluation reserve | Net carrying amount | Fair value | Unrealized gains and losses (unrecognized) | Historical value | Revaluation reserve | Net carrying amount | Fair value | Unrealized gains and losses (unrecognized) |
| - Equities | 261,3 | 40,2 | 301,8 | 301,8 | (0,0) | 247,6 | 39,9 | 287,5 | 287,5 | - |
| - Bonds | 2 843,3 | 63,7 | 2 907,1 | 2 907,1 | 0,0 | 2 826,4 | 75,3 | 2 901,7 | 2 901,7 | - |
| - Loans, deposits and other financial investments | 493,8 | - | 493,8 | 498,1 | 4,3 | 602,9 | - | 602,9 | 609,8 | 6,9 |
| Total financial investments | 3 598,5 | 104,0 | 3 702,7 | 3 707,0 | 4,3 | 3 676,9 | 115,2 | 3 792,1 | 3 799,0 | 6,9 |
| Investment property | - | - | 75,5 | 278,2 | 202,6 | - | - | 76,7 | 274,9 | 198,2 |
| Cash | - | - | 393,6 | 393,6 | - | - | - | 450,3 | 450,3 | - |
| Total | 3 598,5 | 104,0 | 4 171,8 | 4 378,7 | 206,9 | 3 676,9 | 115,2 | 4 319,1 | 4 524,2 | 205,1 |

Current operating income

| <i>In € million</i> | H1 2017 | H1 2016 | Variation % |
|--|--------------|--------------|-------------|
| Net technical result | 160.6 | 151.9 | 5.7% |
| Net investment income (excluding financing expenses) | 53.4 | 49.4 | 8.3% |
| Current operating income | 214.1 | 201.3 | 6.3% |

As a result of higher net technical result and higher net investment result, the current operating income was up by €12.8 million to €214.1 million.

Consolidated net Income

| <i>In € million</i> | H1 2017 | H1 2016 | Variation % |
|---|---------------|---------------|--------------|
| Current operating income | 214.1 | 201.3 | 6.3% |
| Other non ordinary operating income and expense | -1.4 | 17.8 | N/A |
| Financing expenses | -3.4 | -2.7 | 24.1% |
| Share of Income from companies accounted by the equity method | 7.0 | 8.4 | -16.4% |
| Corporation tax | -51.2 | -54.6 | -6.2% |
| Non controlling interests | -1.3 | -0.2 | 655.7% |
| Consolidated net income, Group share | 163.8 | 170.0 | -3.7% |
| Tax rate | -23.7% | -24.3% | |

After non ordinary items, financing expenses, share of income from companies accounted by the equity method, and corporation tax, consolidated net income Group share stood at €163.8 million, compared to €170.0 million last year.

In H1 2016, other non-ordinary operating income and expenses included a positive one-off gain from the sale of the Bürgel entities (€24.3 million before taxes) and restructuring costs (€6.5 million before taxes).

Consolidated shareholders' equity

Consolidated shareholders' equity at 30 June 2017 amounted to €2,613.6 million, compared to €2,673.0 million at 31 December 2016, decreasing by €59.4 million. The main changes during the period were shown below.

| <i>In € million</i> | Capital stock | Additional paid-in capital | Consolidation reserve and Retained earnings | Revaluation reserve | Other | | Shareholders' equity, Group share | Non controlling interests | Total shareholders' equity |
|--|---------------|----------------------------|---|---------------------|---------------------|----------------|-----------------------------------|---------------------------|----------------------------|
| | | | | | Translation reserve | Treasury stock | | | |
| Shareholders' equity as at December 31, 2016 - IFRS | 13.6 | 272.3 | 2,275.9 | 87.4 | 4.5 | (31.3) | 2,622.4 | 50.6 | 2,673.0 |
| Available-for-sale assets (AFS) | | | | | | | | | |
| Measurement gain/(loss) taken to shareholders' equity | - | - | - | 11.6 | - | - | 11.6 | - | 11.6 |
| Impact of transferring realised gains and losses to income | - | - | - | (19.0) | - | - | (19.0) | - | (19.0) |
| Other changes | - | - | - | - | - | - | - | - | - |
| Actuarial gain / (loss) on defined benefit plans | - | - | 11.6 | - | - | - | 11.6 | 0.0 | 11.6 |
| Impact of translation differences | - | - | - | (6.1) | (26.1) | - | (32.2) | (0.2) | (32.4) |
| Components of other comprehensive income net of tax | - | - | 11.6 | (13.6) | (26.1) | - | (28.0) | (0.2) | (28.2) |
| Net income for the year | - | - | 163.8 | - | - | - | 163.8 | 1.3 | 165.1 |
| Comprehensive income of the period | - | - | 175.4 | (13.6) | (26.1) | - | 135.7 | 1.1 | 136.9 |
| Capital movements | - | - | - | - | - | 0.6 | 0.6 | - | 0.6 |
| Dividend distributions | - | - | (196.7) | - | - | - | (196.7) | (0.3) | (197.0) |
| Cancellation of gains/losses on treasury shares | - | - | - | - | - | 0.1 | 0.1 | - | 0.1 |
| Transaction between shareholder's | - | - | - | - | - | - | - | - | - |
| Other movements | - | - | 0.0 | 0.0 | - | - | 0.0 | - | 0.0 |
| Shareholders' equity as at June 30th, 2017 - IFRS | 13.6 | 272.3 | 2,254.6 | 73.8 | (21.6) | (30.6) | 2,562.1 | 51.4 | 2,613.6 |

The decrease in the Group share consolidated shareholders' equity was due to the negative impacts of:

- the dividends paid for €-196.7 million
- the translation differences for €-32.2 million;
- the revaluation of the investment portfolio and measurement gain taken to shareholder's equity for -7.4 million

Partially compensated by the positive impacts attributable to:

- the actuarial losses on defined benefits plan for €11.6 million
- the net result generated over the period for €+163.8 million excluding non-controlling interests;

Solvency II economic ratio

Euler Hermes implemented its own internal model

As part of the Allianz Group, Euler Hermes has been authorized by BaFin (the lead supervisor for the Allianz Group) upon the review and proposal by the local supervisors NBB (National Bank of Belgium) for Euler Hermes SA and CAA (Commissariat aux Assurances) for EH Re SA to use an internal model instead of a standard model to estimate the solvency capital requirement for its main entities (Euler Hermes SA, Euler Hermes North America, Euler Hermes Re AG and Euler Hermes Re SA).

Euler Hermes opted for the use of an internal model for the following reasons:

- despite an adequate representation of the risk (ordinary risk and non-ordinary risk, recession/ large loss events), the calibration of the actuarial components in the standard formula is not representing the Euler Hermes risk profile;
- the standard formula does not allow for a geographical diversification between regions while Euler Hermes considers that the various regions of presence are not correlated;
- the standard formula does not allow to take into account the management actions embedded in the Trade Credit Insurance policy through which Euler Hermes manages its risk, and;
- the standard formula is based on premiums which is not the adequate risk driver of Euler Hermes business.

Some other insurance entities of the Group, namely Euler Hermes Poland, Euler Hermes Greece and joint ventures in the scope of Solvency II, could not be integrated in the internal model, because of size and/or length of historical reasons. For these entities, Euler Hermes either uses the standard model or a deduction approach removing both capital and required capital from the solvency ratio of Euler Hermes as a group.

In addition, Euler Hermes includes in the calculation scope of its solvency ratio a banking regulated entity (Euler Hermes Crédit France) and an asset management entity (Euler Hermes Asset Management).

To support the management of its solvency ratio, Euler Hermes has implemented a capital ratio framework which defines the target solvency ratio at which Euler Hermes wants to operate. Euler Hermes has fixed its target solvency ratio at 160% within an optimal range between 140% and 170%.

Finally, Euler Hermes has established a strong enterprise risk management framework and efficient reporting processes in line with the Solvency II directive.

Solvency II economic ratio¹ as of June 30, 2017

The estimated Solvency II economic ratio is composed of the Own Funds divided by the Solvency Capital Requirements and stood at 165%¹ as of June 30, 2017.

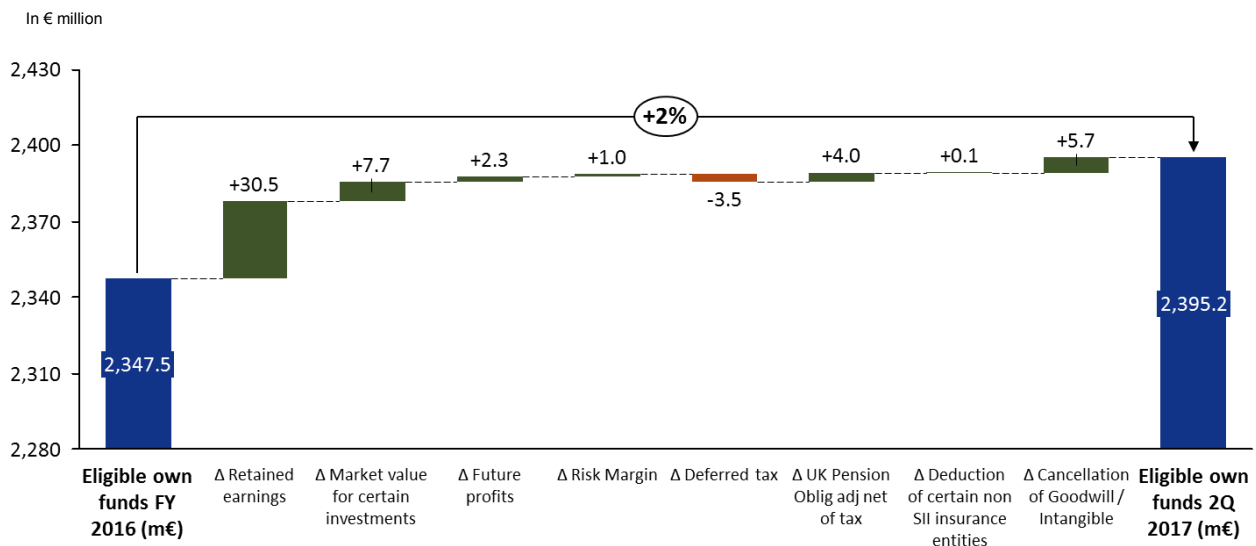
| (in € million) | Anticipated ⁽¹⁾ 30 June 2017 | 31 December 2016 |
|-----------------------------------|--|---------------------|
| Eligible Own Funds | 2.395 | 2.348 |
| Solvency Capital Requirement | 1.452 | 1.414 |
| Solvency II Economic Ratio | 165%¹ | 166% |

¹ Estimated Solvency II ratio: An updated press release shall be released if the ultimate Solvency II ratio deviates by more than 2 points compared to the estimate.

a) Eligible Own Funds:

