



**NÜRNBERGER**  
VERSICHERUNGSGRUPPE

**Quarterly Report 1/2006**



**NÜRNBERGER**  
INSURANCE GROUP

Report on the First Quarter of 2006

# NÜRNBERGER

## Beteiligungs-Aktiengesellschaft at a glance

<b>Life insurance</b>	NÜRNBERGER Lebensversicherung AG NÜRNBERGER Beamten Lebensversicherung AG NÜRNBERGER Versicherung AG Austria PAX Schweizerische Lebensversicherungs-Gesellschaft (Deutschland) AG
<b>Pension business</b>	NÜRNBERGER Pensionskasse AG NÜRNBERGER Pensionsfonds AG
<b>Health insurance</b>	NÜRNBERGER Krankenversicherung AG
<b>Property and casualty insurance</b>	NÜRNBERGER Allgemeine Versicherungs-AG NÜRNBERGER Beamten Allgemeine Versicherung AG GARANTA Versicherungs-AG GARANTA ÖSTERREICH Versicherungs-AG (Branch) CG Car – Garantie Versicherungs-AG (included in the consolidation on a pro rata basis)
<b>Investment consulting</b>	Fürst Fugger Privatbank KG Fürst Fugger Privatbank Immobilien GmbH
<b>Services</b>	NÜRNBERGER Verwaltungsgesellschaft mbH Communication Center Nürnberg (CCN) GmbH EUROPÄISCHER HOF, Thermal-Sport-Hotel Badgastein Ges.m.b.H.

# NÜRNBERGER

## INSURANCE GROUP in figures

		Q1 2006	Q1 2005
Group revenues	EUR million	1,007.5	978.6
Premium income	EUR million	760.7	754.7
Investment income (including unrealized revenues from ULI <sup>1)</sup> )	EUR million	512.8	305.2
Commission income	EUR million	11.5	9.3
Claims incurred for own account	EUR million	462.2	462.4
Expenses for premium refunds	EUR million	64.6	66.9
Acquisition and administrative expenses	EUR million	186.0	194.9
Result before tax	EUR million	32.0	26.1
Group result	EUR million	10.9	9.0
Investments (incl. ULI <sup>1)</sup> )	EUR million	17,785.8	16,071.7
Shareholders' equity	EUR million	713.5	667.4
Underwriting provisions for own account	EUR million	15,792.1	14,297.6
Number of insurance policies	million	7.415	7.315
Number of employees, internal		3,736	3,826
Number of employees, field service		33,256	32,750

<sup>1)</sup> ULI: unit-linked insurance



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# Supervisory Board and Executive Board

## Supervisory Board

Dipl.-Kfm. Hans-Peter Schmidt  
Chairman

Josef Priller\*  
Deputy Chairman

Dipl.-Kfm. Fritz Haberl  
Deputy Chairman

Konsul Anton Wolfgang  
Graf von Faber-Castell

Dr. Hans-Peter Ferslev

Helmut Hanika\*

Dr. Heiner Hasford

Wolfgang Metje\*

Norbert Plachta\*

Dr. Bernd Rödl

Rolf Wagner\*

Sven Zettelmeier\*

\* Employee representatives

## Executive Board

Günther Riedel  
Chairman,  
Central Divisions  
NÜRNBERGER Insurance Group

Dr. Werner Rupp  
Deputy Chairman,  
Spokesman of the Executive Board  
NÜRNBERGER  
Life and Health Insurance Group

Dipl.-Päd. Walter Bockschecker,  
Human Resources  
NÜRNBERGER Insurance Group

Dipl.-Kfm. Henning von der Forst,  
Investments  
NÜRNBERGER Insurance Group

Dr. Wolf-Rüdiger Knocke,  
Information Technology  
NÜRNBERGER Insurance Group

Dr. Hans-Joachim Rauscher,  
Sales  
NÜRNBERGER Insurance Group

Dr. Armin Zitzmann,  
Spokesman of the Executive Board  
NÜRNBERGER  
Property and Casualty Insurance Group



# Business Development in the First Quarter of 2006

Ladies and Gentlemen,

In the present quarterly report we are pleased to provide you with an overview of the business development of NÜRNBERGER INSURANCE GROUP in the first quarter of 2006. Figures in brackets are the corresponding values for the previous year. "Net" means for own account, i.e. after reinsurance. This report was prepared in accordance with IFRS (International Financial Reporting Standards). In this context the figures for the previous year were also adjusted accordingly.

