

Financial Statements

Group Management Report

ECONOMIC ENVIRONMENT

The eurozone economy experienced moderate expansion in the past year and proved itself to be resilient to the global headwind. Gross domestic product (GDP) rose by 1.5 per cent in 2015 according to forecasts, thereby showing accelerated growth as compared with the previous year. European consumers have regained their confidence following the euro crisis of 2011/2012, resulting in an expansion of private consumption which is driving domestic demand in the eurozone, with corporate investments still lagging somewhat behind. Some of the major emerging nations which export raw materials, including Russia and Brazil, suffered from the rapid decline in the oil price last year; at the same time it had an overwhelmingly positive price effect on the eurozone. The fall in demand from China also caused uncertainty on the global financial markets. The unemployment rate fell slightly in the entire eurozone. However, this should not hide the fact that the unemployment rate remained very high in 2015 at 10.9 per cent, and the labour markets remain under strain in many countries in Western and in particular Southern Europe. The seasonally adjusted unemployment rate in Austria rose to 5.7 per cent (Eurostat), corresponding to a 9.1 per cent increase according to the Austrian calculation method. Growth in GDP in Austria also remained below the eurozone average for the second year in a row in 2015 at 0.8 per cent. By contrast the Italian economy experienced a mild recovery with growth in GDP expected at 0.7 per cent, following a recession lasting three years.

Inflation remained below expectations in the eurozone contrary to the growth forecasts, caused not least by the heavy fall in prices for raw materials and energy. The European Central Bank (ECB) relaxed its monetary policy further last year in response to this. The main refinancing rate has been virtually zero since 2014. The ECB has also been implementing some unconventional monetary policy measures since last year, principally in the form of a bond acquisition programme with a value of €60 billion per month. In December 2015, the bond acquisition programme was extended to March 2017, and the deposit rate was pushed down even farther into the negative range (-0.3 per cent). These measures continued to suppress general capital market yields.

In Central and Eastern Europe (CEE) the business environment remained generally positive thanks to the macroeconomic structural conditions, although the picture was not entirely consistent. Countries in Central Europe (Poland, Slovakia, Czech Republic and Hungary) were characterised by positive developments in the labour markets, with unemployment rates to some extent coming close to the levels before the financial crisis in 2008. Economic growth in the region remained above 3 per cent on average for the second year in a row. Solid domestic demand is driving economic performance, and stable public finances and debt levels are making Central Europe a safe harbour.

Most of the national economies in CEE are benefiting from the fall in the prices for raw materials and energy. By contrast, Russia's raw-material exporting economy fell into recession in the first half of 2015, and its further development remains heavily dependent on price developments for petroleum on the global markets. The value of the Russian rouble fell heavily against the hard currencies and inflation accelerated over the course of the year, with households forced to accept significant falls in real income. The international economic sanctions against Russia also remained in place. The economic structural conditions in Ukraine were likewise still under strain, although the political and financial situation showed signs of stabilising in the second half of the year. For instance, the Ukrainian government was able to agree on debt relief with its international bond creditors. Real gross domestic product in Ukraine fell by around 10 per cent in 2015 as a result of the slump in the first half of the year. The fall in GDP in Russia is estimated to be around 3.8 per cent.

The negative developments in Russia and Ukraine more or less act as a counterbalance to the solid economic performance in Central Europe and the recovery in Southeastern Europe. Performance in some of the Balkan countries was even better than economic analysts had predicted at the start of last year. GDP in Croatia rose in 2015 for the first time following a six-year recession. Serbia and Bosnia and Herzegovina recovered from the 2014 flood disaster somewhat more quickly than had been originally expected. The South Western Balkan countries (Albania, Macedonia and Montenegro) recorded growth rates which were above the average for the region, supported in part by some major public investment projects.

The economic conditions in most of the core countries in CEE are expected to remain positive with the support of solid macroeconomic structural conditions. The significant fluctuations on the markets for raw materials render the economic conditions in Russia uncertain and make a recovery any time soon more difficult. Economic analysts in Austria expect a boost to the economy for 2016 as a result of the tax reforms that came into force as of 1 January 2016.

Stable performance of the Austrian insurance market

According to initial forecasts, total premium revenues in the Austrian insurance market are expected to increase again by about 0.3 per cent to around €17.5 billion in 2016.

Up 0.2 per cent, life insurance premium revenues rose to a total of €6.8 billion in 2015. Recurring premiums fell by 0.9 per cent. At €1.6 billion, single premiums were up 3.8 per cent. According to initial forecasts, life insurance is expected to record premium revenues of around €6.6 billion in 2016 (-2.7 per cent).

Private health insurance is a complementary partner to the statutory health insurance in Austria. Private health insurance is expected to rise 4.3 per cent for 2015 with total premium revenues of €2.0 billion. Initial forecasts for health insurance show growth of around 3 per cent for 2016.

Premium volumes for property and casualty insurance grew to €8.7 billion in 2015, which represents a 2.4 per cent increase. In 2016, premium revenues in property and casualty insurance are expected to rise by 1.9 per cent to around €8.9 billion.