The Eligible Own Funds 2Q 2017 are increasing by 47.7 m€ (+2%) from 2,347.5 m€ in Q4 2016 to 2,395.2 m€ in H1 2017. The increase is mainly due to:

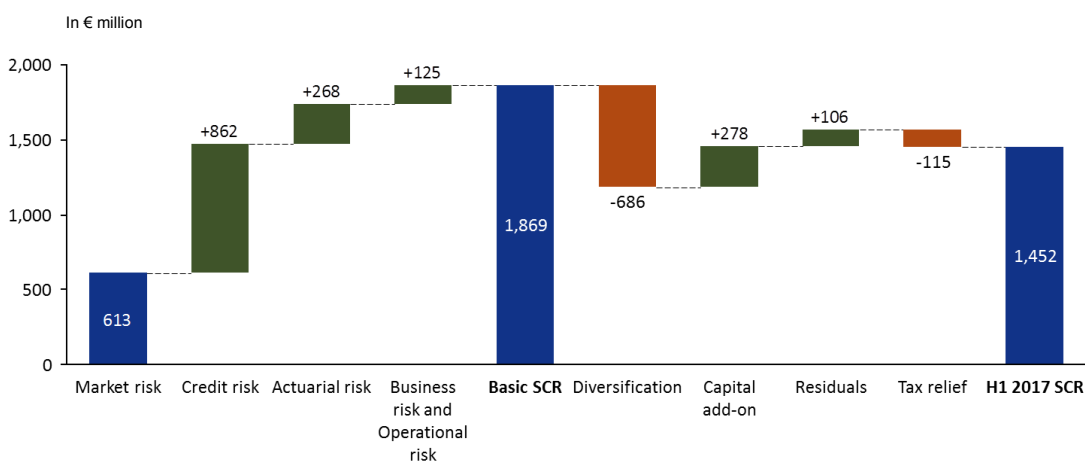
- the Profit and Other Comprehensive Income of the period less dividends (+30.5 m€),
- the positive impact of the market value revaluation of certain investments mainly driven by the Real estate reappraisal (OPCI and other French buildings).



b) Solvency Capital Requirement:

The Solvency Capital Requirement amounted €1 452 million as of June 30, 2017. No quantitative risk has been left out the SCR computation.

The solvency ratio (local solvency ratio or Solvency II ratio whenever applicable) for each of EH legal entities or branches operating in Canada and Asia was above the minimum legal threshold.



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

| (in € thousands) | Notes | June 30, 2017 | December 31, 2016 |
|--|-------|------------------|-------------------|
| Goodwill | 3 | 104 242 | 108 320 |
| Other intangible assets | | 128 483 | 126 092 |
| Intangible assets | | 232 725 | 234 412 |
| Investment property | 4 | 75 547 | 76 678 |
| Financial investments | 5 | 3 702 705 | 3 792 116 |
| Derivatives | | 12 200 | 12 358 |
| Investments | | 3 790 452 | 3 881 152 |
| Investments accounted for at the equity method | 6 | 199 040 | 202 019 |
| Share of assignees and reinsurers in the technical reserves and financial liabilities | 8 | 605 249 | 598 982 |
| Operating property and other property, plant and equipment | | 44 875 | 43 161 |
| Acquisition costs capitalised | | 94 634 | 85 325 |
| Deferred tax assets | | 32 670 | 32 131 |
| Inwards insurance and reinsurance receivables | | 685 872 | 636 821 |
| Outwards reinsurance receivables | | 1 675 | 58 110 |
| Corporation tax receivables | | 73 887 | 75 046 |
| Other receivables | | 304 711 | 208 458 |
| Other assets | | 1 238 324 | 1 139 052 |
| Cash | 7 | 393 554 | 450 281 |
| TOTAL ASSETS | | 6 459 344 | 6 505 898 |
| Capital stock | | 13 645 | 13 645 |
| Additional paid-in capital | | 272 307 | 272 307 |
| Reserves | | 2 060 184 | 1 957 663 |
| Net income, group share | | 163 775 | 286 952 |
| Revaluation reserve | | 73 790 | 87 359 |
| Foreign exchange translation | | (21 580) | 4 470 |
| Shareholders' equity, Group share | | 2 562 121 | 2 622 396 |
| Non controlling interests | | 51 431 | 50 616 |
| Total shareholders' equity | | 2 613 552 | 2 673 012 |
| Provisions for risks and charges | | 395 304 | 437 140 |
| Bank borrowings | | 252 170 | 252 219 |
| Other borrowings | | 2 039 | 2 031 |
| Borrowings | | 254 209 | 254 250 |
| Non-life technical reserves | 8 | 2 379 208 | 2 355 816 |
| Liabilities related to contracts | | 2 379 208 | 2 355 816 |
| Deferred tax liabilities | | 162 486 | 182 014 |
| Inwards insurance and reinsurance liabilities | | 217 124 | 217 961 |
| Outwards reinsurance liabilities | | 73 983 | 39 773 |
| Corporation tax payables | | 33 026 | 12 033 |
| Other payables | | 330 452 | 333 899 |
| Other liabilities | | 817 071 | 785 680 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 6 459 344 | 6 505 898 |

Consolidated income statement

| | Notes | June 30, 2017 | June 30, 2016 |
|---|-----------|------------------|------------------|
| Premiums written | | 1 232 825 | 1 237 052 |
| Premiums refunded | | (63 525) | (62 109) |
| Change in unearned premiums | | (80 526) | (77 842) |
| Earned premiums | | 1 088 774 | 1 097 101 |
| Service revenues | | 197 208 | 203 972 |
| Turnover | 9 | 1 285 982 | 1 301 073 |
| Investment income | | 38 692 | 37 723 |
| Investment management charges | | (5 537) | (5 935) |
| Net gain (loss) on sales of investments less impairment and depreciation writebacks | | 20 311 | 20 506 |
| Change in fair value of investments recognised at fair value through profit or loss | | (2 715) | 549 |
| Change in investment impairment provisions | | (14) | - |
| Net change in foreign currency | | 2 706 | (3 495) |
| Net investment income | - | 53 443 | 49 348 |
| Insurance services expenses | | (517 523) | (552 783) |
| Outwards reinsurance income | | 238 620 | 255 640 |
| Outwards reinsurance expenses | | (312 680) | (318 311) |
| Net outwards reinsurance income or expenses | 9 | (74 060) | (62 671) |
| Contract acquisition expenses | | (234 649) | (235 021) |
| Administration expenses | | (118 824) | (116 699) |
| Other ordinary operating income | - | 9 611 | 9 591 |
| Other ordinary operating expenses | - | (189 889) | (191 544) |
| CURRENT OPERATING INCOME | 9 | 214 091 | 201 294 |
| Other non ordinary operating expenses | 10 | (1 397) | (6 494) |
| Other non ordinary operating income | 10 | - | 24 337 |
| OPERATING INCOME | | 212 694 | 219 137 |
| Financing expenses | | (3 361) | (2 709) |
| Share of Income from companies accounted for at the equity method | 6 | 7 009 | 8 385 |
| Corporation tax | - | (51 237) | (54 597) |
| CONSOLIDATED NET INCOME | | 165 105 | 170 216 |
| o/w | | | - |
| NET INCOME, GROUP SHARE | | 163 775 | 170 040 |
| Non controlling interests | | 1 330 | 176 |
| | | | - |
| Earnings per share (in euros) | 11 | 3,90 | 3,89 |
| Diluted earnings per share (in euros) | 11 | 3,90 | 3,89 |
| | | | - |
| Earnings per share of continuing activities (in euros) | | 3,90 | 3,89 |
| Diluted earnings per share of continuing activities (in euros) | | 3,90 | 3,89 |

Consolidated statement of other comprehensive income

| (in € thousands) | June 30, 2017 | June 30, 2016 |
|---|-----------------|-----------------|
| NET INCOME, GROUP SHARE | 163 775 | 170 040 |
| Net income, Non controlling interests | 1 330 | 176 |
| Actuarial gains and losses on defined benefit plans net of tax | 11 577 | (26 997) |
| Other comprehensive income - Items that may never be reclassified to profit and loss | 11 577 | (26 997) |
| Available-for-sale investments - reclassification to net income | (19 989) | (12 821) |
| Tax impact | 968 | 6 746 |
| Available-for-sale investments - changes arising during the period | 12 514 | 32 504 |
| Tax impact | (935) | (9 798) |
| Foreign currency translation adjustments | (32 184) | (24 881) |
| Other comprehensive income - Items that may be reclassified to profit and loss in future periods | (39 626) | (8 250) |
| Other comprehensive income - non controlling interests share net of tax | (189) | (60) |
| Total comprehensive income | 136 867 | 134 909 |
| Total comprehensive income, Group share | 135 726 | 134 793 |
| Total comprehensive income, Non controlling interests | 1 141 | 116 |

Consolidated statement of cash flows

| (in € thousands) | Notes | June 30, 2017 | June 30, 2016 |
|---|-------|------------------|------------------|
| Net income, Group share | | 163 775 | 170 040 |
| Corporation tax | | 51 237 | 54 597 |
| Financing expense | | 3 361 | 2 709 |
| Minority interests | | 1 330 | 176 |
| (Income) loss of companies accounted for at the equity method | 6 | (7 009) | (8 385) |
| Operating income before tax | | 212 694 | 219 137 |
| Allocation to and writebacks of depreciation, amortization and reserves | | 7 046 | 5 720 |
| Change in technical reserves | | 42 636 | 73 387 |
| Change in deferred acquisition costs | | 97 | (3 648) |
| Change in fair value of financial instruments recognised at fair value through the income statement (excluding cash and cash equivalents) | | (102) | 3 447 |
| Realised capital (gains)/losses net of writebacks | | (20 409) | (44 782) |
| Unrealised foreign exchange (gain) loss in company accounts | | (3 700) | 1 841 |
| Interest revenues received accrued | | 768 | 7 350 |
| Adjustment for elements included in operating income that do not correspond to cash flows and reclassification of financing and investment flows | | 26 336 | 43 315 |
| Dividends received from companies accounted for at the equity method | 6 | 9 922 | 9 284 |
| Change in liabilities and receivables relating to insurance and reinsurance transactions | | 37 484 | 12 448 |
| Change in operating receivables and liabilities | | (107 576) | (2 418) |
| Change in other assets and liabilities | | (4 265) | 3 087 |
| Corporation tax | | (56 127) | (66 529) |
| Cash flow related to operating activities | | (120 562) | (44 128) |
| CASH FLOW FROM OPERATING ACTIVITIES | | 118 468 | 218 324 |
| 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 | 6 | - | (3 626) |
| Disposals of equity method investments | | - | - |
| Cash flow linked to changes in the consolidation scope | | - | 30 759 |
| Disposals of AFS securities | | 510 281 | 764 143 |
| Matured HTM securities | | - | - |
| Disposals of investment properties | | - | - |
| Disposals of securities held for trading | | 4 640 | 4 860 |
| Cash flow linked to disposals and redemptions of investments | | 514 921 | 769 003 |
| Acquisitions of AFS securities | | (567 688) | (451 791) |
| Acquisitions of HTM securities | | - | - |
| Acquisitions of investment and operating properties | 4 | (311) | (364) |
| Acquisitions of trading securities | | (4 606) | (2 519) |
| Cash flow linked to acquisitions of investments | | (572 605) | (454 674) |
| Disposals of other investments and intangible assets ⁽¹⁾ | | 651 192 | 1 699 342 |
| Acquisitions of other investments and intangible assets ⁽¹⁾ | | (563 409) | (1 632 912) |
| Cash flow linked to acquisitions and disposals of other investments and intangible assets | | 87 783 | 66 430 |
| CASH FLOW FROM INVESTING ACTIVITIES | | 30 099 | 411 518 |

