Q2 2017 Earnings Call

Company Participants

- Luigi Lubelli, Group CFO
- Philippe Roger Donnet, CEO, MD and Director
- Spencer Horgan, Unknown

Other Participants

- Alberto Villa, Research Analyst
- Andrew Hughes, Insurance Analyst
- Farooq Hanif, Head of Insurance Research in Europe
- Gian Luca Ferrari, Banca di credito finanziario S.p.A., Research Division
- Giuseppe Mapelli, Analyst
- James Austin Shuck, Director
- Johnny Vo, MD
- Lance Montague Burbidge, Partner, Insurance
- Michael Igor Huttner, Senior Analyst
- Nadine Adrienne Marion van der Meulen, Equity Analyst
- Niccolo Cornelis Modesto Dalla-Palma, Research Analyst
- Paul De'Ath, Analyst
- Peter Eliot, Head of Insurance Sector Research
- Ralph Hebgen, SVP and Senior Analyst
- Thomas Seidl, Senior Analyst

Presentation

Operator

Good day. Welcome to the Generali Group First Half 2017 Results Q&A Session Conference Call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Mr. Spencer Horgan, Group Head of Investor & Rating Agency Relations. Please go ahead, sir.

Spencer Horgan {BIO 4241901 <GO>}

Good morning, everybody. Welcome to our first half 2017 results Q&A call. With me as usual, I have Group CEO, Philippe Donnet; and Group CFO, Luigi Lubelli. We're, of course, going to dedicate the vast majority of the next hours taking your questions. But first of all, I'm going to hand it over to Philippe for some short opening remarks. Thank you.

Philippe Roger Donnet {BIO 4657671 <GO>}

Thank you, Spencer. Good morning, everyone. And thanks for all of you for joining us. I believe you had a chance to read our results announcement from this morning and to see our briefing video on the Generali corporate website. We are very proud of these results that we presented today. They reflect execution of our strategy with strong technical margins, progress in net inflows in Life, improving mix and confirmation of excellence in Property & Casualty. Meanwhile, we have a high level of solvency. In fact, it has strengthened even further.

Thank you, again, for joining our call. Now, Luigi and I would like to invite you to any questions you may have about these results. I'll pass the call directly to you.

Questions And Answers

Operator

(Operator Instructions) We will take our first question from Peter Eliot from Kepler Cheuvreux.

Q - Peter Eliot {BIO 7556214 <GO>}

I've got three questions, please, actually. First of all, on the Argentina issue, the gap between the inflation and discount rates, are you able to quantify that or -- exactly? Or tell us what the impact was on the Americas combined ratio? Secondly, Italy, most of premiums, I guess it looked like they developed a little bit less well than I might have expected, given your previous comments. I was just wondering if you can elaborate on what you're seeing there?

Then finally, you've reiterated your target of disposal proceeds of more than EUR 1 billion. I mean I mean, I appreciate you can't comment on agreements essentially. But some of the, sort of, potential sales that perhaps, might suggest that certain businesses might be able to get more than that. I mean if you do go above that or if you release more capital than you might initially expected, I'm just wondering what the prospects might be for keeping some of that back to shareholders? Or do you still think that you can reinvest anything that you might -- any proceeds you might get?

A - Luigi Lubelli {BIO 4108780 <GO>}

In terms of the -- your first question on the gap in Argentina, we didn't actually give that figure that broadly. You can take the difference between the -- basically, the increase in the combined ratio to be driven by that, essentially. That's kind of, by and large, that's -- that will tell you the figure. Italy, less well than our previous comment. I would say that -- and also Philippe to elaborate on that. I mean Italian market, itself, is challenging at the moment. Relative to the market, we actually think that our companies are doing pretty well in the sense that in non-Life, we are holding our ground. We're certainly quite disciplined in our underwriting. We continue, as we said, to pursue the underwriting of non-Motor business. And it's actually -- that's one of the drivers in the combined ratio, because that's the reason for the expense ratio going up.

And on Life actually, we were very pleased with the results. Actually, the actual sales performance improved in the Second Quarter compared to the first one. And we have very respectable net inflows of EUR 3.2 billion; and in my view, personal view, an outstanding performance in margins. I wonder Philippe, if you want to add.

A - Philippe Roger Donnet {BIO 4657671 <GO>}

Yes, on Italy, we stick to the positive comments we gave last time. Actually, continue seeing positive signals in terms of pricing of the Motor in Italy from, I would say, the main companies. But the premium are driven also by the portfolio -- mostly driven by the portfolio. To see the positive impact of repricing will take some time. But I confirm the positive trend of the Motor market.

On the proceeds of the disposals, the target was, at least, EUR 1 billion. The more we work on these disposals, the more we are involved in competitive processes to sell the assets we want to sell, the more we are confident on our ability to deliver at least, at least, the EUR 1 billion. So the EUR 1 billion was a minimum. It's not the target, it's the minimum. So we are pretty confident that we will achieve at least EUR 1 billion.

Operator

We will take our next question from Alberto Villa from Intermonte.

Q - Alberto Villa {BIO 16005221 <GO>}

A couple of question from my side. One is just a quick clarification, if you can give us a detail on the impairments during the Second Quarter, if there was anything related to Atlante or other that we have to consider? The second one is on the Monte dei Paschi situation, now that the process is well on track and you will become a shareholder of the bank. Have you got anything to share with us in terms of your intention to maintain or to exit from the capital of the bank? Or it's too early to comment on that?

And finally, if you can give us an update on the -- there was something on the press launches we have seen, et cetera, on the German Life portfolio. How we can expect to develop the German Life business after this transaction, if any, is completed?

A - Luigi Lubelli {BIO 4108780 <GO>}

Alberto, in terms of the impairments, we have not -- we had impairments clearly in the quarter. They are, you can see them in the disclosures on amount, it did not break up by name as we normally do with very few exceptions. As you know, we, as a policy, try to keep all our assets close to what we consider to be their fair value, depending on how they can be measured at any time. In the case of Atlante, indeed, we made adjustments. You can guess what those adjustments were, they were basically made to reflect the value of some of their most prominent investments. So that has been reflected and whatever should not be adjusted was not, that's call it...

Q - Alberto Villa {BIO 16005221 <GO>}

So basically, Atlante -- Atlante 1 to 0?

A - Luigi Lubelli {BIO 4108780 <GO>}

Close to 0.

Q - Alberto Villa {BIO 16005221 <GO>}

Is that a football score or -- yes but...

