

18 August 2011

## **Sustainable increase in earnings: Vienna Insurance Group in the first half-year of 2011**

**Group premiums up 3.1 percent at over EUR 4.7 billion**

**Continuing upward trend in life insurance in CEE core markets**

**Strong growth in property/casualty insurance**

**Profit (before taxes) up 10.4 percent at EUR 282.2 million**

**CEE markets account for more than 50 percent of premiums and profit**

**VIG is already number 3 insurer in Poland**

*“Vienna Insurance Group continued to show a strong, highly stable development in the first half-year of 2011. Premiums grew by 3.1 percent, a rate slightly higher than the first quarter. Profit before taxes rose by 10.4 percent to EUR 282.2 million, showing that we are well on our way to achieving our target of a 10 percent increase. The success of our CEE strategy is shown by the fact that the profit contribution from these markets already exceeds that from Austria”, stated **Günter Geyer, CEO of Vienna Insurance Group**. “Life insurance posted a small drop in Austria, while the Czech Republic showed strong growth. Non-life premium income rose sharply by 7.6 percent, with particularly pleasing results in Poland, where growth was 19.4 percent”, stated **Günter Geyer** with respect to premium growth. “In my view, we can be very proud that these results position the Group among the top performers in the European competitive environment.”*

### **I. OVERVIEW OF KEY GROUP DATA FOR THE FIRST SIX MONTHS OF 2011 (in accordance with IFRS)**

The **Vienna Insurance Group** earned a total of **EUR 4.7 billion premiums written (consolidated)** in the first half-year 2011, **up 3.1 percent** compared to first half-year 2010.

The **Group profit (before taxes, consolidated)** amounted to **EUR 282.2 million** in the first half-year 2011. This represented a **sharp 10.4 percent increase** compared to first half-year 2010.

The **Group combined ratio after reinsurance** (excluding investment income) came in at **97.1 percent** for the first half-year of 2011, following 98.3 percent for first half-year 2010.

The **Vienna Insurance Group** held **investments** of approximately **EUR 29.0 billion** (incl. bank balances) as at 30 June 2011, and posted a **financial result of EUR 554.2 million**.

VIENNA INSURANCE GROUP: Wiener Städtische (AT) • Donau (AT) • s Versicherung Group (AT, CZ, HR, HU, SK) • Interbanian (AL) • Sigma (AL) • Bulstrad (BG) • Bulstrad Life (BG) • Bulgarski Imoti (BG) • Kupala (BY) • Kooperativa (CZ) • CPP (CZ) • VIG RE (CZ) • InterRisk (DE) • Compensa Life (EE, LT, LV) • GPIH (GE) • IRAO (GE) • Kvarner (HR) • Helios (HR) • Union Biztosito (HU) • Vienna-Life (LI) • Wiener Städtische Podgorica (ME) • Winner (MK) • Winner Life (MK) • Compensa (PL) • InterRisk (PL) • Benefia (PL) • PZM (PL) • Omnisig (RO) • Asiro (RO) • BCR Asigurari (RO) • BCR Asigurari de Viata (RO) • Wiener Städtische Beograd (RS) • MSK-Life (RU) • Kooperativa (SK) • Komunálna poisťovňa (SK) • Ray Sigorta (TR) • Kniazha (UA) • Globus (UA) • Jupiter (UA) • USG (UA) • Branches: Donau (IT), Wiener Städtische (IT), Wiener Städtische (SI)

## **II. GROUP DATA BY SEGMENTS FOR THE FIRST SIX MONTHS OF 2011 (consolidated)**

### **Property/casualty**

**EUR 2.6 billion** in premiums were written in property/casualty, up **7.6 percent**.

### **Life insurance**

The Group companies of Vienna Insurance Group wrote approximately **EUR 2.0 billion** (down **2.7 percent**) in **life insurance premiums**. Direct regular premiums **increased by 3.9 percent**, while single-premiums (direct premiums) declined **10.8 percent**, mainly due to a statutory change in the minimum lock-up period in Austria.

### **Health insurance**

In the **health insurance** segment the Vienna Insurance Group achieved **premiums written of EUR 180.7 million**. This represented an **increase of 9.6 percent**, which was largely due to the first-time consolidation as at 30 June 2011 of the Group companies in Georgia.

## **III. GROUP DATA BY REGIONS FOR THE FIRST SIX MONTHS OF 2011 (consolidated)**

### **Austria**

The Vienna Insurance Group companies in Austria **wrote EUR 2.2 billion in premiums** (down **3.8 percent**) in the first half-year of 2011. **Premiums written in property/casualty** grew **7.7 percent** to more than **EUR 1.0 billion**. **Life insurance** premiums dropped by **14.0 percent** to approximately **EUR 1.0 billion** due to a statutory change in the minimum lock-up period for single-premium policies. The Group **wrote premiums of EUR 169.3 million** in the **health insurance** segment, representing an increase of **2.6 percent**.

