

**VERSA-Beteiligungs AG,
Vienna**

**Financial Statements for the Short Fiscal Year
from October 9 to December 31, 2009,
Management Report and Auditor's Report
(Translation)**

We draw attention to the fact that the English translation of these financial statements, this management report and this auditor's report is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Balance sheet as of December 31, 2009

Assets

Shareholders' equity and liabilities

| | 12/31/2009 | | 12/31/2009 |
|--|----------------|-------------------------------------|----------------|
| | EUR | | EUR |
| A. Fixed assets | | A. Shareholders' equity | |
| Financial assets | | I. Share capital | 10,000,000.00 |
| 1. Shares in affiliated companies | 300,035,000.00 | II. Capital reserves | |
| 2. Loans to affiliated companies | 475,000,000.00 | Unappropriated | 300,000,000.00 |
| | 775,035,000.00 | III. Cumulative losses | -83,797.25 |
| | | | 309,916,202.75 |
| B. Current assets | | B. Accruals | |
| I. Receivables and other assets | | Other accruals | 6,960.00 |
| 1. Receivables from affiliated companies | 80,710.20 | | |
| 2. Other assets | 47,500.00 | | |
| | 128,210.20 | | |
| II. Bank balances | 9,952,000.19 | C. Accounts payable | |
| | 10,080,210.39 | 1. Trade payables | 500.98 |
| | | 2. Payables to affiliated companies | 475,191,546.66 |
| | | | 475,192,047.64 |
| | 785,115,210.39 | | 785,115,210.39 |

**Income statement for the short fiscal year
from October 9 to December 31, 2009**

| | 10/9-12/31/2009 |
|--|--------------------|
| | EUR |
| 1. Other operating expenses | |
| a) Taxes not included in line 8 | -101,208.00 |
| b) Other | -11,734.01 |
| 2. Subtotal (operating result) | -112,942.01 |
| 3. Income from other long-term securities and loans, of which from affiliated companies EUR 52,777.78 | 52,777.78 |
| 4. Other interest and similar income, of which from affiliated companies EUR 0.00 | 1,212.34 |
| 5. Interest and similar expenses, of which relating to affiliated companies EUR 52,777.78 | -52,777.78 |
| 6. Subtotal of lines 3 to 5 (financial result) | 1,212.34 |
| 7. Net operating loss | -111,729.67 |
| 8. Taxes on income | 27,932.42 |
| 9. Net loss for the year = Cumulative losses | -83,797.25 |

**Notes to the Financial Statements for the Short Fiscal Year
from October 9 to December 31, 2009**

A. General principles

The financial statements for the short fiscal year from October 9 to December 31, 2009 were prepared in accordance with the financial reporting requirements of the Austrian Commercial Code (UGB) as amended.

The financial statements were prepared in accordance with the Austrian generally accepted accounting principles and the overall principle to present a true and fair view of the Company's financial position and financial performance, as well as its cash flows.

Accounting and valuation methods are based on generally accepted accounting principles. Section 201 (2) UGB was adhered to, as were the provisions on classification and valuation of balance sheet and income statement items under Sections 195 to 211 and 222 to 235 UGB. The income statement was prepared using the total cost format.

B. Group relations

The Company is a wholly-owned subsidiary of VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG, Vienna, and is related to its shareholder and its affiliated companies as a group company.

C. Accounting and valuation methods

1. Fixed assets

Financial assets are stated at acquisition costs. Write-downs are made only in case the diminution in value is expected to be permanent.

2. Current assets

2.1. Receivables and other assets

Receivables and other assets were stated at nominal values.

3. Accruals

The accruals were set up in accordance with the principle of prudence at the estimated amounts.

4. Accounts payable

In accordance with the principle of prudence, accounts payable were valued at the amount repayable.

D. Comments on balance sheet items

A s s e t s

1. Fixed assets

Financial assets

Loans with a remaining term to maturity of 20 years exist in the amount of EUR 475,000,000.00 and relate entirely to **affiliated companies**.

Shares in affiliated companies under fixed assets are held in WPWS Vermögensverwaltung GmbH, Vienna.

Statements of investments as of December 31, 2009

| | Own share | Book value 12/31/2009 | Annual result | Equity | Balance sheet total |
|---------------------------------------|-----------|--------------------------|---------------|-------------|------------------------|
| | in % | in EUR '000 | in EUR '000 | in EUR '000 | in EUR '000 |
| WPWS Vermögensverwaltung GmbH, Vienna | 100 | 300,035 | 6 | 300,039 | 475,118 |

2. Current assets

Receivables and other assets

| | Total amount | of which with a remaining maturity > 1 year | thereof secured by bills of ex- change | Less lump sum valuation allowance |
|---|--------------|--|---|---|
| | EUR | EUR | EUR | EUR |
| 1. Receivables from affiliated companies | 80,710.20 | 0.00 | 0.00 | 0.00 |
| 2. Other assets | 47,500.00 | 0.00 | 0.00 | 0.00 |
| | 128,210.20 | 0.00 | 0.00 | 0.00 |

Receivables from affiliated companies mainly include trade receivables.

