Group Management Report

Economic environment

The downturn that started in the USA has been intensified by the crisis on the international financial markets and now encompasses the entire global economy. In the USA and Japan as well as in the euro region, economic development slowed massively in 2008, and a recession is predicted for many countries in 2009. The economies of Central and Eastern Europe held up relatively well but are now also showing signs of a slowdown.

Dramatic collapse in economic activity

While the economy in the euro region still appeared quite dynamic at the start of 2008, the picture quickly clouded over. A decline in GDP began in the 2nd quarter and accelerated up to the end of the year. After the bankruptcy of the US investment bank Lehman Brothers in October, GDP only grew by just 0.6% in the 3rd quarter. In the 4th quarter, it even decreased by 1.3%.

One of the main factors for this decline was the diminished consumption behaviour of private consumers due to the financial market crisis, which in turn led to a decline in industrial production. Investments and exports also exhibited stagnating to declining tendencies. Only government expenditures and a build-up of stocks made a large contribution to economic performance. The rate of inflation, which had increased significantly up to mid-year due primarily to the very high oil price, has fallen sharply again since August. Overall in the euro region, the rate of inflation was 3.3% in 2008.

Insurance industry enjoys solid premium growth

The Austrian insurance industry exhibited premium growth in 2008 of 2.5% to reach €16.3 billion, thereby exceeding both the general economic dynamic as well as the growth rate of the previous year (2007: +1.8%). The strongest growth was seen in health insurance at plus 3.5% to over €1.5 billion, following on from a growth of 3.2% in the year 2007. Life insurance charted a strong upward course, gaining 2.2% to reach €7.4 billion after only growing 0.3% in the previous year.

The dynamic in the area of property and casualty insurance sagged somewhat with growth in premiums of only 2.6% to a total of €7.4 billion after a growth rate of 3.1% in 2007. This was due primarily to motor vehicle insurance, which saw a fall in volume of 2.0% (2007: –0.8%) alongside a continued decrease in average premiums. The remaining lines of property and casualty insurance also saw slower growth than the previous year at 3.2% (2007: +3.7%).

Massive turbulence on the financial markets

The continued difficult situation on the international financial markets hit a new low in September 2008. Poor economic data from the USA and problems at international banks caused by the subprime crisis had already produced serious fears that the financial crisis would spread to the real economy. The collapse of Lehman Brothers intensified the situation abruptly. This not only led to a worldwide crisis of confidence and massive price drops but above all to a shortage of external credit financing with associated cost increases. Numerous – even renowned – banks all over the world fell under pressure due to the lack of sufficient refinancing options.

After the government in the USA passed an economic package of USD 700 billion for stabilisation of the financial market and restoration of trust, the EU also passed joint measures for strengthening of the European financial sector in October. Similar packages were passed at national level. For instance, the Austrian federal government passed a corresponding programme amounting to €100 billion.

Falling key and money market interest rates

Considerable rate decreases as part of these economic measures to combat the financial market crisis led to a significant lowering of the interest level worldwide. To secure refinancing of the banks, the USA, Switzerland and Japan lowered their key rates to practically zero. The European Central Bank also lowered its main refinancing rate at the start of December 2008 by 75 basis points to 2.5%; this was followed in January, March and April of 2009 by further reductions of a total of 125 basis points to 1.25%. In view of receding inflation, additional interest rate decreases are expected in the future. The spread between the key and market interest rates also decreased further toward the end of the year and stood at only 39 basis points at the end of December 2008 for the three-month EURIBOR. The one-month rate was even below the key rate in January 2009.

Bond yields in the euro zone have recently fallen significantly, and they reached a record low in the USA due to the lowering of interest rates by the Fed. The rallying of the bond markets on which this was based can be attributed to the expectation of further rate decreases, the poor general economic data and the general risk aversion of investors, who relied more heavily on “safe” papers.

The euro lost about 4.2% against the US dollar compared with the previous year, but exhibited high volatility over the course of the year. A steep increase in the 1st quarter was followed in the 2nd quarter by a period of continued strength; as of September, however, the euro fell considerably against the US dollar until it rose again strongly in December.

Very cautious forecasts for 2009

According to current predictions by economic analysts, economic developments will be extremely weak during the first half of 2009 in particular. In the USA, the state economic aid packages may only partially compensate for low consumer demand, and only a moderate recovery is expected here for the second half of the year. A significant downturn is also predicted for the first half of the year in the euro zone, Japan and Switzerland.

For 2009 overall, economic analysts currently expect the economy in the euro region to shrink by around 2.8%. Austria will remain slightly above this level at about –2.2%, according to current forecasts. The economies of Eastern and South Eastern Europe will develop at above-average rates, if less dynamically than in previous years.

A slight slowdown in growth to +1.5% is predicted for the Austrian insurance industry. The general picture may change very little with the expected growth of 1.8% in property and casualty, 3.1% in health and 0.8% in life insurance. According to current expectations, motor vehicle insurance will remain in decline (–1.7%).

Financial markets remain subdued

In view of the general uncertainties, the further development of the international financial markets is difficult to predict. From the current perspective, a continuation of the high demand for bonds can generally be expected. The stock markets, on the other hand, are suffering under the prevailing uncertainty and the unappealing economic outlook. However, it remains to be seen whether the state economic stimulus packages will take effect at least in Asia and Europe and allow a continuation of the slight recovery seen toward the end of 2008. In the USA, on the other hand, no appreciable positive market impulses are expected at least over the short term either based on economic data or pronouncements by companies.

The UNIQA Group

With €5,825 million in premiums written, including the savings portion of unit- and index-linked life insurance, UNIQA is one of the leading insurance groups in Central and Eastern Europe. The savings portion of premiums from unit- and index-linked life insurance amounting to €823 million is, in accordance with FAS 97 (US-GAAP), balanced out by the changes in the actuarial provision. Premium volume excluding the savings portion from the unit- and index-linked life insurance amounts to €5,002 million.

UNIQA in Europe

The UNIQA Group offers its products and services through all distribution channels (salaried sales force, general agencies, brokers, banks and direct sales). UNIQA is active in all types of insurance and operates its direct insurance business in Austria through UNIQA Personenversicherung AG, UNIQA Sachversicherung AG, Raiffeisen Versicherung AG, FINANCE LIFE Lebensversicherung AG, Salzburger Landes-Versicherung AG and CALL DIRECT Versicherung AG.

