

# The DNA of Atradius

Annual Report 2018 Atradius N.V.

# This is Atradius

**Operating globally, we support national and international trade through our credit insurance, surety and debt collection services.**

Success in this field means balancing a constant commitment to excellent customer service with an enthusiasm for exploring new trends and technologies. For us, every innovation must be focused on building and protecting the business relationships we value.

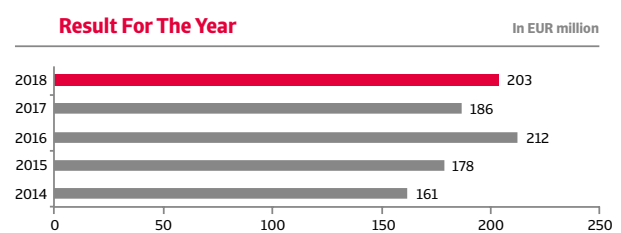
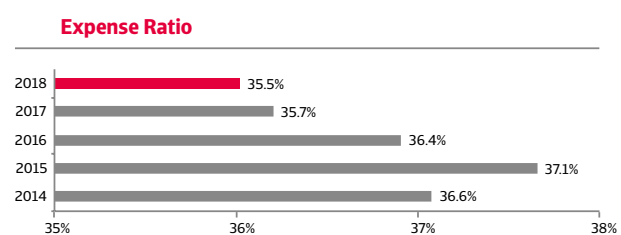
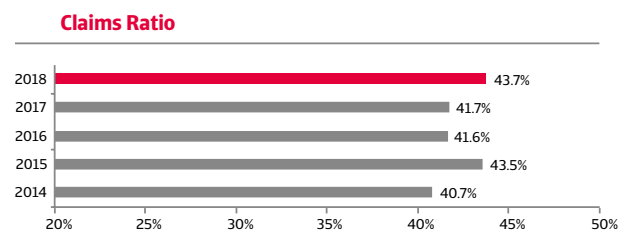
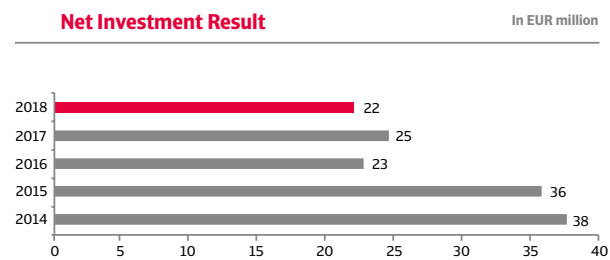
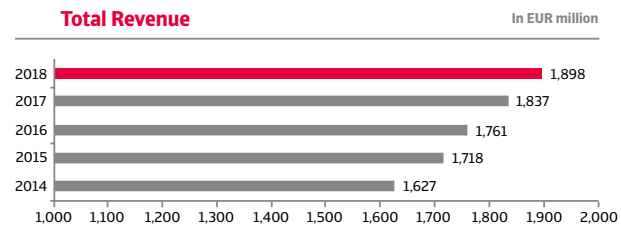
We know this approach works: our customers keep coming back, and our business continues to grow. Organisations of all shapes and sizes appreciate the range of benefits of working with us – we do much more than pay claims and recover debts. With us, our customers receive extensive support and guidance, as we help them avoid risks and seize opportunities.

## Our 2018 performance at a glance

### Continuous group-wide growth and profitability

- Insurance premium revenue increased by 3.8% (5.3% at constant foreign exchange rates) as Atradius continued to grow its portfolio and expand its global footprint.
- The result for the year grew to EUR 202.7 million, an 8.8% increase from 2017.
- Our prudent investment portfolio contributed EUR 22.1 million, in a difficult environment with low or negative interest rates and volatile equity markets.
- Atradius achieved a solid 43.7% claims ratio, paying out over EUR 834 million in claims to customers while consistently supporting them in a challenging risk environment.
- The expense ratio for the year decreased to 35.5% reflecting Atradius' commitment to efficiency.
- The combined ratio ended at 79.2%.
- Our shareholder's equity grew 3.9%.

“ Our customers keep coming back, and our business continues to grow.”