A - Luigi Lubelli {BIO 4108780 <GO>}

Yes, yes, yes.

A - Philippe Roger Donnet {BIO 4657671 <GO>}

Okay. On the Monte dei Paschi situation, as of today, we don't know exactly how much will be our share in the capital of Monte dei Paschi. We believe we will be the second shareholder after the Italian state. But very far from the Italian state. As I would said, this is not a strategic participation for us. Nevertheless, we will manage this investment with the objective of maximizing the value of this investment. So we will exit if it's better for us to exit. We will stay if it's better for us to stay. So we'll be very opportunistic in managing this investment.

Regarding the German Life portfolio, we have still 3 options that are still open for the time being: Reinsurances of the Generali Leben portfolio is one option, putting the company in a runoff is the second option. And selling the portfolio totally or partially is a third option. All 3 options are still open. And we will probably make a decision before the end of the year. Anyway, this decision, in any case, will not reduce or weaken our position in Germany. It's probably the opposite. With such a decision, we are going to strengthen our business in Germany. We will not reduce our market share in Germany. We will not reduce the results coming from Germany. We will probably free up capital. And we'll be able to reallocate these resources, these free resources to the growth of our profitable business in Germany. And we have many profitable businesses in Germany. I can give you 2 examples: the unit-linked business of AachenMÃ¼nchener of Leben and the production business of CosmosDirekt. So we have many opportunity for further growing and strengthening our business in Germany.

Operator

And our next question comes from Farooq Hanif from CrÃ©dit Suisse.

Q - Farooq Hanif {BIO 4780978 <GO>}

Three questions, please. Your capital generation is very strong under your economic capital model. To what extent has this been influenced by the improvements in EBITDA's margin? And can we take that new business value number as a kind of like-for-like almost in the capital ratio number? That's question one.

Question 2, obviously your quality of capital is very good on the Solvency II. But your senior debt levels are very high. So just wondering to what extent you worry about that and you feel that, that's something that you would like to address in the next few years?

And last question was really on the financial result, which is also very strong. So if we take out Banca Generali and we look at just your own financial results, what's been driving that? And what do you see as the trends for the rest of the year?

A - Luigi Lubelli {BIO 4108780 <GO>}

Can you -- I think I know the answer to your first question. But can we please ask you to explain it a bit better? Because I was a bit confused by the like-for-like part of the question.

Q - Farooq Hanif {BIO 4780978 <GO>}

Sorry about that, I'm more explaining myself. But I mean, obviously, your new business margin has gone up. So there is, obviously, a positive contribution from Life new business in capital generation. The 2 numbers might not be the same. But are they -- yes, what's the difference really?

A - Luigi Lubelli {BIO 4108780 <GO>}

Well obviously, the internal capital generation, I mean if you look at the figures this year, you clearly can see that we have a much stronger capital generation this year. So clearly, the new margins are feeding directly onto that. And it's going through. I mean there are some differences in new business variance. Solvency II is calculated in the same fashion. But with our NBM at 6%, another 4% and without cost of capital. That's one of -- that's one of the reasons. But basically, yes, you can take the internal capital generation to be reflecting those margins that you see there. And clearly, the good continuation of the performance in non-Life at ultimate costs. So I wonder if this answers your question.

Q - Farooq Hanif {BIO 4780978 <GO>}

Yes. It does. Did you just say that the margin is 6% in the Solvency II capital ratio, not 4%?

A - Luigi Lubelli {BIO 4108780 <GO>}

Yes. In Solvency II, yes. Then thank you for your compliments on the quality of capital, which we, of course, share. You were saying that whether we worried -- worry about our leverage levels. Not particularly, I mean, in the sense that over time, they're actually improving. You know, Generali has been holding a stable amount of debt basically. Actually, if you look at the amount of financial debt since the end of '16 and compared to a year ago, we are basically in good shape. Although there was some double counting. But relative to what is our economic capitalization, we are doing fine. Clearly, to that levels and the senior debt levels is something we constantly look at. You know that in the past, we have been undertaking several initiatives in order to work on our debt stock and improve cost and composition. And we, of course, depending on the opportunities, will continue to do that. But for the moment, actually, we are quite comfortable about that.

With respect to your question on the other, I mean, I take it as the rest, the financial results in the presentation that basically, primarily, we had revenues from our private equity companies and improvements in the profitability of our real estate company.

Q - Farooq Hanif {BIO 4780978 <GO>}

And would you say that, that's a sustainable thing or there's some one-off in there?

A - Luigi Lubelli {BIO 4108780 <GO>}

I would say that's reflecting our present investment strategy that are going to be increasingly recurring. As you know, we are focusing on more and more on the investments in real assets. So the more we focus on that, the more you will see this sort of income coming through the P&L.

A - Philippe Roger Donnet {BIO 4657671 <GO>}

Can I just make sure you didn't miss to say one thing that Luigi said? So the 4% versus the 6%, it's the market value margin in every month we had for the risk margin. I think -- I don't -- to make sure you haven't confused it as the new business margin of 6% in Solvency II.

Operator

And our next question comes from Giuseppe Mapelli from Equita.

Q - Giuseppe Mapelli {BIO 7269722 <GO>}

I have 2 questions. The first one is again on Motor TPL in Italy. We understood that there is an improvement in terms of average premium. Can you give us the year-on-year change on that indicator on the first half, please? Then my second question is on data reported by Annual Report that are showing an improvement in the cost of claims with, let's say, severe bodily injuries, what are you experience on that front in Generali perimeter?

A - Philippe Roger Donnet {BIO 4657671 <GO>}

On the Motor TPL, what we can tell you on our side in terms of pricing, we're certainly applying a great care to that. In terms that's -- on the new business, we are certainly strengthening our pricing in Italy in reflection of the conditions. In terms of average claims costs, they're actually -- both frequency, we have a pretty stable level. And the average claim cost is performing quite, quite well. It is improving compared to a year ago.

Operator

And we will take our next question from James Shuck from Citi.

Q - James Austin Shuck {BIO 3680082 <GO>}

I had 3 questions, please. Firstly, I wanted to return to the point around the level of debt gearing, particularly sort of, how we should think about it going forward? You're obviously generating a lot of surplus capital or Solvency II capital on an ongoing basis, particularly after the dividend. And I'm just interested to know whether you intend to repay down an EBITDA or sub debt or whether you look to keep the absolute level stable in which we can see the level of gearing in percentage terms does improve over the medium-term. I guess the reason why I ask the question is because when you look at the Solvency II gearing buckets, you have plenty of capacity. But if you look at your debt gearing, at least in sub-debt gearing on a tangible book basis, it looks somewhat higher. And your deals with rating agencies is a little bit confusing to me. So perhaps, you could just give a little bit of outlook if it continues to generate as much capital as you are, whether you'd look to reduce that debt or keep it the same in absolute terms?

