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VIENNA INSURANCE GROUP: 1ST-3RD QUARTER OF 2013

Positive development of the Group's result affected by heavy losses in Romania and Italy

Premiums of about EUR 7.1 billion (-5.1 percent)
Adjusted for special effects, increase by 2 percent

Profit before taxes of EUR 315.9 million (-28.8 percent)

Considerable improvement in the result of the 3rd quarter, compared to the 2nd quarter 2013

Successful issue of EUR 500 million subordinated bond

Key data for the first three quarters of 2013

Despite the very challenging market environment, Vienna Insurance Group recorded a sound development of premiums. Consolidated premiums written amounted to EUR 7.1 billion (-5.1 percent) in the first three quarters of 2013. The decline of premiums is mainly due to the planned reduction of the short-term single-premium business in Poland as well as of the motor business in Italy. Without special effects, Vienna Insurance Group reported a growth in premiums of about 2 percent.

Against the background of intensive competition, premiums of EUR 3.6 billion were earned in the property/casualty insurance. This corresponds to a decline by 1.9 percent in this segment, which has in particular been due to the strategic downsizing of the motor business in Romania and Italy.

The development of premiums in the life insurance business remained under the impact of the restraint in the short-term single-premium business in Poland. The Group earned premiums of EUR 3.1 billion (-9.0 percent) in this segment. Adjusted for the effect in Poland, growth amounted to 2.8 percent. Regular premiums increased by 1.3 percent, with double-digit growth rates achieved in this sector in many CEE countries.

Premiums in health insurance continued to grow to a total of EUR 303.7 million (+1.8 percent).

"The development of Vienna Insurance Group shows that the strategic focus on the markets of the CEE region is very successful – despite the problems in the Romanian market. The Group is positioned excellently in this promising region and earnings in the insurance business are increasing practically in all CEE markets. Our Group companies achieve high double-digit profit growth rates in the core markets Poland, Croatia and Ukraine. In Turkey as well as Bulgaria, two challenging markets, Vienna Insurance Group continues its positive trend after the turnaround of the result", explained Peter Hagen, CEO of Vienna Insurance Group.

The profit (before taxes) of the Group amounted to EUR 315.9 million, and the combined ratio stood at 100.6 percent. The adjusted result – excluding special effects from Romania and Italy – totalled EUR 458.0 million (+3.3 percent).

The 3rd quarter was characterised by a significant improvement of the profit (before taxes) to EUR 110.2 million, as compared to EUR 46.3 million in the previous quarter of 2013.

Despite heavy losses in Romania, the result in the CEE countries developed favourably. The profit (before taxes) increased by 4.5 percent. Substantial contributions were made by the remaining CEE markets (+93.5 percent) and Poland (+54.3 percent).

The financial result of the Group amounted to EUR 892.1 million in the first three quarters of 2013. The investments, including cash and cash equivalents, totalled EUR 29.5 billion as of 30 September 2013.

Highlights from the markets of Vienna Insurance Group

Austria – stable business development

In Austria the Group delivered a sound development of premiums. Based on an increase by 0.4 percent, the Group earned premiums of a total of EUR 3.2 billion in the first three quarters of 2013. The Austrian Vienna Insurance Group companies remain the uncontested market leader in Austria.

While life insurance grew by 1.3 percent and health insurance by 2.8 percent, the Group companies reported an insignificant minus of 0.8 percent in the property/casualty insurance, which is attributable to the reduction of the motor insurance business of the Italian branch of Donau Versicherung. In Austria the profit (before taxes) amounted to EUR 136.7 million. The decline from the prior-year level is due to the adverse development of the motor insurance business of Donau Versicherung in Italy. This also explains the combined ratio of 103.2 percent.

Czech Republic – good development despite a challenging environment

In the Czech Republic the Group companies increased the profit (before taxes) in the first three quarters of 2013 by a remarkable 3.2 percent to a total of EUR 144.9 million. Thus the Czech Republic has been the most profitable market of the Group in the first nine months of 2013. Despite flood and storm damages, an excellent combined ratio of 93.8 percent was achieved. Thanks to a market share of 33.2 percent, Vienna Insurance Group is the clear number one in the Czech insurance market.