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

| (in € thousands) | Notes | June 30, 2017 | June 30, 2016 |
|---|-------|------------------|------------------|
| Decreases in capital | | - | (167 068) |
| Transactions between shareholders | | - | - |
| Change in treasury stock | | 638 | 382 |
| Dividends paid | | (196 982) | (198 314) |
| Cash flow linked to transactions with the shareholders | | (196 344) | 365 000 |
| Changes in debts and subordinated securities | | (165) | (760) |
| <i>Issue</i> | | 1 752 | 11 663 |
| <i>Repayment</i> | | (1 917) | (12 423) |
| Interest paid | | (3 374) | (2 721) |
| Cash flow from Group financing | | (3 539) | (3 481) |
| CASH FLOW FROM FINANCING ACTIVITIES | | (199 883) | (368 481) |
| Impact of foreign exchange differences on cash and cash equivalents | | (5 659) | (3 233) |
| Reclassification | | 239 | - |
| OTHER NET CHANGES IN CASH | | (5 420) | (3 233) |
| Change in cash flows | | (56 736) | 258 128 |
| Change in cash and cash equivalents | | (56 736) | 258 128 |
| Cash and cash equivalents at beginning of period | 7 | 450 277 | 345 414 |
| Cash and cash equivalents at end of period | 7 | 393 541 | 603 542 |

During the first semester 2017, the cash position decreased by €56.7 million.

- Cash flows from operating activities decreased by €99.8 million, from €218.3 million at the end of June 2016 to €118.5 million at the end of June 2017, mainly due to the increase of operating receivables and liabilities for €107.6 million.
- Investment activities contributed to cash inflows up to €30.1 million at the end of June 2017, against €411.5 million at the end of June 2016, mainly due to cash outflows from net disposals in AFS securities for €-57.4 million at the end of June 2017 against cash inflows of €312.4 million at the end of June 2016.
- Cash outflows from the financing activities decreased from €368.5 million at the end of June 2016 to €199.9 million at the end of June 2017, mainly due to the share buyback which occurred in May 2016.

Consolidated statement of changes in equity

As at June 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 |
|--|---------------|----------------------------|---|---------------------|---------------------|-----------------|-----------------------------------|---------------------------|----------------------------|
| 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 | - | - | - | 11 579 | - | - | 11 579 | - | 11 579 |
| Impact of transferring realised gains and losses to income statement | - | - | - | (19 021) | - | - | (19 021) | - | (19 021) |
| Actuarial gain / (loss) on defined benefit plans | - | - | 11 577 | - | - | - | 11 577 | 3 | 11 580 |
| Impact of translation differences | - | - | - | (6 134) | (26 050) | - | (32 184) | (192) | (32 376) |
| Components of other comprehensive income net of tax | - | - | 11 577 | (13 576) | (26 050) | - | (28 049) | (189) | (28 238) |
| Net income for the year | - | - | 163 775 | - | - | - | 163 775 | 1 330 | 165 105 |
| Comprehensive income of the period | - | - | 175 352 | (13 576) | (26 050) | - | 135 726 | 1 141 | 136 867 |
| Capital movements | - | - | - | - | - | 555 | 555 | - | 555 |
| Dividend distributions | - | - | (196 656) | - | - | - | (196 656) | (326) | (196 982) |
| Cancellation of gains/losses on treasury shares | - | - | - | - | - | 83 | 83 | - | 83 |
| Other movements | - | - | 10 | 7 | - | - | 17 | - | 17 |
| Closing Shareholders' equity | 13 645 | 272 307 | 2 254 603 | 73 790 | (21 580) | (30 644) | 2 562 121 | 51 431 | 2 613 552 |

As at June 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 |
|--|---------------|----------------------------|---|---------------------|---------------------|-----------------|-----------------------------------|---------------------------|----------------------------|
| 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 | - | - | - | 22 706 | - | - | 22 706 | - | 22 706 |
| Impact of transferring realised gains and losses to income statement | - | - | - | (6 075) | - | - | (6 075) | - | (6 075) |
| Actuarial gain / (loss) on defined benefit plans | - | - | (26 997) | - | - | - | (26 997) | - | (26 997) |
| Impact of translation differences | - | - | - | (6 085) | (18 796) | - | (24 881) | (60) | (24 941) |
| Components of other comprehensive income net of tax | - | - | (26 997) | 10 546 | (18 796) | - | (35 247) | (60) | (35 307) |
| Net income for the year | - | - | 170 040 | - | - | - | 170 040 | 176 | 170 216 |
| Comprehensive income of the period | - | - | 143 043 | 10 546 | (18 796) | - | 134 793 | 116 | 134 909 |
| Capital movements | (865) | (192 700) | - | - | - | 26 770 | (166 795) | - | (166 795) |
| Dividend distributions | - | - | (196 640) | - | - | - | (196 640) | (1 674) | (198 314) |
| Cancellation of gains/losses on treasury shares | - | - | - | - | - | 109 | 109 | - | 109 |
| Transaction between shareholders | - | - | - | - | - | - | - | (10 007) | (10 007) |
| Other movements | - | - | 34 | 10 | 11 | - | 55 | - | 55 |
| Closing Shareholders' equity | 13 645 | 272 307 | 2 163 126 | 76 328 | (7 748) | (30 715) | 2 486 943 | 50 242 | 2 537 185 |

As at June 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 619,189 treasury shares.

During the period, the decrease in the revaluation reserve totaled €13,569 thousand net of taxes, thereof €11,579 thousand gain due to re-evaluation at market value of available-for-sale (AFS) investments, recorded in revaluation reserve, and €-19,021 thousand realized gains on AFS disposals, recognized in the income statement.

The decrease in translation reserves by €26,050 thousand during the exercise relates mainly to the US dollar for an impact of €-20,511 thousand, the Hong Kong dollar for €-3,341 thousand and the British pound for €-2,435 thousand.

Notes to the condensed consolidated financial statements

Note 1 Significant events

The following significant events occurred in the first half 2017:

Changes in the share capital and in share ownership

As at June 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 June 30, 2017, Euler Hermes Group's share capital was composed of 42,641,635 shares, including 619,189 shares held in treasury stock.

Digital initiatives

Euler Hermes Group launched various digital initiatives during H1 2017 :

- A partnership was signed in March with Flowcast a Fintech company specialized in artificial intelligence (AI) in the United States,
- And on June 7th, 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.

Notes to the condensed consolidated financial statements

Note 2 IFRS accounting and valuation rules

Euler Hermes Group SA is a company domiciled in France. The Headquarters of Euler Hermes Group SA are located 1, Place des Saisons 92048 Paris – La Défense Cedex. The condensed consolidated financial statements for the period from January 1, 2017 to June 30, 2017 include Euler Hermes Group SA and its subsidiaries (the whole designated as “the Group” and each subsidiary individually as “the entity of the Group”) and the quota-share of the Group in its associated companies or joint ventures.

Euler Hermes Group SA is registered in RCS with the reference number 552 040 594.

The financial statements of the Euler Hermes group as at June 30, 2017 were approved by the Group Management Board on July 25, 2017 and presented to the Supervisory Board on July 26, 2017.

2.1. General Principles

In accordance with European regulation no. 1606/2002 of July 19, 2002, the condensed consolidated financial statements published as at June 30, 2017 were prepared in accordance with IAS 34 as adopted by the European Union. International accounting standards comprise IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), together with their interpretative texts. These interim financial statements should be read in conjunction with the consolidated financial statements of the group as at December 31, 2016, prepared in accordance with IFRS standards as adopted by the European Union.

The standards and interpretations applied stem essentially from:

- IAS/IFRS and their interpretative texts whose application is mandatory at June 30, 2017 as adopted by the European Union;
- Guidance provided in CNC recommendation no. 2013-R05 relating to the format of financial statements prepared by insurance firms under international accounting guidelines.

The financial statements are presented in euros, the functional currency, rounded to the nearest thousand. They have been prepared on a historical cost basis except for asset and liability items relating to insurance policies, which are measured in accordance with the methods already applied by the Group and for financial instruments measured at fair value (financial instruments at fair value through the consolidated income statement and available-for sale financial instruments). Non-current assets and groups of assets held with a view to being sold are measured at the lower of carrying amount and fair value less selling costs.

2.2. Changes in the accounting framework applicable to the Group in 2017

Standards, amendments and interpretations for which application is mandatory from January 1, 2017 :

No new standard, amendment or interpretation with significant impact on the financial statements of the Group, is mandatory for the Group from January 1, 2017.

Early application of standards

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

Recently issued IFRS accounting standards

- IFRS 9, Financial Instruments

IFRS 9, “Financial Instruments”, was issued by the IASB in July 2014 and will fully replace IAS 39. IFRS 9 provides a new approach on how to classify financial instruments based on their cash flow characteristics and the business model under which they are managed. Furthermore, the standard introduces a new impairment model for debt instruments and provides new rules for hedge accounting. The effective date is January 1, 2018.

In 2016, the IASB issued an amendment to IFRS 4 that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before January 1, 2021, provided certain preconditions are met. These preconditions, which relate to insurance being the dominant activity of a reporting entity, are fulfilled by the Group and it is planned to make use of this option. It can be assumed that the main

Notes to the condensed consolidated financial statements

impact from IFRS 9 will arise from the new classification rules leading to more financial instruments being measured at fair value through profit and loss as well as from the new impairment model.

- **IFRS 15, Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". IFRS 15 supersedes IAS 18, IAS 11, and a number of revenue-related interpretations. With the introduction of IFRS 15, the IASB pursued the objective of developing a single revenue standard containing comprehensive principles for recognizing revenue. The effective date is January 1, 2018.

The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements and does not expect that there will be a significant impact.

- **IFRS 16, Leases**

In January 2016, the IASB issued IFRS 16, "Leases", which supersedes IAS 17. IFRS 16 eliminates the classification of leases as either operating or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases under IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases and leases of low-value assets.

The Group has started an initial assessment of the potential impact of the application of IFRS 16 on its consolidated financial statements and does not expect that there will be a significant impact.