# Building success comes naturally

**At Atradius, we strengthen our customers' credit management, allowing businesses around the world to trade confidently and competitively. No matter how complex a transaction is, where in the world it is, or with whom, we want to help make it a success.**

We do this by understanding each customer's business, and by getting to know the people behind it and their goals. With this knowledge we are able to deliver first-class insurance cover, trusted intelligence and business insight, and services that are tailored to suit each customer's needs.

Our ability to build strong customer relationships is in our nature. It even helps shape the services we provide. This is why we invest heavily in forging mutually beneficial partnerships - not only with customers, but also with agents, brokers, information providers, insurance partners, reinsurers and collections networks.

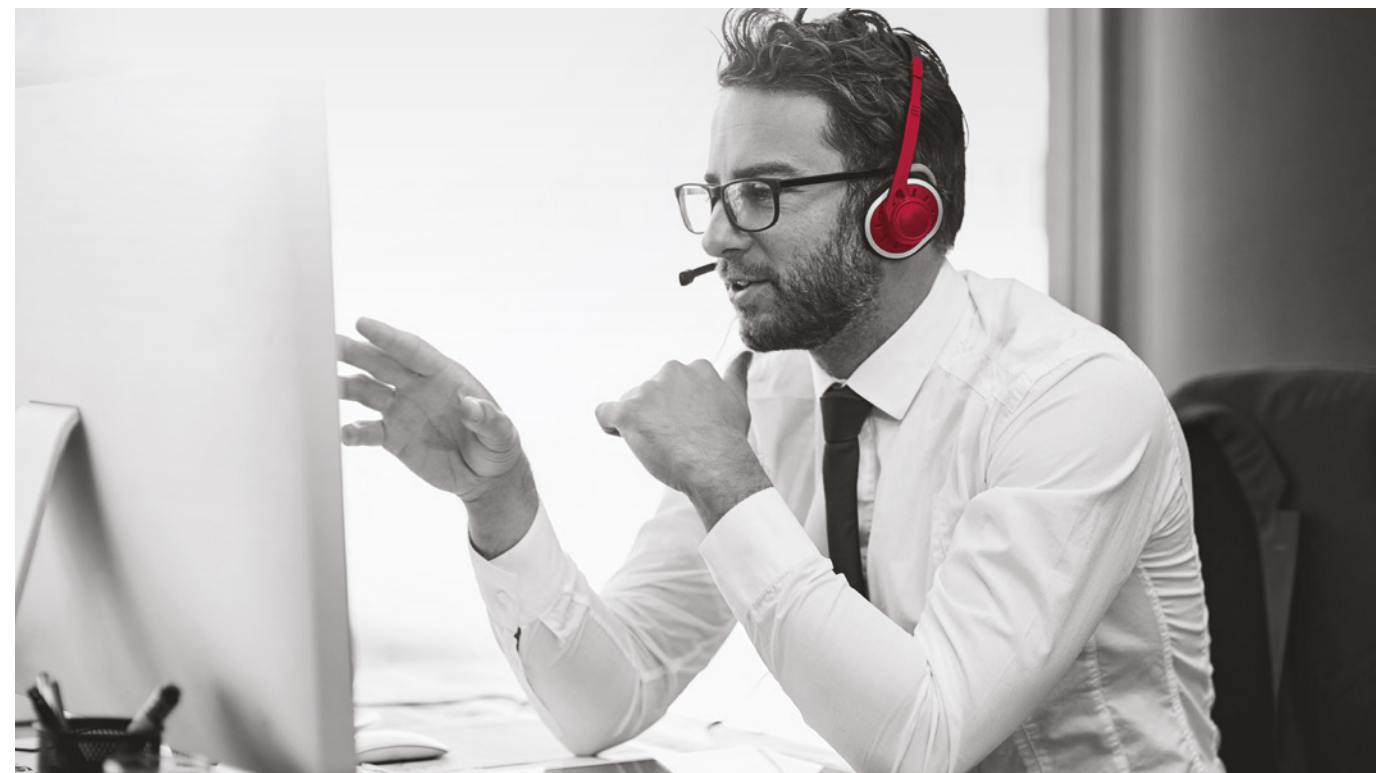
As our customers' businesses grow and the world they're trading in evolves, the demands on our business increase too. That's why we continue to find new and better ways to help customers manage the

trade credit risks inherent in business. At the same time, we are keeping up with the challenges of digital transformation in what is an increasingly fast-paced and interconnected world.