My second question is around the Solvency II ratio, or at least, your target range. Because unlike peers, you have a floor of 160%. You're generating a lot of capital, 207%, great result in the first half of this year. What should we be thinking about in terms of the ceiling level of which -- as you start to either rerisk or do something with that capital? You did mention you would look to do things in Germany, particularly to free up capital from the back book. But it's difficult to see why any of those options would be particularly capital intensive. That's my second question.

Then finally, just on the digital agency rollout, could you update us, please, on where you are in terms of the progress in key territories, the timing and actual rollouts of that digital agency? And I'd be very interested to hear of actual tangible examples of success with this digital agency program.

A - Philippe Roger Donnet {BIO 4657671 <GO>}

Okay. Thank you, James, for your question. I can see that from the -- also from the previous question that is a subject that is in the minds. I imagine this is a direct reflection from the fact that we are as -- I am glad it's being seen we are having a strong capital, internal capital generation. We have a strong cash generation. And that's what allows us to pay dividends. And so that, for the moment, is what we have. So the -- I would say, I think but I may be mistaken. So all your questions are kind of around the management of capital at group level. I think for the moment, the -- we have a commitment of paying a total of EUR 5 billion of dividends, which we stick to. We've paid half of that. And that's clearly a -- in my view, a relevant employment, employment of the capital and cash generated by the group. The first maturity of debt that we have is for a small amount towards the end of 2018. And clearly, although it's not that far away in the future, it's still some way away. So the closer we approach the date, we'll see what decision we take about that debt, which could also be retiring it if, at the moment, we consider it is appropriate. But I have to say in honesty, for the moment, it has not been taken.

You were referring -- I understood about the rating agencies. Actually, my impression, especially based on the most recent Fitch report by the rating agencies is that they actually quite appreciate the evolution of our capitalization and leverage. So I do not think it's an issue with them. And if it is, it is, certainly, a diminishing one over time. So I wouldn't say that's one of the biggest topics for discussion. I wonder if this answered the question on -- answers the question on that, James.

Q - James Austin Shuck {BIO 3680082 <GO>}

Yes, I mean I guess it's sort of -- if you just roll forward the book value for a few years, then your debt -- your gearing level will mechanically fall down. So I guess, I'm just starting to see if your gearing level is 30%, whatever you think it is, would you like to hold that steady in absolute terms and grow in line with the book value?

A - Luigi Lubelli {BIO 4108780 <GO>}

Well like everything as I say, that's what I gave as an answer before. So that prospect -- I mean if you have, as we do, a stable stock for a while and improving balance sheet overall, clearly, the more time passes, the less that becomes an issue, which is what I said in my previous answer. I would say, it was very rough and on-the-fly answer to your question, I would imagine it will depend on what alternatives for the employment of our cash flow we'll have at the moment if that comes for maturity. As I say, it could be -- could even be that we will partly retire or replace that with something else. But for the moment, in all honesty, there's not a decision, or -- there's no decision about that.

Q - James Austin Shuck {BIO 3680082 <GO>}

Okay. And on the management, the top end, kind of any target range?

A - Luigi Lubelli {BIO 4108780 <GO>}

Well we do not have, let's say, a set of actions. We communicate it, if I'm not wrong, in the beginning of 2016, how we were going about our capitalization levels; but we actually gave no range. We clearly are in a comfortable position, as I say. As I said, we have -- I think -- because the question is whether we're going to do something about dividends or capital repayments. For the moment, as I say, we have a commitment, we stick to that. And that is the commitment we have so far. In terms of rerisking or derisking, it's something that's decided as the business progresses.

Q - James Austin Shuck {BIO 3680082 <GO>}

Okay. Then just the last question was on the digital agency rollout.

A - Philippe Roger Donnet {BIO 4657671 <GO>}

Yes. Well it's progressing well in all the regions of the world, in Europe and in Asia as well, in Latin America as well. I can give you an example. For the first time this year, we organized a global contest for all agents in the world. And this contest was based, not only on the business, on the production. But it was also based on the digital transformation of the agent. And it was a great -- a great success. Agents were very motivated. And we had a big event in Rome, together agent -- with the best digital agents from the whole world. It was quite exciting. And we will do this next year and every year as well, because it's very important for us to continue investing in the digital transformation of our sales force.

Operator

And our next question comes from Paul De'Ath from RBC.

Q - Paul De'Ath

A few more questions from me, please. Firstly, just looking at the Life business, I see the new business value has increased significantly year-on-year, which is very good. And I just wondered if you could give us any thoughts because one of your peers has talked about, essentially, how the new business value translates into future IFRS earnings. And it's actually used a, either multiple of sort of 3x to 3.5x. Would that be similar for yourselves with that EUR 942 million and return that by say, 3x? Is that what you would expect to see through future IFRS earnings? That's question one.

Then second question again on new business value. And just looking at the margin. Obviously, the margin has increased very strongly largely due to management actions. I'm just wondering if you could give any thoughts on where that margin goes going forward. Essentially, is there more to come in terms of management actions to drive that margin higher notwithstanding, obviously, the change in business mix as well going forward?

A - Luigi Lubelli {BIO 4108780 <GO>}

Paul, look, I, I -- for your first question, I find it intriguing that honestly, not knowing exactly the mechanics of the analysis, I wouldn't be able to give you an answer as to what Generali is now. I think the point is noted. But that's the most I can say. I think that, evidently, out of common sense, the outlook for our technical profitability lies based on what we're writing on an IFRS basis is certainly quite right, I would say. But in terms of the exact mechanical translation of that into IFRS, I would like to reserve the answer for the moment.

