# Letter to Shareholders 2.07

**Just ask us.**
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helvetia


Ladies and Gentlemen,

1st half 2007 was a time of confirmation for Helvetia Group. Once again, our employees in Switzerland and abroad worked very well, which is reflected in the pleasing results.
For 1st half 2007 Helvetia posted a result of CHF 172.9 million, representing an increase of CHF 10.0 million or 6.1% on the previous year. The annualised return on equity remains high at 12.7%. At mid-year, equity amounted to CHF 2.73 billion and remained stable. Once again it is pleasing that almost all the country companies and business sectors contributed to the strong Group result. The only exception is the German business unit, whose result was strongly affected by the winter storm Cyril.

**High profit contribution for life business**

The life sector results clearly increased in 1st half 2007, posting an earnings contribution of CHF 129.1 million. This result exceeds the previous year's CHF 93.9 million by CHF 35.2 million or 37.5%.
Mainly due to the winter storm Cyril, the non-life sector was not able to build on the year on year results and posted a contribution of CHF 82.4 million to the Group result, which was CHF 27.9 million or 25.3% lower than 2006 (CHF 110.3 million).

**Increase in premium income**

Whilst overall premiums rose 4.1% to CHF 3.36 billion, premiums in the non-life segment rose by 7.1% and in the life segment by 1.7%.

In non-life business, Cyril and other storms left their on the loss ratio, leading to increased charges. The increased replenishment premiums for reinsurance following the storm damage also influenced the net cost ratio. Country market Germany was primarily affected by the loss event, as were, to a lesser degree, Switzerland, Austria and active reinsurance.

**Outstanding investment result**

With a profit contribution of CHF 632.4 million or an increase of over 33 %, the result from capital investments was extremely pleasing. Rising prices on the equity markets and a stronger euro had a positive influence on both the Group result and equity. The rise in interest rates had a negative effect on equity, resulting in a decrease in value of the fixed-interest investments. Despite this, our equity remained stable.

**Successful change of CEO**

At the end of last year, we announced the splitting of the functions of Chairman of the Board of Directors and CEO. This has been in force since the beginning of September, bearing in mind all aspects of good corporate management. The handover is also a sign of continuity for us.

The first half-year results spur us on: in its almost 150-year history, our company has repeatedly proven that success does not have to be a question of size. What has driven us forward has always been closeness to our clients, the power of innovation and a corporate culture that places people at the centre. A simple but very successful formula. Helvetia is not only extremely healthy economically: the strategic milestones are also right. Thus the consistent further development of our strategy is of prime importance to us. The key elements of this strategy remain profitable growth, improvements in operational efficiency, targeted risk and balance sheet management, as well as an effective management model for the Group.
Of course, we all know that yesterday's and today's recipes for success are not always right for tomorrow. Thus it is our entrepreneurial duty to continue to develop further. In view of the increasingly tougher competitive environment in the European insurance industry, our Group is also faced with some enormous challenges. We can approach them with confidence and set ourselves ambitious targets.

Our future prospect of being a successful and well-respected insurer remains equally attractive for clients, investors and employees. For the successful future development of the company it is important that we can also count on your trust in the future. For this, we would like to give you our heartfelt thanks.

Sincerely,

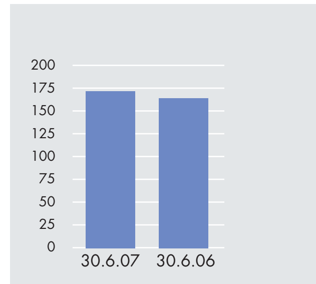
| | |
|---|---|
| Erich Walser<br>Chairman of the Board<br>of Directors | Stefan Loacker<br>CEO |

# At a glance

## Key share data Helvetia Holding AG

| | 30.6.07 | 31.12.06 | 30.6.06 |
|---|---|---|---|
| Earnings per share in CHF | 20.1 | 49.3 | 19.0 |
| Consolidated equity per share in CHF | 317.5 | 319.1 | 275.9 |
| Price of Helvetia registered shares at the reporting date in CHF | 470.0 | 401.5 | 322.0 |
| Market capitalisation in CHF million | 4066.9 | 3474.1 | 2786.2 |
| Number of shares issued | 8652875 | 8652875 | 8652875 |

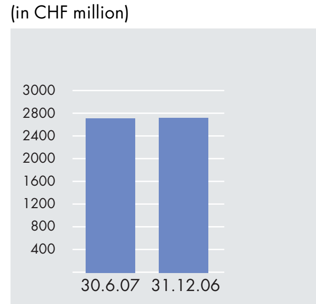
**Profit** (in CHF million)




## Key data

| | 30.6.07 | 31.12.06 | 30.6.06 |
|---|---|---|---|
| **Income statement** in CHF million | | | |
| Gross premiums written | 3358.9 | 5255.7 | 3227.4 |
| – of which non-life | 1508.0 | 2423.3 | 1407.8 |
| – of which life | 1850.9 | 2832.4 | 1819.6 |
| Investment income | 632.4 | 1109.3 | 473.7 |
| Profit before tax | 223.6 | 562.2 | 215.6 |
| – of which life | 129.1 | 184.6 | 93.9 |
| – of which non-life | 82.4 | 321.6 | 110.3 |
| – of which other | 12.1 | 56.0 | 11.4 |
| Group profit for the period after tax | 172.9 | 423.8 | 162.9 |
| **Balance sheet** in CHF million | | | |
| Investments | 29529.9 | 28927.7 | 27851.9 |
| Reserves for insurance and investment contracts (net) | 26050.5 | 25094.6 | 24679.2 |
| Consolidated equity | 2725.3 | 2738.4 | 2367.8 |
| Equity ratio per annum | 12.7% | 16.2% | 13.4% |

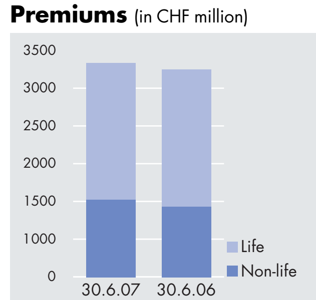
**Shareholders' equity** (in CHF million)



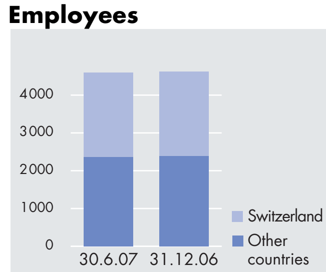

## Key figures

| | 30.6.07 | 31.12.06 | 30.6.06 |
|---|---|---|---|
| **Non-life** in percent | | | |
| Claims ratio (net) | 66.6% | 61.3% | 61.2% |
| Cost ratio (net) | 35.4% | 32.8% | 34.4% |
| Combined ratio (net) | 102.0% | 94.1% | 95.6% |
| **Life** in percent | | | |
| Cost ratio (net) | 10.0% | 10.0% | 9.5% |
| **Investments** in percent | | | |
| Direct yield per annum | 3.3% | 3.1% | 3.3% |
| Investment performance | 1.3% | 3.1% | 0.2% |

**Premiums** (in CHF million)




**Employees**



# Group results

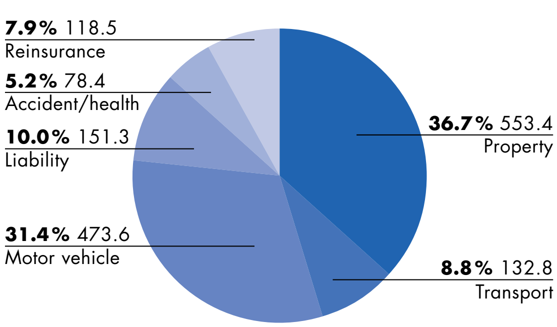
Helvetia Group can look back on a good 1st half, despite the high claims from the winter storm Cyril and following other storms in June of this year. The half-year results posted CHF 172.9 million after tax. This represents an improvement of CHF 10.0 million or 6.1% year on year, which can be traced back to the outstanding results in the life segment that profited from a clear increase in investment performance compared with 1st half 2006. In comparison, the extremely high 2006 profit contribution for non-life business clearly sank due to Cyril. Equity remained stable at CHF 2.73 billion following the allocation of dividends. Non-realised gains / losses were

primarily influenced by losses driven by interest rates on fixed-interest investments that could not be offset by the increase in value in the equity holdings.

