S1 2013 Earnings Call

Company Participants

- Frederic Lavenir, Director General
- Unidentified Company Representative, Unknown

Other Participants

- Avinash Singh, Analyst
- Federico Salerno, Analyst
- Franz Rodker, Analyst
- Michael Hudder, Analyst
- Unidentified Participant, Analyst
- William Elderkin, Analyst

Presentation

Frederic Lavenir {BIO 5074454 <GO>}

Okay. Thank you very much. Welcome to everybody from Escole [ph]. I propose to go through the different slides we have from the screens that are before us and to answer to your questions.

First I start with the summary of the different significant figures regarding the half year on page three. The premium income was up by 5.6% at EUR14 billion over the period. It is worldwide premium here and the net revenue is at EUR1.6 billion, less 3.5% during the same period.

As you see, the administrative expenses were well managed and they are there at just less 4.8% at EUR445 million, therefore the EBIT stayed at EUR1,152 million, up by 4.6%. The net profit is at EUR583 million, plus 7.9% and the two last significant figures being the MCEV per share which is at EUR21.5 and the return on equity which is at just above 10%, 10.2% to be compared with last year's of the same period which was at 10.6%.

If now we go to the performance in France on page four, it was marked by a significant shift in the product mix towards unit link and personal risk and protection products. If you look at the tiers relative to the traditional savings and pension products they decreased by 7.1% over the period, at EUR7.3 billion, where the unit link products were up 15.6% at 735 million. And the personal risk and protection products are still up, as at more than 2% at 2,336 million.

Then the decline in premium from traditional savings and pension products leads to negative net inflow on this part of the business whereas the unit-link sales were up and mainly led by good performance after a bumpy start.

The personal risk premiums are up 2.2% and they reflect the performances made by Caisses d'Epargne network and or so by the creditor insurance business. We got these French markets premiums are down to 3.8% overall, we have an increase in the contribution of the unit-link producers.

In economic terms that means that we are starting to get the benefit of our policy which was to favor the production of high return producers, unit-links and personal risk, even at the detriment of the traditional savings on which we lose market share but so far we consider that at the current level of interest, it is not wrong to recede in terms of market share on these compartments.

If we turn to page five we have a look at the net insurance revenue in France and you see that growth was up 2.4% which is roughly the same growth as the average assets managed in France.

When you have a look at the breakdown of these different activities, savings still represent 67% of the net insurance revenue in France, pensions just below at 5% and personal risk and protection businesses at 28%.

The breakdown between technical reserves is quite different for the vast large majority of technical reserves is in selling the business. You see there 233 billion out of 272 as a whole. The pension business has EUR30 billion and the personal risk and protection represents only EUR9 billion whereas it is a significant part, just below one-third of our net insurance revenue in France.

The figures in Latin America are on page 6. With premiums up 22% including the currency effect and issue excludes the currency effect meaning if you look with Brazilian glasses on these figures, the performance was up 32%.

The breakdown of this premium is 60% in pension business, at least remember that pension business is quite different investment from what we consider in Continental Europe, meaning that the duration of the contract is much lower, around four years and that new business margin on this compartment is roughly at 25%. Then you have 60% of the business in pension, 37% in personal risk with a high new business margin and just 2.2% on savings.

On page seven you have also the look on the net insurance revenue in Lat Am which is up by 12% including the currency effect and by 22% excluding this effect. There you see also the stricture of this insurance revenue of which more than three quarters consist in personal risk, 76%, 11% in pension business and 12% in savings.

If you compare page six to page five, the French model you have very clearly complementary business models in the two areas, our main areas of activity, with a very quickly growing business focus on personal risk in Brazil whereas in France we have a more lean business and more traditional.

If you come to page eight, what we call here the Europe excluding France it should be southern Europe if you accept that Ireland belongs to Southern Europe which is in some terms it is a new definition of peripheral, we have there very impressive growth of premiums by 73% but in fact you have to consider that out this EUR2 billion premium there was unique premium, product premium in one contract in pensions in Denmark.