We are continually evolving to provide customers and partners with the vital tools, technology, information and services they need to manage risk. For example, simplifying and streamlining everyday tasks like credit limit applications and claims submissions. This allows our customers to focus on activities that add value to their business.

Of course, developing deeper relationships, means being 'present'. We are in over 50 countries across six continents. Wherever we do business, we are attuned to the local cultural, political, regulatory and economic nuances of the markets our customers trade in.

Bring all this together and you can see how, by increasing the value of the services we provide, we help our customers expand, innovate and grow their businesses. Their success stories are what Atradius is built upon. It's in our DNA.



# The global economic environment in 2018

**Our understanding of the global economy is central to helping our customers' businesses grow.**

The global economy kept up the pace in 2018, with both emerging and advanced economies growing at roughly the same rate as in 2017. GDP growth remained at 3.0% and is expected to reduce slightly to 2.7% in 2019.

Eurozone growth was reasonable at 1.9%, mainly driven by domestic demand. Employment rates strengthened further, wages rose, and the unemployment rate fell to 7.9% in November 2018, compared to 8.6% at the start of the year. Although all member states' economies grew, Eurozone growth continued to be distributed unevenly. Southern European states lagged behind, but Spain and Portugal performed much better than Italy and Greece.



Borrowing in the Eurozone continued to recover, with banks relaxing their credit conditions. Lending remained lower in Southern Europe, as banks coped with continuing weak balance sheets and high levels of non-performing loans.

In the US, GDP growth accelerated to 2.9%. Private consumption, which accounts for more than two-thirds of the US economy, remained strong. Labour market conditions continued to improve, with the unemployment rate reaching 3.9% in December 2018.

Emerging market economies maintained growth, supported by solid global demand, relatively loose financial conditions, improving domestic policymaking in some markets, and higher commodity prices. In China, which has begun feeling the pain of the trade war with the US, GDP growth slowed to 6.6%. India was still going strong, with GDP growth of 7.4%. Latin American growth slowed, with Argentina suffering an economic crisis and Brazil facing a truckers' strike and uncertainty ahead of general elections. Eastern Europe enjoyed stable expansion of 3.1%, but individual country growth rates varied. Russian growth increased slightly, while the Turkish economy cooled from high credit-fuelled GDP growth in 2017.

For commodity-exporting countries, 2018 was a moderate year. Oil prices were volatile, and prices of commodities such as steel, aluminium and copper were lower.

Global insolvencies continued to decline. The biggest improvements were in Eurozone countries with strong economic growth, like the Netherlands and Ireland, and in those recovering from high insolvency levels, such as Spain and Portugal. However, levels remained high in many Eurozone countries.

Insolvencies declined in the US, but increased in the UK following construction sector difficulties and weakening consumer purchasing power. Most other advanced markets saw stable or declining insolvencies.

In Russia and India, economic growth is expected to lead to declining insolvencies. However, in China, corporate bankruptcies have increased, and South Africa entered a recession, leading to a rise in insolvencies.

# Upholding our values while embracing change



**Producing impressive financial results in all areas of our business, 2018 was another successful year for Atradius.**

Our excellent results are due to our approach to the market and to our values: to provide high-quality service by working closely with our customers. While the world around us changes, our values do not, which is what makes us such a reliable partner.

The fast-evolving landscape brings opportunities and threats, and the strategic focus we initiated in 2018 addresses both. It aims to transform and future-proof our business, and support our customers and partners in new and exciting ways.

The Big Data trend offers opportunities to make our business smarter and more efficient. We are exploring how to use new analytical techniques to enhance our underwriting and lead-generation activities. In 2018, this included a ground-breaking pilot using the IBM Watson tool to read massive volumes of unstructured financial information and alert underwriters to negative developments.

We are also tapping into the new digital trade economy to create new ways of working with our customers. In 2018, we began working with Kemiex

– the world's first online trading platform for the pharmaceuticals, veterinary food and feed sectors – to give customers direct access to our services.

Connectivity is another important trend. This year we invested in new underlying API technology to upgrade our connectivity capabilities for core processes (such as limits, rating and claims). We will make these available to customers and partners, so they can easily connect and automate processes and data flows. We are also integrating our products and services with trading, credit management, financing and Enterprise Resource Planning (ERP) platforms. Our customer portal 'Atrium' won the Insurance Technology Award in Hong Kong, and we launched the Atradius Collections platform (Agora), which lets customers purchase collections services and receive payments online.

