Group Management Report

ECONOMIC ENVIRONMENT

Although many of the established economies failed to fully realise their potential in 2013, there were growing signs of a slight improvement in the economy as a whole. Following two difficult years dominated by the crisis, the euro zone emerged from recession during the past year. However, despite a marginal upturn in gross domestic product (GDP) in three successive quarters, the euro zone was unable to record GDP growth for 2013 as a whole (minus 0.4 per cent). Alongside Germany, which remains the European growth driver, the Austrian economy closed the year with moderate GDP growth of 0.4 per cent.

Although the upturn in the USA is fundamentally stronger, it was curbed by the dramatic budget consolidation last year, with the result that GDP growth was down slightly on 2012 at 1.9 per cent. A reduction in the budget deficit meant that public finances were largely brought under control. Congress also presented a budget plan for 2014 and 2015 that reduced tax-related uncertainty among US households and companies, as well as international investors.

The high unemployment rate in Europe reflects the low utilisation of economic capacity. Signs of a certain stabilisation on the employment markets only began to emerge in the second half of 2013. In the euro zone, the unemployment rate in December stagnated at 12 per cent. The differences between the individual member states remained pronounced. While Greece and Spain saw the highest unemployment rates in the euro zone – 26.4 per cent and 26.6 per cent respectively – the situation on the Austrian employment market eased somewhat, with an unemployment rate of 4.9 per cent.

Central and Eastern Europe

Economic development in the Central and Eastern European countries in which UNIQA is active was relatively encouraging on the whole. The economic recovery in the euro zone had a positive impact on the markets of Central and Eastern Europe thanks to their high export ratio. In Poland and Hungary, exports started to improve in the third quarter of 2013, with growth accelerating to 5.5 per cent and 5.9 per cent respectively, while Slovakia and the Czech Republic are likely to benefit in the near future. Romania and Bulgaria also enjoyed a strong export cycle, with growth of 19.4 per cent and 8.5 per cent respectively.

An upturn in domestic demand means that Poland is also on a relatively balanced growth path, recording GDP growth of 1.4 per cent in 2013. Hungary emerged from a severe recession in the first half of 2013, with economic growth rising to 1.1 per cent at year-end. Slovakia recorded GDP growth of 0.9 per cent. The Czech Republic also emerged from recession in the fourth quarter, but was unable to achieve a turnaround in GDP development on a twelve-month basis (minus 1.3 per cent).

The Romanian economy delivered one of the positive surprises in the region, with general economic activity increasing by 3.3 per cent. By contrast, Ukraine remained in recession in the past year, not least as a result of the instability of the macroeconomic and political situation in the country. Towards the end of the year, there were signs that the Ukrainian government was becoming increasingly dependent on official financial aid. As previously, the Russian economy was driven to a large extent by private consumption in 2013. However, general economic activity slowed slightly, with GDP rising by just 1.3 per cent.

Southeastern Europe also saw an upturn in 2013. Bulgaria pulled free from economic stagnation in the second half of the year, recording moderate full-year GDP growth of 0.6 per cent. In both Bulgaria and Serbia, the export industry is helping to drive economic development. Economic growth in Serbia accelerated to 2.5 per cent. The Croatian economy lagged behind its neighbours, contracting by 1.0 per cent, while the southern Balkan nations (Albania, Kosovo, Macedonia and Montenegro) enjoyed a slight economic upturn as against the previous year.

Low interest rate environment continues

2013 was characterised by further quantitative easing on the part of the main central banks. The European Central Bank (ECB) reduced its headline interest rate to 0.25 per cent in two steps of 25 basis points and announced that the rate would remain at close to zero for some time to come. Inflation in the euro zone declined during the course of the year, falling to a historical low of just 0.8 per cent in February 2014. In January and February 2014, the US Fed began to gradually reduce its monthly bond purchases from USD 85 billion to USD 65 billion. The headline interest rate in the USA is expected to remain extremely low until 2015.

Long-term interest rates retreated slightly from their historical lows during the course of the year. The effective yield on ten-year German government bonds rose to 1.9 per cent at year-end, while the yield for ten-year US Treasury bonds amounted to 3 per cent.

Most of the central banks in Central and Eastern Europe initiated or pressed ahead with cycles of interest rate cuts in 2013. Inflation declined sharply throughout almost the entire region on the back of falling food and energy prices, thereby supporting real household income. The lower interest rates also provided an incentive for increased private consumption and capital expenditure. Unlike the industrialised nations, however, many countries in Central and Eastern Europe are also maintaining positive real interest rates with a view to boosting capital formation in the longer term.

Macroeconomic stability in Central and Eastern Europe

The upturn in Central and Eastern Europe is slowly gaining momentum once more. While GDP in the euro zone contracted by 0.4 per cent in 2013, the CEE region generated growth of around 1.1 per cent. Although this does not yet represent a return to the high growth rates seen prior to the 2008 financial crisis, which were stimulated by international investment to a large extent, many economists are of the opinion that the region now has a more balanced growth model. Public finances in most of the countries are now enjoying healthy development. Romania and Hungary were among the first countries to leave the EU's excessive deficit procedure in 2012. With the exception of Poland and Croatia, all of the EU member states in Central and Eastern Europe met the Maastricht deficit criteria. Indeed, with a very small number of exceptions, government debt ratios are significantly below the equivalent figures for Western Europe.