## NÜRNBERGER Group

Group revenues, comprising gross premiums earned (including premiums from the provision for premium refunds), investment income (excluding unrealized gains from investments for unit-linked insurance policies) and commissions, grew by 2.9 % in the first quarter of 2006 relative to the same period of the previous year to reach EUR 1,007.5 (978.6) million.

The premium income of NÜRNBERGER INSURANCE GROUP was slightly in excess of the previous year's level at EUR 760.7 (754.7) million. New and additional premiums were boosted by 6.9 % to EUR 168.3 (157.5) million.

The number of policies as at 31 March 2006 totalled 7,415 (7,315) million.

Expenses for claims incurred for net account came in lower than in the first quarter of 2005 at EUR 462.2 (462.4) million.

The Group's investments including the investment fund for unit-linked life and general accident insurance increased from a total of EUR 17.464 billion as at 31 December 2005 to EUR 17.786 billion, primarily due to the growth of EUR 313.4 million in the investment fund for unit-linked insurance policies. The assets contained in this portfolio, together with those classified as available-for-sale or trading, are to be recognized at market value. Investments recognized at fair value accounted for 68.9 (69.6) % of the total asset portfolio. New investments were predominantly made in financial instruments classified as available-for-sale.

Gross income from the total investment portfolio, including income from the investment fund for unit-linked insurance policies, amounted to EUR 512.8 (305.2) million, of which EUR 287.4 (100.0) million was attributable to income from unit-linked insurance policies. Total investment expenses amounted to EUR 113.9 (73.2) million, including EUR 10.1 (2.9) million from unit-linked insurance policies. Net investment income consequently stood at EUR 398.9 (232.0) million.

In view of the favourable economic trend we continue to anticipate a stable environment on equity, capital and currency markets. Our own asset portfolio is therefore also expected to perform well.

The companies belonging to the NÜRNBERGER INSURANCE GROUP employed 3,736 (3,826) staff internally and 1,720 (1,649) staff in the field service as at the end of the first quarter. A total of 398 (356) young people were undergoing training. The number of full-time intermediaries stood at 27,859 (27,498), and there were 3,677 (3,603) part-time intermediaries.

The Group closed the first quarter of 2006 with a profit of EUR 33.0 (26.4) million before amortization of goodwill and taxes. Amortization of EUR 1.0 (0.3) million was taken on goodwill. The pre-tax profit therefore totalled EUR 32.0 (26.1) million. Tax expenses amounted to EUR 21.1 (17.1) million.

The Group result increased by 22.1 % to EUR 10.9 (9.0) million. Of this amount, EUR 10,925,000 (9,224,000) was apportionable to shareholders of NÜRNBERGER Group and EUR 11,000 (-271,000) to minority interests.

### **“Very good” rating for NÜRNBERGER Kranken**

For the fourth time in succession NÜRNBERGER Krankenversicherung AG (NKV) has received an A+ rating from the ASSEKURATA rating agency. This reflects the very good quality of the company. The previous year’s classification was further improved upon in certain subcategories.

The rating experts at ASSEKURATA, who have specialized in evaluating the quality of primary insurance enterprises, gave NKV’s performance the top mark of “excellent” – compared to “very good” in the previous year. Key factors here were the company’s strong net return on investment, its outstanding underwriting results and low loss ratio.

The level of security funds – measured by the equity ratio and solvency ratio – was pronounced “excellent“, while growth was described as “very good“. Customer orientation was rated “good“ overall on the basis of interviews conducted with policyholders. Special mention was made here of the excellent counselling software and outstanding complaints management.

The premium stability was again categorized as “very good“. The company has appropriate underwriting processes, optimized acceptance guidelines and secure actuarial bases. The premium adjustment made in 2006 was assessed as “extremely low” by ASSEKURATA.

### **Insurance for horse owners**

NÜRNBERGER has added to its range of insurance products for private and commercial horse owners. We now also offer equine mortality insurance as well as comprehensive medical and medical surgical coverage for horses. This has been made possible through a cooperation arrangement with Uelzener Allgemeine Versicherungsgesellschaft a.G., a company specializing in livestock insurance.

We had previously been the only insurance group to offer horse owner liability insurance with debt loss protection. The product range is rounded off with general accident insurance for riders, equine transportation insurance and further commercial covers for stables and riding clubs.

NÜRNBERGER has been involved in the sport of horse riding for many years. Experts consider the BURG-POKAL, a competition that was inaugurated in 1992, to be the German championship for young dressage horses. The NÜRNBERGER PFERDEWELT consists of a series of events held throughout the country that bring together top professional riders and horse lovers.