The Group currently plans to apply IFRS 16 as of January 1, 2019.

2.3. Consolidation scope

The liquidation of the Pimco Funds Ireland was settled on April 25, 2017, following the transfer of its assets to its parent entities Euler Hermes Reinsurance AG and Euler Hermes SA (NV) on April 20, 2017.

2.4. Use of estimates

The production of the condensed consolidated financial statements of the Group is based on estimates for a part of the assets and liabilities items. Management is called upon to review these estimates in the event of changes that may alter the basis on which they have been established or due to the consideration of new information or accrued experience.

The estimates concerning technical provisions are also detailed in section 4 "Major risk factors and their management within the Group" of the 2016 Registration Document.

The table below summarizes the assessment methods of estimates for the main aggregates of the balance sheet:

Notes to the condensed consolidated financial statements

| | Estimate | Communicated information |
|----------------------------------|--|--|
| Note 3 | Impairment of goodwill | An impairment of goodwill is recognised when the higher of the Cash Generating Unit's value in use (present value of future cash flows) and fair value less any selling costs is less than its carrying amount (share of net assets and goodwill). The fair value of the Cash Generating Unit's is based on assumptions of capital costs, growth rate to infinity and loss ratio & standard retention rates used in the calculation of the final values. |
| Note 4 | Fair value of real estate held for investments & for use | The fair value of buildings is estimated based on market prices, adjusted, where applicable, to take into account the nature, location or other specific features of the building concerned. |
| Note not published at 30/06/2017 | Provisions for risks and charges | Provisions for risks and charges are measured in accordance with IAS 37 and are reviewed and adjusted at each balance sheet date to reflect the best estimate at this date. |
| Note not published at 30/06/2017 | Employee benefits | The related commitments are measured in accordance with IAS 19 Revised and are reviewed yearly by independent actuaries. The commitment is recognized in the balance sheet using the projected unit credit method, based on the group actuarial assumptions. |
| Note 8 | Earned but not recorded premiums reserves | This reserve is established based on the estimate of the amount of premiums expected in the period less the amount of premiums recorded on the period. |
| Note 8 | Provisions for salvages & recoveries | This reserve represents the estimate of potential recoveries on settled claims by a statistical calculation based on the evolution of salvages & recoveries by year of attachment on previous exercises. They take into consideration a provision for administration charges determined in accordance with actual observed expenses. |
| Note 8 | Bonus & profit commission reserve | This reserve is intended to cover the future cost corresponding to premium rebates to be granted to policyholders under the terms of policies giving policyholders a share in their technical positive results. |
| Note 8 | Reserves for claims payable | This reserve corresponds to a statistical estimate of the cost of all outstanding claims, that is to say claims reported but not yet settled. |
| Note 8 | IBNR reserve | IBNR reserves are established to recognize the estimated cost of losses that have occurred but where the Group has not yet been notified. The Group relies on its past experience, adjusted for current trends and any other relevant factors to estimate IBNR reserves. IBNR are estimates based on actuarial and statistical projections of the expected cost of ultimate settlement and administration of claims. The analyses are based on facts and circumstances known at the time, predictions of future events, and other economic factors. IBNR reserves are reviewed and revised periodically as additional information becomes available and actual claims are reported. |
| Note not published | Stock option plans | The fair value of the liabilities resulting from the Allianz and Euler Hermes Group SAR (Stock Appreciation Rights) and RSU (Restricted Stocks Units) plans is reassessed at each balance sheet date based on the Allianz share price and Euler Hermes Group share price, until expiry of the obligation. The fair value from SAR and RSU is calculated using the Cox-Ross-Rubinstein binomial valuation model. |

Note 3 Goodwill

In accordance with IFRS 3, goodwill is not amortized but is subject to impairment tests which are performed on a systematic annual basis and as soon as there is any indication of loss in value.

| (in € thousand) | June 30, 2017 | | | | | December 31, 2016 | |
|---|---------------|----------------|---------------|-------------------|--------------|-------------------|----------------|
| | Italy | United Kingdom | United States | Benelux countries | Other | Total | Total |
| Opening balance | | | | | | | |
| Gross value | 6 229 | 58 441 | 40 198 | 9 459 | 6 944 | 121 271 | 128 963 |
| Impairment losses | (409) | (8 466) | (4 077) | - | - | (12 952) | (14 111) |
| Carrying amount | 5 820 | 49 975 | 36 121 | 9 459 | 6 944 | 108 320 | 114 852 |
| Change during the year | | | | | | | |
| Opening carrying amount | 5 820 | 49 975 | 36 121 | 9 459 | 6 944 | 108 320 | 114 852 |
| Changes in gross value | - | - | - | - | - | - | - |
| Outgoing entities & Held for sale transfer | - | - | - | - | - | - | - |
| Reclassifications | - | - | - | - | - | - | - |
| Changes in foreign currency translation adjustments | - | (1 363) | (2 717) | - | 2 | (4 078) | (6 532) |
| Impairment losses | - | - | - | - | - | - | - |
| Closing carrying amount | 5 820 | 48 612 | 33 404 | 9 459 | 6 946 | 104 242 | 108 320 |
| Closing Balance | | | | | | | |
| Gross value | 6 229 | 56 853 | 37 174 | 9 459 | 6 946 | 116 662 | 121 271 |
| Impairment losses | (409) | (8 241) | (3 770) | - | - | (12 420) | (12 952) |
| Carrying amount | 5 820 | 48 612 | 33 404 | 9 459 | 6 946 | 104 242 | 108 320 |

As at June, 30 2017, changes in goodwill are due to the depreciation of the US dollar and the British pound against the euro.

Notes to the condensed consolidated financial statements

Note 4 Investment and operating property

| (in € thousand) | June 30, 2017 | | December 31, 2016 | |
|---|----------------------|--------------------------|---------------------|--------------------|
| | Investment property | Operating property | Investment property | Operating property |
| Balance at opening period | | | | |
| Gross value | 103 665 | 27 420 | 103 271 | 27 367 |
| Depreciation | (26 987) | (17 989) | (24 297) | (17 827) |
| Impairment losses | - | - | - | - |
| Carrying amount | 76 678 | 9 431 | 78 974 | 9 540 |
| Change during the year | | | | |
| Opening carrying amount | 76 678 | 9 431 | 78 974 | 9 540 |
| Acquisitions | 200 | 111 | 391 | 44 |
| Change in consolidation scope | - | - | - | - |
| Disposals | - | - | - | - |
| Reclassifications | - | - | - | - |
| Changes in foreign currency translation adjustments | - | (15) | - | 4 |
| Net depreciation | (1 333) | (82) | (2 688) | (157) |
| Net provisions for impairment | - | - | - | - |
| Other changes | 2 | 1 | 1 | - |
| Closing carrying amount | 75 547 | 9 446 | 76 678 | 9 431 |
| Balance at the end of the period | | | | |
| Gross value | 103 863 | 27 499 | 103 665 | 27 420 |
| Depreciation | (28 316) | (18 053) | (26 987) | (17 989) |
| Impairment losses | - | - | - | - |
| Carrying amount | 75 547 | 9 446 | 76 678 | 9 431 |
| Fair value | 278 157 | 23 287 | 274 878 | 22 782 |
| Amounts recorded in the income statement | | | | |
| Investment property | June 30, 2017 | December 31, 2016 | | |
| Rental revenues from investment property | 4 523 | 6 672 | | |
| Direct operating expenses relating to property | (1) | (2) | | |

The acquisitions of investment property consist of renovations costs of the former headquarter owned by Euler Hermes Real Estate. As at June 30, 2017, these acquisitions amounted to €0.2 million compared to €0.4 million as at December 31, 2016.

Notes to the condensed consolidated financial statements

Note 5 Financial investments

Classification by accounting method

For an instrument that is listed on an active market, the fair value is the bid price on the valuation date for an asset held or a liability to be issued and the offer price for an asset intended to be purchased or a liability intended to be held. If such prices are not available, the fair value is estimated based on the most recent transaction price.

If there is not any active market for a given financial instrument, the Group estimates the fair value by using a valuation technique. Valuation techniques include the use of recent transactions under normal competitive conditions between informed and consenting parties, where available, reference to the current fair value of another instrument that is identical in substance, the analysis of discounted cash flows and option valuation models.

Classification by investment category

| (in € thousands) | June 30, 2017 | | | | | | December 31, 2016 | | | | | |
|---|------------------|---------------------|---------------------|------------------|------------------|----------------|-------------------|---------------------|---------------------|------------------|------------------|---------------|
| | Historical value | Revaluation reserve | Net carrying amount | Fair value | Listed | Non listed | Historical value | Revaluation reserve | Net carrying amount | Fair value | Listed | Non listed |
| Bonds | 191 | - | 191 | 191 | - | 191 | 191 | - | 191 | 191 | - | 191 |
| Held-to-maturity assets | 191 | - | 191 | 191 | - | 191 | 191 | - | 191 | 191 | - | 191 |
| Equities | 261 316 | 40 243 | 301 793 | 301 792 | 3 059 875 | 148 813 | 247 590 | 39 934 | 287 524 | 287 524 | 3 120 141 | 68 872 |
| Bonds | 2 843 143 | 63 734 | 2 906 895 | 2 906 896 | - | - | 2 826 177 | 75 312 | 2 901 489 | 2 901 489 | - | - |
| Available-for-sale assets | 3 104 459 | 103 977 | 3 208 688 | 3 208 688 | 3 059 875 | 148 813 | 3 073 767 | 115 246 | 3 189 013 | 3 189 013 | 3 120 141 | 68 872 |
| Loans, deposits and other financial investments | 493 826 | - | 493 826 | 498 141 | - | 498 141 | 602 912 | - | 602 912 | 609 789 | - | - |
| Total Financial investments (excluding investments in consolidated enterprise) | 3 598 476 | 103 977 | 3 702 705 | 3 707 020 | 3 059 875 | 647 145 | 3 676 870 | 115 246 | 3 792 116 | 3 798 993 | 3 120 141 | 69 063 |

Concerning the non-listed investments, the Group estimates the fair value by using a valuation technique. Valuation techniques include the use of recent transactions under normal competitive conditions between informed and consenting parties, where available, reference to the current fair value of another instrument that is identical in substance, the analysis of discounted cash flows and option valuation models. The non-listed investments are mainly German mortgage bonds.

There was no significant impact of impairment on the Group portfolio as of June 30, 2017. The Group does not hold any financial assets such as “dynamic treasury mutual funds” or “subprime investments”.

Notes to the condensed consolidated financial statements

Fair value hierarchy

- Available-for-sale assets

The level 1 is mainly composed of listed bonds and stocks on an active market.