At present, there is only a limited risk that the economy in Central and Eastern Europe will overheat due to the excessive expansion of credit. Poland, the Czech Republic and Slovakia have stable banking sectors, and most countries are gradually reducing the burdens dating back to the financial crisis. There has also been a correction in terms of external imbalance: the current account deficits that accumulated prior to 2008/09, some of which were extremely far-reaching, have been eliminated or turned into surpluses in almost all CEE nations. Accordingly, the likelihood of corresponding adjustment processes and crises in the coming years has fallen, with developments in Ukraine representing the sole exception.

Austrian insurance industry returns to growth

Having fallen for two years in succession, the premium volume in the Austrian insurance market achieved a turnaround in 2013. Total premiums increased by 2.0 per cent to €16.6 billion. Similar growth is forecast for 2014, with the market again set to grow by around 1.9 per cent.

The fact that the Austrian insurance market is not enjoying even stronger growth is due to the sustained downturn in life insurance premiums, which fell by a further 0.3 per cent in 2013. This development was driven in particular by lower income from single premiums, which contracted by 1.0 per cent, while recurring premiums stagnated. The continued low interest rate environment means that forecasts for life insurance remain muted. One factor that could have a positive impact is the restructuring of subsidised-premium retirement provision. Due to the positive development of the single premium business, the growth forecast for life insurance for 2014 was recently upwardly revised to 1.5 per cent.

By contrast, property and casualty insurance saw further substantial premium growth of 3.4 per cent in 2013, thereby exceeding the strong performance recorded in the previous year. There was stagnation in the motor vehicle liability insurance segment, with portfolio growth accompanied by a reduction in average premiums. On the other hand, comprehensive motor vehicle insurance made a strong contribution to premium growth, while legal expenses insurance and technical and transport insurance also enjoyed dynamic development. Meanwhile, total premiums in the health insurance segment again rose substantially, with the growth rate increasing as against the previous year to 3.8 per cent.

With economic growth remaining extremely weak on the whole, the level of insurance penetration is set to decline further. The figure for 2014 is forecast at around 5.1 per cent (compared with 6 per cent in 2009).

Muted growth in CEE in 2013, positive outlook for 2014

The nations of Central and Eastern Europe are expected to benefit from the fact that the overall economic situation in Europe, and particularly in the euro zone, is slowly easing and the financial crisis looks to have been largely overcome. Generally speaking, most of the countries in the region are enjoying good growth rates in excess of those recorded in Western Europe, driven by extremely healthy export performance that has picked up again now that many trading partners in the euro zone have regained their financial strength. Although not all of the countries in the region emerged from recession in the year under review, significantly higher GDP growth rates are forecast for the entire CEE region in 2014.

The CEE insurance market is expected to see similar development. In 2013, premium growth in the region was still muted, while the life insurance sector in particular saw falling premiums throughout the region as a whole on the back of a substantial downturn in single premiums in Poland. The performance of the non-life segment was positive overall, but growth rates also failed to meet expectations in most cases. There are two reasons for this: the macroeconomic situation remains sluggish, leading to restrained spending on insurance, while price competition in many countries is extremely pronounced – particularly in the motor vehicle and property sectors – resulting in a lower level of premiums earned.

The improved economic situation is not expected to have an impact on private consumption and capital expenditure in particular prior to 2014. The insurance market will benefit from this development, with the premium volume increasing to a greater extent as a result. Non-life insurance is expected to see higher growth rates in 2014 and 2015 on the back of the stronger economic performance in the rest of Europe, as the nations of Central and Eastern Europe are extremely export-oriented and hence are reliant on the development of their trading partners in the West of the continent. However, there are signs that price competition will remain intensive, which could prevent strong premium growth. Life insurance in the CEE region will also return to positive development in 2014.

In spite of its muted development at present, CEE remains a growth region with significant potential thanks to its levels of insurance penetration and density, both of which still offer considerable room for improvement, and the fact that the regulatory situation is improving. As such, UNIQA is confident that, in the longer term, the CEE region will see increased growth rates that are well in excess of those achievable in the saturated insurance markets.

UNIQA GROUP

With a premium volume written (including the savings portion of unit- and index-linked life insurance) of €5,885.5 million, the UNIQA Group is one of the leading insurance groups in Central and Eastern Europe. The savings portion of unit- and index-linked life insurance in the amount of €727.9 million is offset against the changes in actuarial provisions in accordance with FAS 97 (U.S. GAAP). Adjusted for the savings portion of unit- and index-linked life insurance, the premium volume written amounted to €5,157.6 million.

UNIQA in Europe

UNIQA offers its products and services via all distribution channels (hired sales force, general agencies, brokers, banks and direct sales) and covers the entire range of insurance sectors.

The listed holding company, UNIQA Insurance Group AG, manages the Group and handles its indirect insurance business. It also performs various service functions for the Austrian and international insurance companies with a view to taking best advantage of synergy effects and consistently implementing the Group's long-term corporate strategy.