And nevertheless without this contract, we have substantial growth, about 39% in premium in Europe being mainly in traditional savings and in pension business and in protection.

But there is, nevertheless, a decline in net insurance revenue in this area which is due to lower technical reserves, we have think (inaudible) end of contract in Italy which was not recycled in the company and a slowdown in term creditor insurance business in Southern Europe, Spain, Portugal and Italy which is consistent with the current level of the crisis in this country and decrease of amount of credit made in this country.

If you have now a look on the page nine you see the new business margin in the different areas where we operate, first we mark the global level of the new business ratio, APE ratio is up by 4.2% to 15.8% and which is mainly credible by the figures in France, plus 5.2% which leads to 12.6% due to a different product mix in France for the last year. We've shifted from traditional to unit link and individual personal risk which was already seeable in the figures of the premiums.

The level of the new business margin in Brazil is still at very high, very high and in Southern Europe you are on average, a little over 10% which is (inaudible).

On page 10 you have few informations about our administrative expenses, they are stable in France, they are stable in Europe excluding France. And they are slightly up in Latin America, in the local currency the cost would be up by 12% which is to be compared with the net interest income which is up by 22% in Latin America.

Therefore that means that the cost to income ratio is improving in France and in Latin America and globally in spite of the relatively poor performance in Southern Europe. Globally the cost to income ratio is down by 0.8% at 37.8 during the first half of this year.

The EBIT is explained on page 11. We have two breakdowns, first between the business drives where you see that we have a slight growth in savings and pension business. More significant in personal risk business which represents more now, significantly more than the savings and pension business and on our own different (inaudible) we have also got a significant part of the EBIT of the company.

You should look now at the figures in (inaudible) term, France is up by 2%, Latin America by 15% and the rest of Europe is receding by 41%.

On page 12 we mind the main characteristics of our investment management strategy with two main items. First we remain very prudent in our investment choices. The peripheral investments (inaudible) have stabilized around EUR10 million, additional investments we made in this zone were only made on very short durations, in fact maturing before the end of this year and are properly covered in terms of risk by the ECB policy.

And we are also still maintain a very strong liquidity position, 7.3% of the assets we manage which allows us to face any eventual move in interest rates, the rates without any problem of liquidity.

Beside this we also are trying to innovate in terms of portfolio diversification in the low-interest rates environments, the insurance being clearly to find new more profitable investments. We carried on our policy of investing more and more in corporate debt, over EUR5 billion at the end of the first half which is roughly 40% or 45% of our new investments.

We also added to have two new experiments. First we take part in (inaudible) for small and medium-sized company debt which was launched in France. We have just taken EUR100 million of this fund which represents 1 billion and which goal will be to seek the best rated medium-sized company issues.

And we have also decided together with a few other insurance companies to a line participation in equity of French companies in order to be able to consider them as strictly participations and to have a certain word to say in terms of strategy and in terms of control. And as a member of the board we are representing the fund of which we are a part. That means we first consider our role as long-term investors in a more organized way with some of our partners.

And the last item in this line is the effort we made to diversify infrastructure financing our assets. We made a new (inaudible) partnership with (inaudible) as originator of project infrastructure financing. We have also invested in several bonds -- sorry -- asset management producers led by (inaudible) Aviva[ph] for instance, Aviva investors for instance in order to enhance our exposure in these instruments while keeping a very good management of our risk and fostering very, requesting policy of risk in this respect.

(Inaudible) you have four common elements of reserve. I will explain how (inaudible) was constituted, it stays at EUR1,462 million. (Inaudible) we have to pay tax expenses and the minority interest which (inaudible) to the (inaudible) profit of EUR729 million, up by 2.7% to last year.

We have net gains on equities, property and assets for sale -- available for sale assets, goodwill impairment and (inaudible). It is a line where we can (inaudible) difference of valuations in certain elements of assets and our investments.