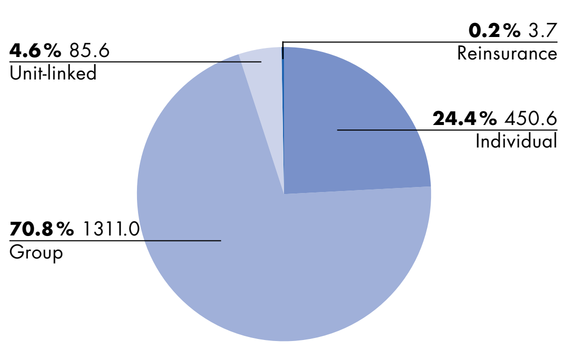
**Gross premiums by business line** in CHF million

| | Gross premiums 30.6.07 | 30.6.06 | Change in % | Change in % (FX-adjusted) |
|---|---|---|---|---|
| Individual insurance | 450.6 | 462.8 | –2.6 | –4.5 |
| Group insurance | 1311.0 | 1273.6 | 2.9 | 2.8 |
| Unit-linked life insurance | 85.6 | 81.4 | 5.2 | 2.6 |
| Reinsurance life | 3.7 | 1.8 | 108.2 | 108.2 |
| Gross premiums life | 1850.9 | 1819.6 | 1.7 | 1.0 |
| Property | 553.4 | 516.6 | 7.1 | 4.2 |
| Transport | 132.8 | 134.3 | –1.1 | –4.4 |
| Motor vehicle | 473.6 | 454.0 | 4.3 | 1.1 |
| Liability | 151.3 | 137.4 | 10.2 | 7.2 |
| Accident/health | 78.4 | 75.0 | 4.5 | 0.1 |
| Reinsurance non-life | 118.5 | 90.5 | 30.9 | 30.9 |
| Gross premiums non-life | 1508.0 | 1407.8 | 7.1 | 4.2 |
| Total gross premiums | 3358.9 | 3227.4 | 4.1 | 2.4 |

**Gross premiums, non-life,** in CHF million




**Gross premiums, life,** in CHF million



The annualised equity ratio after tax amounts to a good 12.7% in 1st half 2007 (2006 13.4%). Helvetia remained practically unaffected by the financial crisis on the US real estate market, since we have fewer than CHF 1 million direct commitments in sub-prime investments.

**Clear upswing in life business**

The **life result** before tax reached CHF 129.1 million and exceeded the previous year's result of CHF 93.9 by CHF 35.2 million or 37.5%. This is primarily due to the clearly improved investment result that was able not only to compensate for the somewhat lower technical results but also allowed a considerably higher allocation of the profit share to the insured compared with 2006.

The pre-tax result of the **non-life segment** amounts to CHF 82.4 million and is down on the previous year by CHF 27.9 million or 25.3% (CHF 110.3 million). The technical results deteriorated both before and after reinsurance.The gross claims ratio rose compared with the previous year by 8.0 percentage points to 68.6%, primarily due to Cyril. The net claims ratio rose by 5.4 percentage points to 66.6%. At 35.4% the net cost ratio was also somewhat higher than the same period in 2006 (+1 percentage point), influenced by the clearly higher reinstatement premium for reinsurance following the storm damage in January. Correspondingly, the combined expense/claims ratio before reinsurance increased by 8.7 percentage points to 102.7%. After reinsurance this rose from 95.6% in 1st half 2006 by 6.4 percentage points to 102.0%.

**Switzerland with highest profit contribution**

All **country markets** – excluding Germany – improved their pre-tax results in 1st half 2007. In absolute terms this is particularly true for *Switzerland,* where over 80% of life premiums are generated. Correspondingly, a large part of the increased profit was accounted for by the life segment. The Swiss non-life segment also improved on its good 2006 results.
Profit increase in *Spain* was considerable and is primarily due to developments in life business which benefited from clearly higher investment returns and a better technical result. The Spanish non-life business repeated its good 2006 results.
Despite an improved technical result in the life segment, the *German result* was clearly lower compared with 1st half 2007 due to extensive storm damage caused by Cyril.
Compared with Germany, the drop in results in *Italy* was minimal. Whilst the Italian non-life result was closely linked to the good 2006 results, this was not the case in life business against the background of reduced premium income.
The improvement in the results of the *other business units* (primarily Austria, France and active reinsurance) is due to the development of Austria's non-life segment and France. Active reinsurance, which was also affected by Cyril, nevertheless posted a good result.

**Growth in non-life segment**

**Overall premiums** rose in 1st half 2007 by 4.1% to CHF 3.36 billion.

This is mainly due to the **non-life segment**, which achieved growth of 7.1%, partially due to exchange rates. The excellent growth in the property business was the main driver for this. The clear increase in liability business can be traced back to Spain, Italy and Switzerland. The motor vehicle business developed sluggishly, particularly due to the sinking margins in Germany and Italy and our cautious underwriting policy.

In comparison, the increase in **life business** remained modest at 1.7%. The key driver for this was the Swiss domestic market in particular (+1.2%). The country markets Italy and Austria posted decreasing premium income for single premiums, which was partly market driven and partly due to risk considerations. Italy also had to contend with a decrease in volume in its fund products. In contrast, Germany and Spain posted outstanding premium income gains of 19.4% and 16.2% respectively.

**Active reinsurance** posted an increase of 30.9% and a satisfactory profit despite diverse storm damage.

# Investment results

The financial markets were optimistic due to the good economic growth that exceeded expectations in some parts of Europe. However, the sustained growth also triggered fears of inflation or at least the expectation of a restrictive rate by the central banks. As a result, interest rose by around 70 base points for the Swiss franc, 60 for the euro and 50 for the dollar. The interplay between solid corporate earnings (positive) and high interest (negative) explains the high fluctuations on the equity markets and the partially lacklustre performance. Compared with other European markets and also with the previous year, the Swiss Exchange in particular is performing modestly. Whilst the Swiss franc continued to weaken against the euro, the US dollar regained the level reached at the beginning of 2007 despite a few fluctuations mid-year.

**Excellent investment result**

The financial result increased by 33.5 % to CHF 632.4 in the previous year, thereby substantially contributing to the Group results. The value of our capital investments also rose in 1st half 2007 from CHF 28.9 billion to CHF 29.5 billion or 2.1 %. The increase in the equity markets and the strength of the euro versus the Swiss franc also had a positive effect on the profit and loss account and equity. The rise in interest on fixed-interest investments had the opposite effect due to decreasing bond prices. Despite this, equity remained stable.