Very fair question on number two, I would think that a lot of the management action has taken place. I mean, clearly, I think what's interesting actually, I highlighted it on -- certainly, in my video webcast, the one that you have seen this morning is that what I would like to appreciate and focus on is on the consistency of what Generali says and does in the sense that if you look back at a year ago, we said precisely that we would be only writing savings products, which conform to our standards. And we would emphasize our efforts on unit linked and protection. And we've done word by word what we said. And actually if you -- there's -- yes, for instance, there is an important, as you can see, an important work that we have done already, I would say, on the design of the products, on the mix, on the guarantees, on the loadings. So that I think it's already under way. Another figure which I quoted and I, myself, I'm impressed with. But of course, I'm particularly happy about is the fact that the new business value is now in amount twice as large as it was as of June '15. So it's only two years. And that's testament to the good execution. Clearly, in my opinion, I mean a good chunk of that, or if not, most of that in terms of product design and approach, is they're on the market already and on the way. So we already are industry leading. We used to be P&C leaders. We are also Life leaders. So I think it's good thing there. Wonder if you want to, Philippe?

A - Philippe Roger Donnet {BIO 4657671 <GO>}

Yes, I would just like to add a few comments. First of all, this excellent result of this first half 2017 is not a surprise to us because we've been working with a lot of persistence on this since four years now, because we started this four years ago in Italy when we launched the first hybrid products. And all the product, the new products we've been launching has been a great commercial successes. We've been accelerating the shift of the business mix in the past few years. And we've been accelerating everywhere one year ago.

In the first half of this year, the net inflow, the Life net inflow is already excellent because it's EUR 2 billion of Protection, almost EUR 4 billion of unit-linked. And the net inflow on the traditional savings is negative by EUR 100 million. So I think that it's a great commercial success. We launched recently in Italy a new generation of hybrid product, which has been another great commercial success. And all this action has been contributing very significantly to the improvement of our, the new business margin, of our new business value, which is now in the -- it's a best-class performance on the market. But we should not take for granted that it's so easy to do. I mean, it's always very challenging. We -- I remember that we had some more difficult quarters some time ago because every time the equity market or the financial market are volatile or negative, both customers and sales force have the temptation to go back to traditional products. And we always need to find this kind of natural tendency. So we are always improving our monitoring of the sales force. But we should not forget that it's a continuous challenge. So for us, to keep -- definitely, our objective is to keep this kind of margin, this kind of quality of net inflow. But we are very humble. And we know it's a continuous challenge. I think that we demonstrated that probably more than many of our competitors, we know how to manage this. But we should not forget it's a challenge.

Q - Paul De'Ath

Excellent. As a quick follow-up, broadly, you would say, in terms of the line of business margins that you show on Slide 24. And you wouldn't expect a big uplift in those going forward. But obviously, the shift in business mix would potentially move margin going forward. Is that a reasonable assumption?

A - Luigi Lubelli {BIO 4108780 <GO>}

You are referring exactly to Slide 24. I think that what Philippe -- I mean Philippe will -- certainly may clarify exactly -- talking about the essence of what is being said here is that business mix varied in terms of the orientation of the business mix. Clearly, I mean this is real life. So this is not, it's not as if sales are set in stone, right? But broadly, our orientation is towards the product. The mix in every quarter will change. As you can expect, there's a constant refinement on the terms and conditions of the products being sold, which make these margins vary. I mean margins -- it's a question you always ask us both in Life and non-Life. Margins are a relative concept, they have to be seen relative to the economic context and to the competitive context. What we are confident -- but I think this is for Philippe to elaborate and say is that with respect to what the market can deliver at any moment, we are leaders in terms of performance. But I wonder if -- does that cover your question?

Q - Paul De'Ath

Yes.

Operator

And we will take our next question from Thomas Seidl from Bernstein.

Q - Thomas Seidl {BIO 17755912 <GO>}

Three questions from my side, first on Life. You used to show the current return versus the existing portfolio guarantee was 3.21% income versus 1.73%. It was guaranteed at the full year numbers. Could you give us an update, in particular, on the guarantee and the spread here to the investment income.

Second question on P&C, attrition and loss ratio, up from 67.8% to 68.9%, which is in a way, not fully in line with what you told us at the Investor Day, where basically, you said technical excellence will allow you to more than compensate price pressure. And hence, loss ratio should be coming down. So how do you think about that? Why is it not working right now? And why should it be working going forward?

And the third question, I'm not sure if you are willing to comment. But I'll anyway ask the question, you had a EUR 50 million one-off benefit from lower allocation to risk provisions in P&C, what do we have to think about that?

A - Luigi Lubelli {BIO 4108780 <GO>}

Okay. Thomas. So we'd refer to the first one. If I understood, that's an information we give on a yearly basis. I mean qualitatively, as you can imagine with the work -- and I wonder if I'm answering your question. But I think I am in fact. The work on guarantees goes on. And hence, the average guarantee on the portfolio continues to fall as we said it would. So that is something you will see reflected in those figures at year-end. But as I say, these are figures that we published at year-end. But let's say that we -- like in the comments I was making before, we are saying precisely what -- we're doing precisely what we said we would do.

In terms of the combined ratio, I was slightly confused. I'm under the impression you are referring to a quarterly movement. I, once again, referring to my previous comments. I wouldn't judge firstly the combined ratio always in absolute terms. As I said, it's always the relative exercise. And secondly, Life happens in the sense that you do have claims from time to time on a quarterly basis, which may make you deviate in terms of losses. I would say that I have few doubts that this combined ratio is at the very leading edge of the industry. And from my perspective, it's been fairly stable. I would say that the development in Argentina was kind of one of the biggest pieces of news, which is relative to the total group, fairly small. We did have, let's say, comparing first Q to second Q, we had more nat cat in Q1 than we had in Q2. So that in Q1, we were above the previous year. As of the first half, we are below the previous year because of the allocation. We did have this so called, low-frequency nat cat. So we had these small natural events, which don't make it to nat cat. But nonetheless, damage your results. We had of that in France, for instance. We had of that in Central and Eastern Europe. And that had some impact on the loss ratio. We did have a few of commercial insurance claims in the quarter. But as I say that's -- in Life, that happens. But by and large, the loss ratio, I think, is very good. Am I answering what you were asking me, Thomas? Or is it something else you were asking?

Q - Thomas Seidl {BIO 17755912 <GO>}

No. I think I'm mainly talking about -- and half-year numbers, you're right. And I referred to your Investor Day presentation. I'm not looking at quarterly. But you -- and I prefer also to look at annual numbers. But on a half-year basis, half year '16 to half year '17, there is a deterioration. At the Investor Day, you showed us that technical excellence should lead to an improvement. Now you say it's broadly stable. So I'm wondering how you think about the underlying loss ratio, excluding nat cat and any noise in that. Is there -- how confident are you that you can bring it down like you have shown us last November? Or is it now more -- or the opinion that you're going to keep it stable here?