The listed Group holding company, UNIQA Versicherungen AG, is responsible for Group management, operates the indirect insurance business and is the central reinsurer for the Group's Austrian operational companies. In addition, it carries out numerous service functions for the Austrian and international insurance subsidiaries in order to take best advantage of synergy effects within all the Group companies and to consistently implement the Group's long-term corporate strategy. UNIQA Re AG has its headquarters in Zurich and is responsible for reinsuring the Group's international operational companies. In order to achieve maximum synergy effects, the international activities of the UNIQA Group are managed centrally through Competence Centers as well as the Group's Central Services, and UNIQA International Versicherungs-Holding GmbH is responsible for ongoing monitoring and analysis of the international target markets for acquisitions as well as for integration of acquisitions into the Group.

Takeover of the Romanian UNITA

At the start of November 2008, the UNIQA Group took over 100% of the share capital of the Romanian property insurer UNITA – one of the largest insurance companies in Romania with a market share of roughly 7%. With this acquisition, UNIQA has taken another important step in its expansion into Eastern Europe since Romania with its roughly 22 million residents is currently one of the largest and fastest-growing markets of the CEE region. Special focus will naturally be given in the future to close cooperation with the local Raiffeisen bank within the framework of the cooperation throughout the entire geographic region.

Companies included in the IFRS consolidated financial statements

Along with UNIQA Versicherungen AG, the 2008 consolidated financial statements of the UNIQA Group include 38 domestic and 77 foreign companies. A total of 38 affiliated companies whose influence on an accurate presentation of the actual financial status of the assets, financial position and profitability was insignificant were not included in the consolidated financial statements. In addition, 15 domestic and two foreign companies were included as associates according to the equity accounting method. Ten associates were of minor importance, and their shares are recognised at market value.

SIGAL Holding sH.A. in Albania was valued "at equity" for the first time in the 1st quarter of 2008. As of 31 March, the scope of consolidation was expanded to include the Ukrainian company Credo-Classic. The results of this company were fully consolidated as of the 2nd quarter. In the 4th quarter of 2008, the scope of consolidation was expanded to include UNITA Vienna Insurance Group S.A., AGRAS Vienna Insurance Group S.A. and UNIQA Asigurari de Viata S.A. in Romania as well as UNIQA Health Insurance AD in Bulgaria.

Details on the consolidated and associated companies are contained in the corresponding overview in the Group notes. The accounting and valuation methods used as well as the changes in the scope of consolidation are also explained in the Group notes.

Risk report

The comprehensive risk report of the UNIQA Group is in the 2008 Group notes (cf. Group notes, p. 67 ff.).

UNIQA Group business development

The following comments on the business development are divided into two sections. The section "Group business development" describes the business performance from the perspective of the Group with fully consolidated amounts. Fully consolidated amounts are also used in the Group management report for reporting on the development of the business segments of "property and casualty insurance", "health insurance" and "life insurance".

Group business development

The UNIQA Group provides life and health insurance and is active in almost all lines of property and casualty insurance. With almost 15 million insurance policies under management at home and abroad, a gross premium volume written (including the savings portion of the unit- and index-linked life insurance) of €5.8 billion (2007: €5.3 billion) and capital investments of more than €21.3 billion (2007: €21.5 billion), the UNIQA Group is one of the leading insurance groups in Central and Eastern Europe.

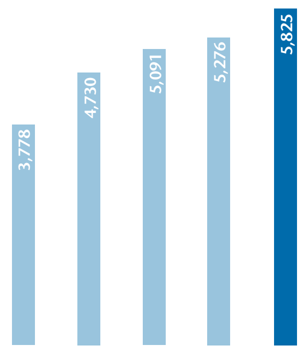
Premium development

Taking the savings portion of the unit- and index-linked life insurance in the amount of €823 million (2007: €748 million) into account, the total premium volume of the UNIQA Group grew in 2008 by 10.4% to €5,825 million (2007: €5,276 million). The total consolidated premiums written in 2008 grew by 10.5% to €5,002 million (2007: €4,528 million). Both the area of recurring premium insurance with a growth of 6.7% to €4,912 million (2007: €4,602 million) as well as the single premium business with a growth of 35.7% to €913 million (2007: €673 million) developed very satisfactorily in 2008. The Group premiums earned including the savings portion of the unit- and index-linked life insurance (after reinsurance) in the amount of €774 million (2007: €695 million) rose by 14.6% to €5,504 million (2007: €4,801 million). The retained premiums earned (according to IFRS) increased by 15.2% to €4,730 million (2007: €4,106 million).

Premium volume written

incl. the savings portion of premiums from unit- and index-linked life insurance

in € million



In the 2008 financial year, 41.2% (2007: 41.7%) of the premium volume arose in property and casualty insurance, 16.3% (2007: 17.2%) in health insurance and 42.5% (2007: 41.1%) in life insurance.

In Austria, the premium volume written including the savings portion of unit- and index-linked life insurance increased in 2008 by 2.3% to €3,599 million (2007: €3,517 million). Including the savings portion of unit- and index-linked life insurance, the premiums earned rose by 6.4% to €3,457 million (2007: €3,249 million). The retained premiums earned (according to IFRS) in Austria amounted to €2,971 million in 2008 (2007: €2,885 million).

In the regions of Eastern and South Eastern Europe (CEE & EEM), the premiums grew significantly faster in 2008. The premium volume written including the savings portion of unit- and index-linked life insurance increased in 2008 by 56.7% to €1,279 million (2007: €816 million). This put the share of Group premiums coming from CEE & EEM at 22.0% (2007: 15.5%). Including the savings portion of the unit- and index-linked life insurance, the premiums earned rose by 56.4% to €1,188 million (2007: €760 million). The retained premiums earned (according to IFRS) grew by 71.1% to €1,073 million (2007: €627 million).

In the Western European countries (WEM) the premium volume written rose only slightly in 2008 by 0.5% to €947 million (2007: €942 million). On the other hand, recurring premiums developed positively and grew by 1.8% to €700 million (2007: €688 million). Overall, the share in Group premiums therefore fell somewhat in 2008 to 16.3% (2007: 17.9%). Including the savings portion of the unit- and index-linked life insurance, the premiums earned increased by 8.4% to €860 million (2007: €793 million). The retained premiums earned (according to IFRS) rose by 15.5% to €686 million (2007: €594 million).

Developments in insurance benefits

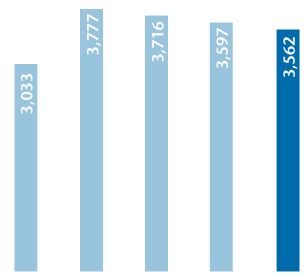
The insurance benefits paid by the UNIQA Group (before reinsurance) decreased again in the 2008 financial year by 4.8% to €3,704 million (2007: €3,892 million). The consolidated retained insurance benefits also declined last year by 1.0% to €3,562 million (2007: €3,597 million).

