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EANS-News: UNIQA Insurance Group AG / UNIQA on target in first quarter 2016

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quarterly report

UNIQA on target in first quarter 2016: technical result rises, combined ratio improved, premiums in life insurance decreased, lower investment result, decreased earnings in line with planning

- Group premiums written fall by 15.7 per cent to EUR 1,718.7 million due to proactive reduction in single premiums in life insurance / Significant rise in premiums in health insurance (+3.1 per cent) and property and casualty insurance (+1.8 per cent)
- Net insurance benefits down 25.3 per cent at EUR 1,109.7 million
- Above-average improvement in combined ratio from 98.8 per cent to 95.8 per cent
- Technical result rises by 58.0 per cent to EUR 40.1 million
- Net investment income decreases by EUR 111.7 million to EUR 125.5 million (-47.1 per cent) due to one-off effects and further intensification of the low-interest environment
- Earnings before taxes down by EUR 52.4 million at EUR 41.6 million (-55.7 per cent) as a result of decreased investment income
- Outlook for 2016 confirmed: earnings before taxes up to 50 per cent lower than record result for 2015 due to high future investments
- Progressive dividend policy confirmed

UNIQA CEO Andreas Brandstetter comments: "The earnings in the first quarter are largely in line with our planning and confirm that we are still continuously improving in our core business, even under challenging conditions. The increase in the technical result and the marked improvement in the combined ratio reflect this development. Although our active decision to reduce single premiums, which are not very profitable but tie up a lot of capital, is currently resulting in a decline in premiums, it will also strengthen our earnings base for the future. Furthermore, the year-on-year decline in premiums will slow down over the coming quarters because we already wrote considerably lower single premiums in the second quarter of 2015 and we expect life insurance business in Italy to pick up again in the quarters ahead. Following the simultaneous occurrence of several negative effects in the first quarter, we also expect investment income to increase again as the year progresses, even if the unstable situation on the capital markets and the historically low interest rates continue to have a negative impact. For 2016 as a whole, we still expect earnings before taxes to be up to 50 per cent lower than the very good earnings for 2015 as a result of the high future investments we have resolved and due to the generally strained economic conditions. We are likewise keeping to our plan to continuously increase the annual distribution per share in the years to come as part of a progressive dividend policy."

In the first quarter, UNIQA Insurance Group AG (UNIQA Group) continued the

ongoing improvement in its core business as a result of the systematic implementation of the UNIQA 2.0 strategy programme. The technical result consequently increased significantly by 58.0 per cent to EUR 40.1 million. At the same time, the combined ratio improved by three percentage points to 95.8 per cent because of the very positive business development in Austria and in the international markets. There was a negative impact on earnings from the extremely sharp decline in investment income of 47.1 per cent or EUR 111.7 million to EUR 125.5 million, which was mainly caused by non-recurring effects. The decline in this amount was primarily attributable to negative exchange rate effects from the weaker dollar in the first quarter of 2016, whereas the comparative period of the previous year had been boosted by high positive exchange rate effects and income from the reorganisation of the strategic investment policy that was completed in 2015. In addition, the further intensification of the low-interest environment obviously also had a negative impact on ongoing investment income. As a result of these two contrary developments - a clear improvement in technical results and the non-recurring substantial decline in investment income - earnings before taxes declined by EUR 52.4 million or 55.7 per cent to EUR 41.6 million.

Premiums written fell by 15.7 per cent to EUR 1,718.7 million in the first three months of 2016 as a result of the reduction in single premiums in life insurance that was resolved in 2015 for profitability reasons and in spite of the encouraging growth in health insurance (+3.1 per cent) and in property and casualty insurance (+1.8 per cent). At the same time, UNIQA's profitability was sustainably strengthened for the future by this focus on business segments that generate more income in the continuing low interest rate environment and tie up less capital.

Key Group figures for Q1 2016 in detail

The premiums written by the UNIQA Group including the savings portion of unit- and index-linked life insurance fell by 15.7 per cent to EUR 1,718.7 million in the first quarter of 2016 (1 - 3/2015: EUR 2,039.5 million) due to the reduction in single premium business in the life insurance segment in line with planning. By contrast, recurring premiums increased by 1.3 per cent to EUR 1,481.2 million (1 - 3/2015: EUR 1,462.6 million).

Premiums written in health insurance climbed by 3.1 per cent to EUR 268.9 million in the period under review (1 - 3/2015: EUR 260.9 million), while in property and casualty insurance they grew by 1.8 per cent to EUR 821.2 million in the first three months of 2016 (1 - 3/2015: EUR 806.5 million). In life insurance, total premiums written including the savings portion of unit- and index-linked life insurance fell by 35.3 per cent to EUR 628.5 million (1 - 3/2015: EUR 972.1 million), with single premium business declining by 58.8 per cent and recurring premiums by 1.1 per cent.