A - Luigi Lubelli {BIO 4108780 <GO>}

As I say, when we're talking about an EUR 11 billion as of the first half euros business. So you're talking about 30 basis points variation in the loss ratio, at the loss ratio, which is if you round it both ways, continues to be at 68%, to me is not such a bad development. And as I said, it must be seen in the context and relative to our peers.

The technical excellence to (improve) the offering is seen in other aspects. And there, you should compare us with our peers. For instance, we have falling frequency. That falling frequency, that is the outcome of our underwriting work and what we're doing on the ground. What it should -- what I would encourage you is to make this kind of comparison with our peers. And I'm pretty sure that the targets we publish were not absolutes. They were relative. They were relative to our competition as they can be. It's the only way that they can be, by the way.

A - Philippe Roger Donnet {BIO 4657671 <GO>}

Just to be precise on this, first of all, we didn't take any commitment on half-year combined ratio, because half-year combined ratio are not full year combined ratio. Then the commitment we took during the Investor Day was on the gap between our combined ratio and the second best competitor. And if I remember well, our commitment was to increase this gap between us and our best competitor. But as what you said, there was no commitment on an absolute value. I may have said, I remember that I said that I thought that we would be able to improve our combined -- to further improve our combined ratio by the end of 2018. But that was a personal comment. But the commitment is on a relative basis.

A - Luigi Lubelli {BIO 4108780 <GO>}

With -- yes, with your respect to your third question or -- yes. So the other line is a line in which we have, as the label indicates, a number of elements. So one of them is service revenues. There are service revenues from sales of precisely services by the non-Life companies, which are there. There we have some minor increase. Then in a bigger proportion, what we have there is appropriation of -- and releases of funds that are connected. For instance, with salaries of -- salary reviews of employees of -- partly reduced with the movements in staff. So there are variation in contractual agreements, which in last year, we had a recognition of charges. And this year, we had a smaller recognition of charges and probably some releases. So that's the net.

I wouldn't -- but my -- as, I think, I'm understanding your question, it's also to the benefit of your colleagues, I imagine you want to see somehow the stability. I would say that this quarter was possibly -- especially good on that front. Perhaps, the figure for last year was closer to, let's say, what you would expect to be, an average reference figure for this line. I would say that in terms of which -- your question is very fair and actually thank you for asking it. In terms of the total appreciation of the operating result for this first half, somehow things offset each other. So on one hand, we have this variation. On the other hand, we had the adjustment in Argentina, I was referring to previously. Bearing all of this in mind, many -- mostly, these variations offset each other. So I would say that the total figure for the operating result for the non-Life businesses in this quarter is representative of what's the underlying performance of the business. Hoping this will help you appreciate it better.

Operator

And our next question comes from Gian Luca Ferrari from Mediobanca.

Q - Gian Luca Ferrari

I have one question around the increase in the economic Solvency implied in Q2. If my numbers are correct, market movements went well above 10 points, 10.5 points. Can you break it down in individual components with particular interest in the contribution from narrowing spreads on government and corporate bonds? Is it fair, also, to assume you had positive effects on swaption volatility? And second and last question is on the tax rate. In the first half, it was a bit higher than the guidance of 32%, what should we model for year-end?

A - Luigi Lubelli {BIO 4108780 <GO>}

So let's see this. Well we have the -- I imagine you are referring to the variation in the Second Quarter versus the First Quarter. So the financial variations were overwhelmingly driven by the spreads in terms of the financial side compared to Q1. And...

Q - Gian Luca Ferrari

Can you also quantify that?

A - Luigi Lubelli {BIO 4108780 <GO>}

I'm afraid I can't because I didn't give the figure. But by and large, that was the figure. Also if we -- I mean, let me just see how I can help you. Yes, broadly, I mean, the overall figure -- well we actually did not give this compare -- in Q1 as a figure. So I have some trouble making that comparison. But qualitatively, what I can tell you was basically the OATs and the BTPs as in terms of spread, which from a financial standpoint, of the development in Q2. That's kind of where -- what were -- we had some impact of rates. But they were much smaller than spreads and of some noneconomic variables. But even the sum of that is lower than the spreads.

So regarding your question on the tax rate. Tax rate, one of it is -- as the guidance, I mean, tax rate is an outcome of profits and where you make them, as you know. I would say there is a lot of variations in there. As I said in the First Quarter, last year, 2016, in the First Quarter, we had large positive income in Germany because of some recoveries of tax paid in previous years on which we actually also received interest from the German tax authorities and that distorts the comparison year-on-year.

So if you were -- because as you can imagine, it's a pot in which many changes going to in a group such -- as large as ours. Overall, I would say that the tax rate -- if you were to normalize things, the tax rate is falling year-on-year. The fall is basically driven by the reduction in the IRES in Italy. So kind of if you take the proportion of profit in Italy and the decrease in the IRES you can kind of calculate the reduction and the tax rate is not super material but risk.

Operator

And our next question is from Andy Hughes from Macquarie.

Q - Andrew Hughes {BIO 1540569 <GO>}

So I have 3 questions, if I could. And the first one is about the Solvency II capital generation. Maybe can you give us clues to where the Solvency II generation is happening, because if it's happening, I don't know, in the weaker-capitalized subsidiaries, I see that being much more positive than it is adding to the capital position in already well-capitalized subsidiary maybe for example Generali Italy, where you're kind of writing hybrid products.

And the second question is on the hybrid products, when you say you're signing lots through your linked business, do you mean you're signing lots of hybrid business? And what kind of bonus rates are you paying currently? And what do you think is going to happen when the bonus rates kind of blend down on the hybrid product? I mean. And I guess the third question was about the P&C businesses. Well obviously, you can see year-on-year in the first half, the premiums are down quite a lot than last year. Is that something you expect to continue? Or -- and the combined ratio is up and the top line is down, are you kind of saying that the Italian business is going to continue to shrink at this sort of rate? Or what are you saying that for?

A - Luigi Lubelli {BIO 4108780 <GO>}

Look, it's a very intriguing question. I mean, it's not as if we are, I mean, are piloting where the capital generation comes from. As you can imagine, the degree of improvement, I think, that's primarily -- let's see what kind of slide I can use to help you. I think if you move to Slide 25, where we have the Life new business margin, because at the end of the day, that's where most of the game in the capital generation is played in the year, right? In terms of the variation. So the -- there are clearly differences in where the margins improve. And -- but I'm afraid it's not -- you may say, yes. I mean, indirectly, the answer to your question is yes, because clearly where we put the most effort into was in those countries where the margin was farther away from where we wanted it to be.