The German-speaking insurance markets are faced with existing and new challenges, which are still intensifying against the background of the financial and economic crisis. These include long-term developments e.g. in the sociodemographic area, and ongoing developments such as changes in customer behaviour. The “insurance customer 2.0” is more independent, demanding and price sensitive. The change in customers, as illustrated by their new requirements, expectations and values, presents new challenges for insurance undertakings. The “insurance customer 2.0” is more informed and independent when dealing with insurance undertakings. Customer expectations are increasing in relation to greater product flexibility, standardised and reasonably priced products and existing high levels of service. Increased use of new media and greater product transparency are playing a significant role in this. In both the life and the non-life business, the multichannel sales approach is becoming standard in the retail business and electronic channels are becoming an absolute necessity. Greater importance is being attached to technologically-assisted channels in the non-life business in particular.

Restrained growth in the insurance markets in CEE in 2015, outlook optimistic for 2016

Most of the markets in the CEE region experienced above average growth rates in 2015, which were also generally well above the levels in Western Europe. The economic outlook is also positive for the region in 2016. UNIQA therefore expects the convergence process for the countries in Central and Eastern Europe to continue, albeit at a slower speed than previously predicted. A comparable trend is also expected for the insurance market in the CEE region. Although the trends in the some of the individual insurance markets were highly heterogeneous in 2015, the region was able to stabilise to a noticeable extent as compared with the last two years.

The market grew in the non-life sector in Central and Eastern Europe in 2015, although the intense price competition, particularly in the vehicle and property insurance business in a series of markets, also continued to prevent higher premium revenues. Improved legal structural conditions combined with the exit or withdrawal of individual competitors should, however, play a part in easing the competitive situation in these markets in the medium term.

Developments in the life insurance sector in CEE were patchy: on the one hand a series of markets – particularly in Southeastern Europe – were able to record double-digit premium growth, despite the downward trend in interest rates, while on the other the continued decline in single premiums – particularly in the Czech Republic – resulted in a slight fall in premium volumes for the region as a whole. The aggregate figures on market development were also impacted in 2015 by negative exchange rate trends in some of the major markets in Eastern Europe, such as in Ukraine and Russia.

The significant improvements in the economic situation in the countries in Central and Eastern Europe should have a greater impact on consumer spending and investment activity by companies in 2016. The insurance markets in CEE should also benefit from this. The insurance markets which are heavily affected by the detrimental effects of the current political crisis in Ukraine and Russia should also return to positive growth rates.

Despite the patchy development overall in 2015, the CEE region remains a growth region with high potential for UNIQA. Per capita expenditure on insurance products, the ratio of premiums to gross domestic product and the share of life insurance in total premium revenues illustrate that there are still significant opportunities for market development in these countries. The economic growth in CEE, which is notably higher as compared with Western Europe and the EU, with the resulting increased prosperity accompanied by a rise in the need for insurance in the population, offer very good growth opportunities for the insurance industry that clearly surpass those in the already saturated insurance markets of Western Europe.

UNIQA GROUP

With a premium volume written (including savings portions from the unit-linked and index-linked life insurance) of €6,325.1 million, the UNIQA Group is among the leading insurance groups in Central and Eastern Europe. The savings portion from the unit-linked and index-linked life insurance in the amount of €485.4 million was set off against the change in insurance provision, pursuant to FAS 97 (US-GAAP). Without taking the savings portion from the unit-linked and index-linked life insurance into consideration, the premium volume written amounted to €5,839.7 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 lines.

The listed holding company, UNIQA Insurance Group AG, manages the Group and also operates the indirect insurance business. In addition, it carries out numerous service functions for the Austrian and international insurance companies, in order to take best advantage of synergy effects and to consistently implement the Group's long-term corporate strategy.

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

Successful subordinated capital bond issue (Tier 2) by the UNIQA Group

In July 2015, UNIQA Insurance Group AG successfully placed a subordinated capital bond (Tier 2) to the value of €500 million with institutional investors in Europe. The bond is scheduled for repayment after a period of 31 years and subject to certain conditions, and can only be cancelled by UNIQA after 11 years have elapsed and under certain conditions. The coupon amounts to 6.00 per cent per annum during the first 11 years, after which variable interest applies.

Rating

In 2015, the rating agency Standard & Poor's confirmed the rating of UNIQA Insurance Group AG as "A-". The ratings of UNIQA Österreich Versicherungen AG and the Group's reinsurer, UNIQA Re AG in Switzerland, also remained "A". UNIQA Versicherung AG in Liechtenstein received an "A-". Standard & Poor's rates the outlook for all the companies as stable. The rating of the UNIQA subordinated capital bond continues to be "BBB".

Companies included in the IFRS consolidated financial statements

In addition to UNIQA Insurance Group AG, UNIQA's 2015 consolidated financial statements also include 56 Austrian and 67 international companies. A total of 23 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, eight Austrian companies and one foreign company were valued according to the equity method as associates. Five associates were of minor importance.

Details on the consolidated companies and associates are contained in the corresponding overview in the consolidated financial statements. The accounting policies are also described in the consolidated financial statements.

Risk reporting

UNIQA's comprehensive risk report is included in the notes to the consolidated financial statements 2015.

