

Annual Press Conference
ARAG Group
Statement from Dr. Renko Dirksen
Düsseldorf, 15/05/2024
(The spoken word is definitive.)

Good morning, ladies and gentlemen,

On behalf of the ARAG Management Board team, I would like to welcome you all to the ARAG Group's Annual Press Conference for fiscal year 2023. I am delighted that you have accepted our invitation.

Let me start by saying that the very positive business expectations we outlined to you in December have been fully confirmed. In a nutshell: ARAG continued to grow dynamically and expanded its earning power. This positive business development has been maintained in the first quarter of 2024. At the beginning of this year, we successfully completed the takeover of DAS UK and immediately embarked on the post-merger integration of DAS Holding Ltd. and its subsidiaries. More on this later.

I. 2023 business performance:
more customers, more premiums, more profit

Let me come straight to the key points of the 2023 financial year:

- The Group showed a strong increase in premium income of 7.9 percent
- In the German market, revenue again grew at an above-average rate of 10.5 percent
- Our international legal insurance business grew by 4.6 percent
- Our health insurance business continued to develop dynamically with an increase of 16.8 percent
- On balance, the Group added another 400,000 policies to its portfolio. In Germany alone, we gained more than 110,000 new customers (net).
- The profit from ordinary activities grew strongly by more than 40 percent. Net profit for the year doubled.
- Total premiums and sales increased by 12.3 percent in the first quarter of 2024

The ARAG Group thus remained on its successful course. We continue to benefit clearly from our focus on the property and health insurance business as well as from our excellent international diversification. All business segments contributed to this excellent business development. The ARAG Group has thus demonstrated its robust and resilient

positioning. This is clearly the achievement of all employees, who truly put their heart and soul into their work for ARAG and its customers.

The **Group's premium income amounted to € 2.37 billion**. This is an increase of **€ 174 million or 7.9 percent**. In total, ARAG generated sales and premium revenues of € 2.4 billion.

A geographical breakdown shows the following picture for us: in **Germany**, our business grew to **€ 1.4 billion or by 10.5 percent** (previous year: € 1.3 billion). Business was driven by unabatedly strong demand for legal and health insurance.

For the first time in many years, **international business** lost out to national business in our internal competition. Premium income abroad did not increase as significantly as in the previous year and amounted to **€ 946 million. This corresponds to an increase of 4.3 percent**. Exchange rate effects due to a strong euro dampened our usual forward momentum somewhat. Viewed individually, business in Scandinavia increased by 35.0 percent (NKR). In the US, we achieved growth of 10.4 percent (US\$). Other top performers were Belgium (+ 10.8 percent) and Austria (+ 8.2 percent).

Overall, the Group segments delivered the following results:

- The **core segment of legal insurance** posted premium growth of **5.3 percent totaling € 1.41 billion** (previous year: € 1.35 billion). Compared with our competition, ARAG expanded its position as the leading legal insurance provider worldwide. In Germany, we are number two in the market. For the first time, we have prepared a brief market survey that provides a good overview of developments. Our market share in Germany recently stood at 10 percent. We processed **almost 1.3 million claims and advisory cases** for our customers **worldwide. In Germany, we handled 680,000 of those** (previous year: 618,000).
- The **ARAG health insurance segment** continues to operate successfully. It generated premium revenues of **€ 638 million compared to € 546 million in the previous year (+ 16.8 percent)**. We have a very receptive market, particularly with our full-cost rates. Monthly target premiums in full-cost insurance rose by 28.5 percent. At the same time, ARAG Health is keeping premiums stable for its customers. One percent of the increase in monthly target premiums is attributable to premium adjustments. ARAG Health is thus rapidly expanding its role as the largest ARAG business segment in the German market.

- In the **composite segment**, we achieved growth of **3.5 percent to € 319 million** (previous year: € 308 million). In the German composite business, we recorded a 4.5 percent increase in premium income.

ARAG continues to be very profitable and doubled its net profit

The strong expansion of business did not diminish the Group's earnings power. We remained true to this long-standing principle in 2023. The **underwriting result** remained at a record level in the year under review. We achieved a **technical result of € 138 million**, the second-best in ARAG's history. The **equalization provision** was endowed with € 12.7 million. The legal insurance segment is the Group's largest profit generator with an underwriting profit of € 107.5 million (previous year: € 124.7 million). ARAG's **combined ratio** remained at a very good level of **87.6 percent**.

We spent € 856 million on insurance operations. This was 8.2 percent more than in 2022 and reflects our growth trajectory. In order to continue to serve our rapidly growing number of customers well, in total we hired 310 new employees (net) in the year under review. By the end of 2023, ARAG employed **more than 5,000 staff**.

Our **claims incurred net of reinsurance** increased significantly from € 1.09 billion to € 1.2 billion on account of our business growth.