I think a case in point, which is actually the case in point of this half and of the First Quarter of this year, is France. If you look at France and what margin it had in Life a year ago and what margin it has this year, clearly, that, I think, is a positive answer to your question. Yes. We had a country that was farther away from the other, in terms of capital generation. We put most of our management efforts there. And there is where we got most outcome.

Another example in point in my view would be Asia. Asia last year in the First Quarter was selling a product, which was absolutely disaligned with what we wanted it to be. We worked on that. We are selling much less in Asia. But we're selling with an economic value that I think is multiplied by 8, if my memory doesn't fail, year-on-year. So I wonder if I'm making a big circle in order to answer your question. But I'd say that by and large, yes. The answer is yes. We are putting most efforts in the countries that deserve the most, yes.

Q - Andrew Hughes {BIO 1540569 <GO>}

Does that mean some regions like France might pay bigger dividends going forward? Or any -- I know that France Life was paying a dividend last year. But, I guess, French was paying in Life dividend last year. But I don't know whether the...

A - Luigi Lubelli {BIO 4108780 <GO>}

France, as a matter of fact, has been increasing the dividend payout. Well not just France Life, France as a country has been paying much more dividend than in the past years. I think -- overall, financially as well, I would say, of the large countries, you've had the most -- relative to the starting point, you had the most remarkable changes, yes. And indeed, in dividends, we had a major increase in the figure, yes. That was published with the full year results.

Q - Andrew Hughes {BIO 1540569 <GO>}

And on the hybrid products?

A - Luigi Lubelli {BIO 4108780 <GO>}

On the hybrid products, if you don't mind, this is possibly something we have take offline, because the bonus rates, I honestly wouldn't have them available now. And if you don't mind, we take this offline and give you an answer.

Q - Andrew Hughes {BIO 1540569 <GO>}

Yes, I'm just curious as to where the bonus rates are versus the margins you're reporting. So my theory is that when you do the EV, you assume the bonus rates collapsed in line with the yields, whereas, actually, what you're paying is kind of in excess with the EV assumption.

A - Luigi Lubelli {BIO 4108780 <GO>}

Yes. But if you don't mind because, really, now I would not have the information in order to give you an appropriate answer to your question. With regard to Italian P&C, I'll leave the word to Philippe.

A - Philippe Roger Donnet {BIO 4657671 <GO>}

Okay. First of all, I think it's important to look at the overall growth in Italy because Italy is growing, it's growing on the -- very significantly on the Life business. The net inflow of Italy is more than half of the net inflow of the total group in the first half of the year. So we are talking of more than EUR 3 billion net inflow for Italy. When you compare this to the total Life reserves in Italy, we are talking about 3% growth of the Life business in six months. So this is an extremely strong growth.

On the other hand, as you said, the Property & Casualty premiums are decreasing, both Life and -- both Motor and non-Motor. On Motor, it's, again, the impact of the war on prices that took place in the past few years in Italy. At the end, it has an impact, even if I confirm my positive -- the positive comments I made previously in -- for the new business, for the trends on the new business.

By the way, the average premium in Italy is starting increasing again. We are increasing the prices this month. If I -- last month, we increased the prices in Italy for the new business. And we are diminishing the discount on the portfolio. All this has a positive impact on the average premium.

On the non-Motor business, I think that the business -- the premium are quite flat on the personal lines. And the premiums are a bit more challenged on the commercial -- corporate and commercial because this is the market trend. It's a soft market on corporate and commercial.

Having said that, you know that the easiest thing to do in the insurance business is to grow the premium. You just need to be a bit less selective and immediately you can grow more aggressively the premium. This is not the choice we made for Italy because Italy is focused on increasing -- further increasing the quality of its Life business, which is excellent now. So confirming the shift of the new business to Protection and unit linked. Italy is focusing on the profitability of its Property & Casualty business. So we are focusing on increasing, again, the average premium on the Motor business. And Italy is focused on the improvement of the customer experience and the simplification and the digitalization of all its processes. So these are the priorities for Italy.

Operator

And we'll take our next question from Niccolo Dalla-Palma from Exane BNP.

Q - Niccolo Cornelis Modesto Dalla-Palma

So I have 3 questions. The first one is on the Life flows. You -- the -- you gave us a lot of positive commentary. There's one detail you highlight, however, in the press release, which is about increased surrenders in Italy, France and Ireland. I wonder whether you could say something more about this, given that you highlight it.

My second question is on -- coming back to the last answer of Philippe. The one part I still don't understand is, you actually highlight the high-acquisition cost -- the acquisition cost ratio is driven by the effort and increased penetration in Italian non-Motor products. But still we are not seeing it in the top line. So what's missing before we see the impact of that, given we already see the impact on costs?

And the third question. A bit more boring one. But on the restructuring cost, I wonder whether you could give us an update of what's in the planning for restructuring cost for the next 2, three years?

A - Luigi Lubelli {BIO 4108780 <GO>}

So yes, there are surrenders indeed, as it said in the press release, which is I think relatively normal, as we have been in any way not at the level which is, particularly, alarming. It's just a normal behavior, I would say. As we said and I think it's evident, we are being very disciplined with our offer. The products that we are offering now in savings have no guarantee. So they have 0 guarantee. And some -- it does happen that some customers, if they actually only are interested in that, one day when the product matures, they will -- they decide to do something else with their money. Most customers were, actually, as we see -- as you see, we are being quite successful in selling to new products, which I also think in the interest of customers are better these days because they give them an opportunity of better returns.

There have been some instances. But really nothing major to write home about in France and with -- in connection with the political uncertainty, there were some surrenders possibly motivated by that. I wouldn't know. But not a large amount. And so that I would say kind of summarizes the recent news about surrenders.

What Philippe said was -- in terms of the acquisition cost, was referred to the retail business. In Italy -- Philippe also said that in Italy and in Europe at large, we do have a fall in the commercial business. So non-Motor includes both retail and commercial. The performance of retail excluding commercial is much better. So that is what you -- but I appreciate if you cannot see it in the figures that we provided to you.

We don't have a published target in terms of restructuring costs for the next 2, three years. So I cannot share that with you. I would say that in terms of this first half results, the restructuring expenses had a comparatively lower influence than they did in the first half of '16. But I'm afraid we don't have a target for that.