In the Czech Republic premiums totalled EUR 1.3 billion. The decline by 2.4 percent is mainly attributable to currency effects. With premiums written climbing to EUR 628.6 million, a growth of 2.1 percent was achieved in the life insurance. Cooperation with Erste Group has proven very successful, particularly in the Czech Republic. Growing by 5.8 percent, bank sales by Pojišťovna České spořitelny made a significant contribution to the plus in premiums in the life insurance segment. In non-life, the Group earned premiums of EUR 689.4 million.

Slovakia – steady increase in result at a high level

In Slovakia the Vienna Insurance Group companies achieved a gratifying total growth of premiums by 6.6 percent to EUR 548.3 million.

A significant increase by 1.4 percent to EUR 250.9 million was reported in the non-life market, which is particularly challenging in the motor business. In life premiums grew impressively by 11.4 percent to EUR 297.3 million. The distribution through Slovenská sporiteľňa, a subsidiary of Erste Group, made a major contribution to this development.

The profit (before taxes) amounted to EUR 42.8 million, increasing significantly by 8.6 percent. The combined ratio improved by 1.5 percentage points to a very good level of 93.5 percent.

Holding a market share of 34.3 percent, the Vienna Insurance Group companies are the number one in Slovakia, clearly ahead of competitors.

Poland – profitable development in a highly competitive environment

The positive development of Vienna Insurance Group is continuing in Poland. The Vienna Insurance Group companies increased their profit (before taxes) impressively by 54.3 percent to a total of EUR 48.6 million in the first three quarters of 2013. In parallel, the combined ratio was decreased by more than 5 percentage points to an all-time record low of 95.0 percent.

“The development of Vienna Insurance Group in Poland is an excellent example of our strategy in the CEE region. Since our market entry, we have strengthened our market presence and distribution power on a sustainable basis through organic growth as well as acquisitions. Our Polish management has been very successful in expanding business based on a profit-oriented approach. By acquiring Skandia Poland, we took another step in this direction. The further increase in profitability shows that we are achieving very good results with our disciplined underwriting policy even against the background of fierce competition”, stressed Peter Hagen.

In Poland the volume of premiums amounted to EUR 840.8 million (-31.6 percent). The decline is due to the planned reduction of the short-term single-premium business. Regular premiums in life increased by 33.7 percent. In the non-life segment the Group earned premiums amounting to EUR 423.9 million.

Romania – continuing negative result

In this difficult market environment Vienna Insurance Group continues to pursue its basic strategy of withdrawing from loss-making segments. Especially the motor insurance market is characterised by the irrational price competition of some rivals weakening the entire market on a long-term basis.

The premiums of Vienna Insurance Group amounted to EUR 274.6 million in the first three quarters of 2013, declining by 19.3 percent; the non-life segment accounted for EUR 219.1 million. Premiums totalling EUR 55.6 million were reported in life. Additional write-downs of premium and recourse claims as well as further reserves strengthening have contributed to a loss totalling EUR 36.1 million.

Remaining markets – sharp increase in profits and premiums

In this segment Vienna Insurance Group continued its very good development of the first six months of 2013. Thanks to a growth of premiums by 8.3 percent to a total of EUR 781.5 million, a significant increase of the business volume has been achieved. A double-digit increase of premiums by 10.2 percent to EUR 460.4 million was reported in the property/casualty insurance. In life premiums of EUR 283.9 million have been earned; this corresponds to a growth of 7.2 percent. The profit (before taxes) went up by an excellent 61.7 percent to EUR 37.1 million. The combined ratio also improved, dropping to 97.5 percent.

The favourable business development in the CEE markets has had a decisive impact on the very good data in this segment. The profit (before taxes) rose by almost 60 percent in Ukraine as well as by more than 80 percent in Croatia. The Group companies in the three Baltic States achieved a growth of premiums of around 40 percent. The Turkish Group company Ray Sigorta and the Group companies in Georgia also succeeded in boosting their profits (before taxes) significantly.