UNIQA International AG manages the international activities of the Group. This company is also responsible for the ongoing monitoring and analysis of the international target markets and for acquisitions and post-merger integration.

Holding company renamed UNIQA Insurance Group AG

After the UNIQA Group established a streamlined, capital market-friendly Group structure with no significant minority interests in 2012, the Annual General Meeting in May 2013 additionally resolved to change the name of UNIQA Versicherungen AG to UNIQA Insurance Group AG in order to reflect its role as the holding company of a listed international insurance group.

The renaming of UNIQA International Versicherungs-Holding AG to UNIQA International AG was also resolved and implemented.

UNIQA places supplementary capital bond

In July 2013, UNIQA Insurance Group AG placed a supplementary capital bond with a volume of € 350 million with institutional investors in Europe. The bond has a term of 30 years and can be called in ten years at the earliest. The coupon is 6.875 per cent per year. With this measure, UNIQA strengthened and optimised its capital base and capital structure in preparation for Solvency II.

Re-IPO successfully completed

In October 2013, the UNIQA Group successfully implemented the capital increase (re-IPO) planned as part of the strategic programme UNIQA 2.0, generating gross proceeds of € 757 million. A total of 94,752,100 new shares were placed with Austrian and international investors at a price of € 8.00 per share. The share capital of UNIQA Insurance Group AG increased to € 309,000,000 as a result, leading to a considerable expansion in UNIQA's free float to 35.4 per cent.

The proceeds from the issue will be used to strengthen UNIQA Group's capital in order to facilitate the further implementation of UNIQA 2.0 while also providing strategic flexibility for future growth.

Rating

After the capital structure was strengthened, the rating agency Standard & Poor's upgraded the rating for UNIQA Insurance Group AG to "A-" (from "BBB+"). UNIQA Österreich Versicherungen AG and the Group reinsurance company UNIQA Re AG, Switzerland, were upgraded to "A". At the same time, the rating for the supplementary capital bond was raised to "BBB". Standard & Poor's considers the outlook for all of the companies to be "stable".

Acquisition in Croatia and Serbia

In October 2013, the UNIQA Group signed an agreement to acquire the Baloise Group's insurance companies in Croatia and Serbia. This will result in a significant consolidation of UNIQA Group's market position in the entire Southeastern European region, and particularly in Croatia. The purchase price was € 75 million. The acquisition was completed in the first quarter of 2014.

Companies included in the IFRS consolidated financial statements

UNIQA Insurance Group AG's consolidated financial statements for 2013 include 53 Austrian companies (including UNIQA Insurance Group AG) and 69 international companies. A total of 25 affiliated companies whose influence on the presentation of a true and fair view of the net assets, financial position and results of operation was immaterial were not included in consolidation. In addition, eight Austrian companies were recognised at equity as associates. Eight associates were of minor importance; the equity interests in these companies are recognised at fair value.

Details on the consolidated and associated companies can be found in the corresponding overview in the notes to the consolidated financial statements (from page 89). The accounting policies are also described in the notes to the consolidated financial statements (from page 70).

Risk report

UNIQA's comprehensive risk report can be found in the notes to the 2013 consolidated financial statements (from page 91).

GROUP BUSINESS DEVELOPMENT

UNIQA provides life and health insurance and is active in almost all areas of property and casualty insurance. UNIQA serves around 9.3 million customers and has over 18.6 million insurance policies with a premium volume written (including the savings portion of unit- and index-linked life insurance) of €5.9 billion (2012: €5.5 billion) and investments of €27.4 billion (2012: €26.3 billion). UNIQA is the second-largest insurance group in Austria and has a strong network in Central and Eastern Europe with a presence in 15 countries.

Premium development

In 2013, UNIQA's total premium volume, including the savings portion of unit- and index-linked life insurance in the amount of €727.9 million (2012: €679.0 million), increased significantly by 6.2 per cent to €5,885.5 million (2012: €5,543.1 million). The total consolidated premium volume written rose by 6.0 per cent to €5,157.6 million (2012: €4,864.2 million).

There was extremely satisfactory development in the area of insurance policies with recurring premiums, which grew by 3.9 per cent to €5,202.8 million (2012: €5,009.7 million). Single premiums enjoyed even stronger performance, with the premium volume increasing by 28.0 per cent to €682.8 million (2012: €533.5 million) due to strong growth in Italy.

Group premiums earned, including the savings portion of unit- and index-linked life insurance (after reinsurance) in the amount of €702.3 million (2012: €649.9 million), rose by 6.9 per cent to €5,638.2 million (2012: €5,273.8 million). Retained premiums earned (in accordance with IFRS) increased by 6.7 per cent to €4,935.9 million (2012: €4,623.9 million).

In the 2013 financial year, 44.0 per cent (2012: 45.9 per cent) of the premium volume written was attributable to property and casualty insurance, 15.9 per cent (2012: 16.4 per cent) to health insurance and 40.1 per cent (2012: 37.7 per cent) to life insurance.