Our Insurance Financial Strength Rating was upgraded to 'A2' (outlook stable) by Moody's. Our Long-Term Issuer Credit Ratings from A.M. Best have also been upgraded from 'a' to 'a+' with a stable outlook. These upgrades reflect our strong consolidated balance sheet and operating performance, favourable business profile and appropriate enterprise risk management.



# Serving you around the world

## Europe

Austria	Vienna
Belgium	Namur, Antwerp
Bulgaria	Sofia
Czech Republic	Prague
Denmark	Copenhagen, Århus
Finland	Helsinki
France	Paris, Bordeaux, Compiègne, Lille, Lyon, Marseille, Rennes, Strasbourg
Germany	Cologne, Berlin, Bielefeld, Bremen, Dortmund, Düsseldorf, Frankfurt, Freiburg, Hamburg, Hanover, Kassel, Munich, Nuremberg, Stuttgart
Greece	Athens
Hungary	Budapest
Iceland	Reykjavik <sup>(1)</sup>
Ireland	Dublin
Italy	Rome, Milan
Luxembourg	Luxembourg
Netherlands	Amsterdam, Ommen
Norway	Oslo
Poland	Warsaw, Krakow, Poznan, Jelená Góra
Portugal	Lisbon, Porto
Romania	Bucharest
Russia	Moscow
Slovakia	Bratislava
Spain	Madrid, Alcalá de Henares, Alicante, Barcelona, Bilbao, A Coruña, Castellón, Girona, Las Palmas de Gran Canaria, Málaga, Murcia, Oviedo, Pamplona, Seville, Tarragona, Terrassa, Valencia, Valladolid, Zaragoza
Sweden	Stockholm
Switzerland	Zurich
Turkey	Istanbul
United Kingdom	Cardiff, Belfast, Birmingham, London, Manchester

## Middle East

Israel	Tel Aviv <sup>(1)</sup>
Lebanon	Beirut <sup>(1)</sup>
Saudi Arabia	Riyadh <sup>(1)</sup>
United Arab Emirates	Dubai <sup>(1)</sup>

## Americas

Argentina	Buenos Aires <sup>(1)</sup>
Brazil	São Paulo
Canada	Almonte (Ottawa), Mississauga (Toronto), Pointe Claire (Montreal)
Chile	Santiago de Chile <sup>(1)</sup>
Mexico	Mexico City, Guadalajara, Monterrey
Peru	Lima <sup>(1)</sup>
USA	Baltimore (Maryland), Carmel (Indiana), Chicago (Illinois), Los Angeles (California), Morristown (New Jersey), New York (New York), Plano (Texas)

## Asia

China	Beijing, Guanzhou, Nanjing, Shanghai <sup>(2)</sup>
Hong Kong	Hong Kong
India	Mumbai, New Delhi, Kolkata <sup>(2)</sup>
Indonesia	Jakarta <sup>(2)</sup>
Japan	Tokyo
Malaysia	Kuala Lumpur <sup>(1)</sup>
Philippines	Manila <sup>(1)</sup>
Singapore	Singapore
South Korea	Seoul <sup>(2)</sup>
Taiwan	Taipei <sup>(1)</sup>
Thailand	Bangkok <sup>(2)</sup>
Vietnam	Hanoi <sup>(1)</sup>

## Africa

Kenya	Nairobi <sup>(1)</sup>
South Africa	Johannesburg <sup>(1)</sup>
Tunisia	Tunis <sup>(1)</sup>

## Oceania

Australia	Sydney, Brisbane, Melbourne, Perth
New Zealand	Auckland



<sup>(1)</sup> Associated company, minority interest or co-operation agreement with local partner

<sup>(2)</sup> Service establishment and co-operation agreement with local partner

# Our products and services – flexibility and quality built in

**Our credit insurance products offer more than just protection against losses arising from non-payment for goods sold on credit. With each policy, our customers receive comprehensive support, from dedicated account managers and innovative online tools.**

As a day-to-day contact, each customer has an account manager to help them get the most from their policies. Hundreds of experienced underwriters around the world carry out our credit limit underwriting, assessing the risk of our customers' buyers, and setting safe trading limits. Our online tools provide additional credit-management support services.