**“Aktiv & Erfahren” –  
legal protection for  
the over-fifties**

NÜRNBERGER INSURANCE GROUP has also extended its product range for people over the age of 50. As part of the “Aktiv & Erfahren” (“Active & Experienced”) package we now offer legal protection insurance special tailored to this age group. Demand in this growing target group is considerable.

Developed together with Neue Rechtsschutz-Versicherungsgesellschaft AG, NÜRNBERGER’s legal protection product for private customers over 50 is aimed at employed earners and offers an unlimited amount of coverage. The tariff is designed as a modular system: the basic protection consists of the “BasisSchutz” (private legal protection), geared specially to age-specific risks. Insurance extends not only to the policyholder’s spouse or life partner and non-working children, but also to minor grandchildren, nieces, nephews and godchildren while they are in the custody of the policyholder. The policy also includes so-called “Employee Protection (Basic Version)”, which provides assistance in the event of disputes with a former employer. There is the option of adding further modules for vocational protection, motorist legal protection and legal protection for tenants and landlords.

Benefits available without payment of additional premium include free-of-charge initial telephone counselling from an independent attorney, an exclusive hotline for matters relating to the law on inheritance and adult guardianship, standard forms for living wills and the service “Recht auf Rädern“ (= “the law on wheels”). In the latter case an attorney will if necessary come to the policyholder’s home.

According to a survey carried out by the Institut für Seniorenökonomie, NÜRNBERGER has now moved up into the “top 5” of the most popular insurers for those aged 50 or above. Previously included in the “Aktiv & Erfahren” package were general accident coverage (Unfall-KomfortSchutz), a long-term care annuity (PflegeRente), personal liability insurance (Privat-HaftpflichtSchutz), householders’ insurance (HausratSchutz) and provision for funeral expenses. We also train our sales partners as “Aktiv & Erfahren” advisors.

The various business segments of NÜRNBERGER INSURANCE GROUP developed as follows in the first three months of the 2006 financial year:

**NÜRNBERGER Life  
Insurance Segment**

NÜRNBERGER Lebensversicherung AG  
NÜRNBERGER Beamten Lebensversicherung AG  
NÜRNBERGER Versicherung AG Österreich  
PAX Schweizerische Lebensversicherungs-Gesellschaft (Deutschland) AG

Gross premiums from primary life insurance business increased by 1.1 % to reach EUR 482.3 (477.1) million. New premiums in the reporting period amounted to EUR 86.7 (87.0) million. The first quarter of the previous year had been favourably influenced by the exceptionally strong business written at year-end 2004.

The total number of life insurance policies in force as at 31 March 2006 was 3.165 (3.122) million. The sum insured of the in-force portfolio grew by 5.3 % to EUR 104.853 (99.601) billion. Insurance benefits increased by 6.1 % to EUR 441.5 (416.1) million.

New business in the entire segment continues to be driven in large measure by unit-linked products and stand-alone disability insurance. State-assisted annuity products and basic pensions have now also become a significant factor. We anticipate a sizeable increase in new business for the full 2006 financial year.

### **NÜRNBERGER Pension Business Segment**

NÜRNBERGER Pensionskasse AG  
NÜRNBERGER Pensionsfonds AG

NÜRNBERGER's pension business generated gross written premiums of EUR 9.4 (5.7) million in the first quarter of 2006. New premiums reached EUR 3.2 million, after EUR 5.4 million in the previous year. The number of pension policies in force as at 31 March 2006 totalled 32,366 (21,586) with an annual premium of EUR 35.7 (22.0) million.

For the full financial year too we expect to see a considerable rise in premium volume. As far as the growth in new premiums is concerned, it is important to bear in mind that NÜRNBERGER Pensionskasse AG is competing with direct insurance schemes, which enjoy a similar level of tax benefits. Transfers of direct commitments to NÜRNBERGER Pensionsfonds AG are expected to show particularly notable growth.

### **NÜRNBERGER Health Insurance Segment**

NÜRNBERGER Krankenversicherung AG

Gross premiums from primary health insurance business grew by 12.9 % to EUR 30.1 (26.7) million. New premiums increased by 3.8 % to EUR 12.3 (11.8) million. The company's portfolio of in-force business as at 31 March 2006 comprised 115,040 (106,451) health insurance policies and 98,387 (94,338) international travel health insurance policies.

At the beginning of the year we credited insureds with an amount of EUR 4.4 million from the provision for premium refunds in order to alleviate premium adjustments.

Despite the uncertainty surrounding the future development of the statutory health insurance system, which also filters through to private health insurance, we expect new business to continue on a good level. This is also true of the comprehensive tariffs, which are taken out in place of statutory health insurance.