Outlook

Due to the continuing difficult market conditions in Romania and the adverse situation of Donau Versicherung's motor insurance business in Italy, the Managing Board of Vienna Insurance Group assumes, based on the result for the third quarter of 2013, that the envisaged objective of keeping volatilities in the development of results sustainably as low as possible, will not be met in the current year.

Nevertheless, the management of Vienna Insurance Group will maintain its established strategy to focus on the markets of Austria and Central and Eastern Europe as well as on its core competence "insurance business". Vienna Insurance Group will continue to adhere to a risk-conscious and conservative investment policy based on a strong capitalisation.

Consolidated Income Statement (IFRS) 1 January - 30 September 2013

(in EUR mn)	9M 2013	9M 2012	+/- %
Gross premiums written	7,050.1	7,425.5	-5.1
Net earned premiums	6,364.3	6,744.5	-5.6
Financial result	892.1	900.7	-1.0
Other income	96.9	85.6	13.3
Expenses for claims and insurance benefits	-5,395.7	-5,709.0	-5.5
Acquisition and administrative expenses	-1,378.2	-1,366.9	0.8
Other expenses	-263.6	-211.1	24.9
Profit before taxes	315.9	443.7	-28.8
Taxes	-83.5	-92.9	-10.2
Profit for the period	232.5	350.8	-33.7
Non-controlling interests	-14.9	-9.0	65.2
Net profit after non-controlling interests	217.5	341.8	-36.4
Combined Ratio (net in %)	100.6	96.9	3.7pp

Segment Reporting (IFRS) 1 January - 30 September 2013

Split by lines of business:

in EUR mn	Property&Casualty			Life			Health		
	9M 2013	9M 2012	+/- %	9M 2013	9M 2012	+/- %	9M 2013	9M 2012	+/- %
Gross premiums written	3,617.0	3,686.9	-1.9%	3,129.4	3,440.4	-9.0%	303.7	298.2	1.8%
Profit before Taxes	52.2	240.4	-78.3%	239.1	166.3	43.8%	24.6	37.0	-33.5%

Split by regions:

in EUR mn	Austria			Czech Republic			Slovakia		
	9M 2013	9M 2012	+/- %	9M 2013	9M 2012	+/- %	9M 2013	9M 2012	+/- %
Gross premiums written Non-Life	1,791.0	1,796.2	-0.3%	689.4	734.3	-6.1%	251.0	247.5	1.4%
Gross premiums written Life	1,438.3	1,420.4	1.3%	628.6	615.8	2.1%	297.3	266.9	11.4%
Gross premiums written Total	3,229.3	3,216.6	0.4%	1,318.0	1,350.1	-2.4%	548.3	514.4	6.6%
Profit before Taxes	136.7	194.3	-29.6%	144.9	140.4	3.2%	42.8	39.4	8.6%
Combined Ratio (net in %)	103.2	96.1	7.1pp	93.8	89.4	4.4pp	93.5	95.1	-1.6pp

in EUR mn	Poland			Romania			Remaining		
	9M 2013	9M 2012	+/- %	9M 2013	9M 2012	+/- %	9M 2013	9M 2012	+/- %
Gross premiums written Non-Life	423.9	447.1	-5.2%	219.1	263.9	-17.0%	497.6	456.7	9.0%
Gross premiums written Life	416.9	782.6	-46.7%	55.6	76.3	-27.2%	283.9	264.8	7.2%
Gross premiums written Total	840.8	1,229.7	-31.6%	274.6	340.2	-19.3%	781.5	721.5	8.3%
Profit before Taxes	48.6	31.5	54.3%	-36.1	-9.5	>100	37.1	22.9	61.7%
Combined Ratio (net in %)	95.0	100.3	-5.3pp	142.4	115.1	27.4pp	97.5	99.1	-1.6pp

in EUR mn	Central Functions			Consolidation			Total		
	9M 2013	9M 2012	+/- %	9M 2013	9M 2012	+/- %	9M 2013	9M 2012	+/- %
Gross premiums written Total	996.7	960.8	3.7%	-939.1	-907.8	3.5%	7,050.1	7,425.5	-5.1%
Profit before Taxes	-58.2	24.7	n.a.	0.1	0.1	-29.7%	315.9	443.7	-28.8%

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.

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