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## **VIENNA INSURANCE GROUP IN THE FIRST HALF-YEAR OF 2013:**

**Operating result increases sharply to EUR 330.7 million (+9.5 percent)**

**Profit before taxes amounts to EUR 205.7 million (-31.9 percent) due to precautions and impairments**

**Premiums of more than EUR 5 billion**

**Severe weather claims: compensation paid to customers triples to approx. EUR 230 million**

**Despite precautions and severe weather claims, the combined ratio remains below 100 percent**

### **Key Group data for the first half-year of 2013**

In a challenging market environment Vienna Insurance Group achieved a sound premium development. Consolidated premiums written amounted to EUR 5.0 billion (-4.8 percent). The premium income was influenced by the restraint in short-term single-premium business in Poland. Without this special effect, premiums grew by 2.2 percent.

Despite tough competition in the property/casualty insurance, the premium volume remained at a stable level of EUR 2.6 billion.

The life segment was impacted by the restraint in short-term single-premium business in Poland. In this segment the Group earned premiums of EUR 2.2 billion (-10.3 percent). Adjusted for the Polish effect, a significant growth of 5.4 percent was achieved. Regular premiums in life increased by 1.2 percent.

Premiums in health continued to grow steadily to EUR 199.1 million (+2.5 percent).

The operating result rose by 9.5 percent to EUR 330.7 million. In line with the conservative accounting policy of Vienna Insurance Group, goodwill impairment amounting to EUR 75 million and precautionary measures of EUR 15 million have been made in Romania. Additional precautions of EUR 35 million were recognised for the insurance business of Donau Versicherung in Italy. Hence, the profit (before taxes) of the Group amounted to EUR 205.7 million.

*“The good operating result shows the continuing sound performance of Vienna Insurance Group, which has successfully coped with difficult market conditions. At the same time, the precautions made, underline the traditionally conservative accounting policy of the Group“*, stated **Peter Hagen**, **Chairman of the Managing Board** and **CEO** of Vienna Insurance Group.

The financial result of the Group for the first half-year of 2013 totalled EUR 593.0 million, growing by 1.9 percent. The investments of the Group – including cash and cash equivalents – amounted to EUR 29.4 billion as of 30 June 2013.

### **Tripling of severe weather claims – compensations paid to customers add up to about EUR 230 million**

In the first six months of 2013 Vienna Insurance Group paid approx. EUR 230 million to its customers in compensation for weather damage. This means that damages were three times as high as in the same period of the previous year. The net impact – after reinsurance – accounted for more than EUR 70 million for Vienna Insurance Group.

The largest event was the flood of the Danube and Vltava as well as of various tributaries of these rivers in June 2013 with more than 22,000 damage reports. Vienna Insurance Group was affected predominantly in Austria as well as in the Czech Republic – and to a slighter extent in Germany, Poland, Slovakia, Hungary and Romania. The customers of Vienna Insurance Group received compensation for damages amounting to about EUR 180 million to support fast post-flood cleanup and recovery.

Despite the high expenditure related to severe weather claims and precautionary measures, the Group succeeded in keeping the combined ratio (after reinsurance and excluding investment income) below 100 percent.

### **Highlights from the markets of Vienna Insurance Group**

#### **Austria – stable business growth**

In Austria the Group delivered a sound performance. The Group companies reported growth – in non-life as well as in the life single premium business. Thanks to an increase by 2.1 percent, the Group earned premiums totalling EUR 2.4 billion in the first six months of 2013. The Austrian Group companies therefore remain the unrivalled leaders in the Austrian insurance market.

In Austria Vienna Insurance Group succeeded in increasing life premiums by 4.7 percent to EUR 1.0 billion. In the property/casualty insurance the premiums earned by the Group remained on a stable level of EUR 1.1 billion. In health premiums went up by 2.5 percent to EUR 177.9 million. The profit (before taxes) in Austria amounted to EUR 112.3 million. The decline from the prior-year level is due to precautionary measures for the non-life business of Donau Versicherung in Italy. The aforementioned precautions – as well as severe weather claims – gave rise to the combined ratio of 102.3 percent.

#### **Czech Republic – improved result despite flood and difficult market conditions**

The Czech Republic was hit particularly hard by the flood in June 2013. About 50 percent of the net damages paid by VIG as a whole are attributable to the Czech Group companies Kooperativa as well as ČPP. Nevertheless, the profit (before taxes) was increased by 2.0 percent to a total of EUR 90.2 million in the first six months of 2013; the combined ratio stood at an excellent level of 93.7 percent.

In the Czech Republic premiums totalled EUR 898.4 million. The minor decline by 1.1 percent is due to currency effects of the Czech koruna. Adjusted for these effects, the Vienna Insurance Group companies managed to increase premiums by 1.0 percent. With premiums written totalling EUR 414.6 million in the life insurance, a growth rate of 4.5 percent was achieved. Cooperation with Erste Group has proved successfully, particularly in the Czech Republic. A major contribution – plus

7.6 percent – to increasing premiums in life was made by Pojišťovna České spořitelny through the bank sales channel. In the non-life segment the Group achieved premiums of EUR 483.9 million.