### **NÜRNBERGER Property and Casualty Insurance Segment**

NÜRNBERGER Allgemeine Versicherungs-AG  
NÜRNBERGER Beamten Allgemeine Versicherung AG  
GARANTA Versicherungs-AG  
NÜRNBERGER Lebensversicherung AG  
(run-off of existing general accident policies)  
NÜRNBERGER Versicherung AG Österreich  
GARANTA (Schweiz) Versicherungs AG (run-off of existing motor policies)  
CG Car – Garantie Versicherungs-AG  
(included in the consolidation on a pro rata basis)

In the first quarter of 2006 – despite sustained price competition in motor insurance and the property lines – the NÜRNBERGER property and casualty insurers built on the good underwriting profit generated in the financial year just-ended. With a

gain of EUR 31.1 million for gross account we surpassed the result posted in the corresponding period of the previous year by EUR 18.0 million. A key factor here is the favourable claims experience to date for the current financial year. The claims experience in the first quarter of the previous year had been especially hard hit by an accumulation of major claims in general accident insurance and fire insurance.

Gross premium income in the property and casualty insurance segment amounted to EUR 341.1 (363.2) million. Expenses for claims incurred decreased by EUR 24.5 million to EUR 110.0 million. The combined ratio for gross account stood at an excellent 84.8 (93.5) %.

New and additional premiums amounted to EUR 64.6 (53.0) million. Our in-force portfolio as at 31 March 2006 comprised 4.005 (3.969) million policies. Motor insurance accounted for 43.7 % of the total portfolio.

We have focused on the following key areas for the 2006 financial year:

The new claims management system now being used successfully in the motor classes and in liability insurance is to be adopted in the other property and casualty lines too. The enhanced transparency of the benefits paid facilitates targeted intervention in settlement practice. Additional insights are incorporated into product development.

In March 2006 we further expanded our private customer range for families under the “modular product system” with the launch of *Biene Maja UnfallSchutz* general accident cover for children (including the innovative supplementary modules “*Familien-Schutzbrief*” (providing family cover), “*Kinder-RehaPlus*” (providing supplementary rehabilitation services for children) and our new *InvaliditätsSchutz* (providing disability cover for illness). We thus offer the most family-friendly children’s general accident product on the German market, providing active support and financial relief for the affected children’s parents.

## Financial Services Segment

The financial services segment comprises the brokerage of investment products, especially investment funds and home savings contracts, as well as insurance intermediation services. It also includes the banking business of *Fürst Fugger Privatbank KG*.

Commission income of EUR 11.0 (11.5) million was generated in the first three months of 2006.

The portfolio volume under management by *Fürst Fugger Privatbank KG* as at 31 March 2006 amounted to EUR 2.028 billion, a sharp increase of EUR 613.2 million compared to the previous year. The portfolio volume brokered by *NÜRNBERGER Investment Services GmbH*, a wholly owned subsidiary of the bank, to selected investment companies has grown by 20.0 % since 31 March 2005 to EUR 497.0 million.

The funds industry got off to a good start in the first quarter of 2006 with the highest net inflows of funds in five years. Demand for conservative solutions is growing again among private investors. Annuity products and near money market investments are particularly popular. The asset management products actively managed by *Fürst Fugger Privatbank KG*, which have received numerous distinctions, shared in this gratifying development.

# Outlook

## **Overall economic situation**

According to their latest forecasts, the leading economic research institutes expect the German economy to generate growth in real gross domestic product of between 1.7 and 2.1 % in the current year. A modest increase in private consumption is anticipated as a result of the bringing forward of purchases due to the increase in value-added tax planned for the beginning of 2007. Further growth will be driven by rising exports, which are set to climb by 10.5 % in real terms in 2006, compared to 6.3 % in the previous year.

The increase of 2.0 % in German consumer prices recorded in 2005 was triggered first and foremost by the rising cost of energy. The trend towards higher fuel costs will probably slow and the inflation rate in 2006 should come in at around 1.6 %.

The labour market is still unlikely to see any improvement in the current year. The number of employment relationships subject to mandatory social security contributions is expected to remain flat.

The slight improvement in the domestic economic climate is likely to be only temporary, and will not suffice on balance to inject any significant impetus into the demand for insurance products.

**NÜRNBERGER  
Group**

Although the overall economic environment will probably deliver only faint stimulus for the development of the insurance industry, we expect the Group result to increase again in the 2006 financial year to a figure in the order of EUR 30 million on the basis of our insurance group's strategic orientation. In this context we assume modestly favourable movements on capital markets.