Operator

And our next question is from Nadine van der Meulen from Morgan Stanley.

Q - Nadine Adrienne Marion van der Meulen {BIO 15200446 <GO>}

The first question is coming back to the cash remittances that you were just talking about, really, earlier on the call. If you look at the cash generation, at the full year, you showed quite a nice slide with the different countries and the room for upside, given that the operating profit coverage of the dividends upstream force was still quite high at, I think, on average 1.5x. France was particularly high at 1.8x. Can you comment on what we can expect this year? Will remittance ratios be higher like you indicated at the full year?

And the second question is in regard to the distribution of cash to shareholders against sort of investing in growth regions in -- like Asia. And I'm asking sort of how you're balancing that. In light of previous comments at full year, I believe it was said that Asia was going to represent nearly 30% of the group, new business value by 2020. I mean, that was not a target by any means. But it was a comment that was made.

And on reserves, the reserve releases have been fairly high in the last two years, well above the 4percentage points. Will you stick to the 3 to 4percentage points guidance going forward? Or should we expect this to maintain a little elevated?

And lastly on investment performance, the current returns in Life stayed stable at 1.6%. And that's broadly in line with the run rate of last year at 3.2%, whereas in previous years, it was gradually declining like we're seeing everywhere else. But do you see this bottoming out now? Or maybe you can comment on that as well.

A - Luigi Lubelli {BIO 4108780 <GO>}

Okay, quite a bit of questions there. I think that your first answer is something we talked about on occasion of our full year results release, in the sense that, as you can -- I mean, everything has to be taken with some balance. If you look at '16 versus '15, you're talking about an increase of 20% in the total remittance year-on-year. So 20%, I hope you appreciate, is a lot. So an increase of 20% every year is in my view unrealistic.

The -- but clearly said that, it is obvious that we are trying to increase the remittance from our subsidiaries, that's certainly a focus. And as with the good progress we are delivering on the operating side, that's what we certainly look forward to in the coming future. But I don't have an expectation to give you or a forecast to give you for this year, except for the fact that, of course, we are striving to please our shareholders and through the increased remittance from our operations, which at the end of the day is a testament to the success of our activities.

Distribution of cash to shareholders. Once again, when it comes to cash to shareholders. And we do have a public commitment and the public commitment remains. For the moment, there is no -- because I also think that, that public commitment is generous and reasonably rewarding already for our shareholders. So there's no balancing with the investments in the business. Clearly, the investments in the business are a different matter and they are looked for the merits whenever they are made. But if this is a question to ask us, whether if there is no investment, there is going to be more distribution for the moment. The answer would be no. The -- I don't see the guideline in reserve releases. The reserve releases happen. I would say, that this year they clearly reflected development of claims. This year, we are kind of basically in line with the same level a year ago. We are below the level for 2016. And I'll say nothing to report of any especially relevant in nature, say, of course, for the development in Argentina I referred to.

And your last question is interesting. The answer is a qualified yes, in the sense that it's not yet apparent in Life. But indeed, we are seeing that -- for the moment, we're seeing that more in the non-Life portfolio than we're seeing in the Life portfolio. But yes indeed, we are seeing some ticking up in reinvestment rate compared to a year before. So yes, it's very modest to hail it as a big change. But it is indeed happening, yes.

Operator

Our next question is from Lance Burbidge from Autonomous.

Q - Lance Montague Burbidge {BIO 3978332 <GO>}

Just a couple of quick questions from me. I just wanted to get back to the Italian retail non-Motor business. I think you say, Luigi, in the call transcript that, that -- the premiums were down 2.3-ish % year-on-year. But I think you sort of also commented that the quality of the business is improving. So is the decline in premiums really a business that you are happy to let go, I suppose, to some extent, as you saw in Motor business? And is that a trend we should expect to continue? Then Slide 24, which very helpfully gives those margins on a product basis, I wondered if you had a rough idea on the unit linked and the Protection business, which -- they've both gone up in terms of margin quite significantly year-on-year, which is -- sort of how much of that is coming from a geographic mix? And how much is coming from, what I suppose you might call, management action like repricing and changing the products?

A - Luigi Lubelli {BIO 4108780 <GO>}

It's interesting, the statement about the business we're happy to see leave. No. Normally, I'm not happy to see business leave. But certainly what we're trying to be is being selective. The -- we are certainly happy with the -- at the end of the day, I think what it is evident in our -- and hopefully increasingly evident in our results, in our performance, is that Generali, by and large, only writes what it thinks is good from a technical standpoint. So that is increasingly -- that, I suppose, also partly answers Thomas' previous question in the sense that we are, certainly, focusing on that and we are putting a lot of effort on retail non-Motor in Italy and hopefully with more positive news to come going forward.

The reality is that some markets are easier than other. Italy, specifically, perhaps is compared to -- and that possibly also the beauty and the attractiveness of it, it's a market in which non-Motor is comparatively less developed than others. So it takes, on one hand, a bigger effort to sell it. But on going forward, we also -- possibly also the rewards will be nicer.

A - Philippe Roger Donnet {BIO 4657671 <GO>}

Yes, maybe we can add the comment that the penetration of the housing trends in Italy is very low. Only 24% of households has insured their house, which means that the non-Motor retail business in Italy is more small -- small and medium companies business. On this business, we have market share which is over 30%. So we have a strong market position on these small and medium companies' segment of market. Definitely, in Europe, generally speaking. And especially in Italy, these small businesses are facing a challenging environment. The growth is not that high. So it's quite normal that the premiums on this business are flat. I just want to remind you that a couple of years ago, the combined ratio on this side of business was quite high. And the priority of Italy, a couple of years ago, was to turn around this business. So we've been focusing in the past three years in reducing the combined ratio of this line of business. We've been successful. But now we are shifting to a growth strategy. But it's normal that it takes some time to shift from turnaround strategy to a growth strategy in a very flat environment, economical environment. It's a bit normal. It takes some time to see better numbers on this line of business. So I hope this explanation is quite clear.

A - Luigi Lubelli {BIO 4108780 <GO>}

Going to your new business margin question, I think that qualitatively what -- as I'm sure you do know, Protection and unit-linked products are comparatively much less influenced by financial assumptions. And therefore, it is the -- possibly, it's product mix that is affecting that. Okay?

Q - Lance Montague Burbidge {BIO 3978332 <GO>}

Well It was really that -- I suppose there's quite a big geographic mix in the Protection issue, which is obviously, Asia and CEE have seen quite a lot of efforts there?