A concept called 'Modula' is behind our credit insurance products. This is a worldwide catalogue of modules (or policy conditions) we can combine to meet each customer's needs. It helps us tailor every policy, with no superfluous terms.

We offer credit insurance for all sizes of business. For multinationals, Atradius Global has developed an excellent understanding of their specific needs. Whether their credit management is centralised or local, our Global policy meets these needs. For medium-size and large local companies, we can adapt our cover to fit all kinds of businesses, in any sector, doing business domestically or internationally. And for SMEs, we offer products packaged to be easy to understand and use.

In addition to traditional credit insurance for a customer's whole turnover, we offer structured credit risk solutions for large and complex transactions.

## **Specialised reinsurance for credit and bonding**

Atradius Reinsurance DAC (Atradius Re) is the leading monoline credit and bonding reinsurer in the market. Through its team of underwriters in Dublin, Ireland, it supports over 100 clients in 68 countries.

## **Leading European bonding solutions**

Present in 12 European countries, Atradius Bonding serves an extensive portfolio of businesses in a wide range of industries, helping them secure their performance and support their business development. Having gained the trust of major organisations, we are now a leading bond supplier in Europe.

## **Risk protection for instalment-based credit agreements**

Atradius Instalment Credit Protection (ICP) covers short-term and medium-term risks involved in instalment-based credit agreements with private individuals and businesses. It serves financial and corporate policyholders in Belgium and Luxembourg, covering mainly consumer credit, leasing and renting risks.

## **Professional and reliable debt collections**

With worldwide expertise, and staff in 30 countries, Atradius Collections helps businesses - both insured and uninsured - collect domestic and international trade debts, while maintaining sound relationships with their clients. With a strong reputation as a business-to-business specialist, it combines the strength of Atradius Credit Insurance with its own network of collectors, lawyers and insolvency practitioners, in addition to its online capabilities.

## **Working with the Dutch state**

Atradius Dutch State Business (ADSB) is the export credit agency of the Netherlands. Its insurance and guarantee products help minimise the risks of non-payment not covered by the private market, and enable the financing of Dutch export.

## **Information services**

Atradius offers information services through Iberinform in Spain and Portugal, Graydon in the Netherlands, Belgium and UK, and Informes in Mexico. These companies help our customers manage risk and grow their businesses by making smart decisions in their credit management, risk and compliance management, and marketing.