Development of insurance benefits

Insurance benefits before reinsurance (see note 36 of the notes to the consolidated financial statements) increased by 5.2 per cent to €4,073.9 million in the 2013 financial year (2012: €3,873.8 million) Consolidated retained insurance benefits also rose by 5.2 per cent to €3,955.3 million in the past financial year (2012: €3,758.5 million).

Operating expenses

Total consolidated operating expenses (see note 37 of the notes to the consolidated financial statements) less reinsurance commission received and profit shares from reinsurance business ceded (see note 33 of the notes to the consolidated financial statements) increased slightly by 2.9 per cent to €1,357.6 million in the 2013 financial year (2012: €1,319.3 million). Acquisition costs less reinsurance commission received fell by 0.3 per cent to €917.6 million (2012: €920.1 million). Other operating expenses increased by 10.2 per cent to €439.9 million (2012: €399.2 million) due to performance-based employee participation and provisions in connection with strategic projects.

UNIQA's cost ratio after reinsurance, i.e. the ratio of total operating expenses less reinsurance commission received and profit shares from reinsurance business ceded to Group premiums earned including the savings portion of unit- and index-linked life insurance, decreased to 24.1 per cent in the past year as a result of the developments mentioned above (2012: 25.0 per cent). The cost ratio before reinsurance was 23.1 per cent (2012: 23.9 per cent).

Investment result

Total investments including land and buildings used by the Group, real estate held as investments, shares in associates and investments of the unit- and index-linked life insurance and current cash and cash equivalents increased by 4.0 per cent to €27,383.6 million in the 2013 financial year (31 December 2012: €26,326.0 million).

Net investment income fell slightly by 1.4 per cent to €780.0 million (2012: €791.4 million) due to the sustained low interest rate environment. A detailed presentation of investment income can be found in the notes to the consolidated financial statements (note 34).

Earnings before taxes of €305.6 million

In 2013, UNIQA recorded an extremely satisfactory profit from ordinary activities of €305.6 million, up 49.7 per cent on the previous year (2012: €204.2 million); this was due to the encouraging developments in all operational segments. The net profit for the period amounted to €286.8 million (2012: €166.5 million). This figure includes the result from discontinued operations in the amount of €50.0 million (2012: €9.9 million) from the reversal of a provision reported under other provisions in connection with the sale of the Mannheimer Group. As a result, consolidated profit increased significantly by 123.0 per cent to €283.4 million (2012: €127.1 million), while earnings per share rose to €1.20 (2012: €0.75). In 2013, the return on equity (ROE) after taxes and minority interests increased to 11.9 per cent (2012: 8.8 per cent).

The Management Board will therefore propose the payment of a dividend of €0.35 per share to the Supervisory Board and the Annual General Meeting.

Group equity and total assets

In the past financial year, total Group equity increased by 37.4 per cent or € 760.0 million to € 2,789,9 million as a result of the re-IPO (31 December 2012: € 2,030.0 million). This figure includes minority interests of € 22.2 million (31 December 2012: € 20.7 million). Accordingly, the solvency ratio (Solvency I) increased to 287.1 per cent (31 December 2012: 216.0 per cent). Total Group assets increased by 3.3 per cent in the year under review to total € 31,068.6 million as of 31 December 2013 (31 December 2012: € 30,054.6 million).

Cash flow

In 2013, net cash from operating activities amounted to € 633.6 million (2012: € 1,133.0 million). Net cash used in investing activities amounted to € 1,786.9 million (2012: € 1,185.5 million). The increase in the share capital meant that net cash from financing activities rose to € 813.0 million (2012: € 335.0 million).

The total change in cash and cash equivalents was minus € 340.3 million (2012: € 282.5 million). At the end of 2013, the Group had cash and cash equivalents in the amount of € 617.0 million (2012: € 960.1 million).

Employees

In 2013, the average number of employees at UNIQA fell to 14,277 as a result of the sale of the Austria Hotels International Group (2012: 14,795). Of this figure, 5,893 (2012: 6,308) were employed in sales positions. The number of employees in administrative roles decreased to 8,384 (2012: 8,487).

In the 2013 financial year, the Group had 2,899 employees (2012: 2,963) in the Central European (CE) region – consisting of Poland, Slovakia, the Czech Republic and Hungary – 2,028 employees (2012: 2,279) in the Southeastern European (SEE) region – consisting of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Macedonia, Montenegro and Serbia – and 2,489 employees (2012: 2,509) in the Eastern European (EE) region, i.e. Romania and Ukraine. There were 94 employees (2012: 61) in Russia (RU). The average number of employees in the Western European markets increased slightly to 348 (2012: 334). A total of 6,419 people were employed in Austria (2012: 6,649). Including the employees of the general agencies working exclusively for UNIQA, the total number people working for the Group amounted to 21,928.

In 2013, 51 per cent of the employees working in administrative positions at UNIQA Insurance Group AG in Austria were female. In sales, the male-female ratio was 80:20. 19 per cent (2012: 21 per cent) of employees worked on a part-time basis. The average age of the workforce remained at 42 years in the year under review (2012: 42 years). All in all, 14.4 per cent of the employees participated in UNIQA's bonus system in 2013 (2012: 14.1 per cent), a variable remuneration system that is linked both to the success of the company and to personal performance. UNIQA also offers young people in training the opportunity to get to know foreign cultures and make international contacts. 39 apprentices are currently being trained, and a total of 10 new apprentices were accepted in 2013.