Other assets include income that will affect cash flow only after the balance sheet date:

12/31/2009
EUR

Erste Bank der oesterreichischen Sparkassen AG
 Compensation of account management commission

47,500.00

Shareholders' equity and liabilities

1. Shareholders' equity

Share capital

Composition:

| No-par value bearer shares | Number | Nominal amount 12/31/2009 |
|--|-------------------|------------------------------|
| Sole shareholder VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG | Shares 100,000 | EUR 10,000,000.00 |

Unappropriated capital reserve

VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG, Vienna, as indirect shareholder, made a non-refundable contribution to WPWS Vermögensverwaltung GmbH, Vienna, in the amount of EUR 300,000,000.00.

2. Accruals

Other accruals include the following:

| | |
|----------------------------------|-------------------|
| | 12/31/2009 EUR |
| Legal, audit and consulting fees | <u>6,960.00</u> |

VERSA-Beteiligungs AG
Schottenring 30
1010 Vienna

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3. Accounts payable

| | Remaining maturity < 1 year | Remaining maturity 1 - 5 years | Remaining maturity > 5 years | Total amount | of which secured by collaterals |
|-------------------------------------|--------------------------------|-----------------------------------|---------------------------------|----------------|------------------------------------|
| | EUR | EUR | EUR | EUR | EUR |
| 1. Trade payables | 500.98 | 0.00 | 0.00 | 500.98 | 0.00 |
| 2. Payables to affiliated companies | 138,768.88 | 0.00 | 475,052,777.78 | 475,191,546.66 | 0.00 |
| | 139,269.86 | 0.00 | 475,052,777.78 | 475,192,047.64 | 0.00 |

The payables from affiliated companies result from funds.

E. Comments on income statement items

1. Other operating expenses

| | 10/9-12/31/2009 EUR |
|--|--------------------------|
| Taxes | |
| Company tax | 100,000.00 |
| Stamp and fees | 1,208.00 |
| | <u>101,208.00</u> |
| Sundry other operating expenses | |
| Tax consulting services | 9,437.38 |
| Bank charges | 1,012.15 |
| Services recharged by group divisions | 960.00 |
| Other services | 324.48 |
| | <u>11,734.01</u> |
| | <u><u>112,942.01</u></u> |

2. Other interest and similar income

Other interest and similar income in the amount of EUR 1,212.34 relate to interest from bank balances.

F. Other disclosures

Corporate relations

The Company was established by **Articles of Association** dated September 9, 2009.

The Company was registered in the **commercial register** of the Commercial Court of Vienna under the commercial register number 333376 i.

Pursuant to Section 2 of the Articles of Association dated September 9, 2009, the **nature and purpose of business** includes the following:

the administration of own assets, the acquisition of investments and the related ancillary and incidental business.

The **share capital** of the Company amounts to EUR 10,000,000.00. It is divided into 100,000 no-par value bearer shares with voting rights, with each of the no-par value shares participating equally in the share capital.

The Company is a wholly-owned subsidiary of VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG, Vienna, and is related to its shareholder and its affiliated companies as a **group company**.

Group taxation

The Company is member of a tax group.

The Company together with the group parent, Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung, Vienna, forms a tax group in accordance with Section 9 KStG (Austrian Corporate Income Tax Act).

Statutory disclosures on board members and employees

In the year 2009, the Company had **no employees of its own.**

Board members

a) Composition of the management board:

Mag. Natalia **Fichtinger**

Dr. Judit **Havasi**

Mag. Helene **Kanta**

Mag. Robert **Lasshofer**

b) Composition the supervisory board:

Dr. Günter **Geyer** (chairman)

Dr. Martin **Simhandl** (deputy chairman)

Dr. Hans-Peter **Hagen**

Dr. Karl **Skyba**

Dkfm. Klaus **Stadler**

Vienna, February 10, 2010

The Management Board

signed:

Mag. Natalia Fichtinger

signed:

Dr. Judit Havasi

signed:

Mag. Helene Kanta

signed:

Mag. Robert Lasshofer

Development of fixed assets

| | Acquisition cost | | | Accumulated amortization/ write-downs | Net book value | | Amortization/ write-downs current year |
|-----------------------------------|----------------------|----------------|-----------------------|---|-----------------------|----------------------|--|
| | Balance 10/9/2009 | Additions | Balance 12/31/2009 | | Balance 12/31/2009 | Balance 10/9/2009 | |
| | EUR | EUR | EUR | | EUR | EUR | |
| Financial assets | | | | | | | |
| 1. Shares in affiliated companies | 0.00 | 300,035,000.00 | 300,035,000.00 | 0.00 | 300,035,000.00 | 0.00 | 0.00 |
| 2. Loans to affiliated companies | 0.00 | 475,000,000.00 | 475,000,000.00 | 0.00 | 475,000,000.00 | 0.00 | 0.00 |
| | 0.00 | 775,035,000.00 | 775,035,000.00 | 0.00 | 775,035,000.00 | 0.00 | 0.00 |

Management Report of VERSA-Beteiligungs AG as of December 31, 2009

On September 9, 2009, the meeting of the founders of VERSA-Beteiligungs AG took place. Founder is VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG, which has taken over all shares, and thus is the sole shareholder of VERSA-Beteiligungs AG. With the takeover of all shares by the founder on September 9, 2009, VERSA-Beteiligungs AG was established.