First half-year **profit (before taxes)** increased **1.4 percent** to **EUR 140.0 million**.

The **combined ratio** improved to reach an excellent level of **94.4 percent**.

### **Czech Republic**

Group companies in the Czech Republic **increased premiums written by 12.0 percent** to reach **EUR 973.7 million**.

**Non-life premiums written** rose by **4.4 percent** to **EUR 542.3 million**. In **life insurance**, **premiums written** soared **23.3 percent** to **EUR 431.5 million**.

The Vienna Insurance Group companies in the **Czech Republic** achieved a **market share of 30.3 percent** in the first half-year of 2011, making them **number 1** in the insurance market.

**Profit (before taxes)** rose notably by **35.0 percent** compared to first half-year 2010 to **EUR 91.3 million**.

The **combined ratio** was an excellent **93.6 percent**, 2 percentage points below the level for first half-year 2010.

## Slovakia

The Vienna Insurance Group companies in Slovakia increased **premiums written** by **3.9 percent** to **EUR 339.0 million**.

**Non-life premiums written** rose **2.4 percent** to **EUR 171.3 million**, while **life insurance** achieved strong growth of **5.4 percent** in **premiums written** to reach **EUR 167.7 million**.

Group companies increased **market share** to **32.2 percent** in the first half-year of 2011, thereby consolidating their position as **number 1** in the **Slovakian insurance market**.

**Profit (before taxes)** amounted to **EUR 28.6 million**, representing a **121.6 percent** jump compared to first half-year 2010.

The **combined ratio** stood at **95.3 percent**.

## Poland

The Group companies in Poland **surged 43.7 percent** in **premiums written** to **EUR 498.1 million**.

**Non-life premiums written** rose by **19.4 percent** to **EUR 323.3 million**, and **life insurance premiums written** soared **131.0 percent** to **EUR 174.8 million**.

**Profit (before taxes)** rose **140.3 percent** compared to first half-year 2010 to **EUR 24.6 million**.

The **combined ratio** fell by more than 5 percentage points to 100 percent.

## Romania

The economy in Romania is currently affected by government austerity measures which consequently dampen economic growth. This also affects the insurance market, in particular the motor leasing business.

In light of this, first half-year 2011 premiums rose slightly by **0.6 percent** to a total of **EUR 275.8 million** and **EUR 1.6 million profit before taxes**.

Due to premium write-offs in the motor leasing business, **non-life premiums written** edged down to **EUR 225.2 million**. In **life insurance**, however, **premiums written** rose by **4.6 percent** to **EUR 50.5 million**.

Due to first consequences of the restructuring measures the **combined ratio** fell approximately 4 percentage points to 105.9 percent despite an increase in the claims reserve compared to first quarter 2011.

*“The planned merger of the two non-life insurance companies Omniasig and BCR will streamline and strengthen our market presence. The resulting synergies are supposed to boost our earnings power in this market. The first steps needed to implement this merger were initiated at the beginning of August”,* commented **Günter Geyer** with respect to the restructuring that has begun in Romania.

## Remaining markets

The **remaining markets** segment includes Albania, Bulgaria, Estonia, Croatia, Georgia, Germany, Hungary, Latvia, Liechtenstein, Lithuania, Macedonia, Serbia, Turkey and Ukraine.

Group companies in this segment **wrote EUR 410.3 million in premiums. Non-life premiums written** surged by **16.5 percent** to **EUR 270.4 million**, while **life insurance premiums** declined to **EUR 139.9 million** principally due to a drop in single premium business in Liechtenstein.

This segment reported an operating profit of EUR 17.1 million in the first half-year of 2011. As a result of the highly conservative policy being followed by the Vienna Insurance Group, insurance portfolios are being amortised in this segment. When this effect is taken into account, the segment shows a loss (before taxes) of EUR 3.9 million.

The **combined ratio** fell 1 percentage point to just 100 percent.

## IV. OUTLOOK

For many years, the management of Vienna Insurance Group has aspired to minimise volatility in premiums and profit while ensuring a strong capital base for the Group. Continuing this successful and durable strategy, Vienna Insurance Group expects an increase in profit (before taxes) of about 10 percent and a low percentage growth of premium. Moreover, the Group has set itself the target of holding the combined ratio at about 97 percent. The prerequisite is, however, that the economic and legal framework will not deteriorate significantly and that damage caused by natural disasters will not develop dramatically.