In a larger transaction we placed our private equity portfolio on the secondary market and reaped the rewards of the good market conditions in this segment. The funds were largely reinvested in shares. Otherwise our investment policy remained unchanged.

**Investment income** in CHF million

| | 30.6.07 | 30.6.06 |
|---|---|---|
| Interest and dividend income | 396.9 | 362.6 |
| Gains and losses on investments (net) | 173.9 | 47.4 |
| Income on investment property | 108.3 | 99.8 |
| Share of profit or loss of associates | 1.1 | 1.1 |
| Investment income (gross) | 680.2 | 510.9 |
| | | |
| Investment management expenses on financial assets | –8.8 | –4.4 |
| Investment management expenses on property | –39.0 | –32.8 |
| | | |
| Investment income (net) | 632.4 | 473.7 |

**Interest and dividend income** in CHF million

| | 30.6.07 | 30.6.06 |
|---|---|---|
| Interest on bonds | 241.9 | 221.4 |
| Interest on loans | 89.0 | 87.7 |
| Interest on money market instruments | 15.9 | 8.8 |
| Interest income | 346.8 | 317.9 |
| | | |
| Dividends from shares, investment funds and alternative investments | 49.1 | 44.0 |
| Income from securities lending | 1.0 | 0.7 |
| | | |
| Interest and dividend income | 396.9 | 362.6 |

The larger part of the funds earned from the insurance business was invested in long-term bonds, thereby further closing the term gap between assets and liabilities. As in the past, Helvetia concentrated on investments with high creditworthiness, which explains why we were scarcely affected by the US real estate crisis. In the short term, we benefited from the demand for high-quality bonds. The development in 2nd half 2007 cannot currently be reliably estimated due to the sustained high volatility of the equity markets and foreign exchange.

**Gains and losses on investments** (net) in CHF million

| | 30.6.07 | 30.6.06 |
|---|---|---|
| Bonds | 53.3 | –7.2 |
| Shares | 91.6 | 64.7 |
| Investment funds | 38.5 | –21.9 |
| Alternative investments | 37.3 | 26.3 |
| Derivative financial instruments | –47.6 | –13.6 |
| Mortgages | 0.0 | 0.1 |
| Loans | 0.0 | –0.2 |
| Money market instruments | – | –0.4 |
| Other | 1.4 | 0.6 |
| | | |
| Impairment of financial assets of the period | –1.1 | –1.8 |
| Reversal of impairment losses on financial assets of the period | 0.5 | 0.8 |
| | | |
| Gains and losses on investments (net) | 173.9 | 47.4 |

# Business units

## Country market Switzerland

The Swiss domestic market is enjoying a sustained healthy economic situation based on a strong export economy, active internal investment activity and an optimistic consumer mood. Experts anticipate a growth in the gross domestic product of 2.3 % and a further decrease in the unemployment rate.

### Strong insurance market

The Swiss insurance industry appears well capitalised and very strong. The level of competitive pressure has increased, particularly in view of the growth offensives of numerous companies, resulting in high volumes of offers and increased pressure on premiums. In occupational benefits insurance, regulatory framework conditions dominate the political agenda, such as the reduction in the pension conversion rate.

### Profitable life business

In Switzerland **total premium income** rose by 1.4 % to CHF 1960.1 million.

Growth in the **life sector** was restrained at 1.2 %. **In group life business,** our multi-channel distribution strategy paid off. All the distribution channels increased their periodic premiums despite the competitive environment. As well as increased rates of completion among our sales force, we were able to further strengthen the broker channel and distribution network via external partners. In the overall group life business, the growth of 5.4 % in periodic premiums compares with a decline of 3.0 % in single premiums, which we attribute to the difficulty in planning the investment of vested benefits and the intensive competition for new clients.

The **individual life market** continues to be hampered by difficult framework conditions. The sustained low level of interest is reflected in decreasing market volume. Whilst we saw above-market growth in the previous year in Switzerland, we were unable to avoid the negative trend in 1st half 2007. Compared with 2006, Helvetia had to accept a decline of 1.2 % to CHF 198.6 million in periodic individual life premiums and 8.2 % to CHF 85.6 million in single premiums. In the distribution channel mix the growth in the broker channel had a particular impact.
Numerous measures are planned for 2nd half 2007, in order to realise growth targets. For example, we are pushing unit-linked policies for periodic premiums in particular. For single-premium insurance there is an increase in the guaranteed return on selected products and a further issue of the «Swiss Trend» product. The tranches of this product issued in the past were heavily oversubscribed so we can once again count on success.

In line with our strictly income-oriented underwriting policy, profitability in the disability results in particular, but also in group and individual life business, has improved sharply.

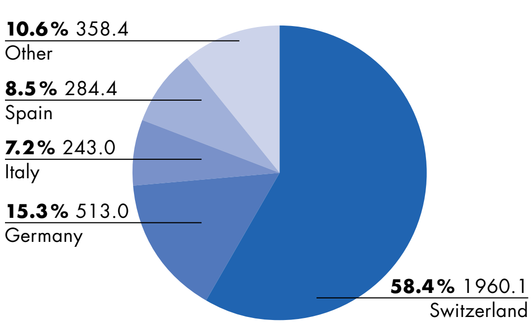
### Non-life growth

In the **non-life segment** intense competition dominated the market in all three business areas: private clients, motor vehicles and corporate clients. Thanks to growth of 2.3 % to CHF 417.9 million year on year, we were able to further expand our market position. Growth in property insurance was also satisfactory. This result is due to the successful efforts in optimising products and processes and the excellent distribution performance of our

**Gross premiums by geographical and business segment** in CHF million

| | Gross premiums | | Elimination | | Total consolidated | | Change in % | Change in % (FX-adjusted) |
|---|---|---|---|---|---|---|---|---|
| | 30.6.07 | 30.6.06 | 30.6.07 | 30.6.06 | 30.6.07 | 30.6.06 | | |
| Switzerland – non-life | 417.9 | 408.3 | – | – | 417.9 | 408.3 | 2.3 | 2.3 |
| Switzerland – life | 1542.2 | 1524.6 | – | – | 1542.2 | 1524.6 | 1.2 | 1.2 |
| Total Switzerland | 1960.1 | 1932.9 | – | – | 1960.1 | 1932.9 | 1.4 | 1.4 |
| Germany – non-life | 398.3 | 371.4 | – | – | 398.3 | 371.4 | 7.2 | 2.7 |
| Germany – life | 114.7 | 96.1 | – | – | 114.7 | 96.1 | 19.4 | 14.3 |
| Total Germany | 513.0 | 467.5 | – | – | 513.0 | 467.5 | 9.7 | 5.1 |
| Italy – non-life | 187.0 | 176.0 | – | – | 187.0 | 176.0 | 6.3 | 1.8 |
| Italy – life | 56.0 | 71.2 | – | – | 56.0 | 71.2 | –21.3 | –24.7 |
| Total Italy | 243.0 | 247.2 | – | – | 243.0 | 247.2 | –1.7 | –5.9 |
| Spain – non-life | 222.9 | 205.5 | – | – | 222.9 | 205.5 | 8.5 | 3.9 |
| Spain – life | 61.5 | 52.9 | – | – | 61.5 | 52.9 | 16.2 | 11.3 |
| Total Spain | 284.4 | 258.4 | – | – | 284.4 | 258.4 | 10.1 | 5.4 |
| Other – non-life: | | | | | | | | |
| Other countries | 163.4 | 156.1 | – | – | 163.4 | 156.1 | 4.7 | 0.2 |
| Reinsurance | 234.9 | 200.1 | –116.4 | –109.6 | 118.5 | 90.5 | 30.9 | 30.9 |
| Other – life: | | | | | | | | |
| Other countries | 72.8 | 73.0 | – | – | 72.8 | 73.0 | –0.4 | –4.6 |
| Reinsurance | 14.6 | 11.3 | –10.9 | –9.5 | 3.7 | 1.8 | 108.2 | 108.2 |
| Total other | 485.7 | 440.5 | –127.3 | –119.1 | 358.4 | 321.4 | 11.5 | 8.4 |
| Total gross premiums | 3486.2 | 3346.5 | –127.3 | –119.1 | 3358.9 | 3227.4 | 4.1 | 2.4 |