As you see in this line, we got slightly lower revenue than last year. It is explainable by the fact that it is a place where we located the impairment of Cyprus goodwill which was decided three months ago and which we confirmed the valuation at this -- for this time, for this period. Therefore, we considered that the Cyprus damage is behind us so far.

The non-recurring items on the last time represent remove of certain of our provisions. Last year we added provisions for EUR104 million. This year we took back slightly EUR12 million of these provisions in this part of our net income.

In fact the provisions made on some of our portfolios which are of the same nature but do not appear in our income statement, these provisions represent more than EUR200 million where they went (inaudible) last year at the same moment. That means that little of our (inaudible) is (inaudible) is still at this time.

On page 14, you have the traditional figures regarding the equity, with net equity of the company at EUR14.4 billion and the MCEV figures which stayed at EUR14.7 billion. And we (inaudible) in force having registered important growth, 17% growth on the period.

You see there that the contribution of the operation because this is a most important part of this improvement whereas the contribution of different environmental elements represents minor part of this improvement.

On page 15, we just remind the (inaudible) solvency capital requirements coverage ratio of the company at the end of June in (inaudible) mergers we estimate our coverage ratio at 266%. The tier one solvency capital, core solvency capital coverage ratio is 116. Last year it was at 112. But (inaudible) dividends which met very great success allowed us to improve significantly this ratio.

And we have also given the estimation we made of our solvency ratios under (inaudible) tier two for the first half of 2013 it was around 180%. In fact slightly above this figure you will see the different appendices. But it was at the highest level since we made this measure.

On page 16, we submit the main elements which depict this period, the improved product mix in France is an achievement for us. It is of course to be confirmed. But it is satisfaction for the company to see that we start to move in this direction.

The ongoing growth in Latin America is still very strong. We've considered that we are still very important growth potential and we observed a rise in pensions and democratic movements in these countries.

Caixa Seguros is also opening a new activity in Brazilian -- Brazil micro-insurance market. And we made a little acquisition of a small company in the south of Brazil called Previsul which a personal risk insurer.

Therefore, the development in this area is still very fast and I just underline the fact that we still have the same goals for year -- the current year and that we do not see a significant effect of the different troubles which occurred in Brazil over the last week.

I am finished with this part of the presentation. You have different appendices. But I think it is better (inaudible) to give you the floor and (inaudible).

Questions And Answers

Operator

Thanks so much, sir. (Operator Instructions) We'll go to our first question being asked by Michael Hudder [ph] of JPMorgan. Please go ahead, sir.

Q - Michael Hudder

Thank you very much. I have two questions. The first one please is on the solvency, the 116% in the pro forma basis in January, 116% now. It is now, you are now in kind of steady state. So with the current rate of growth, will solvency stay roughly where it is. And what would happen if you reverted to cash dividend? Would this figure go off to 112 or whatever? That's the first question.

Then the second, you've cut sales in traditional French life by 7%. It's still a big number. You're still a market leader. How much would you be willing to reduce sales in order to protect margin? Thank you.

A - Unidentified Company Representative

Good try, Michael. But we never give any figures off of our objectives in that area, mainly when it is a question of reducing our market share. We have no goal in terms of reduction of the market share in traditional products.

To be more serious, it is clearly for the financial point of view not so bad to have a low production of traditional products nowadays because investment returns are relatively low. We are clearly reminded that (inaudible) still represent an important part of the business model and it will remain a substantial contributor to the business model.

But what we want to see is the adaptability of our customer shift to the reduction of policy or the dividends. And so far we have taken the figure of last year in terms of policy holder dividend return. But it is clear that if it decreases at the end of the year it will bolster the interest of adding traditional products in our business model.

Regarding your first question, I would not make any comment. We are satisfied with this ratio. And that was clearly an additional coverage made by the (inaudible). But we do not take the habit of having discrete dividends if it is the answer you want to get. We do not consider that it is a normal way to improve our solvency ratio and we have no goal of going above this level with this device.