In the reporting year, we took considerable effort to further crisis-proof our investments. In particular, we carried out restructuring measures in special funds. Thanks to the overall positive development on the markets, the Group reported a well-recovered **investment result of € 121.5 million (previous year: € 52 million)**. As at the balance sheet date, the Group reported **hidden reserves of € 216.5 million**. In the previous year, we still recognized hidden liabilities in the amount of € 21 million. To be very clear here: ARAG is not invested in the business of the insolvent Signa Group. We have an investment of € 16 million in a fund of Deutsche Immobilien Invest, whose parent company also had to file for bankruptcy. Since this fund is a portfolio of residential real estate, we assume that the value of the investment will remain intact.

Overall, the Group recorded a strong increase in **profit from ordinary activities of 40 percent to € 136.5 million** (previous year: € 97.3 million). **Consolidated net profit for the year** doubled from € 43.5 million to € 86.2 million.

All in all, ARAG was once again in very good shape in 2023. Our capable team, our clear focus on legal and health insurance, and our extensive international diversification, combined with a modern product portfolio and well-

established processes, create a resilient recipe for success. It is also clear that this positioning puts us in the right place at the right time. **Our business continues to be driven by consumers' very high need for protection in the areas of work, home and health.**

At the same time, we are well aware that companies make their biggest mistakes when things are going best for them. What is needed in such a phase is clear-cut business goals. We have formulated these in our **ARAG 5 to 30 action program**. The five fields of action defined in this program allow us to maintain our focus, remain concentrated and orient ourselves – even when the world around us is not especially conducive to this.

With that I'd like to turn to the current financial year and the first quarter of 2024

II. Outlook

ARAG has had a perfect start to the year. In the first quarter, the Group delivered an **increase of 12.3 percent to € 800 million** (previous year: € 712.3 million).

- **German business got off to a strong start and grew by 11.7 percent**
- The health insurance business showed no signs of sluggishness, **with growth of 16.3 percent**
- **German legal insurance** is also doing well with a **plus of 9 percent**
- **International business** recorded a gain of **13.4 percent**

The premium income from **DAS UK** has been included in the international business for the first time. After completion of the acquisition of the UK legal insurance business from ERGO we expect to generate more than € 150 million in additional premium income. We were able to close the deal at the beginning of the year – well ahead of schedule. This demonstrated the good and cooperative collaboration with the seller and the DAS UK team. In the ongoing post-merger integration, we are now gradually merging the business of ARAG plc and DAS Holding Ltd.

As a reminder, **ARAG plc has been active in the UK as a Managing General Agent (MGA) since 2006**. Most recently, we managed premiums totaling € 73 million there. **DAS is a primary insurer in legal insurance**. The two companies are a perfect fit thanks to their complementary business models in different segments of the legal insurance market. DAS UK also brings its own law firm to the table, making ARAG the owner of a law firm for the very first time. This is an important strategic step for us. It enables us to provide our customers in the UK with a **comprehensive offering covering practically all facets of legal**

services. The experience we gain will certainly be very valuable to us. The fact that both companies are headquartered in Bristol is another big plus for this combination. We are very pleased to welcome the DAS team to the ARAG Group. Over the course of the year, this process will also become more visible when all companies will operate under the ARAG brand in the UK.

We told you in December that having a law firm of our own enables us to serve our clients in the UK much better than **in Germany, where the legal market is largely monopolized and closed off.** You know that we consider **this state of affairs to be an outdated anachronism** that has nothing to do with the reality of life in a modern service society.

This market is actually undergoing a radical change which has largely gone unnoticed. We are seeing disruption here as a result of advancing digitalization. In addition to the digital and thus supra-regional acquisition of mandates by online law firms, a new segment is also emerging outside the legal profession through **debt collection service providers and legal techs.** These digital services have the potential to establish themselves as a **consumer-friendly alternative to traditional legal services.** This applies in particular to simple consumer law issues, i.e. lawyers' bread and butter business. **Legal techs with a debt collection license** have free access to outside capital to expand their business models. The **German ban on third-party ownership** denies lawyers this financing option. Lawyers are facing a **wave of digitalization** that they could not hold back even if they wanted to.

The German Ministry of Justice is currently reviewing these matters. A corresponding case from Germany has also been submitted to the European Court of Justice for clarification. In short, it is becoming increasingly clear that **Germany needs a comprehensive reform of access to justice.** Above all, simple and fast options for out-of-court legal advice must also be a matter of course for people in Germany. To this end, we urgently need a liberalization of the strictly regulated legal representation of interests. The **ban on third-party ownership and the very extensive ban on out-of-court legal advice are no longer in keeping with the times and are simply unworthy of a modern state governed by the rule of law.**

In conclusion, **the ARAG Group remains on course.** Business is running at full speed. Business development is already being noticeably shaped by our ARAG 5 to 30 program for the future. We will also document this more clearly outside of the Group. To this end, we will **significantly modernize our brand image and change the corporate design of ARAG.** This is a significant step for us, because we see the ARAG brand as one of our most important assets that visibly accompanies our growth.

ARAG is not counting on organic growth only. We will also consistently take advantage of external growth opportunities as they arise. We are convinced

that the future does not just happen. It is the result of hard work. Here, too, we are acting, performing and delivering. We are happy to take on the associated efforts for the benefit and advantage of our more than 12 million customers.

Thank you for your attention. We now look forward to your questions.