**Gross premium income** in CHF million




sales force in the private clients and commercial segments. In 1st half 2007, claims experience was hit by three major claims that could, however, be mediated thanks to cautious reinsurance agreements. The higher distribution costs due to growth led to an increase in the expense ratio. The strict cost management already in place means we are still able to optimise our cost structure.

**Start of strategy 2010: «Top in growth, profitability and client loyalty»**

1st half 2007 saw the launch of the new strategy 2010 («Go for Growth»). Based on the core competences in the areas of insurance and pension provision, ten strategic initiatives were started that reflect our growth ambitions. The market-oriented projects on which they are based are on track and regularly checked. The focus is the further development of a unique distribution network with our own sales force, brokers, bank partners and an increase in access to clients. Our products are being simplified, our business processes further optimised and current e-business solutions further developed.

## Country market Germany

The market environment in the German insurance industry continues to be plagued by a cutthroat price war. **The total premium income** for our German companies is 5.1% up year on year with CHF 513.0 million, thus bucking the market trend.

### Strong property insurance

In 1st half 2007, CHF 398.3 million was received for premiums in **non-life business.** This marks a positive development in all business lines – apart from the motor vehicle business. The premium increase is clearly in private and commercial property insurance. With a premium decrease of only 2.5%, we are still within the market average in the motor vehicle business, where our participation in competitive pricing is restricted due to income considerations.

The claims result was influenced by the winter storm Cyril in January 2007, which hit the German insurance industry with a loss amount of around CHF 3.9 billion. The net loss ratio rose in 1st half 2007 around 15 percentage points to 69.7%. Adjusted for Cyril, the loss ratio would be just under the excellent 2006 result.

### Strong life segment continues

**Life business** continued its above-average development. With CHF 114.7 million, or growth of 14.3%, premium income considerably outperformed the market, which posted a decline of 0.9% in Q1. The increase was largely due to the unit-linked product family that was launched in the last few years and was well received by the market.

### Prospects intact

At year end we anticipate growth above our target of 10% in the life segment. All indicators point to premium growth of between 2% and 3% in non-life business by year end, whilst the German Insurance Association anticipates a slight decline for the sector.

## Country market Italy

Despite the positive trend in the Italian economy, the insurance industry developed slowly. Since premium volume is currently shrinking due to inflation, competitive pressure increased in the non-life area, in particular in motor vehicle insurance.

The Italian life insurance market stagnated due to a reform in the pensions system. The choice of investment regarding accumulated pension funds must now be taken on by the employees. Due to this, all insurers concentrated on promoting open pension funds, thereby eclipsing other product initiatives. This restructuring led to a decrease in income in the sector of 2.9% in 1st half 2007.

### Difficult market conditions

**Overall premiums** declined in 1st half 2007 by 5.9% to CHF 243.0 million.

**In non-life business** – apart from the motor vehicle business – the growth trend is again well above the trend for the sector with 8.2%. Overall we were able to increase premium income in this line of business by 1.8 %, whereby income from motor vehicle insurance declined by 2.7 %. The trend for new business remains positive in all non-life sectors – apart from the motor vehicle business, which is suffering under ever-increasing competition. Claims handling has been hard hit by the introduction of the new system of claims settlement in motor vehicle insurance, since the flat-rate compensation system is still volatile. For this reason, we have been very conservative in calculating reserves for motor vehicle claims. Total claims handling has improved compared with the previous year, although the trend with major claims in non-life business recorded an increase. Whilst distribution costs increased by 0.2 %, administrative costs rose by 1.8 % due to the concluding work on the standardisation of the «Helvetia» brand and extraordinary expenses for a new building.

Following an excellent 2006, revenue in the **life insurance business** declined by 24.7 % due to an exceptionally sharp decrease in single premiums. Contract conclusions declined by CHF 1.9 million. The increase in interest for government bonds also reduced the attractiveness of the returns on our own funds. This resulted in a reduction in new contracts and an increase in policy surrenders. The costs in the life sector principally remained the same as in 2006, but had a considerable effect in view of the smaller premium volume.

### Active implementation of strategy

The implementation of the new strategy is on track. During the period under review, we have opened five new agencies and launched two new products on the market. A new index-linked policy «HiEuroCina» is being launched in September.

Despite difficult market conditions we are convinced that we will achieve an attractive result even in the current year, thanks to our consistent cost management and a cautious underwriting policy.

## Country market Spain

Growth in the Spanish insurance market continued to develop satisfactorily. Premium income in non-life business is at the previous year's level and in the life area we sense an increase in premium volume now that the fiscal framework requirements have stabilised following the entry into force of the new tax legislation at the beginning of the year.

### Strong growth in life business

In our Spanish subsidiary, net production and the policy portfolio increased year on year in both the non-life and the life business. **Total premium volume** rose 5.4 % from CHF 258.4 million to CHF 284.4 million mid-year.

**Non-life business** saw balanced development overall with 3.9 % in 1st half 2007, although there were differences between the various lines of business. This was due to the price pressure and the profitability requirements we place on our business. Premium growth was hampered by the development of multi-risk household insurance and corporate insurance. Despite a restrictive underwriting policy, third-party liability business is satisfactory. Transport insurance is following a positive market trend, and accident and health insurance policies developed satisfactorily in 1st half 2007. The loss ratio was only slightly above that of the previous year, but still remained within our expectations and at a good level. Claims settlement was also positive for 1st half 2007.

In **life business** we achieved double-digit growth with 11.3 %. Risk insurance and endowment insurance were the drivers for this positive development. We once again posted high premium income for family endowment insurance, and our unit-linked products also achieved an attractive result in 1st half 2007.

**Strategy implementation off to a good start**

Overall, the strategic plan 2007 – 2010 started extremely well for Helvetia in Spain and followed the strategic measures schedule. Our efforts will concentrate on implementing the actions planned in the strategy. For example, we launched a new product in the risk insurance area in 1st half 2007. In addition, we affiliated ourselves with a self-regulatory initiative from the Spanish Employers' Association (UNESPA), which aims at improving the quality of service, which in turn will benefit our clients.

The operating result for the first six months of the current year is extremely satisfactory. This should allow us to achieve our ambitious targets again this year.

## Country market Austria

The Austrian insurance industry is currently experiencing a slight slowdown in growth dynamics. Sector growth of 4% in the life segment in Q1 2007 was clearly under the previous year's level of 6.4%. While unit-linked products and the state-backed supplementary pensions insurance gave rise to strong growth, traditional life insurance, in particular single-premium insurance, gradually lost market share. Following growth of 2.9% in non-life business in the previous year, the current year will see a premium growth of 2.7% according to current market forecasts. The benefits side of the non-life segment was affected, on the one hand, by the winter storm Cyril and, on the other hand, by a very mild winter.