Q - Michael Hudder

And just from the dividend policy holders, what was the level for 2012?

A - Unidentified Company Representative

2.5%.

Q - Michael Hudder

2.5%. So the idea is then to see -- or to know the sensitivity of net inflows to this figure. Do you have any indication at all?

A - Unidentified Company Representative

Well it is difficult to say because in some years, we decreased this policyholder dividend without any effect on our next year's sales. In 2013, you can link poor performance in traditional product with the fact that we posted the lowest level of policyholder dividend of whole market in France.

But as I already said, we assume the idea that it is a way to steer our production and we accept the idea that it could be reduced if it leads to a more profitable level.

Q - Michael Hudder

I understand. Thank you. Thank you very much.

Operator

Thank you, sir. We'll now go to Mr. Federico Salerno [ph] of MainFirst. Please go ahead, Sir. Your line is open.

Q - Federico Salerno {BIO 2565091 <GO>}

Good afternoon, everyone, just a couple of things. The first point is on delivery (inaudible). I was wondering if the recent change in the yield is going to open up some opportunities for you in the coming quarters. Do you see your new business going back towards traditional life savings products or you will stick to the current mix of trying to have more protection. That's the first question.

Then I realized it's a bit early in the year. But again in the dividend and solvency issues -- I mean, is the $0.77 starting point whether you have [a scrip] or not and what level of solvency will you feel confident enough not to have a scrip [ph] if you can answer.

A - Unidentified Company Representative

Well regarding to the first question. It is clear that reduction of (inaudible) operate [ph] appears as a good news for life insurance sector where people find better returns traditionally than at that level and that they will certainly have a higher return this year than the current level of (inaudible).

We nevertheless consider about the long-term. We have to contemplate rather a shift of our business model to unit links or to the new generation of insurance products which are called (inaudible) which are discussed nowadays between French authorities and insurance sector in order to foster the insurance -- life insurance sector in much longer term products which will have higher part of their assets invested in equities, in infrastructure and so and so.

And we -- in fact, we would prefer to make a shift in the contracts we sell to our customers but simply to rely on the idea that the policyholder dividends of our contract will stay very low -- over a long period.

On short-term task, clearly. But on longer-term we have to contemplate a world where the quest for return by our customers will be higher, slightly higher than the return offered by -- even the traditional products (inaudible).

Regarding with your second question, I have not very much to add to that question of dividend is rather analyze the level of company at the end of the year rather than now. We have no indication just to repeat the idea that what was done is not a proxy to forecast what could be done.

Q - Federico Salerno {BIO 2565091 <GO>}

But in this case, you think you will still begin with the $0.77 reference point or not necessarily?

A - Unidentified Company Representative

Well it is in itself a reference point and it is a point of where we stayed during three years, therefore it is a reference point. Not the question of what we consider. It is a fact.

Q - Federico Salerno {BIO 2565091 <GO>}

Okay. Thank you.

Operator

Thank you, Mr. Salerno. Well now, we will now go to, Mr. Benoit [ph] of (inaudible). Please go ahead, Sir. Your line is open.

Q - Unidentified Participant

Yes. Good afternoon, all. Just a couple of questions on unit link, I was wondering if you see some kind of positive momentum for the quarter and also in Q3. And maybe you can help me to analyze with the technical reserve on unit link.

I see that it's actually down 1.3% in H1 despite that you have actually positive good sales -- unit link sales in France and Italy. So also equities were up in H1. So I was wondering if you have seen any big redemption on unit link in H1.

Then -- yes, just one detail about sales in Italy. What do you expect there for the rest of the year? Do you think it's sustainable? Could you just comment a little bit on that? Thank you very much.