Corporate Governance Report

Since 2004, UNIQA has pledged to comply with the Austrian Code of Corporate Governance and publishes the Corporate Governance Report at www.uniqagroup.com in the Investor Relations section.

GROUP BUSINESS DEVELOPMENT

UNIQA provides life and health insurance and is active in almost all lines of property and casualty insurance. It serves about 10.0 million customers, over 19.3 million insurance contracts with a premium volume written (including savings portions from the unit-linked and index-linked life insurance) of about €6.3 billion (2014: €6.1 billion) and investments of €29.4 billion (2014: €29.0 billion). UNIQA is the second-largest insurer in Austria, has a strong network in Central and Eastern Europe with a presence in 15 countries and is additionally active in Italy, Liechtenstein and Switzerland.

Premium development

UNIQA's total premium volume increased in 2015, taking into account the savings portions of the unit-linked and index-linked life insurance in the amount of €485.4 million (2014: €544.7 million), by 4.3 per cent to €6,325.1 million (2014: €6,064.4 million). The total consolidated premium volume written rose by 5.8 per cent to €5,839.7 million (2014: €5,519.7 million).

In the area of insurance policies with recurring premium payments, there was a rise of 0.6 per cent to €5,131.2 million (2014: €5,102.7 million). In the single premium business the premium volume increased by 24.2 per cent to €1,194.0 million (2014: €961.6 million) due to very strong growth in the Raiffeisen Insurance Austria segment and in Italy.

The Group premiums earned, including savings portions from the unit-linked and index-linked life insurance (after reinsurance) in the amount of €469.3 million (2014: €526.1 million), rose by 4.5 per cent to €6,102.8 million (2014: €5,839.0 million). The volume of premiums earned (net, according to IFRS) increased by 6.0 per cent to €5,633.5 million (2014: €5,312.9 million).

In the 2015 financial year, 41.8 per cent (2014: 43.2 per cent) of the premium volume written (including savings portions from the unit-linked and index-linked life insurance) arose in property and casualty insurance, 15.8 per cent (2014: 15.8 per cent) in health insurance and 42.5 per cent (2014: 40.9 per cent) in life insurance.

Development of insurance benefits

The insurance benefits before reinsurance (see Note 33 in the consolidated financial statements) rose in the 2015 financial year by 5.1 per cent to €4,749.9 million (2014: €4,517.7 million). Consolidated net insurance benefits also increased in the past year by 5.1 per cent to €4,607.6 million (2014: €4,383.7 million), principally on account of the sharp increase in single premium business and the negative impact of hailstorms in the third quarter of 2015 amounting to €30 million. The combined ratio in property and casualty insurance improved after reinsurance at Group level to 97.8 per cent (2014: 99.6 per cent).

Operating expenses

Total consolidated operating expenses (see Note 34 in the consolidated financial statements) less reinsurance commission and share of profit from reinsurance ceded (see Note 34 in the consolidated financial statements) remained at the same level in the 2015 financial year as the previous year at €1,298.7 million (2014: €1,299.1 million). Expenses for the acquisition of insurance less reinsurance commission and share of profit from reinsurance ceded in the amount of €24.8 million (2014: €26.0 million) increased by 1.4 per cent to €925.6 million (2014: €912.5 million). Other operating expenses fell by 3.5 per cent to €373.1 million (2014: €386.6 million). This was mainly attributable to adjustments in the works agreements for pension fund provision which had a positive effect amounting to €50.6 million.

UNIQA's cost ratio after reinsurance, i.e. the relation of total operating expenses less the amounts received from reinsurance commission and share of profit from reinsurance ceded to the Group premiums earned including savings portions from the unit-linked and index-linked life insurance, dropped to 21.3 per cent during the past year (2014: 22.2 per cent) as a result of the developments mentioned above. The cost ratio before reinsurance was 21.0 per cent (2014: 21.8 per cent).

Investment income

Total investments including investment property, shares in associates and investments of the unit-linked and index-linked life insurance and current cash held at banks and cash-in-hand rose in the 2015 financial year by €391.1 million to €29,416.1 million (31 December 2014: €29,024.9 million).

Net investment income fell by 6.4 per cent to €831.1 million (2014: €888.2 million) as a result of the low interest rates. Among other things, the gains from the disposal of property had a positive effect on net investment income in the 2015 financial year. Additional drivers of performance included the restructuring of strategic asset allocation for economic optimisation of capital and positive currency effects from investments in US dollars. Due to the balancing of the 13.8 per cent holding in STRABAG SE according to the equity method, there was a positive contribution in the amount of €23.7 million in 2015. A detailed description of the investment income can be found in the consolidated financial statements (see Note 35).

Other income and other expenses

Other income fell in 2015 by 31.9 per cent to €42.5 million (2014: €62.4 million) mainly due to differences in the exchange rate of the Ukrainian hryvnia. Other expenses also fell in the reporting period due to exchange rate differences of the Russian rouble and Ukrainian hryvnia and amounted to €61.0 million (2014: €70.3 million).