Bearing in mind the growing demand for individual retirement provision, the Life Insurance, Pension Business and Financial Services segments are expected to generate positive impetus. This is also true of Health Insurance, provided the status quo in public health policy is maintained. In the Property and Casualty Insurance segment, where sustained heavy competitive pressure has tended to dampen growth in premium volume, we are looking to a business development that will ensure a positive profit contribution with a combined ratio of less than 95.0%. All in all, total premium income for 2006 is expected to grow by around 0.5% to a good EUR 3 billion.

We shall further improve our sales performance through targeted personnel enlargement of our marketing organisation combined with constant optimisation of structures and processes. The successful cost-cutting measures at the Group companies will be systematically continued.

In the 2006 financial year, based on the proposals for appropriation of profit and the plans of the major subsidiaries and participations, we expect NÜRNBERGER Beteiligungs-Aktiengesellschaft to post a further increase in income from participating interests and to generate net income that will create scope for upwardly oriented dividend continuity.

Insofar as we present forecasts or expectations in this quarterly report or make statements about the future, such remarks may be associated with known and unknown risks and uncertainties. Possible divergences may arise as a consequence of changes in the general economic climate, the competitive situation, movements in financial markets and exchange rates and on account of changes in the national and international legal environment.

All Group companies have a comprehensive risk management system. We counter possible risks deriving from our insurance business by means of a prudent underwriting policy and an appropriate selection of products. Investment risks are managed with the aid of suitable controlling tools and scenario simulations. Our holdings of price-sensitive securities are temporarily hedged according to the market development. Our risk management system has been coordinated with the auditors and is constantly enhanced. Detailed information in this regard is provided in our annual report.

# Consolidated Balance Sheet

as at 31 March 2006  
in EUR

Assets	No. in Notes	31.03.2006	31.12.2005
A. Intangible assets	1		
I. Goodwill		85,205,436	85,931,442
II. Other intangible assets		51,368,530	50,610,810
		<u>136,573,966</u>	<u>136,542,252</u>
B. Investments			
I. Land and buildings used by third parties		439,306,765	454,583,807
II. Investments in subsidiaries and associated companies		255,836,445	248,218,417
III. Financial instruments			
1. Loans	4,641,810,618		4,336,603,017
2. Held to maturity	2,000,248		2,000,248
3. Available for sale	7,390,145,834		7,536,706,591
4. Held for trading	646,090,473		710,770,084
		<u>12,680,047,173</u>	<u>12,586,079,940</u>
IV. Other investments			
1. Deposits with banks	180,165,406		257,887,086
2. Other investments	63,236		56,898
		<u>180,228,642</u>	<u>257,943,984</u>
V. Deposits retained on assumed reinsurance		3,570,364	3,515,800
		<u>13,558,989,389</u>	<u>13,550,341,948</u>
C. Investments on account and at risk of life and general accident insurance policyholders		4,226,792,701	3,913,410,369
D. Underwriting provisions, ceded		644,897,802	633,152,890
E. Other non-current assets			
I. Owner-occupied properties		178,871,384	179,233,873
II. Other non-current property, plant and equipment	2	22,670,624	23,550,821
III. Deferred tax assets		377,726,881	392,779,217
		<u>579,268,889</u>	<u>595,563,911</u>
F. Receivables	3		
I. Accounts receivable on primary insurance business		393,109,818	389,145,306
II. Accounts receivable on reinsurance business		6,389,599	13,601,073
III. Tax assets		23,951,063	20,344,610
IV. Other receivables		314,171,128	369,388,557
		<u>737,621,608</u>	<u>792,479,546</u>
G. Cash with banks, cheques and cash in hand		170,287,675	150,308,876
H. Other current assets			
I. Properties for sale at short notice		2,785,925	2,785,925
II. Inventories		3,312,752	3,744,676
III. Other current assets		62,757,957	69,680,926
		<u>68,856,634</u>	<u>76,211,527</u>
<b>Total assets</b>		<u><u>20,123,288,664</u></u>	<u><u>19,848,011,319</u></u>