OPERATIONAL SEGMENTS

UNIQA Austria

Premiums

In 2013, UNIQA Austria increased the premium volume written, including the savings portion of unit- and index-linked life insurance, by 3.6 per cent to €2,806.7 million (2012: €2,708.2 million). Recurring premiums increased by 4.0 per cent to €2,774.6 million (2012: €2,668.3 million). However, single premiums declined slightly to €32.1 million (2012: €39.9 million).

Including the savings portion of unit- and index-linked life insurance, premiums earned by UNIQA Austria amounted to €2,196.2 million (2012: €2,087.4 million). Retained premiums earned (in accordance with IFRS) increased by 4.7 per cent to €1,999.2 million in 2013 (2012: €1,908.6 million).

The premium volume written in property and casualty insurance rose by 3.5 per cent to €1,326.2 million (2012: €1,280.9 million), while the corresponding figure for health insurance increased by 3.7 per cent to €866.2 million (2012: €835.4 million). The premium volume written in life insurance (including the savings portion of unit- and index-linked life insurance) grew by 3.8 per cent to €614.2 million (2012: €591.9 million).

Retained premiums earned (in accordance with IFRS) increased by 7.6 per cent to €747.6 million in property and casualty insurance (2012: €694.6 million), by 3.5 per cent to €865.2 million in health insurance (2012: €835.8 million) and by 2.2 per cent to €386.4 million in life insurance (2012: €378.2 million). Including the savings portion of unit- and index-linked life insurance, premiums earned in life insurance amounted to €583.5 million (2012: €557.0 million).

Benefits

Retained insurance benefits at UNIQA Austria increased by 3.8 per cent to €1,680.5 million in 2013 (2012: €1,618.9 million). Retained insurance benefits rose by 3.4 per cent to €493.5 million in property and casualty insurance (2012: €477.3 million), by 2.4 per cent to €736.2 million in health insurance (2012: €719.1 million) and by 6.7 per cent to €450.7 million in life insurance (2012: €422.4 million). This meant that the loss ratio in property and casualty insurance amounted to 66.0 per cent in 2013 (2012: 68.7 per cent).

Operating expenses

Operating expenses less reinsurance commission received and profit shares from reinsurance business in the amount of €179.4 million (2012: €186.0 million) increased by 6.4 per cent to €418.1 million in the 2013 financial year (2012: €393.0 million). Operating expenses rose by 10.6 per cent to €190.9 million in property and casualty insurance (2012: €172.5 million) and by 9.0 per cent to €122.6 million in health insurance (2012: €112.5 million), whereas the figure for life insurance declined by 3.1 per cent to €104.6 million (2012: €108.0 million).

UNIQA Austria's cost ratio after reinsurance, i.e. the ratio of total operating expenses less reinsurance commission received and profit shares from reinsurance business ceded to premiums earned, including the savings portion of unit- and index-linked life insurance, remained essentially unchanged at 19.0 per cent in the year under review (2012: 18.8 per cent).

Investment result

Net investment income in the UNIQA Austria segment increased by 10.8 per cent to €379.1 million in 2013 (2012: €342.2 million).

Profit from ordinary activities

UNIQA Austria's profit from ordinary activities increased by 23.0 per cent to €231.0 million in the year under review due to the improved investment result (2012: €187.8 million). The profit from ordinary activities increased by 22.2 per cent to €82.7 million in property and casualty insurance (2012: €67.7 million), whereas the figure for health insurance fell slightly by 0.7 per cent to €94.6 million (2012: €95.3 million). UNIQA Austria more than doubled its profit from ordinary activities in the life insurance segment, which rose by 116.6 per cent to €53.7 million (2012: €24.8 million).

Raiffeisen Insurance

Premiums

In 2013, Raiffeisen Insurance increased the premium volume written, including the savings portion of unit- and index-linked life insurance, by 7.2 per cent to €878.5 million (2012: €819.4 million). Recurring premiums rose by 7.6 per cent to €825.3 million (2012: €767.1 million), while single premiums increased by 1.7 per cent to €53.1 million (2012: €52.3 million).

Including the savings portion of unit- and index-linked life insurance, premiums earned in the Raiffeisen Insurance segment amounted to €767.7 million (2012: €705.2 million). Retained premiums earned (in accordance with IFRS) increased by 8.4 per cent to €570.6 million in 2013 (2012: €526.5 million).

The premiums written in property and casualty insurance rose by 8.6 per cent to €145.7 million (2012: €134.1 million), while the corresponding figure for life insurance increased by 6.9 per cent to €732.8 million (2012: €685.2 million). The Raiffeisen Insurance segment does not offer health insurance.

Retained premiums earned (in accordance with IFRS) increased by 6.1 per cent to €76.8 million in property and casualty insurance (2012: €72.3 million) and by 8.7 per cent to €493.9 million in life insurance (2012: €454.2 million). Including the savings portion of unit- and index-linked life insurance, premiums earned in life insurance amounted to €690.9 million (2012: €632.9 million).