While the insurance benefits paid in 2008 in Austria decreased by 16.5% to €2,287 million (2007: €2,739 million), they increased in the Western European markets by 7.0% to €528 million (2007: €493 million). In the Central and Eastern European regions (CEE & EEM) as well, the insurance benefits increased due to the rapid premium growth by 104.6% to €746 million (2007: €365 million).

Insurance benefits

retention

in € million



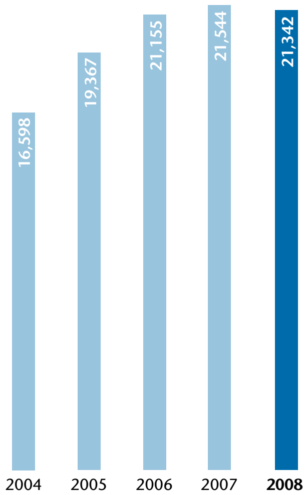
Operating expenses

Total consolidated operating expenses (cf. Group notes, No. 37) less reinsurance commissions and profit shares from reinsurance business ceded (cf. Group notes, No. 33) increased in financial year 2008 by 17.2% to €1,237 million (2007: €1,056 million). Acquisition expenses before the change in deferred acquisition costs rose by 6.7% to €866 million (2007: €812 million). Taking into account the change in deferred acquisition costs, which represented an additional expense of €22 million in 2008 compared to the previous year, the acquisition expenses grew by 9.6% to €870 million (2007: €794 million). Other operating expenses, excluding reinsurance commissions received, increased to €368 million (2007: €262 million) since the reinsurance commissions received were lower by €52 million due to the change in the reinsurance structure in 2008 and the associated higher retention ratios.

The cost ratio of the UNIQA Group after reinsurance, i.e. the relation of total operating expenses to the Group premiums earned, including the savings portion of the unit- and index-linked life insurance, was 22.5% during the past year (2007: 22.0%) due to the developments described above. Adjusted for the change in deferred acquisition costs, the cost ratio in 2008 remained unchanged at 22.4% (2007: 22.4%). The cost ratio before reinsurance amounted to 21.7% (2007: 21.5%).

Investment results
Total investments including land and buildings used by the Group, real estate held as investments, shares in associates and investments of unit- and index-linked life insurance decreased slightly in 2008 by 0.9% to €21,342 million (2007: €21,544 million).

Investments
in € million

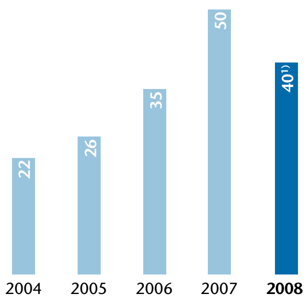


Net income from investments less financing costs sank by 80.2% to €189 million (2007: €955 million) as a result of the global financial crisis. However, the investment results of the year 2007 had been positively influenced by the exceptional amount of €177 million from the two capital increases of STRABAG SE.

A detailed description of the investment income can be found in the Group notes (cf. Group notes, No. 34).

Group pre-tax results at €90 million
In the 2008 financial year, the profit on ordinary activities of the UNIQA Group fell by 73.5% primarily due to the heavily declining revenues from investments to reach €90 million (2007: €340 million). Adjusted for the special effect from the stake in STRABAG SE in the year 2007, the pre-tax results only exhibit a decline of 44.9% from €163 million to €90 million. Despite this development, the Management Board will recommend to the Supervisory Board and the Annual General Meeting the payout of a dividend of 40 cents per share.

Dividend
in cent



[1] Proposal to the Annual General Meeting.

Own funds and total assets
Despite the effects of the financial crisis, the UNIQA Group's total equity declined only slightly in 2008 by €73 million to €1,459 million (31 Dec. 2007: €1,532 million). This included shares in other companies amounting to €194 million (31 Dec. 2007: €196 million). The pre-tax return on equity – the ratio of profit on ordinary activities to average total equity (without taking into consideration the included net profit for 2008) – amounted to 6.1% in the past financial year (2007: 26.2%). The total assets of the Group increased slightly in the past financial year by €41 million and totalled €25,630 million on 31 December 2008 (31 Dec. 2007: €25,589 million).

Cash flow
The cash flow from operating activities in 2008 was €267 million (2007: €846 million). Cash flow from investing activities of the UNIQA Group amounted to €–484 million (2007: €–510 million). Due to the capital increase performed in 2008, the financing cash flow stood at €125 million (2007: €51 million). A total of €60 million were spent on the dividends from the 2007 financial year. The amount of liquid funds changed in total by €–79 million (2007: €384 million). At the end of 2008, funds amounting to €568 million (2007: €647 million) were available.

Employees
The average number of employees in the UNIQA Group increased in 2008 through inclusion for the first time of the companies in Romania, the Ukraine and Serbia, bringing the total to 13,674 (2007: 10,997). Of these, 6,269 (2007: 4,273) were employed in sales and 7,405 (2007: 6,724) in administration. In the Eastern Emerging Markets (EEM), UNIQA employed a staff of 3,718 in 2008 (2007: 864), 2,954 people (2007: 2,987) in Central Eastern Europe (CEE) and 986 (2007: 982) in the Western European markets (WEM). In Austria, 6,016 staff were employed (2007: 6,164). Including the employees of the general agencies working exclusively for UNIQA, the total staff of the UNIQA Group amounts to over 19,000 (2007: 15,800) people.

51% of the administrative staff employed in Austria in 2008 were women, 18.5% (2007: 18.2%) of the employees were part-time. The average age in the past year remained 42 years (2007: 42 years). In total, 11.3% (2007: 10.5%) of the employees participated as managers in UNIQA's result-oriented remuneration system – a variable payment system that is tied both to the success of the company and to personal performance. In addition, the UNIQA apprentice exchange programme offers young people in training the opportunity to get to know foreign cultures and make international contacts.

Business lines

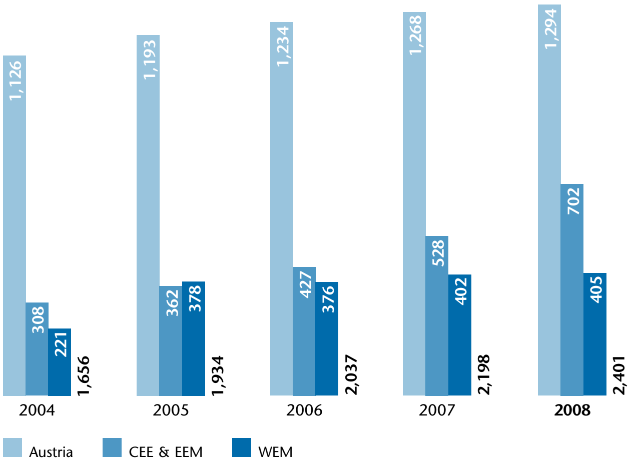
Property and casualty insurance

Premium development

In property and casualty insurance, the UNIQA Group was able to continue the extremely positive developments of the previous year again in 2008, increasing the premiums written by 9.3% to €2,401 million (2007: €2,198 million). Despite the continued intense competition, the premium volume in Austria rose by 2.1% to €1,294 million (2007: €1,268 million). In the Central and Eastern European regions (CEE & EEM), the considerably more rapid growth also continued in 2008. The premiums written grew by 33.1% to €702 million (2007: €528 million), thereby contributing 29.2% (2007: 24.0%) to the Group premiums in property and casualty insurance. In the Western European markets, however, only moderate growth was experienced in 2008. Here, the premiums written increased slightly by 0.8% to €405 million (2007: €402 million). Overall, the international share of Group premiums in this segment amounted to 46.1% (2007: 42.3%).