Equity and Liabilities	No. in Notes	31.03.2006	31.12.2005
A. Shareholders' equity			
I. Issued capital	40,320,000		40,320,000
II. Capital reserve	136,382,474		136,382,474
III. Retained earnings	323,344,828		303,161,320
IV. Other reserves	129,726,967		124,040,207
V. Consolidated result attributable to NÜRNBERGER Group shareholders	10,924,770		20,945,652
VI. Adjustment item for minority interests in shareholders' equity	72,845,191		71,025,694
		713,544,230	695,875,347
B. Subordinated liabilities		186,514,800	186,400,832
C. Underwriting provisions			
I. Unearned premiums	297,622,541		173,727,267
II. Provision for future policy benefits	10,008,854,730		9,991,529,719
III. Provision for outstanding claims	881,075,853		942,939,408
IV. Provision for performance-related and non-performance-related premium refunds	1,004,310,665		1,038,370,168
V. Other underwriting provisions	13,113,267		12,997,685
		12,204,977,056	12,159,564,247
D. Liabilities from credited profit shares		665,195,903	685,568,365
E. Underwriting provision for life and general accident insurance where investment risk is borne by policyholders			
Provision for future policy benefits		4,232,056,474	3,918,552,442
F. Other provisions			
I. Provisions for pensions and similar obligations	208,825,490		209,257,764
II. Tax provisions	58,343,466		59,169,131
III. Deferred tax liabilities	378,086,588		387,424,553
IV. Miscellaneous provisions	41,480,354		60,197,804
		686,735,898	716,049,252
G. Liabilities			
I. Deposits retained on ceded business	332,905,847		328,249,146
II. Accounts payable on primary insurance business	4 172,165,090		215,425,080
III. Accounts payable on reinsurance business	22,684,362		13,515,967
IV. Accounts owed to banks	542,023,304		538,773,577
V. Other liabilities	352,141,001		383,338,365
		1,421,919,604	1,479,302,135
H. Deferred items		12,344,699	6,698,699
Total equity and liabilities		<u>20,123,288,664</u>	<u>19,848,011,319</u>

# Consolidated Profit and Loss Account

for the period from 1 January to 31 March 2006  
in EUR

	No. in Notes	Q1/2006	Q1/2005
1. Premium income	5	760,670,951	754,735,884
2. Investment income		512,826,366	305,196,938
3. Income from reinsurance business		118,028,019	127,003,165
4. Other income		39,258,087	40,969,400
Total income (1. to 4.)		1,430,783,423	1,227,905,387
5. Claims expenditure		- 919,316,247	- 763,875,667
6. Underwriting expenses		- 186,040,899	- 194,916,204
7. Reinsurance expenditure		- 138,537,274	- 131,813,172
8. Investment expenses		- 113,904,077	- 73,154,224
9. Finance costs		- 4,435,807	- 2,760,100
10. Other expenses		- 35,501,500	- 34,985,017
Total expenses (5. to 10.)		- 1,397,735,804	- 1,201,504,384
11. Result before amortization of goodwill		33,047,619	26,401,003
12. Amortization of goodwill		- 1,015,521	- 301,083
13. Accounting profit		32,032,098	26,099,920
14. Taxes		- 21,096,448	- 17,147,052
15. Consolidated result		10,935,650	8,952,868
thereof:			
- attributable to NÜRNBERGER Group shareholders		10,924,770	9,223,833
- attributable to minority interests		10,880	- 270,965
Earnings per share <sup>1</sup>		0.95	0.80

<sup>1</sup> Diluted = undiluted

# Cash Flow Statement

for the period from 1 January to 31 March 2006  
in EUR '000

	Q1/2006	Q1/2005
1. Consolidated result	10,936	8,953
2. Net change in underwriting provisions	347,172	285,863
3. Change in deposits retained and in accounts receivable and payable	20,982	44,865
4. Change in other receivables and liabilities	– 23,204	– 29,727
5. Gains and losses on the disposal of investments	– 44,216	– 31,515
6. Changes in other balance sheet items	– 18,506	– 59,365
7. Other income/expenses without impact on cash flow	– 183,561	– 433,416
8. Cash flows from operating activities	109,603	– 214,342
9. Inflows from the sale of consolidated companies and other business units	–	–
10. Outflows for the acquisition of consolidated companies and other business units	–	– 589
11. Inflows from the sale and maturities of other investments	1,177,167	1,406,115
12. Outflows for the acquisition of other investments	– 1,227,364	– 1,331,290
13. Inflows from the sale of unit-linked life insurance investments	47,708	149,881
14. Outflows for the acquisition of unit-linked life insurance investments	– 85,042	– 201,840
15. Other inflows	916	9,804
16. Other outflows	– 6,373	– 8,359
17. Cash flows from investing activities	– 92,988	23,722
18. Inflows from increases in capital	–	–
19. Outflows to company owners and minority interests	–	–
20. Dividend payments	–	–
21. Inflows and outflows from other financing activities	3,364	– 1,526
22. Cash flows from financing activities	3,364	– 1,526
23. Changes in the financial resources fund with impact on cash flow	19,979	– 192,146
24. Financial resources fund at the beginning of the period	150,309	408,733
25. Financial resources fund at the end of the period	170,288	216,587