# The outlook for 2019

## **Slower global growth, but still solid**

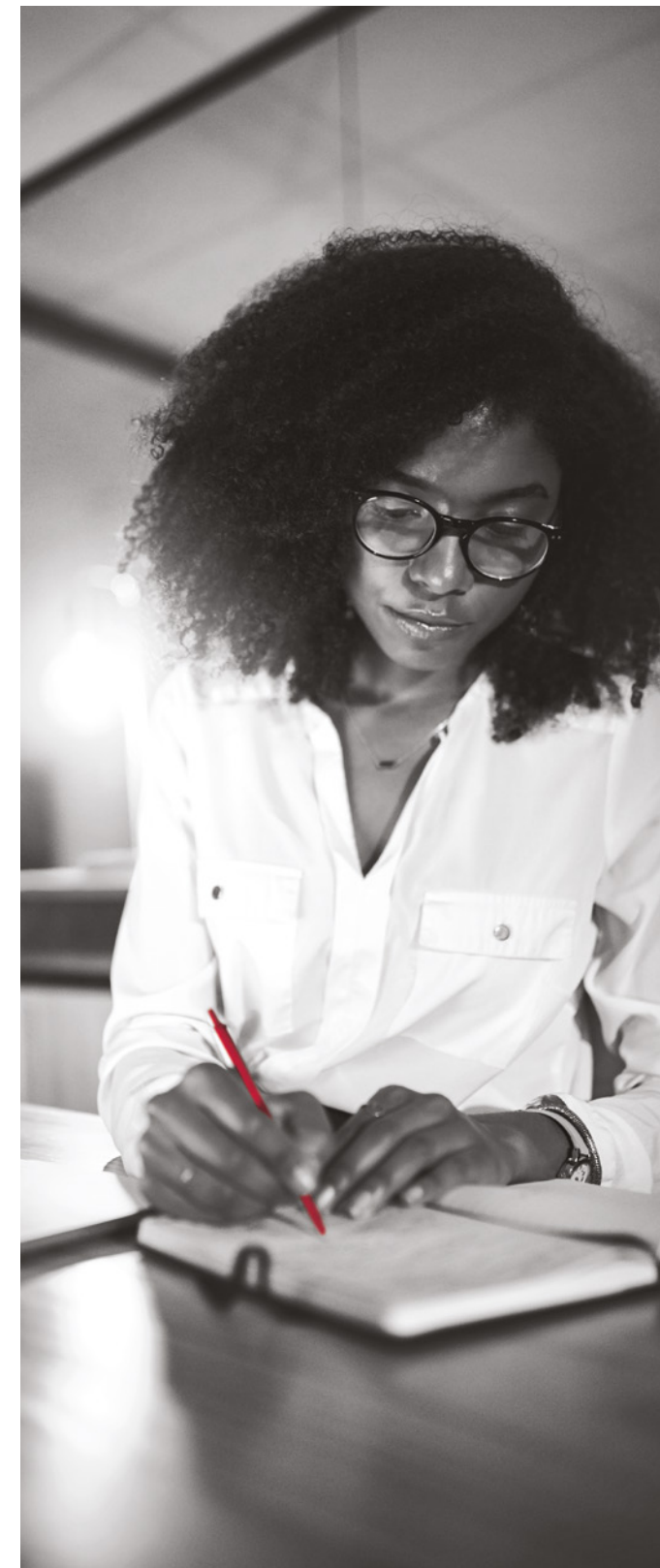
Across emerging markets, growth is forecast to decline slightly. In Latin America, it is expected to increase, mainly on the back of a higher growth rate in Brazil. Argentina's economy should recover in the course of 2019, but will stay in negative territory due to policy tightening. In Mexico, replacing NAFTA with the US-Mexico-Canada Agreement (USMCA) has brought some certainty, but recent policy decisions made by the Mexican government are clouding the outlook. In Eastern Europe, growth may moderate slightly, with Turkey expected to enter recession in 2019. Asia will continue to drive global growth, but the Chinese slowdown will have an impact.

Advanced markets may see their growth rate decline due to trade measures and contractionary monetary policies. Eurozone growth is expected to moderate in 2019 as stronger imports weigh on the growth contribution of net trade, and due to negative spill-overs of Brexit uncertainty. US growth is also forecast to moderate, due to monetary tightening by the Federal Reserve and the unwinding of the fiscal stimulus.

Tighter financial conditions are expected for advanced markets as a whole, though the business environment remains more accommodative compared to emerging markets. The decline in insolvencies for advanced markets will end in 2019. The UK is expected to see another year of rising insolvencies, as Brexit-related uncertainty clouds the growth outlook. The number of UK business failures could increase if a no-deal Brexit or postponement prolongs the uncertainty. This would also affect other EU countries negatively.

## **How does the outlook affect Atradius and our customers?**

Overall, economic conditions in 2019 are expected to be more challenging than in 2018. But we are well prepared, and our customers can be confident we have the underwriting knowledge and skills to steer them away from risks and towards opportunities.