Earnings before taxes

The technical result of the UNIQA Group rose significantly in 2015 by 56.5 per cent to €199.9 million (2014: €127.7 million). Operating profit increased to €494.1 million (2014: €447.6 million). UNIQA's earnings before taxes were very satisfactory, above all due to the welcome trend in the operative segments UNIQA Austria and UNIQA International, rising by 11.9 per cent to €422.8 million (2014: €377.9 million). Profit/(loss) for the year rose by 14.2 per cent to €334.6 million (2014: €292.9 million). The consolidated profit/(loss), i.e. the proportion of the net profit for the year attributable to the shareholders of UNIQA Insurance Group AG, amounted to €331.1 million (2014: €289.9 million). The earnings per share rose as a result to €1.07 (2014: €0.94). The return on equity after tax and non-controlling interests in the reporting period was 10.6 per cent (2014: 9.9 per cent).

On this basis therefore the Management Board will propose a dividend of 47 cents per share to the Supervisory Board and the Annual General Meeting (2014: 42 cents per share).

Own funds and total assets

The UNIQA Group's equity rose in the past financial year by 2.3 per cent or €70.5 million to €3,152.7 million due to the net consolidated profit (31 December 2014: €3,082.2 million). The minority interests came to €22.1 million (31 December 2014: €20.2 million). The solvency ratio (Solvency I) increased accordingly to 301.7 per cent (31 December 2014: 295.4 per cent). The total assets of the Group remained almost unchanged in the reporting period, and amounted to €33,078.4 million as at 31 December 2015 (31 December 2014: €33,038.2 million).

Cash flow

UNIQA's cash flows from operating activities amounted to €49.5 million in 2015 (2014: €1,558.5 million). The cash flow from investing activities amounted to –€499.9 million (2014: –€1,088.2 million). As a consequence of the issue of the subordinated capital bond (Tier 2), net cash from financing activities rose to €365.1 million (2014: –€111.2 million).

In total, liquid funds changed by –€85.3 million (2014: €359.1 million). Financial resources available as at the end of 2015 amounted to €890.1 million (2014: €975.8 million).

Employees

In 2015, the average number of employees at UNIQA fell to 14,113 (2014: 14,336). These included 5,427 (2014: 5,821) field sales employees. The number of employees in administration amounted to 8,686 (2014: 8,515).

In the 2015 financial year, the Group had 2,591 employees in the Central Europe region (CE) – Poland, Slovakia, Czech Republic and Hungary (2014: 2,806 employees), 2,561 employees (2014: 2,412) in the Southeastern Europe region (SEE) – Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, Croatia, Macedonia, Montenegro and Serbia – and 2,068 employees (2014: 2,328) in the Eastern Europe region (EE) of Romania and Ukraine. There were 96 employees (2014: 103) in Russia. The average number of employees in the Western European markets rose slightly to 369 (2014: 360). A total of 6,428 people were employed in Austria (2014: 6,327). Including the employees of the general agencies working exclusively for UNIQA, the total number of people working for the Group amounts to 21,227.

In 2015, 51 per cent of the staff working in administrative positions at UNIQA Insurance Group AG in Austria were women (2014: 51 per cent). In sales, the ratio was 82 per cent men to 18 per cent women. Twenty-one per cent (2014: 21 per cent) of the employees in administration were working part time. The average age in the past year was 44 years (2014: 43 years). In 2015, a total of 14.8 per cent (2014: 15.3 per cent) of the employees participated in UNIQA's bonus system – a variable remuneration system that is tied both to the success of the Company and to personal performance. In addition, UNIQA offers young people in training the opportunity to get to know foreign cultures and make international contacts. Currently, 29 apprentices are being trained. Thirteen new apprentices were accepted in 2015.

OPERATING SEGMENTS

UNIQA Austria

Premiums

At UNIQA Austria, the premiums written including savings portions from the unit-linked and index-linked life insurance increased in 2015 by 1.2 per cent to €2,807.7 million (2014: €2,773.5 million). Recurring premiums rose by 1.2 per cent to €2,775.5 million (2014: €2,741.7 million), and single premiums increased by 1.2 per cent to €32.2 million (2014: €31.9 million).

Including savings portions from the unit-linked and index-linked life insurance, the volume of premiums earned at UNIQA Austria amounted to €2,229.9 million (2014: €2,137.0 million). The volume of premiums earned (net, according to IFRS) rose in 2015 by 5.5 per cent to €2,102.8 million (2014: €1,993.9 million) as a result of changes to the reinsurance structure.

While premiums written in property and casualty insurance rose by 1.3 per cent to €1,380.6 million (2014: €1,362.6 million), in health insurance they increased by 3.9 per cent to €921.6 million (2014: €887.3 million). In life insurance (including savings portions from the unit-linked and index-linked life insurance) they fell 3.5 per cent to €505.5 million (2014: €523.7 million).

Net premiums earned (according to IFRS) rose in property and casualty insurance by 9.8 per cent to €826.9 million (2014: €753.0 million); in health insurance, they increased by 3.9 per cent to €921.9 million (2014: €886.9 million). They remained stable in life insurance at €354.0 million (2014: €353.9 million). Including savings portions from the unit-linked and index-linked life insurance, the volume of premiums earned in life insurance amounted to €481.1 million (2014: €497.0 million).