Benefits

Retained insurance benefits in the Raiffeisen Insurance segment increased by 9.2 per cent to €630.0 million in 2013 (2012: €577.0 million). Retained insurance benefits in property and casualty insurance rose by 11.3 per cent to €52.9 million (2012: €47.5 million), while the figure for life insurance increased by 9.0 per cent to €577.1 million (2012: €529.5 million). This meant that the loss ratio in property and casualty insurance amounted to 68.8 per cent in 2013 (2012: 65.6 per cent).

Operating expenses

Operating expenses less reinsurance commission received and profit shares from reinsurance business in the amount of €26.2 million (2012: €33.5 million) declined by 16.6 per cent to €111.7 million in 2013 (2012: €134.0 million) due to the annual adjustment of assumptions for the calculation of deferred acquisition costs. Operating expenses in property and casualty insurance fell by 11.7 per cent to €16.6 million (2012: €18.8 million), while the figure for life insurance declined by 17.4 per cent to €95.2 million (2012: €115.3 million).

The cost ratio after reinsurance in the Raiffeisen Insurance segment, i.e. the ratio of total operating expenses less reinsurance commission received and profit shares from reinsurance business ceded to premiums earned, including the savings portion of unit- and index-linked life insurance, decreased to 14.6 per cent in 2013 (2012: 19.0 per cent).

Investment result

In 2013, net investment income in the Raiffeisen Insurance segment declined slightly by 7.3 per cent to €251.6 million (2012: €271.4 million).

Profit from ordinary activities

Raiffeisen Insurance’s profit from ordinary activities increased by 7.0 per cent to €64.6 million in the year under review (2012: €60.4 million). The profit from ordinary activities in property and casualty insurance rose by 74.9 per cent to €9.1 million (2012: €5.2 million), while the figure in life insurance remained essentially unchanged year-on-year at €55.5 million (2012: €55.2 million).

UNIQA International

In 2013, UNIQA International increased the premium volume written, including the savings portion of unit- and index-linked life insurance, by 11.3 per cent to €2,162.4 million (2012: €1,942.8 million). Recurring premiums rose by 4.2 per cent to €1,564.9 million (2012: €1,501.5 million), while single premiums increased by 35.4 per cent to €597.5 million (2012: €441.4 million).

Including the savings portion of unit- and index-linked life insurance, premiums earned by UNIQA International amounted to €1,631.4 million (2012: €1,414.3 million). Retained premiums earned (in accordance with IFRS) increased by 17.9 per cent to €1,323.2 million in 2013 (2012: €1,122.0 million).

While the premiums written in property and casualty insurance rose by 1.9 per cent to €1,093.7 million (2012: €1,073.1 million), the corresponding figure for health insurance declined slightly by 3.2 per cent to €71.4 million (2012: €73.8 million). The premiums written in life insurance (including the savings portion of unit- and index-linked life insurance) increased substantially by 25.3 per cent to €997.3 million (2012: €795.9 million).

Retained premiums earned (in accordance with IFRS) increased by 1.6 per cent to €596.6 million in property and casualty insurance (2012: €587.3 million), by 5.6 per cent to €69.7 million in health insurance (2012: €66.0 million) and by 40.2 per cent to €656.8 million in life insurance (2012: €468.7 million). Including the savings portion of unit- and index-linked life insurance, premiums earned in life insurance amounted to €965.1 million (2012: €761.0 million).

In Central Europe (CE) – Poland, Slovakia, the Czech Republic and Hungary – premiums earned, including the savings portion of unit- and index-linked life insurance, increased by 5.5 per cent to €606.8 million in the 2013 financial year (2012: €575.4 million). In Eastern Europe (EE) – consisting of Romania and Ukraine – premiums earned, including the savings portion of unit- and index-linked life insurance, rose by 27.8 per cent to €148.8 million (2012: €116.4 million). In Southeastern Europe (SEE) – Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Macedonia, Montenegro and Serbia – premiums grew by 9.1 per cent to €158.7 million in 2013 (2012: €145.5 million). In Russia (RU), premiums earned, including the savings portion of unit- and index-linked life insurance, increased by 51.2 per cent to €64.3 million (2012: €42.5 million), while the figure for Western Europe (WE) – Italy, Liechtenstein and Switzerland – rose by 22.1 per cent to €652.9 million due to the increase in single premiums in Italy (2012: €534.5 million).

Benefits

Retained insurance benefits at UNIQA International increased by 23.9 per cent to €955.9 million in 2013 (2012: €771.5 million). Retained insurance benefits in property and casualty insurance rose by 6.6 per cent to €366.1 million (2012: €343.5 million), whereas the figure for health insurance declined by 3.3 per cent to €42.5 million (2012: €44.0 million). Retained insurance benefits in life insurance increased by 42.5 per cent to €547.4 as a result of the sharp rise in the premium volume (2012: €384.0 million). The loss ratio in property and casualty insurance increased slightly to 61.4 per cent in 2013 (2012: 58.5 per cent).