# Consolidated financial statements

All amounts in thousands of Euro

## Consolidated statement of financial position

	31.12.2018	31.12.2017
<b>Assets</b>		
<b>Intangible assets</b>	<b>253,297</b>	<b>236,419</b>
<b>Property, plant and equipment</b>	<b>132,317</b>	<b>133,445</b>
<b>Investment property</b>	<b>9,641</b>	<b>9,688</b>
<b>Investments in associated companies</b>	<b>63,428</b>	<b>63,538</b>
<b>Financial investments</b>	<b>2,328,948</b>	<b>2,287,830</b>
<b>Reinsurance contracts</b>	<b>597,716</b>	<b>585,887</b>
<b>Deferred income tax assets</b>	<b>37,271</b>	<b>30,087</b>
<b>Current income tax assets</b>	<b>48,935</b>	<b>59,559</b>
<b>Receivables</b>	<b>237,071</b>	<b>225,079</b>
Accounts receivable on insurance and reinsurance business	180,503	164,983
Other accounts receivable	56,568	60,096
<b>Other assets</b>	<b>570,315</b>	<b>540,459</b>
Deferred acquisition costs	71,743	69,441
Miscellaneous assets and accruals	498,572	471,018
<b>Cash and cash equivalents</b>	<b>446,357</b>	<b>347,171</b>
<b>Total</b>	<b>4,725,296</b>	<b>4,519,162</b>
<b>Equity</b>		
Capital and reserves attributable to the owners of the Company	1,821,405	1,753,232
Non-controlling interests	33	16
<b>Total</b>	<b>1,821,438</b>	<b>1,753,248</b>
<b>Liabilities</b>		
<b>Subordinated debt</b>	<b>323,790</b>	<b>323,614</b>
<b>Employee benefit liabilities</b>	<b>100,182</b>	<b>79,554</b>
<b>Insurance contracts</b>	<b>1,619,869</b>	<b>1,530,339</b>
<b>Provisions</b>	<b>2,679</b>	<b>3,034</b>
<b>Deferred income tax liabilities</b>	<b>101,155</b>	<b>124,951</b>
<b>Current income tax liabilities</b>	<b>47,992</b>	<b>37,636</b>
<b>Payables</b>	<b>227,008</b>	<b>200,947</b>
Accounts payable on insurance and reinsurance business	152,802	129,822
Trade and other accounts payable	74,206	71,125
<b>Other liabilities</b>	<b>480,847</b>	<b>459,846</b>
<b>Borrowings</b>	<b>336</b>	<b>5,993</b>
<b>Total</b>	<b>2,903,858</b>	<b>2,765,914</b>
<b>Total equity and liabilities</b>	<b>4,725,296</b>	<b>4,519,162</b>

## Consolidated income statement

	2018	2017
Insurance premium revenue	1,648,527	1,588,095
Insurance premium ceded to reinsurers	(671,988)	(675,629)
<b>Net premium earned</b>	<b>976,539</b>	<b>912,466</b>
Service and other income	249,517	249,140
Share of income/ (losses) of associated companies	4,652	(7,396)
Net income from investments	17,493	20,585
<b>Total income after reinsurance</b>	<b>1,248,201</b>	<b>1,174,795</b>
Insurance claims and loss adjustment expenses	(775,244)	(714,482)
Insurance claims and loss adjustment expenses recovered from reinsurers	282,938	285,498
<b>Net insurance claims</b>	<b>(492,306)</b>	<b>(428,984)</b>
Net operating expenses	(469,789)	(473,929)
<b>Total expenses after reinsurance</b>	<b>(962,095)</b>	<b>(902,913)</b>
<b>Operating result before finance costs</b>	<b>286,106</b>	<b>271,882</b>
Finance income	5,858	2,696
Finance expenses	(14,599)	(19,271)
<b>Result for the year before tax</b>	<b>277,365</b>	<b>255,307</b>
Income tax expense	(74,710)	(69,073)
<b>Result for the year</b>	<b>202,655</b>	<b>186,234</b>
Attributable to:		
Owners of the Company	202,638	186,275
Non-controlling interests	17	(39)
<b>Total result for the year</b>	<b>202,655</b>	<b>186,236</b>

## Consolidated statement of comprehensive income

	2018	2017
Result for the year	202,655	186,236
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified to the income statement:</b>		
Effect of the asset ceiling on defined benefit pension plans	3,286	(3,286)
Actuarial gains/(losses) on defined benefit pension plans	(15,269)	45,643
Income tax relating to items that will not be reclassified	4,909	(9,370)
<b>Items that may be subsequently reclassified to the income statement:</b>		
Net fair value gains/(losses) on available-for-sale financial investments	(47,569)	12,854
Share of other comprehensive income of associated companies	-	-
Exchange gains/(losses) on translating foreign operations and associated companies	(7,201)	(25,303)
Income tax relating to items that may be reclassified	(50,596)	(2,303)
<b>Other comprehensive income for the year, net of tax</b>	<b>18,235</b>	<b>18,235</b>
<b>Total comprehensive income for the year</b>	<b>152,059</b>	<b>204,471</b>
Attributable to:		
The owners of the Company	152,042	204,510
Non-controlling interests	17	(39)
<b>Total comprehensive income for the year</b>	<b>152,059</b>	<b>204,471</b>

This Annual Report Summary 2018 is derived from, and should be read in conjunction with, the Atradius N.V. Annual Report 2018. The Annual Report 2018 is available at [www.atradius.com](http://www.atradius.com)

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