The level 3 is mainly composed of participation in non-listed real estate funds, non-consolidated shares and of Moroccan non-listed government bonds.

| (in € thousands) | June 30, 2017 | | |
|----------------------------------|------------------|----------|----------------|
| | Level 1 | Level 2 | Level 3 |
| Available-for-sale assets | 3 059 875 | - | 148 813 |

| (in € thousands) | December 31, 2016 | | |
|----------------------------------|-------------------|----------|---------------|
| | Level 1 | Level 2 | Level 3 |
| Available-for-sale assets | 3 118 319 | - | 70 694 |

| (in € thousands) | December 31, 2015 | | |
|----------------------------------|-------------------|----------|---------------|
| | Level 1 | Level 2 | Level 3 |
| Available-for-sale assets | 3 217 155 | - | 45 939 |

- HTM bonds, loans, deposits and other financial investments

These investments are valued at amortized cost. Their hierarchical ranking is mainly level 3 except for the non-listed German mortgage bonds, classified in level 2 for €189.6 million.

Classification by geographical zone

June 30, 2017

| Net carrying amount (in € thousands) | France | Other countries | Group |
|--|----------------|------------------|------------------|
| Bonds | 191 | - | 191 |
| Total Held-to-maturity assets | 191 | - | 191 |
| Equities | 65 154 | 236 639 | 301 793 |
| Bonds | 193 578 | 2 713 317 | 2 906 895 |
| Total Available-for-sale assets | 258 732 | 2 949 956 | 3 208 688 |
| Loans, deposits and other financial investments | 82 027 | 411 799 | 493 826 |
| Total Loans, deposits and other financial investments | 82 027 | 411 799 | 493 826 |
| Total Financial investments | 340 950 | 3 361 755 | 3 702 705 |

December 31, 2016

| Net carrying amount (in € thousands) | France | Other countries | Group |
|--|----------------|------------------|------------------|
| Bonds | 191 | - | 191 |
| Total Held-to-maturity assets | 191 | - | 191 |
| Equities | 62 327 | 225 197 | 287 524 |
| Bonds | 228 859 | 2 672 630 | 2 901 489 |
| Total Available-for-sale assets | 291 186 | 2 897 827 | 3 189 013 |
| Loans, deposits and other financial investments | 81 602 | 521 310 | 602 912 |
| Total Loans, deposits and other financial investments | 81 602 | 521 310 | 602 912 |
| Total Financial investments | 372 979 | 3 419 137 | 3 792 116 |

Notes to the condensed consolidated financial statements

December 31, 2015

| Net carrying amount (in € thousands) | France | Other countries | Group |
|--|----------------|------------------|------------------|
| Bonds | 191 | - | 191 |
| Total Held-to-maturity assets | 191 | - | 191 |
| Equities | 64 430 | 206 056 | 270 486 |
| Bonds | 400 668 | 2 591 940 | 2 992 608 |
| Total Available-for-sale assets | 465 098 | 2 797 996 | 3 263 094 |
| Loans, deposits and other financial investments | 135 485 | 619 684 | 755 169 |
| Total Loans, deposits and other financial investments | 135 485 | 619 684 | 755 169 |
| Total Financial investments | 600 774 | 3 417 680 | 4 018 454 |

Movements in the periods

| (in € thousands) | June 30, 2017 | | | | December 31, 2016 |
|---|------------------------------|--------------------------------|---|------------------|-------------------|
| | Held-to-maturity investments | Available-for-sale investments | Loans, deposits and other financial investments | Total | Total |
| Opening carrying amount | 191 | 3 189 013 | 602 912 | 3 792 116 | 4 018 454 |
| Increase in gross value | - | 567 688 | 550 300 | 1 117 988 | 3 510 981 |
| Decrease in gross value | - | (489 970) | (651 212) | (1 141 182) | (3 727 703) |
| Change in consolidation scope | - | - | - | - | - |
| Revaluation | - | (7 865) | - | (7 865) | 28 607 |
| Impairment | - | (14) | - | (14) | (414) |
| Changes in foreign currency translation adjustments | - | (41 191) | (8 170) | (49 361) | (17 363) |
| Reclassifications | - | (31) | - | (31) | 756 |
| Other changes | - | (8 942) | (4) | (8 946) | (21 202) |
| Closing carrying amount | 191 | 3 208 688 | 493 826 | 3 702 705 | 3 792 116 |

As at June 30, 2017, the other changes of available for sale investments are mainly explained by the amortization of premiums and discounts of bonds. The changes in foreign currency translations are mainly due to the appreciation of the British pound and the US dollar against the euro.

| (in € thousands) | December 31, 2016 | | | | December 31, 2015 |
|---|------------------------------|--------------------------------|---|------------------|-------------------|
| | Held-to-maturity investments | Available-for-sale investments | Loans, deposits and other financial investments | Total | Total |
| Opening carrying amount | 191 | 3 263 094 | 755 169 | 4 018 454 | 3 894 626 |
| Increase in gross value | - | 866 250 | 2 644 731 | 3 510 981 | 3 712 143 |
| Decrease in gross value | - | (926 583) | (2 801 120) | (3 727 703) | (3 561 309) |
| Change in consolidation scope | - | - | - | - | - |
| Revaluation | - | 28 607 | - | 28 607 | (47 399) |
| Impairment | - | (414) | - | (414) | (53) |
| Changes in foreign currency translation adjustments | - | (21 492) | 4 129 | (17 363) | 54 811 |
| Reclassifications | - | 756 | - | 756 | (10 167) |
| Other changes | 0 | (21 205) | 3 | (21 202) | (24 198) |
| Closing carrying amount | 191 | 3 189 013 | 602 912 | 3 792 116 | 4 018 454 |

As at December 31, 2016, the other changes in available-for-sale investments are mainly explained by the amortization of premiums and discounts of bonds. The changes in foreign currency translations are mainly due to the depreciation of British pound against euro.

Notes to the condensed consolidated financial statements

Note 6 Investments accounted for at equity method

The companies accounted for at equity method are the following ones:

| Associated entities | Country | % of capital held |
|--|----------|-------------------|
| OeKB Beteiligungs- und Management A.G. | Austria | 49,00% |
| Companhia de Seguro de Creditos SA (COSEC) | Portugal | 50,00% |
| Israel Credit Insurance Company Ltd | Israel | 50,00% |
| Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA | Spain | 50,00% |
| CPPIC Euler Hermes Insurance Sales Co., Ltd | China | 49,00% |

Information on equity-accounted investments

| Company | June 30, 2017 | | | |
|----------------------------|-----------------------|-------------------------------------|-------------------------|---------------|
| | Assets ⁽¹⁾ | Shareholders' equity ⁽²⁾ | Turnover ⁽³⁾ | Net income |
| Credit insurance companies | 781 876 | 386 877 | 144 056 | 14 108 |
| | 781 876 | 386 877 | 144 056 | 14 108 |

⁽¹⁾ Assets based on IFRS statements as at March 31, 2017, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA and CPPIC Euler Hermes Insurance Sales Co., Ltd for which the assets are based on IFRS statements as at June 30, 2017.

⁽²⁾ Equity is determined on the basis of IFRS statements as at March 31, 2017, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA and CPPIC Euler Hermes Insurance Sales Co., Ltd for which equity is determined on the basis of IFRS statements as at June 30, 2017.

⁽³⁾ The turnover corresponds to the turnover in the IFRS statements as at March 31, 2017 plus ¼ of 2016 total turnover, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA, Companhia de Seguro de Creditos SA (COSEC) and CPPIC Euler Hermes Insurance Sales Co., Ltd for which turnover is as at June 30, 2017.

| Company | December 31, 2016 | | June 30, 2016 | |
|----------------------------|-----------------------|-------------------------------------|-------------------------|---------------|
| | Assets ⁽⁴⁾ | Shareholders' equity ⁽⁵⁾ | Turnover ⁽⁶⁾ | Net income |
| Credit insurance companies | 724 008 | 376 226 | 157 296 | 16 856 |
| Other companies | - | - | 52 838 | - |
| | 724 008 | 376 226 | 210 134 | 16 856 |

⁽⁴⁾ Assets based on IFRS statements as at September 30, 2016, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA for which the assets are based on IFRS statements as at December 31, 2016.

⁽⁵⁾ Equity is determined on the basis of IFRS statements as at September 30, 2016, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA for which equity is determined on the basis of IFRS statements as at December 31, 2016.

⁽⁶⁾ The turnover corresponds to the turnover in the IFRS statements as at March 31, 2016 plus to ¼ of 2015 total turnover, except for Solunion Seguros de Crédito, Compañía Internacional de Seguros y Reaseguros SA for which turnover is as at June 30, 2016. The turnover of Other companies corresponds to Graydon Holding N.V. which was sold in September 2016.

Notes to the condensed consolidated financial statements

Movements during the period

| (in € thousands) | June 30, 2017 | December 31, 2016 |
|--------------------------------|----------------|-------------------|
| Opening carrying amount | 202 019 | 193 292 |
| Increases | - | 3 570 |
| Share of income for the period | 7 009 | 15 343 |
| Dividends paid | (9 922) | (9 284) |
| Impairment | - | - |
| Foreign exchange differences | (454) | 423 |
| Other changes | 388 | (1 325) |
| Closing carrying amount | 199 040 | 202 019 |

Dividends paid correspond to dividends from OeKB EH Beteiligungs - und Management A.G. for €5.0 million, from Israël Credit Insurance Company for €2.1 million and from Cosec for € 2.8 million.

The other changes are mainly due to the change of the revaluation reserves of the investments accounted for at the equity method.