In the CE region, benefits fell by 12.9 per cent to €239.1 million in 2013 (2012: €274.5 million), while the figure for the EE region rose by 46.8 per cent to €92.9 million (2012: €63.3 million). In SEE, benefits increased by 11.4 per cent to €95.6 million (2012: €85.8 million). Benefits amounted to €36.3 million in Russia (2012: €23.3 million), while the benefit volume in Western Europe also rose by 51.5 per cent to €492.1 million on the back of the strong growth in the premium volume (2012: €324.7 million).

Operating expenses

Operating expenses less reinsurance commission received and profit shares from reinsurance business in the amount of €147.3 million (2012: €128.7 million) increased slightly by 1.2 per cent to €458.1 million in the 2013 financial year (2012: €452.5 million). Operating expenses fell by 4.7 per cent to €250.4 million in property and casualty insurance (2012: €262.8 million), whereas the figures for health insurance and life insurance increased by 17.9 per cent to €28.6 million (2012: €24.2 million) and 8.3 per cent to €179.1 million (2012: €165.4 million) respectively.

UNIQA International's cost ratio after reinsurance, i.e. the ratio of total operating expenses less reinsurance commission received and profit shares from reinsurance business ceded to premiums earned, including the savings portion of unit- and index-linked life insurance, decreased to 28.1 per cent in the past year as a result of the developments mentioned above (2012: 32.0 per cent).

In 2013, operating expenses less reinsurance commission received and profit shares from reinsurance business fell by 0.4 per cent to €178.5 million in CE (2012: €179.3 million), increased by 12.5 per cent to €74.2 million in EE (2012: €66.0 million) and rose by 10.6 per cent to €76.5 million in SEE (2012: €69.2 million). Operating expenses in Russia amounted to €27.3 million (2012: €20.6 million), while the figure for Western Europe declined by 11.2 per cent to €74.8 million (2012: €84.2 million). Operating expenses attributable to administration (UNIQA International AG) decreased by 19.5 per cent to €26.8 million (2012: €33.3 million).

Investment result

Net investment income decreased slightly by 4.5 per cent to €143.1 million in 2013 (2012: €149.8 million).

Profit from ordinary activities

The profit from ordinary activities in the UNIQA International segment improved significantly in the year under review to €19.6 million (2012: loss of €17.6 million). The loss on ordinary activities in property and casualty insurance amounted to €1.8 million (2012: €22.5 million), whereas the profit from ordinary activities in health insurance increased to €1.6 million (2012: €0.9 million) and the corresponding figure for life insurance quadrupled to €19.7 million (2012: €4.0 million).

Reinsurance

The premium volume written in the reinsurance segment increased by 27.6 per cent to €1,633.1 million in 2013 (2012: €1,280.0 million), whereas retained premiums earned (in accordance with IFRS) fell by 2.1 per cent to €1,073.6 million (2012: €1,096.5 million).

Retained insurance benefits in the reinsurance segment declined by 6.1 per cent to €782.5 million in 2013 (2012: €833.3 million). This includes a loss (retained) due to the flooding in the second quarter of 2013 in the amount of €23 million.

Operating expenses less reinsurance commission received and profit shares from reinsurance business in the amount of €3.9 million (2012: €2.8 million) increased slightly by 3.0 per cent to €333.6 million (2012: €323.8 million).

As a result of this development, the loss on ordinary activities in the reinsurance segment improved by €35.6 million to €18.0 million (2012: loss of €53.5 million).

Group Functions and Consolidation

The profit from ordinary activities in the Group Functions and Consolidation segment fell by 69.1 per cent to €8.4 million (2012: €27.2 million). One reason for this development was the lower level of investment income.

Net investment income decreased to minus €15.6 million in 2013 (2012: €13.0 million). This figure includes the book profit on the disposal of the Austria Hotels International Group, which amounted to around €52 million.

SIGNIFICANT POST-BALANCE SHEET DATE EVENTS

There were no events requiring reporting after the balance sheet date.

OUTLOOK

Economic outlook

UNIQA expects the economic environment to continue to improve in 2014. The euro zone emerged from recession in the past year. Economists are forecasting moderate growth in real GDP of around 1 per cent in 2014. With sentiment among households and companies slowly improving, UNIQA expects private consumption and capital expenditure to make a stronger contribution to growth. This is also likely to benefit the insurance industry. Economic experts are forecasting GDP growth of 1.5 per cent for Austria in 2014.

UNIQA also expects the economic upturn to continue in CEE in 2014. Growth for the region as a whole is forecast at around 2 per cent. The improved economic conditions in the euro zone are particularly beneficial for those EU member states in the CEE region that have a large export sector. Although wage development remains moderate, purchasing power and domestic demand are being boosted by the low level of inflation.

An escalation of the security crisis in Ukraine would primarily affect Russia. The risk of contagion for the wider region appears to be comparatively low at present. Growth prospects in Romania and Bulgaria have improved generally. In Croatia and Serbia, UNIQA is focusing on the long-term catch-up potential in connection with the economic reforms initiated as part of the former country's accession to the EU last year and the latter country's ongoing accession negotiations. UNIQA also expects the smaller nations of Southeastern Europe to see a slight economic upturn in 2014.