The cash flow from operating activities has been presented according to the indirect method in accordance with IAS 7.20. The Cash Flow Statement shows how the liquid funds of the NÜRNBERGER INSURANCE GROUP changed as a result of inflows and outflows during the first quarter. It is divided into three sections showing the payment flows arising from operating activities, investment activities and financing activities. The financial resources fund shown in the Cash Flow Statement includes current bank balances, cheques and cash in hand and consequently corresponds to the asset item G of the Consolidated Balance Sheet. Interest yielded inflows in the amount of EUR 149.6 (154.5) million, with dividends yielding an inflow of EUR 12.7 (9.8) million. Outflows due to interest amounted to EUR 10.6 (9.9) million. Taxes on income resulted in an outflow of EUR 10.9 (31.4) million.

# Segment Reporting

Consolidated Balance Sheet according to Business Segments  
in EUR '000

Assets	Life		Pension Business		Health	
	31.03.2006	31.12.2005	31.03.2006	31.12.2005	31.03.2006	31.12.2005
A. Intangible assets						
I. Goodwill	287	915	—	—	—	—
II. Other intangible assets	28,105	28,078	12	4	1,647	1,565
B. Investments	11,784,270	11,871,211	29,772	24,948	261,039	246,453
C. Investments on account and at risk of life and general accident insurance policyholders	4,225,808	3,912,736	5,795	5,637	—	—
D. Underwriting provisions, ceded	331,381	327,511	135	135	—	—
E. Other non-current assets	352,164	365,070	5,059	5,052	2,837	3,541
F. Receivables	665,764	703,119	7,612	10,543	8,189	9,669
G. Cash with banks, cheques and cash in hand	119,683	105,011	347	303	386	373
H. Other current assets	59,898	31,633	1	10	—	2,478
<b>Total segment assets</b>	<b>17,567,360</b>	<b>17,345,284</b>	<b>48,733</b>	<b>46,632</b>	<b>274,098</b>	<b>264,079</b>
<b>Equity and Liabilities</b>						
A. Shareholders' equity	333,428	329,921	7,994	7,964	14,782	14,718
B. Subordinated liabilities	92,000	92,000	—	—	3,000	3,000
C. Underwriting provisions	10,998,543	11,039,636	28,542	22,354	246,851	239,266
D. Liabilities from credited profit shares	665,001	685,401	195	167	—	—
E. Underwriting provisions for life and general accident insurance where investment risk is borne by policyholders	4,225,528	3,912,335	5,795	5,637	—	—
F. Other provisions	351,581	376,894	172	281	4,346	5,670
G. Liabilities	895,525	907,745	6,035	10,229	5,119	1,425
H. Deferred items	5,754	1,352	—	—	—	—
<b>Total segment equity and liabilities</b>	<b>17,567,360</b>	<b>17,345,284</b>	<b>48,733</b>	<b>46,632</b>	<b>274,098</b>	<b>264,079</b>

Property and Casualty		Financial Services		Consolidation/Other		Group	
31.03.2006	31.12.2005	31.03.2006	31.12.2005	31.03.2006	31.12.2005	31.03.2006	31.12.2005
67,586	67,586	9,246	9,246	8,086	8,184	85,205	85,931
20,517	19,832	8	9	1,080	1,123	51,369	50,611
1,057,542	945,859	272,287	301,184	154,079	160,687	13,558,989	13,550,342
739	586	—	—	—	5,549	4,226,793	3,913,410
314,882	307,387	—	—	—	1,500	644,898	633,153
193,796	195,673	5,692	7,434	19,721	18,794	579,269	595,564
191,975	190,328	34,449	57,048	—	170,368	737,621	792,480
25,280	31,021	28,107	13,507	—	3,515	170,288	150,309
3,571	36,397	2,897	2,844	2,490	2,849	68,857	76,211
<u>1,875,888</u>	<u>1,794,669</u>	<u>352,686</u>	<u>391,272</u>	<u>4,524</u>	<u>6,075</u>	<u>20,123,289</u>	<u>19,848,011</u>
400,299	392,777	35,632	33,218	—	78,591	713,544	695,875
20,000	20,000	9,015	8,901	62,500	62,500	186,515	186,401
944,353	872,027	—	—	—	13,312	12,204,977	12,159,564
—	—	—	—	—	—	665,196	685,568
738	586	—	—	—	5	4,232,056	3,918,553
238,782	243,650	11,537	12,093	80,318	77,461	686,736	716,049
271,709	265,555	296,465	337,057	—	52,933	1,421,920	1,479,302
7	74	37	3	6,547	5,270	12,345	6,699
<u>1,875,888</u>	<u>1,794,669</u>	<u>352,686</u>	<u>391,272</u>	<u>4,524</u>	<u>6,075</u>	<u>20,123,289</u>	<u>19,848,011</u>