Despite fierce competition, the Group companies managed to expand their market share by 1.3 percentage points to 33.2 percent and to consolidate Vienna Insurance Group's position as the clear number one in the Czech insurance market.

### **Slovakia – increase in market share, significant growth in life**

In Slovakia particularly the motor insurance market had to face strong competition. Nevertheless, the Vienna Insurance Group companies posted a gratifying total growth of premiums of 4.6 percent to EUR 375.0 million.

In non-life a remarkable growth of 1.2 percent to EUR 178.5 million was achieved in a currently challenging market. Premiums in life rose significantly by 7.9 percent to EUR 196.4 million. Thanks to this development, Vienna Insurance Group succeeded in expanding its market share in Slovakia by almost 1 percentage point to 34,3 percent and improving its market leadership.

Profit (before taxes) amounted to EUR 24.6 million. The combined ratio improved by half a percentage point to 95.2 percent.

### **Poland – almost 50 percent increase in profit in a highly competitive environment**

The favourable development of Vienna Insurance Group in Poland has continued in the first half-year of 2013. The Vienna Insurance Group companies increased profit (before taxes) significantly by 46.6 percent to a total of EUR 33.2 million. In parallel, the combined ratio dropped by more than 3 percentage points to an excellent level of 95.5 percent – despite the flood damages.

*“The commitment of Vienna Insurance Group in Poland illustrates the fact that we are very successful in a large market thanks to our income-oriented underwriting policy. The combined ratio reached an all-time low”,* said **Peter Hagen**.

The premium volume in Poland amounted to EUR 609.7 million (-36.0 percent). Adjusted for the clearly reduced short-term single premium business, this corresponds to a plus of 3.4 percent. In non-life the Group earned premiums totalling EUR 293.9 million.

### **Romania – no signs of a recovery of the insurance market**

The continuing difficult market environment has been adversely affected by the downturn of the markets for new cars and car leasing. In general the car sector remains exposed to very high competitive pressure. Vienna Insurance Group continues to pursue a risk- and income-oriented pricing policy to restructure its portfolio.

In the first half-year of 2013 the premiums of the Group totalled EUR 196.3 million, declining by 16.8 percent. The non-life sector contributed EUR 154.1 million to this amount. Premiums totalling EUR 42.3 million were earned in life. In Romania the Group posted a loss of EUR 17.9 million, EUR 15 million of which are attributable to precautionary measures.

In view of the continuing difficult situation in the Romanian insurance market, the management of Vienna Insurance Group has revised its assessment of the medium-term development opportunities in Romania. In line with the Group's traditionally cautious valuation policy an extraordinary mid-year impairment test of the goodwill of the segment Romania non-life was made, based on current data of

the first six months of 2013. This test led management to effect an impairment of the goodwill in the size of EUR 75 million.

### **Remaining markets – increase in premiums combined with strong growth in profit**

Continuing the trend of the first quarter of 2013, Vienna Insurance Group recorded a very good development in this segment.

*“It is very important to me to highlight the favourable developments in our segment ‘Remaining markets’. In Turkey, for example, we have accomplished an impressive turnaround. The profit contributions of the Group companies in Ukraine and Croatia have improved significantly. In Hungary we demonstrate that we are able to achieve a positive business development even against a difficult economic background”, emphasised **Peter Hagen**.*

With premiums increasing by 11.2 percent to a total of EUR 530.9 million, the positive trend of the first quarter has continued in the segment “Remaining markets”. In non-life a double-digit growth in premiums by 14.8 percent to EUR 342.2 million was achieved. Premiums of EUR 188.7 million were earned in life; this corresponds to a plus of 5.4 percent. Profit (before taxes) almost doubled to EUR 22.6 million. Above all the markets of Croatia, Ukraine, Turkey, the three Baltic States and Hungary played a decisive role in this favourable development. In parallel, the combined ratio of this segment improved to 98.1 percent

## Consolidated Income Statement (IFRS) 1 January - 30 June 2013

(in EUR mn)	6M 2013	6M 2012	+/- %
<b>Gross premiums written</b>	<b>5,029.7</b>	<b>5,282.9</b>	<b>-4.8</b>
Net earned premiums	4,407.8	4,656.4	-5.3
Financial result	593.0	581.9	1.9
Other income	82.0	53.0	54.7
Expenses for claims and insurance benefits	-3,734.7	-3,943.6	-5.3
Acquisition and administrative expenses	-936.2	-909.7	2.9
Other expenses	-206.3	-135.9	51.8
<b>Profit before taxes</b>	<b>205.7</b>	<b>302.0</b>	<b>-31.9</b>
Taxes	-59.2	-63.3	-6.4
<b>Profit for the period</b>	<b>146.5</b>	<b>238.8</b>	<b>-38.7</b>
Non-controlling interests	-5.9	-7.2	-18.1
<b>Net profit after non-controlling interests</b>	<b>140.6</b>	<b>231.6</b>	<b>-39.3</b>
<b>Combined Ratio (net in %)</b>	<b>99.8</b>	<b>96.6</b>	<b>3.3pp</b>