Austrian insurance market

In the 1st quarter of 2014, the Austrian legislature has cut the contractual minimum commitment period for insurance-tax-privileged single premiums in life insurance back to ten years. However, this is limited to persons above the age of 50. This should result in an increase in single premium business in Austria.

Despite this, UNIQA expects moderately positive development in the Austrian insurance market. Growth in line with the multi-year trend is expected in the health insurance business especially.

International insurance markets

Expectations for premium growth in the CEE region in 2014 are only cautiously optimistic. The effects of current political crises such as in Ukraine cannot yet be estimated with confidence. Similarly, motor vehicle insurance in particular is subject to intensive price pressure in some countries, especially in Romania. Nevertheless, UNIQA will consistently implement its strategic growth and profitability programmes and thus grow faster than the market.

In the longer term, the markets in the CEE region continue to offer major growth potential. The catch-up requirements with regard to insurance products are made apparent by indicators such as a significantly below-average insurance density relative to developed markets in the region.

Profit on ordinary activities

For 2014, the UNIQA Group has set itself the objective of significantly increasing its profit on ordinary activities once again compared with 2013. This assumes that the capital market environment will be stable, that economic development will continue to improve and that losses caused by natural disasters will remain within a normal range.

INFORMATION IN ACCORDANCE WITH SECTION 243A (1) OF THE AUSTRIAN COMMERCIAL CODE

1. The share capital of UNIQA Insurance Group AG ("the Company") amounts to €309,000,000 and is composed of 309,000,000 no-par value bearer shares. Of the share capital, €285,356,365 is fully paid up and €23,643,635 is contributed by way of non-cash contributions. All shares offer the same rights and obligations.
2. Due to their voting commitments, the shares of Austria Versicherungsverein auf Gegenseitigkeit Privatstiftung, Austria Versicherungsverein Beteiligungs-Verwaltungs GmbH, BL Syndikat Beteiligungs Gesellschaft m.b.H., Collegialität Versicherungsverein Privatstiftung, UQ Assekuranz Holding GmbH and RZB Versicherungsbeteiligung GmbH are counted together. Reciprocal purchase option rights have been agreed between the first four of these shareholders.
3. Raiffeisen Zentralbank Österreich Aktiengesellschaft indirectly holds a total of 31.40 per cent of the share capital of the Company (allocated in accordance with the Austrian Stock Exchange Act) via BL Syndikat Beteiligungs Gesellschaft m.b.H., RZB Versicherungsbeteiligung GmbH and UQ Assekuranz Holding GmbH; Austria Versicherungsverein auf Gegenseitigkeit Privatstiftung holds a total of 30.58 per cent of the share capital of the Company (allocated in accordance with the Austrian Stock Exchange Act) directly and indirectly via Austria Versicherungsverein Beteiligungs-Verwaltungs GmbH (equity interests as of 25 October 2013).
4. No shares with special control rights have been issued.
5. As part of the capital increase (re-IPO) in October 2013, employees of UNIQA Insurance Group AG and its affiliated Group companies in Austria subscribed for a total of 564,315 new no-par value bearer shares at a discount of 20 per cent off of the offer and subscription price.
6. There are no provisions in the Articles of Association or other provisions that go beyond the statutory provisions for appointing Management Board and Supervisory Board members or for modifying the Articles of Association with the exception of the provision that, when a Supervisory Board member turns 70 years of age, he or she shall retire from the Supervisory Board as of the end of the next Annual General Meeting.

7. The Management Board is authorised to increase the Company's share capital, with the approval of the Supervisory Board, by a total of up to €12,371,850 up to and including 30 June 2018. The Management Board is also authorised to buy back up to 21,424,790 treasury shares via the Company and/or via subsidiaries of the Company (section 66 of the Austrian Stock Corporation Act) up to and including 27 November 2015. The Company held 819,650 treasury shares as of 31 December 2013.
8. With regard to the holding company STRABAG SE, there are corresponding agreements with other shareholders of this holding company.
9. There are no reimbursement agreements for the event of a public takeover offer.

INFORMATION IN ACCORDANCE WITH SECTION 243A (2) OF THE AUSTRIAN COMMERCIAL CODE

The most important features of the internal controlling and risk management system with regard to the financial reporting process are described in the notes to the consolidated financial statements (risk report).

PROPOSAL FOR THE APPROPRIATION OF PROFIT

The single-entity financial statements of UNIQA Insurance Group AG prepared in accordance with the Austrian Commercial Code report a net retained profit for the 2013 financial year of €108,208,827.81 (2012: €53,739,218.05). The Management Board will propose to the Annual General Meeting on 26 May 2014 that this net retained profit be used to pay a dividend of €0.35 for each of the 309,000,000 issued no-par value shares with dividend rights at the reporting date and that the remaining amount be carried forward to new account.

Vienna, 25 March 2014

Andreas Brandstetter
Chairman of the
Management Board

Hannes Bogner
Member of the
Management Board

Kurt Svoboda
Member of the
Management Board

Wolfgang Kindl
Member of the
Management Board

Thomas Münkel
Member of the
Management Board