**Innovative life insurance**

Our Austrian company suffered a reduction in **total premium income** of 0.9% to CHF 184.1 million in 1st half of the current year.

The **non-life business** developed satisfactorily and premium volume increased by 2.0% to CHF 111.3 million. In the motor vehicle business in particular, growth far exceeding the market was achieved in 1st half 2007. This development is positive insofar as the more profitable private clients and motor vehicle business lines were actively promoted. However, the corporate client area declined slightly compared with the previous year.

The development in **life insurance** was marked by the non-appearance of the unit-linked product range. Premium income declined 4.6%. For policies with ongoing premium payments, a decline of 2.2% must be expected. The new innovative index-linked insurance product «CLEVESTO» was launched on the Austrian market at the beginning of 2nd half 2007. With this very flexible and innovative product (compared with the market) we anticipate a trend upturn in premium growth in life business.

**Intact future forecast**

Until the end of the year we anticipate a slight decline in premium income in life business. Although the new contract conclusions for the unit-linked product launched in June are very promising, the decline in premiums will probably not have been balanced out by year end. Both the technical developments in the non-life segment and the financial results continue to show the anticipated progression.

## Country market France

The insurance market in the non-life sector and the market for transportation insurance, in which we are involved in France, have been stagnant for some time.
Although the transportation of goods has increased, the low dollar price and in particular the intense competition in pricing in the market have contributed to the decline in premium income.

### High profit contribution

The profit contribution for our French transport insurance company reached a record high in 1st half 2007, even though premium income declined by 3.4% in the reporting period. New production remained stable in 1st half and achieved the same satisfactory result year on year. Claims handling was at a very good level, and larger claims were not recorded. In addition, the level of the reserves underlines this positive result. Compensation for insurance brokers has hardly changed. Costs remain the same, although expenses and fees have been influenced by some external contracts in connection with ongoing projects.

### Innovative strategy

Our strategy rests on three pillars: Developing new products for the transport sector, expanding distribution channels and sales support for the brokers and rationalising the internal organisation. In 1st half 2007 we were able to realise various measures that are geared toward these three pillars. For example, we introduced a new water transport insurance, the relationships with brokers were expanded and the work procedures were examined with regard to rationalisation, efficiency and effectiveness. As well as collaboration on group projects, we effectively introduced the single brand «Helvetia». Our sales team is being strengthened and the competences of our employees are being increased on an ongoing basis.

Our French business unit will once again make a positive contribution to the group result if business continues in the same way in 2nd half 2007. This is a good background for further cost-effective growth and outstanding positioning as a transport insurance specialist in France.

## Active reinsurance

The good results in the insurance and reinsurance industry in the previous year led to a strengthened competitive position in some markets in 1st half 2007. As a result of this development, an easing of market conditions was observed in certain segments. Despite this, it became clear in this year's renewals round that Helvetia's active reinsurance is strongly positioned as a niche provider. Despite departure from North America, premium volume could be satisfactorily expanded with business at a good tariff compared with 2006. In the 2007 semi-annual results, this development, combined with foreign exchange influences and follow-up premiums, led to premium growth of over 30% year on year.

### Excellent half-year results

Active reinsurance is posting a very good result for 1st half 2007 despite the winter storm Cyril, although it is not quite as high as the previous year of very low claims. The requirements for the annualised equity ratio were nevertheless exceeded. The strictly profit-oriented underwriting policy, together with an excellently diversified portfolio, was and is the basis for achieving regular, substantial profit contributions for the Group.

### Well on track

Assuming normal claims development, active reinsurance will achieve its targets for 2007 even in this environment and once again contribute an impressive contribution to Helvetia's business result, thanks to its combined expense/claims ratio of under 100%.

# Share

The most important international financial markets were particularly volatile in 1st half 2007. Thanks to a positive economy and rising corporate profits, most equity markets recorded price gains in the first four months of the current year. In the months May to August these were partially negated due to global political and economic uncertainty, increased crude oil prices, rising interest rates and the US credit crisis.

Whilst both the Swiss Market Index (+1.9 %) and the leading American Dow Jones Industrial Index (+7.2 %) developed satisfactorily in the first eight months, the Japanese Nikkei Index suffered a slight decrease (– 3.8 %).

**Helvetia registered shares also subject to price fluctuations**

Despite the volatility of the markets, Helvetia's registered shares developed satisfactorily in 1st half 2007 and with a price rise of 17.1 % they are one of the better traded securities on the Swiss Exchange. The Helvetia registered shares also held up well in comparison with other insurance securities, since the SPI Insurance Index rose only 11.5 % in the same period.

**Conditional capital increase approved**

In the spring, the AGM voted overwhelmingly in favour of the amendments to the Articles of Association. In so doing they approved the creation of up to 15 % conditional capital in particular. This increase in capital will support the growth targets determined by the 2007–2010 strategy, and further increase the Group's financial and strategic flexibility.


**Stable shareholder base**

Helvetia has been able to count on a stable shareholder base for many years. This has hardly changed in 1st half 2007.

As at 31 August 2007, a total of 5 340 shareholders were entered in the share register.

The shareholder groups are currently structured as follows:

| | |
|---|---|
| Private persons | 10.74 % |
| Banks and insurance companies | 29.41 % |
| Other institutional investors | 59.79 % |
| Public sector | 0.06 % |

92.4 % of investors come from Switzerland, whilst 7.6 % are resident abroad.

We will continue to place great importance on looking after our shareholders and investors. Provided the equity market remains favourable, we are certain that our shares will continue to show further potential for gain based on the ongoing growth of our Group.

# Consolidated income statement (unaudited)

## Income in CHF million

| | 30.6.07 | 30.6.06 |
|---|---|---|
| Gross premiums written | 3358.9 | 3227.4 |
| Reinsurance premiums ceded | –177.9 | –157.3 |
| Net premiums written | 3181.0 | 3070.1 |
| Net change in unearned premium reserve | –635.9 | –605.4 |
| Net earned premiums | 2545.1 | 2464.7 |
| Interest and dividend income | 396.9 | 362.6 |
| Gains and losses on investments (net) | 173.9 | 47.4 |
| Income on investment property | 108.3 | 99.8 |
| Other income | 48.1 | 57.7 |
| Total operating income | 3272.3 | 3032.2 |

## Expenses in CHF million

| | 30.6.07 | 30.6.06 |
|---|---|---|
| Claims incurred including claims handling costs (non-life) | –857.4 | –706.5 |
| Claims and benefits paid (life) | –1302.8 | –1258.7 |
| Change in actuarial reserve | –214.4 | –237.9 |
| Policyholder dividends and bonuses | –115.3 | –58.0 |
| Reinsurers´ share of benefits and claims | 119.5 | 75.1 |
| Net insurance benefits and claims | –2370.4 | –2186.0 |
| Acquisition costs | –361.5 | –326.6 |
| Operating and administrative expenses | –283.5 | –255.0 |
| Interest payable | –21.6 | –22.0 |
| Other expenses | –9.7 | –25.1 |
| Total operating expenses | –3046.7 | –2814.7 |
| | | |
| Profit or loss from operating activities | 225.6 | 217.5 |
| | | |
| Finance costs | –3.1 | –3.0 |
| Share of profit or loss of associates | 1.1 | 1.1 |
| Profit or loss before tax | 223.6 | 215.6 |
| Income taxes | –50.7 | –52.7 |
| | | |
| Profit or loss for the period | 172.9 | 162.9 |
| | | |
| attributable to: | | |
| Shareholders of Helvetia Holding AG[1] | 172.5 | 162.6 |
| Minority interests | 0.4 | 0.3 |
| | | |
| Earnings per share | | |
| Basic earnings per share in CHF | 20.1 | 19.0 |
| Diluted earnings per share in CHF | 20.1 | 19.0 |

[1] Details on this item can be found under «Consolidated statement of equity».