Benefits

Net insurance benefits at UNIQA Austria increased by 5.6 per cent in 2015 to €1,729.4 million (2014: €1,637.2 million). In property and casualty insurance they rose by 11.8 per cent to €577.6 million (2014: €516.5 million) as a result of the changes in the solution for reinsurance; in health insurance they increased by 2.5 per cent to €762.9 million (2014: €744.3 million). In life insurance they grew 3.3 per cent to reach €388.9 million (2014: €376.4 million). Overall, in 2015 the loss ratio in property and casualty insurance amounted to 69.8 per cent (2014: 68.6 per cent). The combined ratio in the UNIQA Austria segment therefore increased after reinsurance to 93.9 per cent (2014: 91.8 per cent).

Operating expenses

Operating expenses, less reinsurance commission and share of profit from reinsurance ceded, which amounted to €160.3 million (2014: €175.8 million), decreased in the 2015 financial year by 4.0 per cent to €390.7 million (2014: €407.1 million), also on account of the revaluation of the pension provisions in accordance with IAS 19. They rose 13.9 per cent in property and casualty insurance to €199.1 million (2014: €174.8 million) on account of the changes in the reinsurance structure. They decreased 8.9 per cent in health insurance to €121.8 million (2014: €133.7 million). They fell sharply by 29.2 per cent in life insurance to €69.8 million (2014: €98.6 million) on account of the IAS 19 effect described above and a change to the cost allocation.

The cost ratio of UNIQA Austria after reinsurance, i.e. the relation of total operating expenses, less reinsurance commission and share of profit from reinsurance ceded, to the premiums earned, including savings portions from the unit-linked and index-linked life insurance, amounted to 17.5 per cent during the past year (2014: 19.0 per cent).

Investment income

Net investment income in the UNIQA Austria segment dropped in 2015 by 8.8 per cent to €343.2 million (2014: 376.1 million), despite currency gains from the investments in US dollars on account of the low interest rates that still prevail.

Earnings before taxes

Earnings before taxes from ordinary activities of UNIQA Austria rose in the reporting period by 5.3 per cent to €288.5 million (2014: €273.9 million) driven by the solid profits in health insurance. They fell by 19.6 per cent in property and casualty insurance to €81.0 million (2014: €100.7 million). In health insurance they rose by 44.0 per cent to €187.5 million (2014: €130.2 million). In life insurance earnings before taxes fell by 53.5 per cent to €20.0 million (2014: €43.0 million); the principal reason for this was the fall in investment income by 21.8 per cent to €147.4 million (2014: €188.6 million).

Raiffeisen Insurance Austria

Premiums

The Raiffeisen Insurance Austria segment recorded significant growth in 2015 and increased the premiums written, including savings portions from the unit-linked and index-linked life insurance, by 18.8 per cent to €1,075.8 million (2014: €905.3 million), despite a decline recorded in premiums in unit-linked life insurance. However, the very strong performance in the Austrian core business with Raiffeisen as a partner bank was more than capable of compensating for that deterioration. Recurring premiums were just above the previous year's level at €756.1 million (2014: €754.0 million), while single premiums rose 111.3 per cent to €319.7 million (2014: €151.3 million).

Including savings portions from the unit-linked and index-linked life insurance, the volume of premiums earned at Raiffeisen Insurance Austria amounted to €965.1 million (2014: €794.0 million). The volume of premiums earned (net, according to IFRS) rose in 2015 by 28.8 per cent to €838.0 million (2014: €650.8 million).

While premiums written rose in property and casualty insurance by 4.6 per cent to €160.1 million (2014: €153.2 million), in life insurance they increased by 21.7 per cent to €915.7 million (2014: €752.1 million). Health insurance is not offered in the Raiffeisen Insurance Austria segment.

Net premiums earned (according to IFRS) rose in property and casualty insurance by 4.4 per cent to €83.3 million (2014: €79.8 million); in life insurance, they increased by 32.2 per cent to €754.7 million (2014: €571.1 million). Including savings portions from the unit-linked and index-linked life insurance, the volume of premiums earned in life insurance amounted to €881.8 million (2014: €714.2 million).

Benefits

Net insurance benefits in the Raiffeisen Insurance Austria segment increased in 2015 by 21.1 per cent to €829.8 million (2014: €685.2 million). They fell by 2.2 per cent in property and casualty insurance to €55.9 million (2014: €57.1 million). In life insurance they grew 23.2 per cent to reach €773.9 million (2014: €628.1 million) on account of the sharp increase in premium volumes. Overall, in 2015 the loss ratio in property and casualty insurance amounted to 67.1 per cent (2014: 71.6 per cent). The combined ratio in the Raiffeisen Insurance Austria segment therefore improved after reinsurance to 82.7 per cent (2014: 88.1 per cent).

Operating expenses

Operating expenses minus reinsurance commission and share of profit from reinsurance ceded, which amounted to €32.9 million (2014: €30.5 million), increased by 20.9 per cent to €135.5 million in 2015 (2014: €112.1 million) on account of the increase in business revenue. They fell slightly in property and casualty insurance by 0.9 per cent to €13.0 million (2014: €13.1 million); in life insurance, they increased by 23.8 per cent to €122.5 million (2014: €99.0 million).