Premium volume written in property and casualty insurance

in € million



Details on the premium volume written in the most important risk classes can be found in the Group notes (cf. Group notes No. 31).

The retained premiums earned (according to IFRS) in casualty and property insurance totalled €2,214 million at the end of the year (2007: €1,858 million) – representing a major increase of 19.1%.

Property and casualty insurance segment	2008 € million	2007 € million	2006 € million	2005 € million	2004 € million
Premiums written	2,401	2,198	2,037	1,934	1,656
Share CEE & EEM	29.2%	24.0%	21.0%	18.7%	18.6%
Share WEM	16.9%	18.3%	18.5%	19.6%	13.4%
International share	46.1%	42.3%	39.4%	38.3%	32.0%
Premiums earned (net)	2,214	1,858	1,716	1,628	1,394
Net investment income	42	258	141	131	89
Insurance benefits	–1,412	–1,251	–1,130	–1,106	–908
Net loss ratio (after reinsurance)	63.8%	67.3%	65.9%	68.0%	65.1%
Gross loss ratio (before reinsurance)	62.2%	67.9%	64.1%	66.4%	63.6%
Operating expenses less reinsurance commissions	–740	–606	–569	–553	–479
Cost ratio (after reinsurance)	33.4%	32.6%	33.2%	34.0%	34.4%
Net combined ratio (after reinsurance)	97.2%	99.9%	99.0%	101.9%	99.5%
Gross combined ratio (before reinsurance)	94.2%	98.7%	95.4%	98.2%	95.8%
Profit on ordinary activities	113	238	129	81	59
Net profit	104	193	104	54	53

Developments in insurance benefits

The total retained insurance benefits rose in 2008 by 12.8% to €1,412 million (2007: €1,251 million), which represents a disproportionately high increase relative to the increase in premiums. Insurance benefits increased in Austria by 5.7% to €808 million (2007: €765 million) and in Western European countries (WEM) by 15.3% to €248 million (2007: €215 million). In the Central and Eastern European regions (CEE & EEM), the insurance benefits increased in line with the increased premium volume by 31.0% to €356 million (2007: €272 million).

As a result of this development, the net loss ratio (retained insurance benefits relative to premiums earned) fell by 3.5 percentage points to 63.8% (2007: 67.3%). At the end of 2008, the gross loss ratio (before reinsurance) was even lower at 62.2% (2007: 67.9%). In Austria, the net loss ratio for the past financial year fell to 65.3% (2007: 70.2%) and in Western Europe to 69.2% (2007: 73.1%), while in the CEE & EEM regions it remained stable at 57.7% (2007: 57.3%).

Operating expenses, combined ratio

Total operating expenses in property and casualty insurance less reinsurance commissions and profit shares from reinsurance business ceded rose by 22.2% to €740 million (2007: €606 million). In the process, acquisition costs rose by 11.5% to €497 million (2007: €445 million), which was a disproportionately low increase compared with the rise in premiums, while other operating expenses increased by 52.0% to €244 million (2007: €160 million) due to lower retained reinsurance commissions.

The cost ratio in property and casualty insurance therefore increased slightly in the past financial year to 33.4% (2007: 32.6%). The net combined ratio fell due to the excellent loss ratio and lay significantly below 100% in 2008 at 97.2% (2007: 99.9%). The combined ratio before reinsurance fell even further to reach 94.2% (2007: 98.7%).

Investment results

Net income from investments less financing costs decreased in the past financial year by 83.7% to €42 million (2007: €258 million). The capital investments in property and casualty insurance declined by 7.7% to €3,315 million (2007: €3,590 million).

Profit on ordinary activities, net profit

Profit on ordinary activities in property and casualty insurance fell in 2008 by 52.4% to €113 million (2007: €238 million). Net profit was also down by 45.9% to €104 million (2007: €193 million).

Health insurance

Premium development

In comparison to the previous year, premiums written in health insurance increased by 4.4% to €948 million (2007: €908 million). In Austria, where UNIQA is the market leader in health insurance, the premium volume in 2008 grew over the previous year by 3.3% to reach €748 million (2007: €724 million). In the WEM region, the premiums written increased by as much as 6.4% to €191 million (2007: €180 million). In the countries of Eastern and South Eastern Europe, private health insurance continued to play a subordinate role with a premium volume of €8 million (2007: €4 million). Overall, the international share in the total health insurance premiums in 2008 was 21.1% (2007: 20.3%).

Premium volume written in health insurance

in € million

In 2008, the retained premiums earned (according to IFRS) in health insurance totalled €946 million at the end of the year (2007: €906 million), amounting to an increase of 4.5%.

Health insurance segment	2008 € million	2007 € million	2006 € million	2005 € million	2004 € million
Premiums written	948	908	890	845	745
International share	21.1%	20.3%	20.5%	17.9%	9.6%
Premiums earned (net)	946	906	887	849	742
Net investment income	14	134	114	101	81
Insurance benefits	–822	–811	–806	–773	–675
Acquisition expenses less reinsurance commissions	–134	–129	–137	–131	–119
Cost ratio (net after reinsurance)	14.2%	14.3%	15.4%	15.4%	16.1%
Profit on ordinary activities	3	96	54	41	24
Net profit	–1	72	35	35	20

Developments in insurance benefits

Despite the increased business volume, insurance benefits only rose slightly by 1.3% to €822 million (2007: €811 million). This also lowered the benefits ratio after reinsurance to 86.9% (2007: 89.6%). In Austria, insurance benefits even decreased by 1.1% to €641 million (2007: €649 million). In the international markets, the insurance benefits in 2008 increased by 11.1% to reach €181 million at the end of the year (2007: €163 million).

Operating expenses

Total operating expenses in health insurance less reinsurance commissions and profit shares from reinsurance business ceded rose in 2008 by 3.8% to €134 million (2007: €129 million), a disproportionately low increase compared with the premium volume. Despite the increased premium volume, acquisition expenses rose only slightly by 0.8% to €87 million (2007: €86 million). Other operating expenses increased by 10.0% to €47 million (2007: €43 million). As a result of this development, the cost ratio in health insurance decreased further in 2008 to 14.2% (2007: 14.3%).