A - Unidentified Company Representative

Well I take first your second question. It seems that the unit link PM were done because we have the redemption (inaudible) end of the contract in Italy which represented EUR1 billion (inaudible) which was in unit links mainly but it doesn't impact on the global figure at the level (inaudible) of the company.

The second -- the last question was about our goals in Italy. To be frank, we -- I'd [rather go] in terms of structure of production rather than on the level of premiums. Why? Because for different reasons we don't want to have in the balance sheet of the company traditional products, more traditional products invested in Italian govvies.

And at the large part of the production of the company -- of the -- half of the production of the company is indeed invested in Italian govvies. But we do not push them to make this product, therefore the final figure of premiums in this country will be the result rather of a very -- I would say risk adverse policy in terms of assets rather than off a commercial push, if they can produce unit links, we encourage them.

If they say that we must have larger assets in terms of govvies we will discourage the production of such a contract. Could you remind me the first of your three questions, please?

Q - Unidentified Participant

No. It was just about the momentum of unit link sales to the quarter. And do you just actually -- do you expect acceleration in Q3 and for the rest of the year?

A - Unidentified Company Representative

Okay. The momentum is rather -- I think which in certain extent you create. That means that it was not only because we observed this increase in unit link. But we also pushed to do that by granting favorable conditions of return on this contract. We have the first year.

We have several guarantees given during one year to contract investment at more than 15% in unit links, where -- which in our networks, which are very -- I will say traditionally not very good sellers of unit links which we presented a push [ph] because they were granted, the customers were granted an improved return on the traditional part of the contract if they accept to get the first 15% of their investment in unit links.

Then it is not just a momentum in which is observed. It is also a result of the policy to try to draw them to this sort of investment.

Q - Unidentified Participant

Thank you.

Operator

Thank you very much, Sir. We'll now go to, Mr. Franz Rodker [ph] of Societe Generale. Go ahead.

Q - Franz Rodker

Hello, everyone, just a couple of questions actually. First of all, could you please elaborate a little bit on the drivers of currency (inaudible) why it went up in the first half. Then second, turning back to page number 12, your new investment focus on corporate debt, investments in SME lending and so on, do you have any maximum targets for investments in SME and infrastructure financing?

And the last question on your peripheral exposure, page 55, when I look at the increase of your -- of growth sale value, is it possible, actually, to split it up into a price and volume effect? Thank you.

A - Unidentified Company Representative

Well regarding the first question in solvency to the (inaudible) increased because (inaudible) because of integration of years result and because of the increase of the volume (inaudible) then the drivers are drivers which you cannot serve in different items of our presentation, on the other side where SCR is globally stable over the period.

On the second question, we have no specific goals in terms of volume invested in SME as in infrastructure. You have to bear in mind that these diversifications will be relatively marginal in the first period. We manage a balance sheet of about EUR300 billion and it would (inaudible) completely full to have a goal at a certain level. It would oblige us to buy what is to be sold at this moment.

We are more prudent (inaudible), okay? We want to add to these investments over the time and look first if the long-term interest rates are [going up] over the time, we will probably reduce our investments in the spread products and (inaudible) if the long-term interest rates are still down or even lower, we will trigger the policy of seeking spread investments.

So far we try be very pragmatic on that respect, we consider giving to ourselves goals in terms of months would not be (inaudible). The third question was about --

The price and volume effect on slide 55 which is about the public debt exposure (inaudible).

The (inaudible) that you're looking for Rodker is a rough breakdown between the price and volume effect on the public debt exposures in slide 55?

Hello?

Q - Franz Rodker

Hello.

A - Unidentified Company Representative

Yes, Rodker?

Q - Franz Rodker

Yes.

A - Unidentified Company Representative

(Inaudible) you're looking a breakdown in the price and volume effects --

Q - Franz Rodker

-- growth sale --

A - Unidentified Company Representative

Yes. (Inaudible) in page 55 (inaudible).

Q - Franz Rodker

Yes.

A - Unidentified Company Representative

(Inaudible).