The cost ratio in the Raiffeisen Insurance Austria segment after reinsurance, i.e. the ratio of total operating expenses, less reinsurance commission and share of profit from reinsurance ceded, to the premiums earned, including savings portions from the unit-linked and index-linked life insurance, fell to 14.0 per cent in 2015 (2014: 14.1 per cent).

Investment income

Net investment income in the Raiffeisen Insurance Austria segment also fell in 2015 by 8.3 per cent to €254.7 million (2014: 277.7 million) on account of the low interest rates that still prevail.

Earnings before taxes

Earnings before taxes in the Raiffeisen Insurance Austria segment fell by 2.9 per cent to €105.4 million in the reporting year (2014: €108.6 million). They rose by 34.6 per cent in property and casualty insurance to €18.9 million (2014: €14.1 million). In life insurance on the other hand they fell by 8.5 per cent to €86.5 million (2014: €94.6 million).

UNIQA International

Premiums

UNIQA International increased the premiums written, including savings portions from the unit-linked and index-linked life insurance, in 2015 by 2.7 per cent to €2,416.8 million (2014: €2,353.1 million). The premiums written even increased by 4.6 per cent when adjusted for foreign currency effects. Recurring premiums remained stable at €1,574.9 million (2014: €1,574.6 million). Single premiums rose due to the very strong business performance in Italy by 8.2 per cent to reach €842.0 million (2014: €778.5 million). That means that in 2015 the international companies contributed a total of 38.2 per cent (2014: 38.8 per cent) to total Group premiums.

Including savings portions from the unit-linked and index-linked life insurance, UNIQA International's volume of premiums earned amounted to €1,892.3 million (2014: €1,822.2 million). The volume of premiums earned (net, according to IFRS) rose in 2015 by 6.0 per cent to €1,677.1 million (2014: €1,582.3 million).

While premiums written in property and casualty insurance only increased slightly due to negative currency effects and the continued restraint in the highly competitive motor vehicle segment in CEE by 0.1 per cent to €1,085.8 million (2014: €1,084.9 million), these grew by 4.6 per cent in health insurance to €76.9 million (2014: €73.5 million). In life insurance (including savings portions from the unit-linked and index-linked life insurance) they rose, driven by the positive business performance in Italy, by 5.0 per cent to €1,254.1 million (2014: €1,194.6 million).

Net premiums earned (according to IFRS) rose in property and casualty insurance by 1.3 per cent to €595.8 million (2014: €588.2 million), in health insurance they rose by 5.4 per cent to €75.6 million (2014: €71.7 million) and in life insurance by 9.0 per cent to €1,005.8 million (2014: €922.5 million). Including savings portions from the unit-linked and index-linked life insurance, the volume of premiums earned in life insurance amounted to €1,221.0 million (2014: €1,162.4 million).

In the Central Europe region (CE) – Poland, Slovakia, the Czech Republic and Hungary – premiums earned, including savings portions from the unit-linked and index-linked life insurance, increased slightly in the 2015 financial year by 0.6 per cent to €527.7 million (2014: €524.7 million). In Eastern Europe (EE) – comprising Romania and Ukraine – premiums earned, including savings portions from the unit-linked and index-linked life insurance, fell above all due to the loss in value of the Ukrainian hryvnia and the restraint in the highly competitive Romanian motor vehicles business by 21.6 per cent to €92.1 million (2014: €117.4 million). In the Southeastern Europe region (SEE) – Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, Croatia, Macedonia, Montenegro and Serbia – in 2015 premiums grew by 12.9 per cent to €232.1 million (2014: €205.7 million). In Russia (RU) the premiums earned, including savings portions from the unit-linked and index-linked life insurance, fell by 26.1 per cent to €48.5 million (2014: €65.6 million) on account of the decrease in value of the Russian rouble. In Western Europe (WE) – Italy, Liechtenstein and Switzerland – the premiums earned, including savings portions from the unit-linked and index-linked life insurance, rose in particular due to the increase in single premiums in Italy by 9.1 per cent to €991.9 million (2014: €908.9 million).

Benefits

Net insurance benefits of UNIQA International increased in 2015 by 6.0 per cent to €1,329.3 million (2014: €1,253.6 million). They fell by 2.7 per cent in property and casualty insurance to €362.7 million (2014: €372.7 million). In health insurance they grew 6.8 per cent to reach €48.8 million (2014: €45.7 million). They also increased 9.9 per cent in life insurance to €917.8 million (2014: €835.2 million) due to the strong rise in premium revenue. In 2015 the loss ratio in property and casualty insurance fell to 60.9 per cent (2014: 63.4 per cent) on account of the restructuring of the motor vehicle business which is already at an advanced stage. The combined ratio in the UNIQA International segment after reinsurance amounted to 99.1 per cent (2014: 102.3 per cent).

