INCERTUS

Risk Management
Advisory Sevices

Key benefits of risk management

Our approach to risk analysis and risk quantification enables our clients to **estimate financial repercussions of risk realization and a common denominator for ranking and managing different risks**.

– **Assessment of financial exposure to risks** and impact of risks on current and past results.

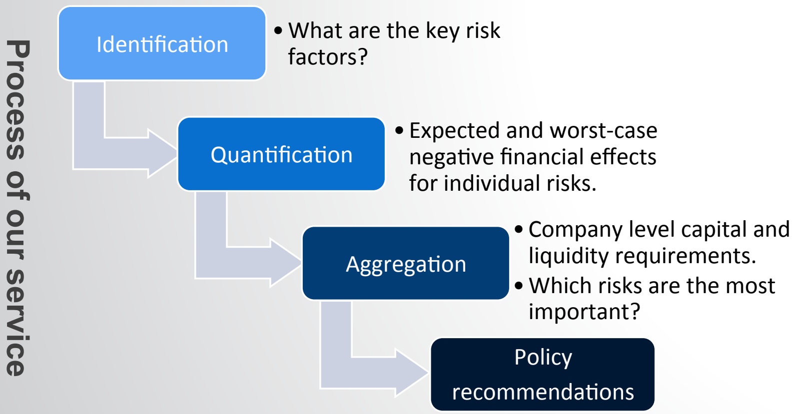
– **Estimation of monthly liquidity requirements** based on business plans and risk quantification, accounting for uncertainty – revenue- and cost-side risks.

– **Determining credit rating given current exposures**. Appropriate **actions to reduce riskiness will improve credit rating**.

– **The advisability of hedging** – **breakeven point** between financial effects of lower exposure and hedging costs, **cost-wise** and **quantity-wise hedging strategy optimization.**

– **Calculation of risk adjusted price mark-ups** (accounting for both costs and risks) per customers, markets, …

– **Capital structure optimization** – debt duration and interest rates should match credit rating, and both size and dynamics of (financial) obligations and volatility of cash flows.



1. Risk analysis

a) Risk identification

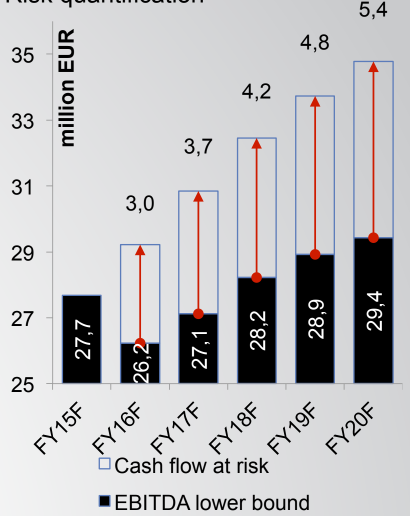
– We **identify key factors of risk** that affect the company's performance – also the **hidden** risks.

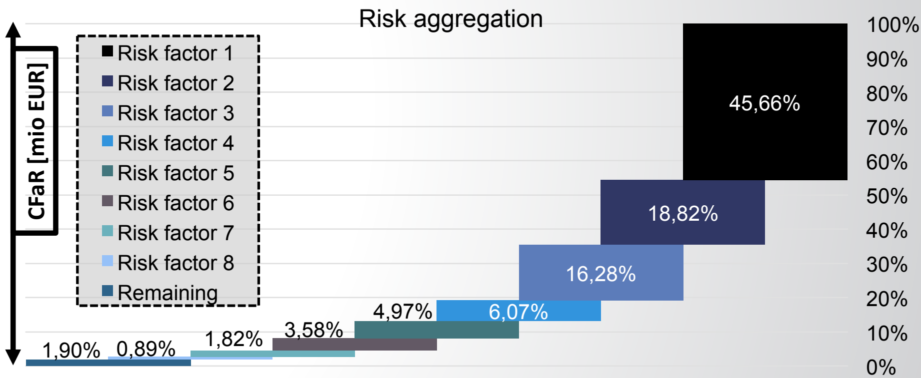
b) Risk quantification

– This phase essentially **attaches values to worst-case scenarios** and is thus essential for decision making.

c) Risk aggregation

– The results of quantification phase are **summed up to the company-level**. Additionally, we identify factors of risk that contribute the most to the overall exposure – effectively we identify key areas that need special attention/treatment.





d) Policy recommendations

– Preventing or treating negative impacts of various risk factors on company performance. We provide both quantity- and cost-wise optimization of hedging and exit strategies.

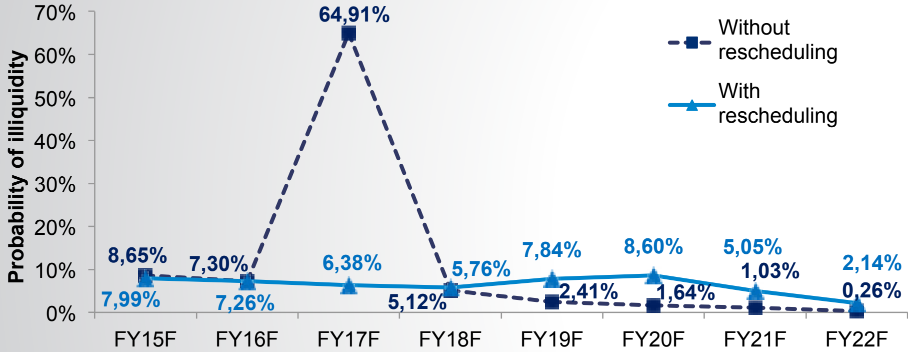
– Knowing the contribution and importance of individual risk factors, a company can improve its pricing policy so that the prices reflect the risks, associated with different products.

2. Debt sustainability analysis

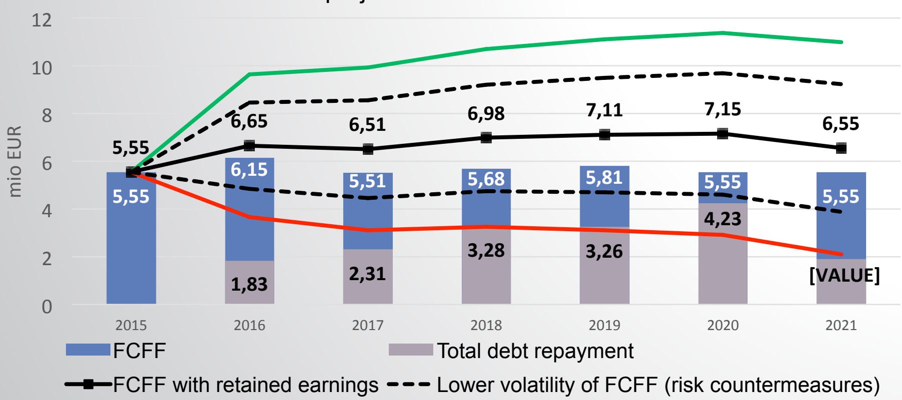
We have developed a simulation model that enables us to analyse the sustainability of indebtedness for a given company. Through the simulation model we can:

1. **estimate the probability of illiquidity and probability of insolvency** (essentially probability of default) during the planning horizon,
2. **perform scenario analyses** regarding different balance sheet or P&L items and therefore identify key areas of concern,
3. **optimize planning, capital structure, loan conditions, …**

Probability of illiquidity – with and without debt rescheduling



Confidence interval for FCFF projections



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