On October 9, 2009, the Company was registered in the commercial register under the commercial register number 333376 i. The expenses up to the registration of the Company in the commercial register are included in the income statement.

The share capital of VERSA-Beteiligungs AG at the time of the establishment amounted to EUR 70,000, divided into 700 no-par value bearer shares. The issue price was 100 %.

On December 10, 2009, an extraordinary general meeting of VERSA-Beteiligungs AG was held, in which the resolution was passed to increase the share capital from previously EUR 70,000 to EUR 10 million through the issue of 99,300 no-par value bearer shares with a prorated amount in the share capital of EUR 100 each, with profit sharing as of the establishment of the Company and full voting rights. All 99,300 shares were subscribed for and taken over by the sole shareholder, VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG.

The capital increase was registered in the commercial register on December 23, 2009.

In accordance with Section 2 of the Articles of Association of VERSA-Beteiligungs AG, the nature and purpose of the Company is the management of own assets, the acquisition of investments, and related ancillary and incidental business.

In fulfilling this business purpose, VERSA-Beteiligungs AG took over all shares in WPWS Vermögensverwaltung GmbH on December 15, 2009. In addition, VERSA-Beteiligungs AG was provided with funds which it used, according to its business purpose, for financing.

The agreed terms are appropriate to permanently sustain the financial performance of the Company.

Apart from that, VERSA-Beteiligungs AG has not conducted any significant business activities since its establishment. In particular, no branches were established, either.

At the end of the short fiscal year 2009, VERSA-Beteiligungs AG reports a balance sheet total of around EUR 785 million.

In the short fiscal year ending December 31, 2009, the expenses, in particular caused by the costs in connection with the incorporation and capitalization, exceed the income, so that the Company recorded a net operating loss of around EUR 112k. After taxes the net loss for the year amounts to EUR 83,797.25. It is proposed to carry forward this net loss for the year to new account.

From the managed assets, VERSA-Beteiligungs AG is exposed to the theoretical market risk that the market value of the investment held declines or a significant deterioration occurs in the position of the financing partners. The probability of the occurrence of these risks is considered extremely low.

Since the balance sheet date, December 31, 2009, there were no business events of particular or material economic significance.

With regard to the expected development of the Company in the fiscal year 2010, it has to be noted that the Company, according to its current business purpose, will initially focus only on managing its existing assets. In the course of the fiscal year 2010, however, it is planned that the Company's sole shareholder, VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG, will demerge and transfer its entire insurance operations and the related assets to its subsidiary, VERSA-Beteiligungs AG. In this connection, the Company has already implemented preparatory measures and applied for a joint demerger auditor at the commercial register court. Subsequently, CONSULTATIO Wirtschaftsprüfung GmbH & Co KG was appointed demerger auditor by the commercial register court. Additional preparations are under way.

As a result of the planned transfer of the insurance operations of VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG to the Company, the financial position and financial performance of VERSA-Beteiligungs AG will change significantly in the fiscal year 2010.

VERSA-Beteiligungs AG will continue the business operations transferred by VIENNA INSURANCE GROUP Wiener Städtische Versicherung AG. With the transfer of the entire insurance operations, the license to operate the contract insurance pursuant to the Austrian Insurance Supervision Act will be transferred to VERSA-Beteiligungs AG. As a result, the Company's business purpose will also be expanded.

Regarding research and development, it has to be noted that VERSA-Beteiligungs AG did not take own and concrete matters and measures in this respect in the short fiscal year 2009.

Vienna, February 10, 2010

The Management Board

signed:

Mag. Natalia Fichtinger

signed:

Dr. Judit Havasi

signed:

Mag. Helene Kanta

signed:

Mag. Robert Lasshofer

We draw attention to the fact that the English translation of this auditor's report is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements including the accounting system of VERSA-Beteiligungs AG, Vienna, for the short fiscal year from October 9 to December 31, 2009. These financial statements comprise the balance sheet as of December 31, 2009, the income statement for the short fiscal year ended December 31, 2009, and the notes.

Management's Responsibility for the Financial Statements and for the Accounting System

The Company's management is responsible for the accounting system and for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of December 31, 2009 and of its financial performance for the short fiscal year from October 9 to December 31, 2009 in accordance with Austrian Generally Accepted Accounting Principles.

Comments on the Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements.

In our opinion, the management report is consistent with the financial statements.

Vienna, February 10, 2010

PwC INTER-TREUHAND GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

signed:

Mag. Günter Wiltschek
Austrian Certified Public Accountant

Disclosure, publication and duplication of the financial statements together with the auditor's report according to Section 281 (2) UGB in a form not in accordance with statutory requirements and differing from the version audited by us is not permitted. Reference to our audit may not be made without prior written permission from us.