A - Luigi Lubelli {BIO 4108780 <GO>}

Yes. But exactly what -- what is it then your question on the geographic mix?

Q - Lance Montague Burbidge {BIO 3978332 <GO>}

Well I suppose if it's just the sudden move from 7.58% to 9.66%, is that mostly explained by the geographic shift towards Asia, for example, rather than -- in Italy or France, you've changed the pricing of those Protection products and that has affected the margin.

A - Luigi Lubelli {BIO 4108780 <GO>}

Asia and CEE, for sure, in -- are having a strong influence on this year -- this half year on Protection, if that's your question, yes. The answer is yes. On those geographic -- geographies, yes.

Operator

And our next question is from Ralph Hebgen from KBW.

Q - Ralph Hebgen {BIO 6297020 <GO>}

Actually, we kind of remain on Slide 24 because I have a very similar question. This one is on the savings increase in the new business profit margin, which, of course, is also impressive. Would you be able to give us some more color on the background here? Was that increase driven by a reduction in capital requirements, which presumably in turn might have been driven by the increase in, say, it's in hybrid? Or was there some other dynamic driving this?

And also second part to this, if you could just give some additional color to the margin improvements in the segments. Has there been any particular influence? Any one-offs?

Any positive impact on this dynamic by, perhaps, a materially large contract which you saw with anywhere?

A - Luigi Lubelli {BIO 4108780 <GO>}

Okay. Starting from your last question. No. There wasn't any large contract influencing this. I'm -- basically the savings margin improved. As you know, we have repeated it many times today but also in previous calls, we are working on the guarantees. So the average guarantee has fallen, has fallen a lot and continues to fall. And basically, the reality is that most products are sold with 0 guarantee. In some countries, I think the most remarkable example of that would be France. But other countries are also relevant. We have had a revision of loadings. And we have higher interest rates. So the combination of these 3 -- and new products as well. And the combination of this explains the change in the new business margin and the new business value of the Savings business, despite the falling volume of sales.

Operator

Our next call comes from Johnny Vo from Goldman Sachs.

Q - Johnny Vo {BIO 5509843 <GO>}

Just a couple of questions in relation to your disposals. In the event -- obviously, with your disposal, you said you'd achieve EUR 1 billion. But it will have less than 1% impact on earnings. If your disposal is at least EUR 1 billion, or if not more. But it has a greater effect on earnings than 1%, would you use the excess proceeds to effectively neutralize the dilution? That's my first question.

The second question is just in regards to the big change in new business mix of your Life business, is there a change in the liquidity or cash profile or the local GAAP profile from that change in business mix, because clearly unit linked and Protection has a different profile to that of the Savings business. And this is in relation to the old business sold?

A - Philippe Roger Donnet {BIO 4657671 <GO>}

I will answer the first one and Luigi will answer the second one. On the disposal, I said that we are expecting at least EUR 1 billion as the proceeds. Definitely, we want to use these proceeds to invest in business, to invest in business to recreate a bigger, by the way, a bigger net income at the end. So we are pretty confident that we will be able to reinvest these proceeds in a better-performing business, in more profitable business, in markets that are more in line with our strategy. This is definitely our objective.

A - Luigi Lubelli {BIO 4108780 <GO>}

Okay. As far as your question on changes in business mix and liquidity, frankly, no. There's nothing major to report from the various countries on that front. You always have to think that, although it is very relevant and we are, as I think it's pretty evident, quite proud about it, the new business is relatively small relative to the whole book of activities of the company. So that has an impact to a point. But to cut a long story short, the answer is no. No big impact.

Operator

And we will take our last question from Michael Huttner from JPMorgan.

Q - Michael Igor Huttner {BIO 1556863 <GO>}

And I have 3 questions. On the disposals, the 3 which you cited, Liechtenstein, Guatemala and Colombia, how much was that? And the second question is, you cite in your preprepared remarks, a rise in large claims in Motor in Germany, can you just maybe explain what's happening there? Or how you see it?

Then the last question, which for me is the most important, you have this really lovely annualized organic capital generation of EUR 3.6 billion. So EUR 1.8 billion at the half year. Congratulations, this is -- you must be best-in-class now. And the cash flow last year on a remitted base is EUR 2.4 billion, on a free cash flow basis EUR 1.9 billion. So presumably it goes up a little bit but it's still huge gap. What is the difference? And should we expect the cash flow to converge to that annualized organic capital generation? Or should we expect the gap to remain sizable?

A - Luigi Lubelli {BIO 4108780 <GO>}

Look, thank you for the questions, Michael. The -- in terms of the disposals, I'm afraid the agreement on each of them was with the selling -- with buying parties was not to disclose the amount. So I -- unfortunately, I cannot give you that figure. I think anyway -- clearly, as you can imagine, these are not massive countries and those are not massive operations we are disposing of. I think what is especially relevant is that, once again here too, we said we would do it and we are doing it. So it's happening.

Large claims in Spain, yes -- sorry, in the Germany, yes. There have been some claims in Motor insurance, I mean, big accidents with some payout, especially because of casualties, that was the reason. But it just happened, as I said, these are the ordinary things that in this case unfortunately happened in the ordinary course of business. The -- this is the permanent question and it elicits the permanent answer in the sense that, clearly, the organic capital generation, which partially connects to the previous question, it is evident, the more we write more profitable business, the more we'll have larger profits in the future, the more we will be able to pay more -- generate more cash and hence pay more cash. But a, this does take time. And unfortunately, the dividend payment story is a sad reality that is based on local accounting rules and the -- whatever is the payment ability of any given subsidiary in the moment. So let's say this is a theoretical -- certainly reliable, theoretical indication of the future capacity of our companies to generate profits and hence remit dividends. The actual dividends being paid now clearly reflects, on a local basis, what is the profit generation, the dividend -- the legal dividend capacity and the available cash, because cash may be needed for other purposes at the local level.

Operator

As there are no further questions, I would now hand the call back to Spencer Horgan for any closing or additional remarks.

FINAL

Bloomberg Transcript

A - Spencer Horgan {BIO 4241901 <GO>}

Okay. Thank you, everybody, for participating. Apologies, we went on a little bit longer. If there are any other further questions, obviously, the Investor Relations team are at your disposal. And with that, I wish you a very good day. And hopefully a good and well-earned summer break. Yes. We'll speak to you soon.

Operator

That will conclude today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.