Q - Franz Rodker

An increase in the last six months and is it possible just to announce (inaudible) a pricing effect and the volume effects of how much was actually -- because of market value fluctuations?

A - Unidentified Company Representative

(Inaudible). Okay. I'm not sure about the figure available at once. But I suggest that the team will gather the information and put together and post it on the internet to everybody.

Exactly. Okay.

Okay?

Q - Franz Rodker

Okay. Thank you.

A - Unidentified Company Representative

-- to give you at once --

Q - Franz Rodker

Thanks --

A - Unidentified Company Representative

Will do. Okay.

Thank you, sir. We'll now go to Avinash Singh [ph] of (inaudible). Go ahead.

Q - Avinash Singh {BIO 20134511 <GO>}

Yes. Hello. I have got two questions if I may add. The first one is regarding your slide 11 where Europe ex-France EBIT has gone down. Is there something except that there are some banking changes in Cyprus? And I assume this time only because of that. And the second question would be again regarding your dividend. I mean, I see your solvency ratio improving as your operating cash flow numbers are quite healthy in the first half.

If I assume this trend to continue, are you going to signal any kind (inaudible) dividend is going to cash and what -- do you have any plan rather you have considered (inaudible) to be maintained?

A - Unidentified Company Representative

Regarding your second question, I just can repeat that we will decide dividend for the year at the end of the year. It's your assumption is that our operating cash flow figure shows that we would be able to pay a cash dividend this year. Yes. It shows that it should be possible. Yes. (Inaudible) we have money, if it is what you want to be confirmed. Could you repeat to me your first question please?

Q - Avinash Singh {BIO 20134511 <GO>}

Yes. My first question is regarding your slide 11 where I see your Europe excluding France EBIT down by some 40%. I assume that this is primarily due to some banking deposit changes in Cyprus. Or was it something which I am missing at the moment?

A - Unidentified Company Representative

Well you mean that what we call Europe excluding France?

Q - Avinash Singh {BIO 20134511 <GO>}

Exactly.

A - Unidentified Company Representative

Okay. Well it is due partly to Cyprus. But also mainly to poor performance in credit debt insurance in Spain and in Italy where we got very low revenues. And the last piece (inaudible) on page eight with the fact that we have a slowdown in term creditor insurance and also lower technical reserves. It's still a question of our redemption in Italy, Italian products in savings business which go to the reduction of EBIT in this country.

Q - Avinash Singh {BIO 20134511 <GO>}

Okay. Thank you.

A - Unidentified Company Representative

Thank you. So much, sir.

Operator

We'll now go to Mr. William Elderkin [ph], Goldman Sachs. Please go ahead, sir.

Q - William Elderkin {BIO 3349136 <GO>}

Thank you. Good afternoon, everyone. I just got one question on slide 26 of your presentation where you show the net insurance revenue by segment. In terms of the sources of revenue of the insurance company for the France business, the numbers seem to have been restated compared to the numbers you showed at the first half here last year.

Just, for example, in the equivalent side for 2012, half-year 2012 presentation plans, you reported net insurance revenue for France as EUR687 million compared to EUR567 million on page, slide 26 here. I just want to understand what you're doing differently.

A - Unidentified Company Representative

It is where we made the (inaudible) apparently knowing what you are referring to (inaudible).

Well actually -- yes, we can go in to it in further detail subsequently if you wish, William. But, in a nutshell, is that at the same period last year, our accounting friends had [split out] specific non-recurring technical factor line items which we did not have this period. So you're actually right. It makes the legibility and the clarity somewhat problematic. But that's -- the numbers in this are the non-recurring items, the non-recurring technical items.

I don't know about -- Vincent, do you want to say a word? You're the accountant. You know more about it.

Well if you want to speak to our accountants, I will give you the floor for the rest of the afternoon. No. But, perhaps, you would (inaudible) come back afterwards to precisely (inaudible) --

What those numbers (inaudible).