The listed Vienna Insurance Group (VIG) is one of the leading insurance groups in CEE headquartered in Vienna. Outside of its home base in Austria, Vienna Insurance Group is also active, through subsidiaries and insurance holdings, in Albania, Bulgaria, Germany, Estonia, Georgia, Croatia, Latvia, Liechtenstein, Lithuania, Macedonia, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, the Czech Republic, Turkey, Hungary, Ukraine and Belarus. Moreover, Wiener Städtische Versicherung has branches in Italy and Slovenia; Donau Versicherung has a branch in Italy.

On the Austrian market, the Vienna Insurance Group (VIG) positions itself with Wiener Städtische Versicherung, Donau Versicherung and Sparkassen Versicherung.

### Contact:

VIENNA INSURANCE GROUP  
Investor Relations  
1010 Vienna, Schottenring 30

Thomas Schmee      Tel.: +43 50 350-21900  
Nina Higtatzberger      Tel.: +43 50 350-21920  
Lukáš Štěpánek      Tel.: +43 50 350-21930

E-Mail: [thomas.schmee@vig.com](mailto:thomas.schmee@vig.com)  
E-Mail: [nina.higtatzberger@vig.com](mailto:nina.higtatzberger@vig.com)  
E-Mail: [lukas.stepanek@vig.com](mailto:lukas.stepanek@vig.com)

All news releases are also available at [www.vig.com/ir](http://www.vig.com/ir).

## Consolidated Balance Sheet (IFRS) 30 June 2011

<b>Assets (in TEUR)</b>	<b>30/06/2011</b>	<b>31/12/2010</b>	<b>+/- %</b>
A. Intangible assets	2,072,360	2,104,159	-1.5
B. Investments	27,973,309	28,159,521	-0.7
C. Investments of unit- and index-linked life insurance	5,618,231	5,478,603	2.5
D. Reinsurers' share in underwriting provisions	1,231,252	1,118,289	10.1
E. Receivables	1,777,458	1,681,458	5.7
F. Tax receivables and advance payments out of income tax	100,907	68,432	47.5
G. Deferred tax assets	92,224	107,600	-14.3
H. Other assets	355,893	358,824	-0.8
H. Cash and cash equivalents	1,070,950	396,030	170.4
<b>Total Assets</b>	<b>40,292,584</b>	<b>39,472,916</b>	<b>2.1</b>

<b>Liabilities and Shareholders' Equity (in TEUR)</b>	<b>30/06/2011</b>	<b>31/12/2010</b>	<b>+/- %</b>
A. Shareholders' equity	5,098,275	5,029,647	1.4
B. Subordinated liabilities	532,574	539,410	-1.3
C. Underwriting provisions	24,708,886	24,017,840	2.9
D. Unit- and index-linked underwriting provisions	5,386,765	5,227,930	3.0
E. Non-underwriting provisions	532,780	557,519	-4.4
F. Liabilities	3,602,521	3,675,373	-2.0
G. Tax liabilities out of income tax	86,414	64,170	34.7
G. Deferred tax liabilities	123,542	127,399	-3.0
H. Other liabilities	220,827	233,628	-5.5
<b>Total Liabilities and Shareholders' Equity</b>	<b>40,292,584</b>	<b>39,472,916</b>	<b>2.1</b>

## Consolidated Income Statement (IFRS) 1 January 2011 - 30 June 2011

<b>(in EUR mn)</b>	<b>6M 2011</b>	<b>6M 2010</b>	<b>+/- %</b>
<i>Gross premiums written</i>	4,729.2	4,588.6	3.1
Net earned premiums	<b>4,070.5</b>	<b>4,000.3</b>	<b>1.8</b>
Financial result	554.2	646.6	-14.3
Other income	45.5	85.5	-46.7
Expenses for claims and insurance benefits	-3,348.7	-3,416.6	-2.0
Operating expenses	-897.1	-885.8	1.3
Other expenses	-142.3	-174.3	-18.3
<b>Profit before taxes</b>	<b>282.2</b>	<b>255.6</b>	<b>10.4</b>
Taxes	-51.7	-45.8	12.8
<b>Profit for the period</b>	<b>230.5</b>	<b>209.8</b>	<b>9.9</b>
Minority interests	-15.4	-13.4	15.3
<b>Net profit after minorities</b>	<b>215.1</b>	<b>196.4</b>	<b>9.5</b>

<b>Combined Ratio (net)</b>	<b>97.1%</b>	<b>98.3%</b>
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## Consolidated Income Statement (IFRS) - Quarterly Data