Investment results

Net income from investments less financing costs fell by 89.7% to €14 million (2007: €134 million). In the health insurance segment, capital investments grew by 9.6% to €2,288 million (2007: €2,087 million).

Profit on ordinary activities, net profit

Profit on ordinary activities in health insurance fell in the reporting year due to the negative capital market environment by 96.4% to €3 million (2007: €96 million). Net profit declined in 2008 to €–1 million (2007: €72 million).

Life insurance

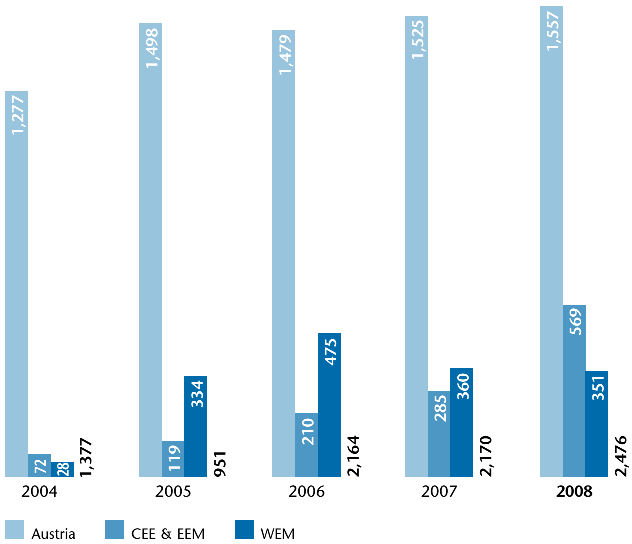
Premium development

The life insurance premium volume written, including the savings portion of unit- and index-linked life insurance, increased in 2008 by 14.1% to €2,476 million (2007: €2,170 million). Revenues from policies with recurring premium payments rose by 4.4% to €1,563 million (2007: €1,497 million). In the single premium business, premiums in the area of unit-linked life insurance decreased by 9.6% to €408 million (2007: €452 million), while classic single-premium policies climbed by 128.3% to €505 million (2007: €221 million). Overall, the single premium business grew by 35.7% to €913 million (2007: €673 million).

International premium volume written in life insurance

incl. the savings portion of premiums from unit- and index-linked life insurance

in € million



Although the premium development in Austria was still encumbered in 2008 by the loss of premium income from contracts with reduced payment terms, the premium volume still rose by 2.1% to €1,557 million (2007: €1,525 million) due to the continued growth in unit-linked life insurance products. Revenues from policies with recurring premium payments rose by 2.8% to €1,321 million (2007: €1,285 million). The single premium business remained roughly at the level of the previous year at €236 million (2007: €241 million). The Group companies in the Central and Eastern European regions (CEE & EEM) experienced growth in the life insurance segment that was many times stronger. The premium volume written including the savings portion of unit- and index-linked life insurance doubled to €569 million (2007: €285 million). The share of life insurance from these countries thus already amounted to 23.0% in 2008 (2007: 13.1%). In the Western European countries (WEM), on the other hand, the premium volume written declined slightly by 2.7% to €351 million (2007: €360 million). Overall, the Western European region (WEM) contributed 14.2% (2007: 16.6%) to the total life insurance premiums of the Group.

The risk premium share of unit- and index-linked life insurance included in the consolidated financial statements totalled €97 million in 2008 (2007: €86 million). The savings portion of the unit- and index-linked life insurance lines amounted to €823 million (2007: €748 million) and was, in accordance with FAS 97 (US-GAAP), balanced out by the changes in the actuarial provision.

Including the savings portion of the unit- and index-linked life insurance (after reinsurance) in the amount of €774 million (2007: €695 million), the premiums earned in life insurance rose by 15.1% to €2,344 million (2007: €2,037 million). The retained premiums earned (according to IFRS) increased in 2008 by 17.0% to €1,570 million (2007: €1,342 million).

Life insurance segment	2008 € million	2007 € million	2006 € million	2005 € million	2004 € million
Premiums written	1,653	1,422	1,605	1,591	1,199
Savings portion of premiums from unit- and index-linked life insurance	823	748	559	360	178
Premiums written incl. savings portion of premiums from unit- and index-linked life insurance	2,476	2,170	2,164	1,951	1,377
Share CEE & EEM	23.0%	13.1%	9.7%	6.1%	5.2%
Share WEM	14.2%	16.6%	22.0%	17.1%	2.1%
International share	37.1%	29.7%	31.7%	23.2%	7.3%
Premiums earned (net)	1,570	1,342	1,527	1,523	1,166
Savings portion of premiums from unit- and index-linked life insurance (net after reinsurance)	774	695	499	311	129
Premiums earned (net) incl. the savings portion of premiums from unit- and index-linked life insurance	2,344	2,037	2,027	1,834	1,295
Net investment income	133	563	610	731	580
Insurance benefits	–1,328	–1,534	–1,780	–1,898	–1,451
Operating expenses less reinsurance commissions and change in deferred acquisition costs	–347	–328	–304	–284	–253
Cost ratio	14.8%	16.1%	15.0%	15.5%	19.6%
Other operating expenses less insurance commissions	–363	–321	–261	–244	–231
Cost ratio (net after reinsurance)	15.5%	15.7%	12.9%	13.3%	17.8%
Profit on ordinary activities	–27	5	56	69	39
Net profit	–37	4	37	44	29

Developments in insurance benefits

The retained insurance benefits decreased in the reporting period by 13.5% to €1,328 million (2007: €1,534 million). In Austria, insurance benefits also decreased by 36.8% to €838 million (2007: €1,326 million). In the Western European region (WEM), insurance benefits decreased by 11.4% to €105 million (2007: €118 million), while they rose in Central and Eastern Europe (CEE & EEM) by 325.2% to €385 million (2007: €91 million) due to the strong premium growth.

Operating expenses

Total operating expenses in life insurance less reinsurance commissions and profit shares from reinsurance business ceded rose in 2008 by 13.1% to €363 million (2007: €321 million). Acquisition expenses rose by 9.2% to €286 million (2007: €262 million). In line with the extremely positive development of new business, an increase in expenses due to the change in deferred acquisition costs was observed again in 2008 in the amount of €23 million. Because the reinsurance commissions received also declined to €6 million (2007: €11 million), among other factors, other operating expenses increased by 30.8% to €76 million (2007: €58 million). However, since the premium volume in life insurance developed even more rapidly, the cost ratio, i.e. the ratio of all claims incurred to the Group premiums earned, including the savings portion of unit- and index-linked life insurance, declined to 15.5% (2007: 15.7%). Adjusted for the change in deferred acquisition costs, the cost ratio even declined to 14.8% in 2008 (2007: 16.1%).