# Consolidated balance sheet (unaudited)

## Assets in CHF million

| | 30.6.07 | 31.12.06 |
|---|---|---|
| Property and equipment | 544.9 | 526.2 |
| Goodwill and other intangible assets | 66.0 | 68.6 |
| Investments in associates | 46.7 | 46.2 |
| Investment property | 3871.2 | 3890.0 |
| Financial assets | 25612.0 | 24991.5 |
| Receivables from insurance business | 711.1 | 638.1 |
| Deferred acquisition costs (life) | 220.0 | 219.8 |
| Reinsurance assets | 871.9 | 782.4 |
| Deferred tax assets | 57.6 | 49.6 |
| Current income tax assets | 8.4 | 1.5 |
| Other assets | 152.2 | 151.7 |
| Accrued investment income | 298.7 | 323.3 |
| Cash and cash equivalents | 147.2 | 121.2 |
| Total assets | 32607.9 | 31810.1 |

## Liabilities and equit in CHF million

| | 30.6.07 | 31.12.06 |
|---|---|---|
| Share capital | 86.5 | 86.5 |
| Capital reserves | 636.1 | 636.1 |
| Treasury shares | –17.1 | –17.1 |
| Unrealised gains and losses (net) | 90.8 | 127.9 |
| Foreign currency translation differences | 44.6 | 15.6 |
| Retained earnings | 1263.9 | 1277.2 |
| Valuation reserves for contracts with participation features | 617.4 | 608.8 |
| Equity of Helvetia Holding AG shareholders | 2722.2 | 2735.0 |
| Minority interests | 3.1 | 3.4 |
| Total equity | 2725.3 | 2738.4 |
| | | |
| Actuarial reserve (gross) | 21348.3 | 21019.0 |
| Provision for future policyholder participation | 679.9 | 742.2 |
| Loss reserves (gross) | 3031.7 | 2886.1 |
| Unearned premium reserve (gross) | 1563.0 | 890.5 |
| Financial liabilities from financing activities | 199.2 | 199.1 |
| Financial liabilities from insurance business | 1386.8 | 1489.5 |
| Other financial liabilities | 20.2 | 37.2 |
| Liabilities from insurance business | 523.0 | 703.5 |
| Non-actuarial provisions | 51.1 | 64.1 |
| Employee benefit obligations | 282.3 | 272.1 |
| Deferred tax liabilities | 444.1 | 465.7 |
| Current income tax liabilities | 110.0 | 115.9 |
| Other liabilities and accruals | 243.0 | 186.8 |
| Total liabilities | 29882.6 | 29071.7 |
| | | |
| Total liabilities and equity | 32607.9 | 31810.1 |

# Consolidated statement of equity (unaudited)

| in CHF million | Equity attributable to shareholders of Helvetia Holding AG<br>Share capital | Capital reserves | Treasury shares | Unrealised gains and losses (net) |
|---|---|---|---|---|
| Balance as of 01.1.06 | 86.5 | 628.1 | –24.4 | 182.3 |
| Fair value revaluation of investments | – | – | – | –266.8 |
| Change in liabilities for contracts with participation features | – | – | – | 153.1 |
| Foreign currency translation differences | – | – | – | – |
| Deferred taxes | – | – | – | 27.8 |
| Gains/losses recognised directly in equity (net) | – | – | – | –85.9 |
| Profit for the year | – | – | – | – |
| Total recognised income | – | – | – | –85.9 |
| | | | | |
| Transfer from/to retained earnings | – | – | – | 0.4 |
| Change in minority interests | – | – | – | – |
| Treasury share transactions | – | 2.3 | 7.3 | – |
| Employee share purchase plan | – | 0.7 | – | – |
| Dividends | – | – | – | – |
| | | | | |
| Balance as of 30.6.06 | 86.5 | 631.1 | –17.1 | 96.8 |
| | | | | |
| Balance as of 01.1.07 | 86.5 | 636.1 | –17.1 | 127.9 |
| Fair value revaluation of investments | – | – | – | –161.9 |
| Change in liabilities for contracts with participation features | – | – | – | 106.3 |
| Foreign currency translation differences | – | – | – | – |
| Deferred taxes | – | – | – | 18.5 |
| Gains/losses recognised directly in equity (net) | – | – | – | –37.1 |
| Profit for the year | – | – | – | – |
| Total recognised income | – | – | – | –37.1 |
| | | | | |
| Transfer from/to retained earnings | – | – | – | – |
| Change in minority interests | – | – | – | – |
| Treasury share transactions | – | –0.7 | – | – |
| Employee share purchase plan | – | 0.7 | – | – |
| Dividends | – | – | – | – |
| Shareholders' contribution | – | 9.0 | – | – |
| Allocation of shareholders' contribution | – | –9.0 | – | – |
| | | | | |
| Balance as of 30.6.07 | 86.5 | 636.1 | –17.1 | 90.8 |

| Foreign currency translation differences | Retained earnings | Valuation reserves for contracts with participation features | Total before minority interests | Minority interests | Total equity |
|---|---|---|---|---|---|
| | | | | | |
| 0.1 | 1016.5 | 588.6 | 2477.7 | 3.1 | 2480.8 |
| – | – | –165.5 | –432.3 | –0.2 | –432.5 |
| – | – | – | 153.1 | – | 153.1 |
| 2.5 | – | – | 2.5 | 0.0 | 2.5 |
| – | – | 40.4 | 68.2 | 0.1 | 68.3 |
| 2.5 | – | –125.1 | –208.5 | –0.1 | –208.6 |
| – | 142.6 | 20.0 | 162.6 | 0.3 | 162.9 |
| 2.5 | 142.6 | –105.1 | –45.9 | 0.2 | –45.7 |
| – | –0.5 | 0.1 | 0.0 | – | 0.0 |
| – | – | – | – | – | – |
| – | – | – | 9.6 | – | 9.6 |
| – | – | – | 0.7 | – | 0.7 |
| – | –77.2 | – | –77.2 | –0.4 | –77.6 |
| | | | | | |
| 2.6 | 1081.4 | 483.6 | 2364.9 | 2.9 | 2367.8 |
| | | | | | |
| 15.6 | 1277.2 | 608.8 | 2735.0 | 3.4 | 2738.4 |
| – | – | –83.7 | –245.6 | –0.2 | –245.8 |
| – | – | – | 106.3 | – | 106.3 |
| 29.0 | – | – | 29.0 | 0.1 | 29.1 |
| – | – | 22.1 | 40.6 | 0.1 | 40.7 |
| 29.0 | 0.0 | –61.6 | –69.7 | 0.0 | –69.7 |
| – | 102.2 | 70.3 | 172.5 | 0.4 | 172.9 |
| 29.0 | 102.2 | 8.7 | 102.8 | 0.4 | 103.2 |
| – | 0.1 | –0.1 | 0.0 | – | 0.0 |
| – | – | – | – | – | – |
| – | – | – | –0.7 | – | –0.7 |
| – | – | – | 0.7 | – | 0.7 |
| – | –115.6 | – | –115.6 | –0.7 | –116.3 |
| – | – | – | 9.0 | – | 9.0 |
| – | – | – | –9.0 | – | –9.0 |
| | | | | | |
| 44.6 | 1263.9 | 617.4 | 2722.2 | 3.1 | 2725.3 |