-- reconcile the figures of last year's and not representative of last year's. All right? Is that all right with you, William?

Q - William Elderkin {BIO 3349136 <GO>}

Well I wanted to know if you changed or what changed and whether these are (inaudible) numbers. And whether the numbers you're sharing here are excluding or including recurring (inaudible) are they just for forecasting.

A - Unidentified Company Representative

I propose you speak directly with the team with your question on the probability of the figures. I think it is a little technical to be discussed in this (inaudible).

Q - William Elderkin {BIO 3349136 <GO>}

(Inaudible) complicated question. I mean, is that EUR581 million you show, for example, for the first half of 2013 of the net insurance revenue. Is that a clean number? Is that a sensible basis for forecasting and/or does is include non-recurring things that we should be considering?

A - Unidentified Company Representative

Yes. Yes. In a nutshell, yes. In a nutshell, yes. You can take slide 26, the net insurance revenue for France and the net insurance revenue for Latin America. And the net insurance revenue Europe excluding France, the first half of 2012 and the first half of 2013 are reasonable, updated bases for making your projections going forward.

Q - William Elderkin {BIO 3349136 <GO>}

Thank you.

A - Unidentified Company Representative

Thanks very much, sir.

Operator

We now have a follow-up question from Mr. Michael Hudder, JPMorgan. Please go ahead, sir.

Q - Michael Hudder

Hello. Thank you very much. It's just that I wanted to understand slide 27. In slide 27, you show a net asset value, adjusted net asset value. The last -- that one line -- is an item called MCEV model; and it's a figure of minus EUR483 million for 2013.

So I'm imagining and so I just wanted to ask if my assumption is correct -- that this is what I would normally call the (inaudible) uplift, in other words, the amount of embedded value not already in the balance sheet.

And here, what appears to be the case, because the item is negative, is that this uplift is a negative item. In other words, it's already in the balance sheet and various things and, therefore, you have to deduct an item to arrive at the kind of NAV per share. Is that the right understanding?

A - Unidentified Company Representative

Michael, thank you for having raised that question. I have two actuaries and one accountant there and they are trained to package (inaudible). I think there too that would be a good evening work and you would get your answer.

Yes. The question on the (inaudible). Can we (inaudible)? (Inaudible) later if you wish.

(Inaudible).

(Inaudible) already in the equity in IFRS. In fact, we (inaudible). So (inaudible) equity inside the equity. So we for MCEV, we have to wait until we realize the gain to take them into account in the (inaudible). And the same thing in the equity, you've got also (inaudible) that is already count for acquisition and so on and we have to [replace this info] inside the MCEV info [ph].

Q - Michael Hudder

I understand. So the -- it's to do with the treatment of the unrealized gains. Now, I just want to ask just a very, very quick follow up. If I wanted to ignore this adjustment just for the unrealized gains, I know it sounds a bit tricky, what I'm trying to arrive at is what would be the embedded value per share based on shareholder's equity? Is that figure that you've shown on slide 27 -- what corresponds to this or is that, figure on slide 27, more a (inaudible) kind of technical view? In other words, is it (inaudible) than it would normally be.

A - Unidentified Company Representative

As it turns out, by pure coincidence or circumstance, they're approximately the same number. The number you have here on 27 is actuarial. That's actuarial (inaudible).

If you look at the accounting number and take away minority, the GP sub debt and a certain portion for intangibles divided by the new number of shares outstanding, you get from an accounting basis, from an intangible common equity accounting basis, you get a figure that's not too far from 16 [ph] as well.

Q - Michael Hudder

Excellent. Well that's very, very helpful. I will follow up later. But that's really helpful. Thank you very much.

A - Unidentified Company Representative

Sure. Thanks.

Thank you, sir.

Operator

As we have no further questions, I turn the call back over to the organizers for any additional or closing remarks.

A - Unidentified Company Representative

Well thank you very much for your attention. And we should (inaudible).