In the CE region, benefits fell by 3.4 per cent in 2015 to €237.3 million (2014: €245.8 million); in the EE region they fell by 40.4 per cent to €41.5 million (2014: €69.6 million). They grew 16.2 per cent in SEE to reach €149.8 million (2014: €128.9 million). In Russia, benefits amounted to €36.3 million (2014: €44.2 million), and in Western Europe, the volume of benefits also rose due to the strong growth in premiums in life insurance by 13.0 per cent to €864.5 million (2014: €765.2 million).

Operating expenses

Operating expenses, not including reinsurance commission and share of profit from reinsurance ceded, which amounted to €134.4 million (2014: €147.9 million), decreased in the 2015 financial year by 1.7 per cent to €427.5 million (2014: €434.8 million) on account of consistent cost management and improvements in process efficiency through the implementation of a target operating model. They fell by 0.5 per cent in property and casualty insurance to €227.7 million (2014: €228.9 million). In health insurance on the other hand they rose by 0.9 per cent to €31.0 million (2014: €30.7 million). In life insurance they fell 3.7 per cent to €168.8 million (2014: €175.3 million).

The cost ratio of UNIQA International after reinsurance, i.e. the ratio of total operating expenses, less reinsurance commission and share of profit from reinsurance ceded, to premiums earned, including savings portions from the unit-linked and index-linked life insurance, decreased during the past year for the reasons mentioned above to 22.6 per cent (2014: 23.9 per cent).

In CE, operating expenses, not including reinsurance commission and share of profit from reinsurance ceded, rose in the reporting year by 7.9 per cent to €172.3 million (2014: €159.7 million). They fell by 20.5 per cent in EE to €51.6 million (2014: €64.9 million). In SEE they increased slightly by 1.6 per cent to €91.2 million (2014: €89.7 million). In Russia, costs fell by 44.0 per cent to €9.4 million (2014: €16.8 million), while they increased in Western Europe by 5.4 per cent to €82.5 million (2014: €78.3 million). In administration (UNIQA International AG), costs decreased by 19.3 per cent to €20.5 million (2014: €25.4 million).

Investment income

Net investment income rose during 2015 by 12.0 per cent to €195.3 million (2014: 174.3 million).

Earnings before taxes

Earnings before taxes in the UNIQA International segment rose in the reporting year to €54.5 million (2014: –€1.2 million) despite an extraordinary impairment of goodwill in Ukraine amounting to €13.0 million. Earnings before taxes in property and casualty insurance increased despite the impairment of goodwill mentioned above to €17.6 million (2014: –€21.4 million). In health insurance, it came to –€22,862 (2014: –€1.3 million). Lastly, in life insurance earnings before taxes improved by 71.8 per cent to €36.9 million (2014: €21.5 million).

Reinsurance

In the reinsurance segment, the premium volume written fell in 2015 by 6.5 per cent to €1,112.1 million (2014: €1,189.3 million). The volume of premiums earned (net, according to IFRS) also fell by 6.1 per cent to €1,014.4 million (2014: €1,080.9 million).

Net insurance benefits fell in 2015 by 10.1 per cent to €720.1 million (2014: €800.8 million).

Operating expenses less reinsurance commission and share of profit from reinsurance ceded in the amount of €8.2 million (2014: €8.2 million) fell by 5.8 per cent to €315.7 million (2014: €335.1 million).

Net investment income fell in 2015 to €27.7 million (2014: €31.3 million).

Earnings before taxes in the reinsurance segment increased to –€2.1 million (2014: –€30.5 million).

Group functions and consolidation

In the Group Functions and Consolidation segment, earnings before taxes fell to –€23.5 million (2014: €27.0 million).

Net investment income fell in 2015 to €10.3 million (2014: €28.7 million).

SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING DATE (SUBSEQUENT REPORT)

In January 2016 the Management Board of UNIQA Insurance Group AG decided in agreement with the Supervisory Board to launch a comprehensive programme of investments as of 2016 with the aim of aligning processes and products with the changes to requirements and customer expectations as a result of the digital transformation. This innovation and investment programme, which is the biggest in the Company's history, is split over several years and has a total value of around €500 million.

Following the decision to implement this programme, UNIQA is also aligning the Group structure to meet the strategic objectives and challenges of the future. The Management and Supervisory Boards at UNIQA Insurance Group AG decided on a new streamlined Group structure in early March 2016 with a functional organisation and Group-wide responsibilities.

The listed holding UNIQA Insurance Group AG will have three members of the Management Board in future. As of 1 June 2016, the Management Board will consist of Andreas Brandstetter (CEO), Kurt Svoboda (CFO/CRO) and Erik Leyers (COO). Their terms of office will run until 30 June 2020.

The four direct insurance companies operating on the Austrian market up to now, UNIQA Österreich Versicherungen AG, Raiffeisen Versicherung AG, FinanceLife Lebensversicherung AG and Salzburger Landes-Versicherung AG will – subject to the requisite approvals from the authorities – be merged by the first quarter of 2017 at the latest. UNIQA Österreich Versicherungen AG will be the acquiring company.