## Segment Reporting (IFRS) 1 January - 30 June 2013

Split by lines of business:

in EUR mn	Property&Casualty			Life			Health		
	6M 2013	6M 2012	+/- %	6M 2013	6M 2012	+/- %	6M 2013	6M 2012	+/- %
Gross premiums written	2,617.9	2,622.4	-0.2%	2,212.6	2,466.2	-10.3%	199.1	194.2	2.5%
Profit before Taxes	39.2	166.9	-76.5%	144.8	112.4	28.8%	21.7	22.7	-4.3%

Split by regions:

in EUR mn	Austria			Czech Republic			Slovakia		
	6M 2013	6M 2012	+/- %	6M 2013	6M 2012	+/- %	6M 2013	6M 2012	+/- %
Gross premiums written Non-Life	1,323.8	1,321.7	0.2%	483.9	511.5	-5.4%	178.5	176.4	1.2%
Gross premiums written Life	1,049.9	1,002.9	4.7%	414.6	396.7	4.5%	196.4	182.1	7.9%
<b>Gross premiums written Total</b>	<b>2,373.7</b>	<b>2,324.6</b>	<b>2.1%</b>	<b>898.4</b>	<b>908.3</b>	<b>-1.1%</b>	<b>375.0</b>	<b>358.4</b>	<b>4.6%</b>
Profit before Taxes	112.3	135.9	-17.4%	90.2	88.5	2.0%	24.6	28.0	-12.0%
<b>Combined Ratio (net in %)</b>	<b>102.3</b>	<b>95.0</b>	<b>7.3pp</b>	<b>93.7</b>	<b>91.0</b>	<b>2.8pp</b>	<b>95.2</b>	<b>95.7</b>	<b>-0.5pp</b>

in EUR mn	Poland			Romania			Remaining		
	6M 2013	6M 2012	+/- %	6M 2013	6M 2012	+/- %	6M 2013	6M 2012	+/- %
Gross premiums written Non-Life	293.9	302.4	-2.8%	154.1	184.3	-16.4%	342.2	298.2	14.8%
Gross premiums written Life	315.9	649.8	-51.4%	42.3	51.6	-18.0%	188.7	179.1	5.4%
<b>Gross premiums written Total</b>	<b>609.7</b>	<b>952.2</b>	<b>-36.0%</b>	<b>196.3</b>	<b>235.9</b>	<b>-16.8%</b>	<b>530.9</b>	<b>477.3</b>	<b>11.2%</b>
Profit before Taxes	33.2	22.7	46.6%	-17.9	-5.8	>100	22.6	12.5	81.2%
<b>Combined Ratio (net in %)</b>	<b>95.5</b>	<b>98.7</b>	<b>-3.2pp</b>	<b>117.7</b>	<b>114.2</b>	<b>3.4pp</b>	<b>98.1</b>	<b>101.7</b>	<b>-3.6pp</b>

in EUR mn	Central Functions			Consolidation			Total		
	6M 2013	6M 2012	+/- %	6M 2013	6M 2012	+/- %	6M 2013	6M 2012	+/- %
<b>Gross premiums written Total</b>	<b>677.5</b>	<b>595.9</b>	<b>13.7%</b>	<b>-632.0</b>	<b>-569.7</b>	<b>10.9%</b>	<b>5,029.7</b>	<b>5,282.9</b>	<b>-4.8%</b>
<b>Profit before Taxes</b>	<b>-59.4</b>	<b>20.2</b>	<b>n.a.</b>	<b>0.0</b>	<b>0.2</b>	<b>-99.0%</b>	<b>205.7</b>	<b>302.0</b>	<b>-31.9%</b>

Calculation differences may arise when rounded amounts and percentages are summed automatically.

**Vienna Insurance Group (VIG)** is the leading insurance specialist in Austria as well as in Central and Eastern Europe. About 50 companies in 24 countries form a Group with a long-standing tradition, strong brands and close customer relations. VIG looks back on almost 190 years of experience in the insurance business. With about 23,000 employees, Vienna Insurance Group is the clear market leader in its core markets. It is therefore excellently positioned to take advantage of the long-term growth opportunities in a region with 180 million people. The listed Vienna Insurance Group is the best-rated company of ATX, the leading index of Vienna Stock Exchange; its share is also listed on the Prague Stock Exchange.

**If you have any questions, please contact:**

<b>VIENNA INSURANCE GROUP</b>	Alexander Jedlicka +43 50 390-21029, <a href="mailto:alexander.jedlicka@vig.com">alexander.jedlicka@vig.com</a>
Public Relations	Silvia Polan +43 50 390-21064, <a href="mailto:silvia.polan@vig.com">silvia.polan@vig.com</a>
Schottenring 30	Julia Rychetsky +43 50 390-26814, <a href="mailto:julia.rychetsky@vig.com">julia.rychetsky@vig.com</a>
1010 Vienna	Marco Jäger +43 50 390-26985, <a href="mailto:marco.jaeger@vig.com">marco.jaeger@vig.com</a>

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