Contribution to shareholders' equity (without income)

| (in € thousands) | June 30, 2017 | December 31, 2016 |
|--------------------------------------|----------------|-------------------|
| Credit insurance companies | 192 031 | 186 676 |
| Other companies | - | - |
| Share of shareholders' equity | 192 031 | 186 676 |

Contribution to income

| (in € thousands) | June 30, 2017 | December 31, 2016 |
|------------------------------|---------------|-------------------|
| Credit insurance companies | 7 009 | 15 343 |
| Other companies | - | - |
| Share of total income | 7 009 | 15 343 |

Note 7 Cash and cash equivalents

| (in € thousand) | June 30, 2017 | December 31, 2016 |
|---|----------------|-------------------|
| Cash in bank and at hand | 334 374 | 377 566 |
| Cash pooling | 59 180 | 72 715 |
| Total cash | 393 554 | 450 281 |
| Total cash in balance sheet | 393 554 | 450 281 |
| Cash equivalents reflected in the cash flow statement | - | - |
| Cash pooling creditor with Allianz | (13) | (4) |
| Total cash and cash equivalents | 393 541 | 450 277 |

Notes to the condensed consolidated financial statements

Note 8 Technical reserves

| (in € thousand) | December 31, 2016 | Allowance net of writebacks | Foreign exchange differences | Changes in consolidation scope | Other changes | June 30, 2017 |
|---|-------------------|-----------------------------|------------------------------|--------------------------------|---------------|------------------|
| Reserve for unearned premiums | 464 764 | 80 522 | (14 909) | - | 477 | 530 854 |
| Reserve for claims net of forecasts of recoveries | 1 738 299 | (3 799) | (28 304) | - | (193) | 1 706 003 |
| Reserve for no-claims bonuses and rebates | 152 753 | (9 135) | (1 198) | - | (69) | 142 351 |
| Gross technical reserves | 2 355 816 | 67 588 | (44 411) | - | 215 | 2 379 208 |
| Reserve for unearned premiums | 25 183 | 21 208 | (441) | - | 1 124 | 47 074 |
| Reserve for claims net of forecasts of recoveries | 542 175 | (7 927) | (5 547) | - | (190) | 528 511 |
| Reserve for no-claims bonuses and rebates | 31 624 | (1 720) | (240) | - | - | 29 664 |
| Reinsurers' share of technical reserves | 598 982 | 11 561 | (6 228) | - | 934 | 605 249 |
| Net technical reserves | 1 756 834 | 56 027 | (38 183) | - | (719) | 1 773 959 |

Claims reserves

| (in € thousand) | June 30, 2017 | | | December 31, 2016 | | |
|--|------------------|------------------|------------------|-------------------|------------------|------------------|
| | Gross | Reinsurance | Net | Gross | Reinsurance | Net |
| Claims reserves gross of recoveries | 1 930 257 | (608 723) | 1 321 534 | 1 970 789 | (624 369) | 1 346 420 |
| Current period | 582 538 | (142 944) | 439 594 | 1 014 364 | (271 582) | 742 782 |
| Prior periods | 1 347 719 | (465 779) | 881 940 | 956 425 | (352 787) | 603 638 |
| Recoveries to be received | (224 254) | 80 212 | (144 042) | (232 490) | 82 194 | (150 296) |
| Current period | (35 874) | 8 191 | (27 683) | (66 337) | 14 188 | (52 149) |
| Prior periods | (188 380) | 72 021 | (116 359) | (166 153) | 68 006 | (98 147) |
| Claims reserves | 1 706 003 | (528 511) | 1 177 492 | 1 738 299 | (542 175) | 1 196 124 |

Breakdown by type of reserve

| (in thousand) | June 30, 2017 | | | December 31, 2016 | | |
|---|------------------|------------------|------------------|-------------------|------------------|------------------|
| | Gross | Reinsurance | Net | Gross | Reinsurance | Net |
| Reserves for unearned premiums | 530 854 | (47 074) | 483 780 | 464 764 | (25 183) | 439 581 |
| Claims reserves | 1 706 003 | (528 511) | 1 177 492 | 1 738 299 | (542 175) | 1 196 124 |
| of which, reserves for known claims | 1 243 810 | (404 693) | 839 117 | 1 293 168 | (431 679) | 861 489 |
| of which, reserves for late claims | 609 062 | (195 823) | 413 239 | 604 309 | (182 562) | 421 747 |
| of which, reserves for claims handling expenses | 77 351 | (8 208) | 69 143 | 73 364 | (10 128) | 63 236 |
| of which, other technical reserves | 33 | 1 | 34 | (52) | - | (52) |
| of which, recoveries to be received | (224 253) | 80 212 | (144 041) | (232 490) | 82 194 | (150 296) |
| No-claims bonuses and rebates | 142 351 | (29 664) | 112 687 | 152 753 | (31 624) | 121 129 |
| Technical reserves | 2 379 208 | (605 249) | 1 773 959 | 2 355 816 | (598 982) | 1 756 834 |

Notes to the condensed consolidated financial statements

Note 9 Breakdown of operating income

| (in € thousands) | June 30, 2017 | | | June 30, 2016 | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| | Gross | Reinsurance | Net | Gross | Reinsurance | Net |
| Premiums and commissions | 1 232 825 | (361 737) | 871 088 | 1 237 052 | (351 227) | 885 825 |
| Premiums refunded | (63 525) | 14 733 | (48 792) | (62 109) | 15 196 | (46 913) |
| Gross premiums written - credit insurance | 1 169 300 | (347 005) | 822 295 | 1 174 943 | (336 031) | 838 912 |
| Change in unearned premiums | (80 526) | 34 324 | (46 202) | (77 842) | 17 720 | (60 122) |
| Earned premiums | 1 088 774 | (312 681) | 776 093 | 1 097 101 | (318 311) | 778 790 |
| Service revenues | 197 208 | - | 197 208 | 203 972 | - | 203 972 |
| Turnover | 1 285 982 | (312 681) | 973 301 | 1 301 073 | (318 311) | 982 762 |
| Net investment income | 53 443 | - | 53 443 | 49 348 | - | 49 348 |
| Claims paid | (466 014) | 121 951 | (344 063) | (446 943) | 105 013 | (341 930) |
| Claims reserves expenses | 7 683 | (5 877) | 1 806 | (53 794) | 31 890 | (21 904) |
| Claims handling expenses | (59 192) | (357) | (59 549) | (52 046) | 1 093 | (50 953) |
| Insurance services expenses | (517 523) | 115 717 | (401 806) | (552 783) | 137 996 | (414 787) |
| Brokerage commissions | (121 686) | - | (121 686) | (125 271) | - | (125 271) |
| Other acquisition costs | (128 362) | - | (128 362) | (126 994) | - | (126 994) |
| Change in acquisition costs capitalised | 15 399 | - | 15 399 | 17 244 | - | 17 244 |
| Contract acquisition expenses | (234 649) | - | (234 649) | (235 021) | - | (235 021) |
| Impairment of portfolio securities and similar | - | - | - | - | - | - |
| Administration expenses | (118 824) | - | (118 824) | (116 699) | - | (116 699) |
| Commissions received from reinsurers | - | 122 904 | 122 904 | - | 117 644 | 117 644 |
| Other ordinary operating income and expenses | (180 278) | - | (180 278) | (181 953) | - | (181 953) |
| Current operating income | 288 151 | (74 060) | 214 091 | 263 965 | (62 671) | 201 294 |

Cost of claims

| (in € thousands) | June 30, 2017 | | | June 30, 2016 | | |
|--|-----------------|------------------|-----------------|-----------------|------------------|-----------------|
| | Gross | Reinsurance | Net | Gross | Reinsurance | Net |
| Cost of claims for the current period | 656 117 | (153 586) | 502 531 | 663 054 | (157 117) | 505 937 |
| of which, claims paid | 41 694 | (8 842) | 32 852 | 39 614 | (8 626) | 30 988 |
| of which, claims reserves | 563 352 | (143 681) | 419 671 | 579 358 | (147 415) | 431 943 |
| of which, claims handling expenses | 51 071 | (1 063) | 50 008 | 44 082 | (1 076) | 43 006 |
| Recoveries for the current period | (41 930) | 8 541 | (33 389) | (38 154) | 7 938 | (30 217) |
| Recoveries received | (5 670) | 281 | (5 389) | (2 704) | 400 | (2 303) |
| Change in reserves for recoveries | (36 260) | 8 260 | (28 000) | (35 451) | 7 537 | (27 914) |
| Cost of claims from prior periods | (79 212) | 4 490 | (74 722) | (86 096) | 3 634 | (82 462) |
| of which, claims paid | 490 294 | (148 130) | 342 164 | 482 033 | (120 360) | 361 673 |
| of which, claims reserves | (577 627) | 151 200 | (426 427) | (576 093) | 124 011 | (452 082) |
| of which, claims handling expenses | 8 121 | 1 420 | 9 541 | 7 964 | (17) | 7 947 |
| Recoveries from prior periods | (17 452) | 24 838 | 7 386 | 13 979 | 7 550 | 21 529 |
| Recoveries received | (60 304) | 34 740 | (25 564) | (72 000) | 23 573 | (48 427) |
| Change in reserves for recoveries | 42 852 | (9 902) | 32 950 | 85 979 | (16 023) | 69 956 |
| Cost of claims | 517 523 | (115 717) | 401 806 | 552 783 | (137 996) | 414 787 |

Notes to the condensed consolidated financial statements

Note 10 Other operating revenues and expenses

| (in € thousands) | June 30, 2017 | June 30, 2016 |
|---|----------------|---------------|
| Other non-ordinary operating income | - | 24 337 |
| Other non-ordinary operating expenses | (1 397) | (6 494) |
| Other non-ordinary operating income and expenses | (1 397) | 17 843 |

The other non-ordinary operating expenses are mainly related to restructuring costs in Germany both in first half 2017 and 2016. In first half 2016, the other non-ordinary operating income mainly consist of the €22.4 million realized gain (net of taxes) on the disposal of the Bürgel group.

Note 11 Earnings per share

Earnings per share

| | June 30, 2017 | June 30, 2016 |
|--|---------------|---------------|
| Distributable net income (in € thousands) | 163 775 | 170 040 |
| Weighted average number of ordinary shares before dilution | 42 019 492 | 43 675 785 |
| Earnings per share (in €) | 3,90 | 3,89 |
| <hr/> | | |
| Distributable net income (in € thousands) | 163 775 | 170 040 |
| Weighted average number of ordinary shares after dilution | 42 019 492 | 43 675 785 |
| Diluted earnings per share (in €) | 3,90 | 3,89 |

The dilution impact takes into account the exercise of options. The average number of shares resulting from dilution is at zero both in first half 2017 and 2016.

Note 12 Segment data

Segment assets are operating assets that can be directly attributed or reasonably allocated to a given segment. Segment liabilities are liabilities arising from operations that can be directly attributed or reasonably allocated to a given segment.

Segment profit and loss comprises income and expense resulting from operating activities that are directly attributable to a given segment and the relevant portion of income and expense that can reasonably be assigned to the segment, notably income and expense relating to sales to external customers and income and expense relating to transactions with other segments of the same company.

For the Group the primary segment is the geographical segment as it corresponds to the information presented to the Group's management bodies.