OUTLOOK

Economic outlook

The moderate economic recovery in the eurozone is expected to continue. Economic analysts in Austria expect a boost to the economy for 2016 as a result of the tax reforms that came into force as of 1 January 2016, as well as an increase in government expenditures for transfer payments. The headwind in the global economy has in recent times increasingly come from the emerging nations in Asia and Latin America and from the national economies dependent on raw materials. By contrast, the economic conditions in most of the core countries in Central and Eastern Europe are expected to be supported by solid macroeconomic structural conditions. The four countries in Central Europe (Poland, Slovakia, Czech Republic and Hungary) can once again expect real economic growth of more than 3 per cent, and the recovery is also generally strengthening in Southeastern Europe. If the recovery in the oil price on the global markets fails to materialise in the medium term, this will increase the uncertainty regarding the performance of the Russian economy following the recession in 2015. Continued financial and macroeconomic stabilisation in Ukraine would also be accompanied by a slow normalisation in the business environment.

Price developments remain muted in the eurozone and in many countries in Central and Eastern Europe, and deflation can also be expected to some extent. Against this background the European Central Bank's highly expansionary monetary policy can continue to be expected, with a similar policy implemented by some of the central banks in CEE as a result. UNIQA is therefore adjusting to a very low general interest rate environment which will last even longer.

Consolidated profit

UNIQA is launching the biggest innovation programme in its corporate history in 2016, and will be investing around €500 million over the next few years in "re-designing" its business model, establishing the staff expertise required for this and in the IT systems required. These significant investments in the future will to a large extent take effect in 2016 and will be reflected in changes to the expected results. Combined with the ongoing difficulties with the structural conditions, such as an economic outlook which remains moderate, sustained low interest rates, falls in investment income and political uncertainties in certain markets, UNIQA expects earnings before taxes to fall by up to 50 per cent for the 2016 financial year, compared with the very good results for 2015.

Despite the investments and challenging economic environment, UNIQA intends to continue increasing its annual distribution per share over the next few years as part of a progressive dividend policy.

INFORMATION ACCORDING TO SECTION 243A(1) OF THE AUSTRIAN COMMERCIAL CODE

1. The share capital of UNIQA Insurance Group AG is €309,000,000 and is comprised of 309,000,000 individual no-par value shares in the name of the bearer. €285,356,365 of the share capital was fully paid in cash and €23,643,635 was paid in non-cash contributions. All shares confer the same rights and obligations.
2. Due to their voting commitments, the shares of UNIQA Versicherungsverein Privatstiftung, Austria Versicherungsverein Beteiligungs-Verwaltungs GmbH, BL Syndikat Beteiligungs Gesellschaft m.b.H., Collegialität Versicherungsverein Privatstiftung and RZB Versicherungs-beteiligung GmbH are counted together. Reciprocal purchase option rights have been agreed upon between the first four shareholders listed.
3. Raiffeisen Zentralbank Österreich Aktiengesellschaft holds indirectly, via BL Syndikat Beteiligungs Gesellschaft m.b.H. and RZB Versicherungs-beteiligung GmbH, a total of 31.40 per cent (allocated in accordance with the Austrian Stock Exchange Act) of the company's share capital; UNIQA Versicherungsverein Privatstiftung holds directly and indirectly through Austria Versicherungsverein Beteiligungs-Verwaltungs GmbH a total of 30.58 per cent (allocated in accordance with the Austrian Stock Exchange Act) of the company's share capital.
4. No shares with special control rights have been issued.
5. The employees that have share capital exercise their voting rights directly.
6. No provisions of the Articles of Association or other provisions exist 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 rule that when a Supervisory Board member turns 70 years of age, they retire from the Supervisory Board at the end of the next Annual General Meeting.
7. The Management Board is authorised to increase the company's equity capital up to and including 30 June 2019 with the approval of the Supervisory Board by a total of no more than €81,000,000 by issuing up to 81,000,000 no-par voting shares in the name of the holder or registered for payment in cash or in kind, one time or several times. The Management Board is further authorised until 27 May 2018 to buy back up to 30,900,000 treasury shares (together with other treasury shares that the company has already acquired and still possesses) through the company and/or through subsidiaries of the company (section 66 Stock Corporation Act). As at 31 December 2015, the Company held 819,650 treasury shares.
8. With regard to the holding company STRABAG SE, corresponding agreements with other shareholders of this holding company exist.
9. No reimbursement agreements exist for the event of a public takeover offer.

INFORMATION ACCORDING TO 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 consolidated financial statements (Risk Report).

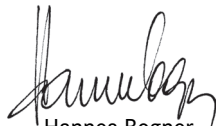
PROPOSED APPROPRIATION OF PROFIT

The separate financial statements of UNIQA Insurance Group AG, prepared in accordance with the Austrian Commercial Code, report an annual net profit for the 2015 financial year in the amount of €145,318,925.52 (2014: €130,571,950.61). The Management Board will propose to the Annual General Meeting on 30 May 2016 that this net profit be used for a dividend of 47 cents for each of the 309,000,000 dividend-entitled no-par value shares issued as at the reporting date and the remaining amount carried forward to a new account.

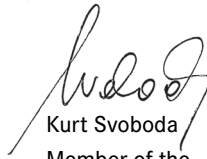
Vienna, 18 March 2016



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