# Consolidated cash flow statement (unaudited)

| **Cash flow from operating activities** in CHF million | 30.6.07 | 30.6.06 |
|---|---|---|
| Profit before tax | 223.6 | 215.6 |
| Reclassifications to investing and financing activities (affecting cash): | | |
| Realised gains and losses on property, equipment and intangible assets | 2.9 | –0.1 |
| Realised gains and losses on sale of associates | – | – |
| Dividends from associates | –0.6 | –0.6 |
| | | |
| Adjustments: | | |
| Depreciation/amortisation of property, equipment and intangible assets | 17.3 | 14.1 |
| Realised gains and losses on financial assets and investment property | –13.9 | –15.4 |
| Unrealised gains and losses on investments in associates | –0.4 | –0.3 |
| Unrealised gains and losses on investment property | 19.6 | 15.8 |
| Unrealised gains and losses on financial assets | –80.3 | 51.9 |
| Share-based payments for employees | 0.7 | 0.8 |
| Foreign currency gains and losses | –65.3 | –13.6 |
| Other income and expenses not affecting cash | 74.9 | –43.3 |
| | | |
| Change in operating assets and liabilities: | | |
| Deferred acquisition costs (life) | 0.3 | 3.4 |
| Reinsurance assets | –83.4 | –6.1 |
| Actuarial reserve | 214.4 | 237.9 |
| Provisions for future policyholder participation | 40.8 | 15.5 |
| Loss reserves | 103.0 | 19.1 |
| Unearned premium reserve | 655.5 | 617.8 |
| Financial liabilities from insurance business | –187.2 | –138.9 |
| Changes in other operating assets and liabilities | –177.9 | –306.6 |
| Purchase of investment property | –12.2 | –69.9 |
| Sale of investment property | 29.4 | 5.6 |
| Purchase of bonds | –2399.5 | –3468.8 |
| Repayment/sale of bonds | 1499.9 | 2848.0 |
| Purchase of shares, investment funds and alternative investments | –873.5 | –654.6 |
| Sale of shares, investment funds and alternative investments | 904.3 | 744.4 |
| Purchase of derivatives | –65.3 | –79.8 |
| Sale of derivatives | 2.4 | – |
| Origination of mortgages and loans | –181.9 | –183.3 |
| Repayment of mortages and loans | 202.3 | 153.6 |
| Purchase of money market instruments | –10413.4 | –25587.2 |
| Repayment of money market instruments | 10787.5 | 25769.0 |
| Cash flow from operating activities (gross) | 224.0 | 144.0 |
| Income taxes paid | –55.3 | –51.4 |
| | | |
| Cash flow from operating activities (net) | 168.7 | 92.6 |

| **Cash flow from investing activities** in CHF million | 30.6.07 | 30.6.06 |
|---|---|---|
| Purchase of property and equipment | –45.8 | –25.1 |
| Sale of property and equipment | 20.5 | 0.3 |
| Purchase of intangible assets | –3.7 | –2.5 |
| Sale of intangible assets | 0.0 | – |
| Purchase of investments in asscociates | – | – |
| Sale of investments in associates | – | – |
| Purchase of investments in subsidiaries, net of cash and cash equivalents | 0.0 | – |
| Sale of investments in subsidiaries, net of cash and cash equivalents | – | – |
| Dividends from associates | 0.6 | 0.6 |
| Cash flow from investing activities (net) | –28.4 | –26.7 |
| | | |
| **Cash flow from financing activities** in CHF million | | |
| Increase of share capital | – | – |
| Decrease of share capital | – | – |
| Sale of treasury shares | – | 9.6 |
| Purchase of treasury shares | –0.7 | – |
| Shareholders' contribution | 9.0 | – |
| Allocation of shareholders' contribution | –9.0 | – |
| Issuance of debt instruments | – | – |
| Repayment of debt | – | – |
| Dividends paid | –116.3 | –77.6 |
| Cash flow from financing activities (net) | –117.0 | –68.0 |
| | | |
| Effect of exchange rate differences on cash and cash equivalents | 2.7 | 0.6 |
| | | |
| Total change in cash and cash equivalents | 26.0 | –1.5 |
| | | |
| **Cash and cash equivalents** in CHF million | | |
| Cash and cash equivalents as of 1 January | 121.2 | 172.4 |
| Change in cash and cash equivalents | 26.0 | –1.5 |
| Cash and cash equivalents as of 30 June | 147.2 | 170.9 |

# Condensed notes (unaudited)

**1. General information**

In the resolution of 31.8.2007, the Board of Directors approved the consolidated half-year financial statements and released them for publication.

**2. Summary of significant accounting policies**

The consolidated half-year financial statements were prepared in accordance with the International Accounting Standard (IAS) 34, Interim financial reporting. The accounting principles used in preparing the closing correspond to the principles of the consolidated financial statements 2006, with the exception of the changes listed below. The half-year financial statements must therefore be read in conjunction with the financial statements 2006.

**3. Changes in accounting policies**

The following published sector-relevant standards (IAS/IFRS), interpretations (IFRIC) and amendments to the standards were applied by the Group as of 1 January 2007.

- IFRS 7 – Financial instruments: disclosures
- Amendments to IAS1 – Capital disclosures
- IFRIC 8 – Scope of IFRS 2
- IFRIC 9 – Reassessment of embedded derivatives
- IFRIC 10 – Interim financial reporting and impairment

Adoption of the standards did not lead to any significant adjustments to accounting policies. The changes are explained below:

*IFRS 7 – Financial instruments: disclosures*
The principles of this IFRS complement the principles for recognising, measuring and presenting financial assets and financial liabilities in IAS 32 (financial instruments: presentation) and IAS 39 (financial instruments: recognition and measurement). IFRS 7 requires information on the significance of financial instruments for the financial position of companies and the reporting of risks arising from financial instruments. The regulations in IFRS 7 primarily relate to disclosure and therefore have no financial implications for Helvetia Group.

*Amendment to IAS 1 – Capital disclosures*
This amendment provides for additional information regarding equity in the annual report. The amendment relates exclusively to disclosure and therefore has no financial implications for Helvetia Group.

*IFRIC 8 – Scope of IFRS 2*
This interpretation concerns whether IFRS 2 is to be used for transactions in which the entity cannot identify specifically some or all of the goods or services received. Helvetia Group does not have any transactions that would be affected by this interpretation.

*IFRIC 9 – Reassessment of embedded derivatives*
This interpretation establishes that the question of whether embedded derivatives are recorded and measured separately from the host contract may only be re-evaluated if an amendment to the conditions of the contract has a significant influence on the related capital flows. The application of this interpretation has no influence on the previous evaluation practices of Helvetia Group.

*IFRIC 10 – Interim financial reporting and impairment*
This interpretation concerns the discrepancy between the regulations of IAS 34 Interim financial reporting and the regulations regarding the reporting of impairment in relation to goodwill (IAS 36, Impairment of assets) and in relation to specific financial assets (IAS 39). IFRIC 10 determines that impairment losses that were recorded in the interim financial statements for goodwill and certain financial assets must not be reversed in subsequent interim or annual financial statements. In previous periods Helvetia Group already dealt with impairment losses in accordance with this interpretation. Therefore, there were no implications for the Group through its implementation.