Notes to the condensed consolidated financial statements

Profit & loss by segment – Six months ended June 2017

(in € thousands)

Six months ended June 30, 2017

| | Germany, Austria, Switzerland | France | Northern Europe | Mediterranean Countries, Middle East & Africa | Americas | Asia Pacific | Group reinsurance | Group services | Inter-segment eliminations | Group |
|---|-------------------------------------|------------------|--------------------|--|------------------|-----------------|----------------------|-------------------|-------------------------------|--------------------|
| Premiums written | 335 804 | 185 132 | 262 494 | 144 268 | 161 829 | 57 147 | 937 000 | - | (850 849) | 1 232 825 |
| Premiums refunded | (30 603) | (13 102) | (12 681) | (2 492) | (2 583) | (1 652) | (47 042) | - | 46 630 | (63 525) |
| Change in unearned premiums | (27 052) | (6 107) | (24 357) | (9 466) | (10 144) | (2 142) | (106 028) | - | 104 770 | (80 526) |
| Earned premiums - non-Group | 278 149 | 165 923 | 225 456 | 132 310 | 149 102 | 53 353 | 783 930 | - | (699 449) | 1 088 774 |
| Services revenues - non-Group | 69 240 | 43 190 | 47 636 | 36 500 | 24 064 | 15 937 | - | 60 696 | (100 055) | 197 208 |
| Turnover - intra-sectoral | 347 389 | 209 113 | 273 092 | 168 810 | 173 166 | 69 290 | 783 930 | 60 696 | (799 504) | 1 285 982 |
| Investment income | 9 552 | 9 190 | 8 507 | 3 912 | 4 009 | 1 818 | 17 459 | 181 876 | (182 880) | 53 443 |
| <i>Of which, dividends</i> | (63) | - | - | - | - | - | - | (182 667) | 182 730 | - |
| Total ordinary income | 356 941 | 218 303 | 281 599 | 172 722 | 177 175 | 71 108 | 801 389 | 242 572 | (982 384) | 1 339 425 |
| Insurance services expenses | (133 915) | (78 095) | (100 351) | (58 896) | (59 048) | (48 788) | (350 598) | 1 542 | 310 626 | (517 523) |
| Outwards reinsurance income | 163 139 | 81 506 | 122 083 | 54 808 | 77 662 | 45 104 | 241 187 | - | (546 869) | 238 620 |
| Outwards reinsurance expenses | (195 375) | (108 390) | (164 849) | (95 144) | (107 450) | (40 534) | (300 387) | - | 699 449 | (312 680) |
| Other income and expenses | (139 977) | (83 634) | (116 802) | (69 499) | (69 622) | (39 679) | (268 821) | (82 017) | 336 300 | (533 751) |
| Total other income and expenses | (306 128) | (188 613) | (259 919) | (168 731) | (158 458) | (83 897) | (678 619) | (80 475) | 799 506 | (1 125 334) |
| CURRENT OPERATING INCOME | 50 813 | 29 690 | 21 680 | 3 991 | 18 717 | (12 789) | 122 770 | 162 097 | (182 878) | 214 091 |
| Other non ordinary operating expenses and income | (1 707) | 962 | (3) | - | - | - | - | - | (649) | (1 397) |
| OPERATING INCOME | 49 106 | 30 652 | 21 677 | 3 991 | 18 717 | (12 789) | 122 770 | 162 097 | (183 527) | 212 694 |
| Financing expenses | (39) | (1 770) | (130) | (13) | - | - | (407) | (1 153) | 151 | (3 361) |
| Share of Income from companies accounted by the equity method | 2 466 | 3 848 | - | - | - | (263) | - | 957 | 1 | 7 009 |
| Corporation tax | (12 936) | (9 394) | (2 468) | (1 805) | (6 871) | (347) | (16 058) | (1 352) | (6) | (51 237) |
| CONSOLIDATED NET INCOME | 38 597 | 23 336 | 19 079 | 2 173 | 11 846 | (13 399) | 106 305 | 160 549 | (183 381) | 165 105 |
| NET INCOME, GROUP SHARE | 38 594 | 22 472 | 19 054 | 1 689 | 11 846 | (13 399) | 106 305 | 160 595 | (183 381) | 163 775 |
| Non controlling interests | 3 | 864 | 25 | 484 | - | - | - | (46) | - | 1 330 |

Notes to the condensed consolidated financial statements

Profit & loss by segment – Six months ended June 2016

(in € thousands)

Six months ended June 30, 2016

| | Germany, Austria, Switzerland | France | Northern Europe | Mediterranean Countries, Middle East & Africa | Americas | Asia Pacific | Group reinsurance | Group services | Inter-segment eliminations | Group |
|---|-------------------------------------|------------------|--------------------|--|------------------|-----------------|----------------------|-------------------|-------------------------------|--------------------|
| Premiums written | 337 232 | 182 486 | 255 890 | 150 246 | 155 227 | 71 102 | 917 209 | - | (832 340) | 1 237 052 |
| Premiums refunded | (31 820) | (13 225) | (11 616) | (32) | (2 588) | (819) | (47 067) | - | 45 058 | (62 109) |
| Change in unearned premiums | (26 011) | (3 824) | (22 900) | (8 203) | (8 748) | (9 775) | (89 140) | - | 90 759 | (77 842) |
| Earned premiums - non-Group | 279 401 | 165 437 | 221 374 | 142 011 | 143 891 | 60 508 | 781 002 | - | (696 523) | 1 097 101 |
| Services revenues - non-Group | 73 912 | 43 217 | 47 728 | 36 164 | 23 839 | 14 543 | - | 47 198 | (82 629) | 203 972 |
| Turnover - intra-sectoral | 353 313 | 208 654 | 269 102 | 178 175 | 167 730 | 75 051 | 781 002 | 47 198 | (779 152) | 1 301 073 |
| Investment income | 18 083 | 13 975 | 748 | 7 654 | 3 523 | (405) | 8 463 | 799 608 | (802 301) | 49 348 |
| <i>Of which, dividends</i> | (92) | (2 033) | - | - | - | - | - | (798 938) | 801 062 | (1) |
| Total ordinary income | 371 396 | 222 629 | 269 850 | 185 829 | 171 253 | 74 646 | 789 465 | 846 806 | (1 581 453) | 1 350 421 |
| Insurance services expenses | (109 729) | (88 684) | (107 854) | (89 274) | (60 363) | (43 339) | (372 649) | 663 | 318 446 | (552 783) |
| Outwards reinsurance income | 122 509 | 91 732 | 124 151 | 94 447 | 80 534 | 41 581 | 246 978 | - | (546 292) | 255 640 |
| Outwards reinsurance expenses | (182 203) | (112 717) | (160 798) | (104 746) | (105 076) | (44 851) | (304 444) | - | 696 524 | (318 311) |
| Other income and expenses | (139 624) | (81 555) | (113 571) | (70 642) | (66 177) | (41 477) | (264 325) | (65 680) | 309 378 | (533 673) |
| Total other income and expenses | (309 047) | (191 224) | (258 072) | (170 215) | (151 082) | (88 086) | (694 440) | (65 017) | 778 056 | (1 149 127) |
| CURRENT OPERATING INCOME | 62 349 | 31 405 | 11 778 | 15 614 | 20 171 | (13 440) | 95 025 | 781 789 | (803 397) | 201 294 |
| Other non ordinary operating expenses and income | 19 370 | 1 129 | (597) | - | - | - | - | 3 | (2 062) | 17 843 |
| OPERATING INCOME | 81 719 | 32 534 | 11 181 | 15 614 | 20 171 | (13 440) | 95 025 | 781 792 | (805 459) | 219 137 |
| Financing expenses | (48) | (1 182) | (156) | (24) | (14) | - | (331) | (2 190) | 1 236 | (2 709) |
| Share of Income from companies accounted by the equity method | 2 161 | 3 752 | - | - | - | (57) | - | 2 529 | - | 8 385 |
| Corporation tax | (21 052) | (10 293) | (2 938) | (6 087) | (7 574) | (561) | (14 760) | 8 677 | (9) | (54 597) |
| CONSOLIDATED NET INCOME | 62 780 | 24 811 | 8 087 | 9 503 | 12 583 | (14 058) | 79 934 | 790 808 | (804 232) | 170 216 |
| | - | - | - | - | - | - | - | - | - | - |
| NET INCOME, GROUP SHARE | 62 772 | 24 947 | 8 087 | 9 199 | 12 583 | (14 058) | 79 934 | 790 808 | (804 232) | 170 040 |
| Non controlling interests | 8 | (136) | - | 304 | - | - | - | - | - | 176 |

Notes to the condensed consolidated financial statements

Depreciation, amortization and provisions by segment

(in € thousands)

Six months ended June 30, 2017

| | Germany, Austria, Switzerland | France | Northern Europe | Mediterranean Countries, Middle East & Africa | Americas | Asia Pacific | Group reinsurance | Group services | Inter-segment eliminations | Group |
|---|-------------------------------------|---------|--------------------|--|----------|--------------|----------------------|-------------------|-------------------------------|----------------|
| Provisions for loans and receivables | (561) | (1 238) | (1 046) | (64) | (55) | (73) | (530) | (495) | - | (4 062) |

(in € thousands)

Six months ended June 30, 2016

| | Germany, Austria, Switzerland | France | Northern Europe | Mediterranean Countries, Middle East & Africa | Americas | Asia Pacific | Group reinsurance | Group services | Inter-segment eliminations | Group |
|---|-------------------------------------|--------|--------------------|--|----------|--------------|----------------------|-------------------|-------------------------------|--------------|
| Provisions for loans and receivables | 1 037 | (929) | (496) | 2 | (27) | (49) | (166) | (152) | - | (780) |

Balance sheet by segment – Six months ended June 2017

(in € thousands)

June 30, 2017

| | Germany, Austria, Switzerland | France | Northern Europe | Mediterranean Countries, Middle East & Africa | Americas | Asia Pacific | Group reinsurance | Group services | Inter-segment eliminations | Group |
|---|-------------------------------------|------------------|--------------------|--|----------------|----------------|----------------------|-------------------|-------------------------------|------------------|
| Goodwill | - | - | 61 508 | 5 936 | 33 404 | 3 394 | - | - | - | 104 242 |
| Other intangible assets | 48 461 | 30 336 | 20 697 | 16 528 | 1 655 | 2 481 | 65 | 13 174 | (4 914) | 128 483 |
| Investments - insurance businesses | 331 536 | 384 140 | 1 131 722 | 45 016 | 248 642 | 104 209 | 1 522 690 | 114 060 | (91 563) | 3 790 452 |
| Investments accounted for by the equity method | 65 603 | 62 596 | - | - | - | 2 483 | - | 68 358 | - | 199 040 |
| Share of assignees and reinsurers in the technical reserves and financial liabilities | 309 083 | 123 091 | 263 751 | 261 992 | 98 816 | 146 020 | 463 726 | 110 | (1 061 340) | 605 249 |
| Insurance and reinsurance receivables | 56 038 | 71 378 | 139 982 | 99 044 | 127 316 | 74 003 | 341 855 | (37) | (222 032) | 687 547 |
| Other assets | 1 109 751 | 663 843 | 211 292 | 281 250 | 76 187 | 58 421 | 194 953 | 150 460 | (1 801 826) | 944 331 |
| Total assets | 1 920 472 | 1 335 384 | 1 828 952 | 709 766 | 586 020 | 391 011 | 2 523 289 | 346 125 | (3 181 675) | 6 459 344 |
| Technical reserves | 552 384 | 263 097 | 526 585 | 417 728 | 263 077 | 209 271 | 1 301 864 | 48 | (1 154 846) | 2 379 208 |
| Liabilities related to inward insurance and reinsurance transactions | 22 132 | 52 955 | 44 540 | 44 965 | 7 597 | 20 260 | 128 414 | (237) | (103 502) | 217 124 |
| Liabilities related to outward reinsurance transactions | 21 229 | 17 383 | 4 506 | 28 497 | 52 730 | 35 728 | 42 816 | 43 | (128 949) | 73 983 |
| Other liabilities | 445 745 | 191 280 | 1 787 145 | 70 243 | 53 564 | 26 533 | 54 590 | 333 167 | (1 786 790) | 1 175 477 |
| Total liabilities | 1 041 490 | 524 715 | 2 362 776 | 561 433 | 376 968 | 291 792 | 1 527 684 | 333 021 | (3 174 087) | 3 845 792 |