Investment results

The net income from investments less financing costs declined in the reporting year by 76.4% to €133 million (2007: €563 million) due to consequences of the financial crisis. The capital investments including the investments for unit- and index-linked life insurance shrank slightly in 2008 by 0.8% to €15,739 million (2007: €15,867 million).

Profit on ordinary activities, net profit

The profit on ordinary activities in life insurance was negative in 2008 due to the negative capital markets environment, and amounted to €–27 million (2007: €5 million). The net profit was also negative at €–37 million (2007: €4 million).

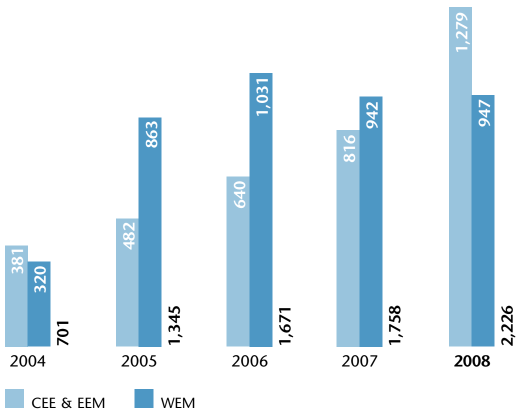
International markets

The international premium volume of the UNIQA Group (incl. the savings portion of unit- and index-linked life insurance) broke the €2 billion mark for the first time in 2008 and rose – driven primarily by the above-average growth in the companies in Eastern and South Eastern Europe – by 26.6% to €2,226 million (2007: €1,758 million). This brought the international share of Group premiums up to 38.2% (2007: 33.3%).

International premium volume written in life insurance

incl. the savings portion of premiums from unit- and index-linked life insurance

in € million



Including the savings portion of the unit- and index-linked life insurance (after reinsurance), the premiums earned increased by 31.9% to €2,048 million (2007: €1,552 million). The retained premiums earned (according to IFRS) increased by 44.0% to €1,759 million (2007: €1,221 million).

Central and Eastern Europe (CEE & EEM)

The countries of Eastern and South Eastern Europe achieved very high growth rates once again in 2008 and were able to increase their total premiums written by 56.7% to €1,279 million (2007: €816 million). The increase in 2008, which was far above the respective market growth rates, can be attributed above all to the continued dynamisation projects, which should increase organic growth in these regions still further in the future. In the Eastern Emerging Markets, the premium volume even doubled from €81 million to €164 million (+102.8%). Overall, this places the contribution to Group premiums by the CEE & EEM at 22.0% (2007: 15.5%).

Western Europe (WEM)

Only moderate growth was experienced in the past financial year in the mature markets of Western Europe. After a decline in 2007, the premium volume written increased slightly in 2008 by 0.5% to €947 million (2007: €942 million). The recurring premium business developed better and increased in the region by 1.8% to €700 million (2007: €688 million). Single premium business declined slightly by 2.8% to €247 million (2007: €254 million). In 2008, the WEM region contributed 16.3% (2007: 17.9%) to the Group premiums.

The premium volume written including the savings portion of the unit- and index-linked life insurance was divided as follows among the various regions of the UNIQA Group:

UNIQA international markets	Premiums written[1]					Share of Group premiums
	2008 € million	2007 € million	2006 € million	2005 € million	2004 € million	2008
Central Eastern Europe (CEE)	1,115	735	595	482	381	19.1%
Eastern Emerging Markets (EEM)	164	81	45	0	0	2.8%
Western European Markets (WEM)	947	942	1,031	863	320	16.3%
Total international	**2,226**	**1,758**	**1,671**	**1,345**	**701**	**38.2%**

[1] Incl. the savings portion of premiums from unit- and index-linked life insurance.

Due to strong growth, the total insurance benefits of the international Group countries increased in 2008 by 48.5% to €1,274 million (2007: €858 million). Consolidated operating expenses less reinsurance commissions and profit shares from reinsurance business ceded rose in the past financial year by 23.8% to €519 million (2007: €419 million). In 2008, before consolidation based on the geographic segments (cf. segment reports), the profit on ordinary activities generated by the companies in the three regions outside of Austria increased to €86 million (2007: €53 million).

Significant events after the balance sheet date (subsequent report)

At the start of 2009, the UNIQA Group entered into the Russian insurance market with the founding of a life insurance company in Moscow. The registration of the company took place in January 2009, and the next step is to apply for a license for insurance operations. The company is expected to commence operations at the end of 2009. The focus of the company will lie in the area of life insurance and cooperation with Raiffeisenbank in Russia, within the framework of the Preferred Partnership.

Outlook for 2009

Development in the current financial year

Despite the worsening economic conditions, the premium volume of the UNIQA Group exhibited very satisfactory development in the first two months of 2009. The premium growth in property and casualty insurance was 4.5%, in health insurance 3.7% and in life insurance 0.8%. Overall, growth in the months of January and February was roughly 3.2%. While premiums in Austria increased by 1.5%, growth in the international markets was significantly stronger at 6.5%.

Property and casualty insurance

On the basis of numerous initiatives in product development, customer loyalty management and efficiency improvement, UNIQA expects very solid developments in the area of property and casualty insurance once again in 2009.

The growth of the legal expense insurance line proved very favourable in 2008. However, the financial crisis and its effects on the real economy will also have their consequences for this line. In various cases, mass losses in the area of asset investment have already been claimed. In order to avoid exposure to these difficult-to-assess risks, the UNIQA Group has already defined the majority as excluded risks. The growth goals for 2009 are also not being scaled back, meaning that continuous observation of the general situation in the claims area will be that much more important.

Unfortunately, no relief is in sight for the loss ratio in the storm risk segment. Countermeasures such as segmentation have already been introduced, and the course already begun in 2008 will continue to be consistently followed. UNIQA will also continue to expand the HORA (High Water Risk Zoning System Austria) system in coming years in cooperation with the Insurance Association of Austria and the Ministry of Agriculture, Forestry, Environment and Water Management. The goal of this system is to create and refine a risk map that makes it possible to better assess possible natural dangers. In the area of natural dangers as well as other risk areas such as burglary, UNIQA relies on various preventive measures to avoid losses. Examples include security checks as well as the severe weather warnings offered exclusively by UNIQA within the insurance industry.

In other areas, a subdued investment level is expected in property insurance, particularly among commercial customers. In order to continue to support the customers in this difficult phase, the strategy of complexity reduction and efficiency improvement – above all through offering of standardised customer-oriented products – will be sustained. Increased productivity in sales, efficiency gains and process streamlining have already been successfully introduced in the private customer business. In 2009, UNIQA will implement these key practices in the commercial area as well.