Due to the effective dates on which they enter into force, the following published sector-relevant standards and interpretations were not applied to the consolidated half-year financial statements:

| | **Effective date:** to be applied for annual periods beginning after: |
|---|---|
| IFRS 8 – Operating segments | 1.1.2009 |
| Amendment to IAS 23 – Borrowing costs | 1.1.2009 |
| IFRIC 11 – Group and treasury share transactions in accordance with IFRS 2 | 1.3.2007 |
| IFRIC 12 – Service concession arrangements | 1.1.2008 |
| IFRIC 13 – Customer loyalty programmes | 1.7.2008 |
| IFRIC 14 – The limit on a defined benefit asset, minimum funding requirements and their interaction | 1.1.2008 |

Helvetia Group does not expect the first-time application of IFRS 8 to have a significant impact on the consolidated financial statements, as it will primarily affect the type and extent of disclosure. The interpretations and new amendments to the existing standards that were published are also not expected to have material repercussions on Helvetia Group.

### 4. Scope of consolidation

In the interim reporting period, Helvetia Group did not make any acquisitions.

In the reporting period, the share capital of Helvetia Vermögens- und Grundstücksverwaltung GmbH & Co. KG, Frankfurt am Main, was increased by EUR 3.4 million.

In the half-year period, the investment in Helvetia Compañía Suiza, Seville, was increased from 98.91 % to 98.95 % through successive share purchases.

## 5. Segment information

**Segment information by geographical segment** in CHF million

| | Switzerland | | Germany | |
|---|---|---|---|---|
| | 30.6.07 | 30.6.06 | 30.6.07 | 30.6.06 |
| Operating income | 1900.1 | 1772.2 | 451.6 | 433.1 |
| Operating expenses | −1764.0 | −1666.6 | −461.7 | −389.2 |
| Finance costs | −3.1 | −3.0 | – | – |
| Share of profit or loss of associates | 0.6 | 0.6 | – | – |
| Profit or loss before tax | 133.6 | 103.2 | −10.1 | 43.9 |
| Income taxes | | | | |
| | | | | |
| Profit or loss for the period | | | | |

**Segment information by business segment** in CHF million

| | Life | | Non-life | |
|---|---|---|---|---|
| | 30.6.07 | 30.6.06 | 30.6.07 | 30.6.06 |
| Operating income | 1989.9 | 1857.6 | 1271.6 | 1160.7 |
| Operating expenses | −1861.4 | −1764.3 | −1189.7 | −1050.9 |
| Finance costs | – | – | – | – |
| Share of profit or loss of associates | 0.6 | 0.6 | 0.5 | 0.5 |
| Profit or loss before tax | 129.1 | 93.9 | 82.4 | 110.3 |
| Income taxes | | | | |
| | | | | |
| Profit or loss for the period | | | | |

## 6. Seasonal influences

In principle, income and expenses are recorded as they arise. In the consolidated half-year financial statements, income and expenses are only brought forward or deferred if this would also be appropriate at the end of the financial year.

## 7. Contingent liabilities and contingent receivables

An Italian company has entered into a lease agreement with the contractual obligation to acquire a property currently under construction for its own use. The leasing agreement starts once the property has been completed and has a term of 15 years. The existing capital commitment amounts to CHF 43.0 million at conclusion of the contract.

Since the last reporting date, the Group Executive Management has not become aware of any substantial changes in the contingent liabilities or contingent receivables.

## 8. Equity

At the Shareholders' Meeting of 4.5.2007, a dividend of CHF 13.50 per share was agreed and a total amount of CHF 116.8 million was paid for the financial year 2006.

In addition, conditional capital was agreed at the Shareholders' Meeting of 4.5.2007. The Board of Directors of Helvetia Holding AG was authorised to increase the share capital by a maximum of 1,297,932 fully paid-up registered shares with a nominal value of CHF 10 to a total of

| Italy | | Spain | | Other | | Elimination and unallocated items | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| 30.6.07 | 30.6.06 | 30.6.07 | 30.6.06 | 30.6.07 | 30.6.06 | 30.6.07 | 30.6.06 | 30.6.07 | 30.6.06 |
| 255.8 | 250.3 | 265.7 | 227.2 | 432.0 | 379.9 | −32.9 | −30.5 | 3 272.3 | 3 032.2 |
| −245.3 | −238.2 | −223.3 | −202.1 | −385.3 | −349.1 | 32.9 | 30.5 | −3 046.7 | −2 814.7 |
| – | – | – | – | – | – | – | – | −3.1 | −3.0 |
| – | – | 0.5 | 0.5 | 0.0 | 0.0 | – | – | 1.1 | 1.1 |
| 10.5 | 12.1 | 42.9 | 25.6 | 46.7 | 30.8 | 0.0 | 0.0 | 223.6 | 215.6 |
| | | | | | | −50.7 | −52.7 | –50.7 | −52.7 |
| | | | | | | | | | |
| | | | | | | | | 172.9 | 162.9 |

| Other | | Elimination and unallocated items | | Total | |
|---|---|---|---|---|---|
| 30.6.07 | 30.6.06 | 30.6.07 | 30.6.06 | 30.6.07 | 30.6.06 |
| 11.1 | 14.0 | −0.3 | −0.1 | 3 272.3 | 3 032.2 |
| 4.1 | 0.4 | 0.3 | 0.1 | −3 046.7 | −2 814.7 |
| −3.1 | −3.0 | – | – | −3.1 | −3.0 |
| – | – | – | – | 1.1 | 1.1 |
| 12.1 | 11.4 | 0.0 | 0.0 | 223.6 | 215.6 |
| | | −50.7 | −52.7 | −50.7 | −52.7 |
| | | | | | |
| | | | | 172.9 | 162.9 |

CHF 12,979,320 by issuing convertible bond and bond rights.
During 1st half 2007 Patria Genossenschaft invested CHF 9.0 million in the surplus fund of Helvetia Schweizerische Lebensversicherungsgesellschaft AG. This was booked to equity as not affecting profit or loss and, according to purpose, it will be allocated entirely to the "Provision for future policyholder participation".

**9. Events after the reporting date**

Up to the date of drawing up the present consolidated interim report on 31.8.2007, no important events had become known that are likely to have a significant impact on the half-year financial statements as a whole.

**Cautionary note regarding forward-looking statements**

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The purpose of this document is to inform the Helvetia Group's shareholders and the public of the Helvetia Group's business activities during in the first semester of 2007. This document does not constitute an offer or a solicitation to exchange, buy or subscribe to securities, nor does it constitute an offering circular as defined by Art. 652 a of the Swiss Code of Obligations or a listing prospectus as defined by the listing rules of the SWX Swiss Exchange. Should the Helvetia Group make one or more capital increases in the future, investors should make their decision to buy or subscribe to new shares or other securities solely on the basis of the relevant offering circular. This document is also available in German, French and Italian. The German version is binding.

## Important dates

| | |
|---|---|
| **17 March 2008** | Business Results 2007: with analysts and media conference |
| **25 April 2008** | General Assembly of Shareholders in St. Gallen |
| **3 September 2008** | Publication of the interim business result 2008 |

St. Gallen, 7 September 2007

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