Notes to the condensed consolidated financial statements

Balance sheet by segment – Twelve months ended December 2016

(in € thousands)

December 31, 2016

| | Germany, Austria, Switzerland | France | Northern Europe | Mediterranean Countries, Middle East & Africa | Americas | Asia Pacific | Group reinsurance | Group services | Inter-segment eliminations | Group |
|---|-------------------------------------|------------------|--------------------|--|----------------|----------------|----------------------|-------------------|-------------------------------|------------------|
| Goodwill | - | - | 62 756 | 5 936 | 36 121 | 3 507 | - | - | - | 108 320 |
| Other intangible assets | 47 966 | 29 954 | 20 811 | 16 288 | 495 | 3 029 | 84 | 12 379 | (4 914) | 126 092 |
| Investments - insurance businesses | 438 329 | 416 634 | 1 059 289 | 43 295 | 277 475 | 128 717 | 1 488 789 | 156 656 | (128 032) | 3 881 152 |
| Investments accounted for by the equity method | 68 485 | 63 400 | - | - | - | 2 974 | - | 67 160 | - | 202 019 |
| Share of assignees and reinsurers in the technical reserves and financial liabilities | 273 660 | 120 390 | 245 340 | 259 501 | 127 646 | 131 554 | 447 426 | 110 | (1 006 645) | 598 982 |
| Insurance and reinsurance receivables | 64 893 | 80 082 | 161 909 | 72 521 | 119 171 | 72 850 | 297 017 | (47) | (173 465) | 694 931 |
| Other assets | 959 504 | 583 978 | 252 723 | 278 553 | 90 353 | 50 106 | 129 370 | 181 668 | (1 631 853) | 894 402 |
| Total assets | 1 852 837 | 1 294 438 | 1 802 828 | 676 094 | 651 261 | 392 737 | 2 362 686 | 417 926 | (2 944 909) | 6 505 898 |
| Technical reserves | 527 959 | 252 266 | 517 707 | 413 710 | 295 961 | 207 737 | 1 207 036 | 48 | (1 066 608) | 2 355 816 |
| Liabilities related to inward insurance and reinsurance transactions | 24 431 | 53 432 | 55 964 | 35 817 | 9 015 | 17 484 | 102 279 | 2 362 | (82 823) | 217 961 |
| Liabilities related to outward reinsurance transactions | 17 017 | 17 871 | 11 960 | 19 046 | 70 915 | 19 351 | 6 731 | 43 | (123 161) | 39 773 |
| Other liabilities | 446 501 | 190 148 | 1 676 248 | 60 966 | 58 088 | 30 369 | 52 500 | 369 021 | (1 664 505) | 1 219 336 |
| Total liabilities | 1 015 908 | 513 717 | 2 261 879 | 529 539 | 433 979 | 274 941 | 1 368 546 | 371 474 | (2 937 097) | 3 832 886 |

Note 13 Related parties

Euler Hermes Group is mainly owned by Allianz France SA, which in turn is 100%-owned by the Allianz group. The breakdown of the Euler Hermes Group shareholding is as follows:

| | Number of shares | % |
|----------------------------|-------------------|----------------|
| Allianz France SA | 26 864 230 | 63,00% |
| Allianz Vie | - | 0,00% |
| Treasury shares | 619 189 | 1,45% |
| Sub-total | 27 483 419 | 64,45% |
| Public (bearer securities) | 15 158 216 | 35,55% |
| Total | 42 641 635 | 100,00% |

Transactions

| (in € thousands) | June 30, 2017 | | | June 30, 2016 | | |
|--|--------------------------------------|-------------------|--------------------------------------|--------------------------------------|-------------------|--------------------------------------|
| | Allianz SE & other Allianz companies | Allianz France SA | Related companies and joint ventures | Allianz SE & other Allianz companies | Allianz France SA | Related companies and joint ventures |
| Operating revenues | 24 689 | - | 73 856 | 24 318 | - | 68 991 |
| | (32 454) | - | (31 727) | (16 120) | - | (34 113) |
| Net outward reinsurance income or expenses | (44 931) | - | (751) | (31 692) | - | 56 340 |
| Financing expenses | (3) | - | - | - | - | - |
| Other net income/(expenses) | (17 323) | - | (31 052) | (13 495) | - | (29 406) |
| <i>thereof contract acquisition expenses</i> | <i>(8 918)</i> | - | <i>(24 542)</i> | <i>(8 705)</i> | - | <i>(24 849)</i> |
| <i>thereof other service expenses</i> | <i>(9 276)</i> | - | <i>(6 512)</i> | <i>(1 959)</i> | - | <i>(4 568)</i> |
| <i>thereof change in fair value of investments recognised at fair value through profit or loss</i> | <i>180</i> | - | - | <i>(3 045)</i> | - | - |
| <i>thereof net investment income</i> | <i>690</i> | - | <i>3</i> | <i>214</i> | - | <i>11</i> |

Receivables and liabilities

| (in € thousands) | June 30, 2017 | | | December 31, 2016 | | |
|--|--------------------------------------|-------------------|--------------------------------------|--------------------------------------|-------------------|--------------------------------------|
| | Allianz SE & other Allianz companies | Allianz France SA | Related companies and joint ventures | Allianz SE & other Allianz companies | Allianz France SA | Related companies and joint ventures |
| Current accounts (accrued interests included) | 62 180 | - | - | 72 558 | - | - |
| Net operating receivables | 5 481 | 153 | 5 420 | 6 748 | 153 | 2 017 |
| Borrowings (accrued interests included) | - | - | - | - | - | - |
| Operating liabilities | (9 145) | (354) | (2 084) | (17 162) | (441) | 511 |

The current account with Allianz SE corresponds to part of the Group's cash position, which is centralised by Allianz SE under a cash pooling arrangement.

Note 14 Commitments given and received

| (in € thousands) | June 30, 2017 | December 31, 2016 |
|---|---------------|-------------------|
| Commitments received | 7 160 | 8 932 |
| Deposits, sureties and other guarantees | 7 160 | 8 932 |
| Commitments given | 29 477 | 35 710 |
| Deposits, sureties and other guarantees | 29 477 | 35 710 |
| - <i>Commitments to investment funds</i> | 15 771 | 19 068 |
| - <i>Commitments related to offices and cars lease contracts</i> | - | 3 858 |
| - <i>Independent guarantee CACIB</i> | 3 284 | 3 284 |
| - <i>Commitments associated with Allianz China General Insurance Co Ltd</i> | 3 233 | 3 411 |
| - <i>Commitments to InvestitionsBank Landes Brandenburg</i> | 1 857 | 1 857 |
| - <i>Others</i> | 5 332 | 4 232 |

The Group is committed to investing directly or through co-investments in mutual funds. The commitment totals €15,771 thousand at end June 2017 against €19,068 thousand at end December 2016.

A commitment amounting to €3,125 thousand has been given since 2012 in the form of autonomous first demand guarantee in favor of the CACIB Company as a security deposit for rental of *First Tower* in La Défense. This guarantee has been extended by endorsement to €3,284 thousand at end June 2016.

A €3,233 thousand guarantee has been issued in 2016 to Allianz China General Insurance Co Ltd in order to meet the new insurance regulation in China that requires the local insurer (ie. Allianz China) to obtain a bank guarantee from the reinsurer (Euler Hermes Group) to meet its risks or capital requirements.

A commitment has been given by the Group to Cardif to guarantee additional cash contribution to the defined-benefit pension funds due to index revaluation.

Within the framework agreement relating to the Spanish joint-venture Solunion, the Group and MAPFRE have a mutual liability guarantee commitment.

Letter of comfort Export Credit Guarantee business

Euler Hermes Germany (and PwC) manages the official export credit guarantee scheme on behalf and for account of the German Federal Government. With effect from January 1, 2014 this business went from Euler Hermes Deutschland AG (now Euler Hermes Deutschland, branch of Euler Hermes SA (NV)) to Euler Hermes AG (the former Euler Hermes Forderungsmanagement AG). Due to this switch Euler Hermes Deutschland signed a binding letter of comfort to the German Federal Ministry for Economic Affairs and Energy. Euler Hermes Deutschland assures that Euler Hermes AG will be capable to fulfill its duties towards the federal government resulting from the business until January 1, 2014 for 5 years.

Note 15 Subsequent eventsAgreements signed with PriceWaterhouseCoopers regarding the Export Credit Guarantee business

On March 3, 2017, PriceWaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (« PWC ») and EH Deutschland AG (“EH AG”) signed three amendments to reallocate business services within the German export support scheme. Following the closing of the deal as of July 1, 2017, Euler Hermes will be fully in charge of the Export Credit Guarantee (“ECG”) service activity and the Untied Loan Guarantee (“ULG”) service activity, while PWC will remain in charge of the Investment Guarantee (“IG”) service activity.

The transfer of PWC employees working in the fields of ECG and ULG to EH AG, and know-how took effect on July 1, 2017.

STATUTORY AUDITORS' REPORT ON THE 2017 HALF-YEAR FINANCIAL INFORMATION

Euler Hermes Group S.A.

Registered office: 1, place des Saisons – 92048 Paris La Défense Cedex

Share capital: € 14 509 496,64

Statutory Auditors' Review Report on the half-yearly consolidated financial statements

For the period from January 1 to June 30, 2017

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' General Meeting and in accordance with the requirements of article L.451-1-2 III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Euler Hermes Group SA for the period from January 1 to June 30, 2017
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Group Management Board. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

II. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements. It is not our responsibility to report on the fair presentation and consistency of the prudential Solvency II ratio information with the consolidated financial statements. However we have checked the consistency of this ratio.

Paris La Défense, August 3rd, 2016

Paris, July 27th, 2017

KPMG Audit FS II

Exco Paris Ace

French original signed by

Xavier Dupuy

Partner

French original signed by

Alain Auvray

Partner

DECLARATION BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

I declare that, to the best of my knowledge, the condensed financial statements for the ending semester have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and profit or loss of the Company and all the other companies included in the scope of consolidation, and that the half-year activity report includes a fair review of the important events which occurred during the first six months of the year, their impact on the half-year financial statements, and the main transactions between related parties, together with a description of the principal risks and uncertainties that they face in the remaining six months of the year.

Paris, September 26th, 2017

Wilfried VERSTRAETE,
Chairman of the Group Management Board