Further refinements in the private customer business will be seen in 2009 as well. For instance, new opportunities will be offered by scoring models in the new private customer product arriving on the market in 2009. The goal of these models is an individual and risk-appropriate premium definition, in which UNIQA will naturally continue to pursue the goal of climate protection in accordance with the course already set jointly with Raiffeisen. The features already present here in the current product will be carried over and further expanded.

The SuccessPartnership, a customer advantage programme with a selection of supplemental services for freelancers, farmers and small and medium-sized businesses, will be strongly promoted in the corporate customer segment. More than 7,000 new members are expected here for the year 2009. The goal of this service and customer loyalty instrument is to reduce cancellation rates by promoting customer loyalty and the claims-dependent SuccessBonus. Cross-selling will also be heavily expanded in the corporate customer business through additional training courses and centrally supported campaigns. In addition, a focus will be placed on innovative product design in connection with risk management measures. As an example, the risk management with respect to legionella for hospitals insured with UNIQA has been successfully completed in this area. Where this was necessary due to the results of investigations, it was possible to significantly reduce this risk through the implementation of preventive measures.

For its cableway customers, UNIQA has offered a free cableway weather information system (SEWIS) since autumn 2008. This allows every single cableway operator to access weather forecasts for their specific location. This reduces the risk potential for UNIQA as an insurer since exposed cableways can be shut down in time in the event of a storm or gale warning, for example. The advantage for the insured lies in improved use of resources through higher forecasting precision. The progressing internationalisation of the Group allows it to professionally support and serve its internationally active customers with know-how and custom-tailored product solutions in an increasing number of markets.

In motor vehicle insurance, a new coverage component will be introduced to the market for the first time in 2009 – driver protection. Previously, in the event of an accident, the driver at fault received nothing for his own personal injuries or to support surviving dependents. With this driver protection, UNIQA also offers these drivers benefits of up to €1 million for care and treatment costs, living expenses, lost salary and compensation for pain and suffering. Also new is the classification of the product range in liability and comprehensive insurance into three packages: “compact”, “optimal” and “premium”. The compact comprehensive package, in particular, offers all owners of medium to old used cars the opportunity to insure themselves against the consequences of natural damage, such as storms and hail, at a low price. In addition, they receive compensation in event of theft to secure their continued mobility.

In 2009, Raiffeisen Versicherung will place an additional focus on scoring for the Raiffeisen motor vehicle and property insurance policies offered to Raiffeisenbank customers. This emphasis pursues the goal of more individual and risk-appropriate premium definitions. A driver protection component was also presented in March as part of the introduction of a new motor vehicle insurance rate.

Health insurance

Once again in 2009, it was possible to extend direct billing agreements, which are important for the special class insurance, with all contract partners in Austria. The negotiations, which continued into February, were hard-fought on both sides and were characterised by high price adjustment demands by the hospitals and physicians as well as by the prevailing economic slowdown. In the end, however, reasonable compromises for all parties were reached with only relatively moderate premium consequences for the insured.

The successful issuance of roughly 540,000 new MedUNIQA cards to all special class insured was completed in January. The credit card sized card provides access to special class services but can also be used for the storage of diagnoses, if desired. Medical histories, laboratory diagnoses, X-ray and ultrasound images, etc. can be conveniently managed via the free Internet portal. When visiting the doctor, the insured is spared the hassle of locating the required documents. This not only simplifies the handling of documents between countries, but also prevents frequently expensive repeat examinations. Only the insured and a specifically authorised physician have access to the portal via a secure password.

The new MedUNIQA card also has much more to offer: With the UNIQA Medikamentenkompass, UNIQA special class customers receive the additional advantage of checking their medications for possible interactions on the Internet. Also free, the Spitalskompass offers information on the staff and technical capabilities as well as treatment performance of Austrian care facilities, including how often specific treatments are performed in various hospitals. It is also possible to request a reduced-price emergency card, on which emergency data such as blood group, immunisations, allergies and medications as well as the contact data of close relatives can be saved for retrieval in the ambulance.

The new Internet health portal of UNIQA is scheduled to go live in April. Over three million hits per year are already being received at www.medUNIQA.at. The completely renovated portal will continue to encompass the previous UNIQA VitalClub website. New, however, is the interactive design that also offers the ability to access individualised information.

Also planned for April is the start of an initiative in company health management specially conceived for UNIQA customers. The UNIQA VitalBilanz for companies and its modules (e.g. movement balance, nutrition balance, mental balance) represents a comprehensive service offering. This project is being implemented by UNIQA HealthService GmbH.

In Eastern Europe, UNIQA is starting an offensive in the still underdeveloped business of private health insurance. Corresponding projects have already begun in Hungary, the Czech Republic, Poland, Slovakia, Croatia and Bosnia and Herzegovina. Serbia will follow within the first half of 2009. In Germany, the first few months of the new year alone have shown that the wave of terminations and policy changes expected for the first half of the year from customers with full health insurance will not take place. UNIQA Group member Mannheimer Krankenversicherung has been very successful with its new product line PURISMA and is constantly signing up new customers. In Italy, the entire product portfolio of UNIQA Assicurazioni was renewed last year. The full effects of the change are now unfolding. According to the proven Austrian example, UNIQA offers exclusively lifelong coverage concepts here that cannot be terminated by the insurer, thereby strengthening its already outstanding market position on the Italian market achieved through the consistent quality policies implemented to date.

Life insurance

The UNIQA Group offers a comprehensive selection of classic and unit-linked life insurance products as well as private nursing care insurance.

In the area of unit- and index-linked life insurance in particular, UNIQA was able to not only maintain its market leadership in 2008 but also expanded on it further. Continued positive reception of the unit-linked life insurance in 2009 is expected in Austria as well as in Germany and Slovenia within the framework of the free movement of services. Development in the segment of single premium policies in the form of index-linked life insurance is also expected to be positive. While the products within the framework of the state-subsidised pension provisions are being left largely unchanged, UNIQA will upgrade the classic unit- and index-linked insurance products with new investment and combination options in the 2009 financial year.

One focus of the UNIQA sales and marketing activities in 2009 will continue to be the innovative product FlexSolution, which saw further development in 2008 and combines the advantages of classic and unit-linked life insurance within a single contract. The future provisions solution accompanies the customer throughout his or her life and can be flexibly adapted to changed life circumstances and customer needs, making it an optimal solution for actively reacting to life cycles or a specific stock market situation.