Premiums earned (net) in accordance with IFRS (i.e. not including the savings portion of unit- and index-linked life insurance) decreased by 18.0 per cent to EUR 1,400.0 million (1 - 3/2015: EUR 1,707.7 million).

Net insurance benefits fell by 25.3 per cent to EUR 1,109.7 million in the first quarter of 2016 (1 - 3/2015: EUR 1,485.9 million) as a result of the sharp decline in premiums in life insurance.

Total operating expenses less reinsurance commissions received rose by 1.8 per cent to EUR 341.7 million in the first three months of 2016 (1 - 3/2015: EUR 335.7 million). Acquisition expenses less reinsurance commissions received posted a slight decrease of 0.6 per cent to EUR 244.1 million (1 - 3/2015: EUR 245.5 million). Other operating expenses (administration costs) climbed by 8.3 per cent in the first quarter of 2016 to EUR 97.6 million (1 - 3/2015: EUR 90.1 million) due to initial expenses in connection with the innovation and investment programme and a correction in social capital.

As expected, the Group cost ratio rose to 22.9 per cent (1 - 3/2015: 18.4 per cent) as a result of the decrease in premiums. Conversely, the combined ratio after reinsurance increased to 95.8 per cent (1 - 3/2015: 98.8 per cent), primarily due to an improved loss ratio.

Net investment income declined by 47.1 per cent to EUR 125.5 million in the

first three months of 2016 (1 - 3/2015: EUR 237.2 million). The comparative figure for the previous year was positively influenced by net measurement gains and the reorganisation of the strategic investment policy in 2015, whereas in the first quarter of 2016 it was curbed by negative exchange rate effects and further intensification of the low-interest environment.

Investments of the UNIQA Group (including unit- and index-linked life insurance investments) increased as against the end of the previous year to EUR 29,802.1 million as at 31 March 2016 (31 December 2015: EUR 29,416.1 million).

The technical result of the UNIQA Group rose by 58.0 per cent to EUR 40.1 million in the first quarter of 2016 (1 - 3/2015: EUR 25.4 million). However, operating earnings declined by 42.3 per cent to EUR 60.5 million (1 - 3/2015: EUR 104.8 million) as a result of the decline in the investment result. The UNIQA Group's earnings before taxes amounted to EUR 41.6 million (1 - 3/2015: EUR 94.0 million).

Consolidated profit (net profit for the period attributable to the shareholders of UNIQA Insurance Group AG) decreased by 56.9 per cent to EUR 33.2 million (1 - 3/2015: EUR 76.9 million). Earnings per share amounted to EUR 0.11 (1 - 3/2015: EUR 0.25).

As at 31 March 2016, the UNIQA Group's equity amounted to EUR 3,293.6 million (31 December 2015: EUR 3,152.7 million).

The average number of employees at the UNIQA Group decreased to 13,791 in the first three months of 2016 (1 - 3/2015: 13,966).

Outlook for 2016

At the beginning of 2016, UNIQA launched the biggest innovation programme in the company's history and will invest around EUR 500 million in the redesign of the business model, the necessary build-up of staff expertise and the required IT systems over the next few years. A good portion of these considerable future investments will take effect in 2016. In combination with the persistently difficult conditions - such as ongoing low interest rates, sinking investment income and political uncertainty in individual markets - UNIQA expects earnings before taxes in the 2016 financial year to be up to 50 per cent lower than the very good earnings for 2015. Despite the investments and the challenging economic environment, UNIQA intends to continuously increase the annual distribution per share in the years to come as part of a progressive dividend policy.

Forward-looking statements

This press release contains statements referring to the future development of the UNIQA Group. These statements present estimates which were reached on the basis of all of the information available to us at the present time. If the assumptions on which they are based do not occur, the actual results may deviate from the results currently expected. As a result, no liability is accepted for this information.

UNIQA

The UNIQA Group is one of the leading insurance groups in its core markets of Austria and Central and Eastern Europe (CEE). 22,000 employees and exclusive sales partners serve more than 10 million customers in 19 countries. UNIQA is the second-largest insurance group in Austria with a market share of around 22 per cent. UNIQA operates in 15 markets in the CEE growth region: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Kosovo, Macedonia, Montenegro, Poland, Romania, Russia, Serbia, Slovakia and Ukraine. The UNIQA Group also includes insurance companies in Italy, Switzerland and Liechtenstein.

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