<b>(in EUR mn)</b>	<b>Q2 2011</b>	<b>Q2 2010</b>	<b>+/- %</b>
<i>Gross premiums written</i>	2,125.8	2,057.6	3.3
Net earned premiums	<b>1,991.7</b>	<b>1,953.1</b>	<b>2.0</b>
Financial result	301.0	336.2	-10.5
Other income	20.0	53.0	-62.3
Expenses for claims and insurance benefits	-1,669.0	-1,688.7	-1.2
Operating expenses	-440.3	-438.3	0.5
Other expenses	-64.1	-93.2	-31.3
<b>Profit before taxes</b>	<b>139.4</b>	<b>122.2</b>	<b>14.1</b>
Taxes	-24.5	-21.6	13.2
<b>Profit for the period</b>	<b>114.9</b>	<b>100.5</b>	<b>14.3</b>
Minority interests	-8.9	-5.3	67.9
<b>Net profit after minorities</b>	<b>106.0</b>	<b>95.2</b>	<b>11.3</b>

<b>Combined Ratio (net)</b>	<b>96.4%</b>	<b>99.1%</b>
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## Segment Reporting 1 Jan. 2011 - 30 June 2011

### Split by lines of business:

(in EUR mn)	P&C		Life		Health		Total	
	6M 2011	6M 2010	6M 2011	6M 2010	6M 2011	6M 2010	6M 2011	6M 2010
<i>Gross premiums written</i>	2,561.8	2,381.3	1,986.7	2,042.4	180.7	164.9	4,729.2	4,588.6
A. Net earned premiums	1,926.8	1,814.9	1,966.8	2,022.7	176.9	162.6	4,070.5	4,000.3
B. Financial result <sup>1</sup>	114.5	106.5	421.4	525.7	18.3	14.4	554.2	646.6
C. Other income	27.9	22.2	17.6	63.2	0.0	0.0	45.5	85.5
D. Expenses for claims/benefits	-1,259.2	-1,214.9	-1,935.7	-2,058.9	-153.8	-142.7	-3,348.7	-3,416.6
E. Operating expenses	-557.7	-520.4	-320.0	-346.8	-19.4	-18.6	-897.1	-885.8
F. Other expenses	-103.6	-81.8	-38.2	-92.4	-0.6	-0.2	-142.3	-174.3
<b>G. Profit before taxes</b>	<b>148.8</b>	<b>126.7</b>	<b>112.0</b>	<b>113.5</b>	<b>21.4</b>	<b>15.5</b>	<b>282.2</b>	<b>255.6</b>

### Split by regions:

(in EUR mn)	Austria		Czech Republic		Slovakia	
	6M 2011	6M 2010	6M 2011	6M 2010	6M 2011	6M 2010
<i>Gross premiums written</i>	2,232.4	2,319.8	973.7	869.3	339.0	326.3
A. Net earned premiums	1,831.4	1,963.9	877.2	780.3	298.1	286.6
B. Financial result <sup>1</sup>	392.9	480.5	68.4	61.7	23.7	23.0
C. Other income	9.3	5.6	15.2	7.4	2.8	2.4
D. Expenses for claims/benefits	-1,748.6	-1,958.6	-615.9	-544.9	-228.3	-228.6
E. Operating expenses	-324.2	-336.6	-214.6	-202.7	-49.1	-44.3
F. Other expenses	-20.7	-16.8	-38.9	-34.1	-18.6	-26.2
<b>G. Profit before taxes</b>	<b>140.0</b>	<b>138.1</b>	<b>91.3</b>	<b>67.6</b>	<b>28.6</b>	<b>12.9</b>

(in EUR mn)	Poland		Romania		Remaining <sup>2</sup>		Total	
	6M 2011	6M 2010	6M 2011	6M 2010	6M 2011	6M 2010	6M 2011	6M 2010
<i>Gross premiums written</i>	498.1	346.5	275.8	274.0	410.3	452.6	4,729.2	4,588.6
A. Net earned premiums	450.6	313.6	264.6	250.4	348.7	405.5	4,070.5	4,000.3
B. Financial result <sup>1</sup>	26.4	26.3	11.1	20.2	31.9	34.8	554.2	646.6
C. Other income	2.7	3.0	6.9	9.0	8.6	57.9	45.5	85.5
D. Expenses for claims/benefits	-324.5	-195.8	-195.9	-180.6	-235.5	-308.2	-3,348.7	-3,416.6
E. Operating expenses	-125.2	-131.8	-74.8	-75.8	-109.1	-94.6	-897.1	-885.8
F. Other expenses	-5.4	-5.2	-10.2	-9.0	-48.5	-83.0	-142.3	-174.3
<b>G. Profit before taxes</b>	<b>24.6</b>	<b>10.2</b>	<b>1.6</b>	<b>14.3</b>	<b>-3.9</b>	<b>12.5</b>	<b>282.2</b>	<b>255.6</b>

<sup>1</sup> including result from shares in at equity consolidated companies

<sup>2</sup> Remaining markets: This segment reported an operating profit of EUR 17.1 million in the first half-year of 2011. As a result of the highly conservative policy being followed by the Vienna Insurance Group, insurance portfolios are being amortised in this segment. When this effect is taken into account, the segment shows a loss (before taxes) of EUR 3.9 million.