The financial crisis is only one of the reasons why the concept of "security" will gain in importance in 2009 and along with it classic, pure life insurance as one of the most secure forms of investment. The difference from other financial products lies in the special protection for the insured even in the event of the bankruptcy of the insurer, since the investment amounts are separately secured in the full amount of the insurer's obligations from such insurance contracts. In addition, annually allocated gains are guaranteed and can no longer be changed.

As a leader in matters of old-age pensions, UNIQA also places great value on the issue of nursing care insurance. Since the start of 2009, a new variant of nursing care pension insurance has been offered for the target group of people under 40. This new rate offers younger people an inexpensive starting premium that then rises annually up to age 65, after which it remains constant for the remainder of their life.

In 2009, Raiffeisen Versicherung is taking up security as a central life issue and is putting a focus on the financial foundation for security in the form of the Raiffeisen Security Check. This new consulting concept for holistic customer advice encompasses four areas of security (provisions, investments, mobility and living). The security fields of provisions and investments are covered by the offered life insurance products: occupational disability, provisions for surviving dependents, provisions for serious illnesses, nursing care, premium-discounted old-age pensions, pension provisions with lifelong and guaranteed pension payments and unit-linked life insurance.

At the start of 2009, the cooperation with Raiffeisen Versicherung and Raiffeisen Capital Management was also established in the area of premium-discounted old-age pensions. In place of the previous two variants in the form of "My Subsidised Life Pension" and the unit-linked solution "Raiffeisen Pension Fund Austria", customers of Raiffeisen banks now have access to a single insurance variant as a combined old-age pension product. The investment is handled 100% by Raiffeisen Capital Management, Austria's largest investment company.

As part of its annual autumn provision campaign, Raiffeisen Versicherung will offer a new variant of flexible life insurance in 2009. As with the UNIQA product FlexSolution, the customer determines how his premium is split between an investment with capital guarantee and a yield-oriented component. This weighting can be changed at any time at no charge. This choice regarding the amount of death benefits establishes nearly unlimited flexibility in investment, term definition and risk protection.

In Central and Eastern Europe, the UNIQA Group will further intensify its cooperation with the Raiffeisen banking group in 2009. The focus in the product area continues to lie on combined banking and insurance products as well as the successive introduction of capital-forming life insurance products. With the planned founding of a new life insurance company in Russia, the existing cooperation with Raiffeisen will be expanded to the Russian market, bringing the total number of countries involved in the cooperation from 13 to 14. Apart from Russia, the UNIQA Group is intensifying its sales work in customised life insurance products via the Raiffeisen banks in Serbia and, since February 2009, also in Bulgaria. A children's product as well as endowment and life insurance are offered. In Albania, after purchasing the SIGAL insurance company, UNIQA became the first insurer on the market to offer a children's product in addition to classic endowment and life insurance. Active selling of the product will begin in 2009 within the framework of a structured sales cooperation.

Outside of Europe, UNIQA founded in 2008 the life and health insurance company "Takaful Al-Emarat", with offices in Dubai, as a joint venture with the insurance company Al Buhaira. The company, which is currently still being built up, should offer as of 2009 health insurance and life insurance products according to Sharia rules, a product type that is also meeting with increased interest in Europe as well. Starting with Dubai and the United Arab Emirates, the business activities should be expanded in future to additional Gulf States and other Muslim countries.

Occasioned by the 3rd EU Money Laundering Directive, UNIQA has established the office of "International Money Laundering Prevention". The goal of this office is to position UNIQA as a leader in this field through development of prevention systems, realistic risk assessments of the market and of customer behaviour, training measures, the expansion of risk-based IT systems, increased controlling and a generally high standard of precautions. Special value is placed on cost-efficient standardisation of the prevention measures and reporting systems, intensive communication and international information exchange and cooperation.

Information according to Section 243a paragraph 1 of the Austrian Business Code

1. The share capital of UNIQA Versicherungen AG is €131,673,000 and comprises 131,673,000 individual no par value shares in the name of the bearer. The share capital has been paid in full. All shares have the same rights and obligations.
2. Due to their voting commitments, the shares of Austria Versicherungsverein Beteiligungs-Verwaltungs GmbH, BL Syndikat Beteiligungs Gesellschaft m.b.H., Collegialität Versicherung auf Gegenseitigkeit, Raiffeisen Centrobank AG and UQ Beteiligung GmbH are counted together. Reciprocal purchase option rights have been agreed upon between the first three shareholders listed.
3. Austria Versicherungsverein Beteiligungs-Verwaltungs GmbH holds 35.79% of the share capital of UNIQA Versicherungen AG and BL Syndikat Beteiligungs Gesellschaft m.b.H. holds 32.45%.
4. No shares with special control rights have been issued.
5. No employee capital participation models exist.
6. No provisions of the articles or other provisions exist that go beyond the statutory provisions for appointing Management Board and Supervisory Board members or for modifying the articles with the exception of the rule that when a Supervisory Board member turns 70 years of age, he or she shall retire from the Supervisory Board at the end of the next Annual General Meeting.
7. According to the decision of the General Meeting of 23 May 2005, the Management Board is authorised to increase the share capital by a total of €50 million up to 30 June 2010, inclusive, with the approval of the Supervisory Board. On 29 October and 14 November 2008, the Management Board resolved, with approval of the Supervisory Board, to increase the share capital of the company through the issue of 11,895,192 new, no-par bearer unit shares with voting rights under retention of the statutory subscription rights of the shareholders. Furthermore, the Management Board passed a resolution on 19 May 2008 that UNIQA will repurchase its own shares. The Supervisory Board of the company confirmed the decision of the Management Board in its meeting on 19 May 2008. In this connection, the ongoing programme for resale of shares was brought to a close. The programme for repurchasing shares entered into effect on 22 May 2008. In the reporting year, 469,650 own shares were purchased via the stock exchange. As at 31 December 2008, the company held 819,650 own shares.
8. With regard to the associated company STRABAG SE, corresponding agreements with other shareholders of this company exist.
9. No reimbursement agreements exist for the event of a public takeover offer.

Proposed appropriation of profit

The individual accounts of UNIQA Versicherungen AG, prepared in accordance with the Austrian Business Code, report an annual net profit for the 2008 financial year of €53,190,348.20 (2007: €60,036,789.70). The Management Board shall thus recommend to the Annual General Meeting on 25 May 2009, that the annual net profit be distributed as a dividend of 40 cents on each of the 131,673,000 individual share certificates issued at the balance sheet date and entitled to receive a dividend, and that the remaining amount be carried forward to a new account.

Vienna, 15 April 2009

Konstantin Klien Chairman of the Management Board	**Hannes Bogner** Member of the Management Board	**Andreas Brandstetter** Member of the Management Board	**Karl Unger** Member of the Management Board	**Gottfried Wanitschek** Member of the Management Board