# Segment Reporting

Consolidated Profit and Loss Account  
for the period from 1 January to 31 March 2006  
according to Business Segments in EUR '000

	Life		Pension Business		Health	
	1/2006	1/2005	1/2006	1/2005	1/2006	1/2005
1. Premium income	507,414	500,128	9,342	5,698	34,603	33,365
2. Investment income	488,897	285,797	251	94	2,658	2,369
3. Income from reinsurance business	12,337	12,490	—	—	6	10
4. Other income	31,029	30,681	336	2,023	49	30
Total income (1. to 4.)	1,039,677	829,096	9,929	7,815	37,316	35,774
5. Claims expenditure	– 772,774	– 598,519	– 6,666	– 2,711	– 29,760	– 28,056
6. Underwriting expenses	– 109,317	– 114,210	– 3,202	– 4,976	– 6,519	– 6,946
7. Reinsurance expenditure	– 14,459	– 14,304	—	—	– 65	– 65
8. Investment expenses	– 107,352	– 67,299	– 20	– 4	– 68	– 21
9. Finance costs	– 783	– 541	—	—	—	—
10. Other expenses	– 23,762	– 22,811	– 50	– 86	– 99	– 96
Total expenses (5. to 10.)	– 1,028,447	– 817,684	– 9,938	– 7,777	– 36,511	– 35,184
11. Result before amortization of goodwill	11,230	11,412	– 9	38	805	590
12. Amortization of goodwill	– 628	—	—	—	—	—
13. Accounting profit	10,602	11,412	– 9	38	805	590
14. Taxes	– 6,814	– 6,849	63	– 33	– 338	– 257
15. Consolidated result <sup>1)</sup>	3,788	4,563	54	5	467	333

<sup>1)</sup> Expenses/deficits are indicated by a minus sign (–).

Property and Casualty		Financial Services		Consolidation/Other		Group					
1/2006	1/2005	1/2006	1/2005	1/2006	1/2005	1/2006	1/2005				
210,612	217,270	—	—	—	1,300	—	1,725	760,671	754,736		
16,087	11,367	5,143	4,407	—	210	—	1,163	512,826	305,197		
105,689	114,500	—	—	—	4	—	3	118,028	127,003		
12,721	13,474	11,863	12,462	—	16,740	—	17,701	39,258	40,969		
345,109	356,611	17,006	16,869	—	18,254	—	18,260	1,430,783	1,227,905		
—	110,257	—	—	—	141	—	13	—	919,316	—	763,876
—	68,550	—	18	—	1,547	—	94	—	186,041	—	194,916
—	124,019	—	—	—	6	—	6	—	138,537	—	131,813
—	3,332	—	2,642	—	490	—	978	—	113,904	—	73,154
—	—	—	—	—	3,653	—	2,219	—	4,436	—	2,760
—	18,201	—	10,900	—	17,511	—	22,061	—	35,501	—	34,985
—	324,359	—	13,542	—	15,062	—	18,789	—	1,397,735	—	1,201,504
20,750	12,965	3,464	867	—	3,192	—	529	33,048	26,401		
—	—	—	—	—	388	—	301	—	1,016	—	301
20,750	12,965	3,464	867	—	3,580	—	228	32,032	26,100		
—	10,384	—	1,050	—	2,573	—	1,040	—	21,096	—	17,147
10,366	4,533	2,414	331	—	6,153	—	812	10,936	8,953		

Data are assigned to segments on the basis of the internal structure of the NÜRNBERGER INSURANCE GROUP which is organized into strategic business segments (primary segmenting). These business segments are: Life Insurance (excluding pension insurance fund), Pension Business (pension insurance fund and pension fund), Health Insurance, Property and Casualty Insurance and (other) Financial Services. Secondary segmenting along regional lines has not been performed on account of the minor significance of international business for the Group. The figures for the business segments are adjusted to take account of transactions within the segments. The transition to Group figures results from the data shown in the "Consolidation/Other" column, which contains the consolidation figures for transactions between segments and the data for companies and business segments which cannot be clearly assigned to the segments shown.

# Statement of changes in shareholders' equity

in EUR '000

	Subscribed capital	Capital reserve	Group equity generated	Revaluation surplus	Accumulated other consolidated results	
					Foreign exchange differences	Other neutral transactions
Equity on 31 December 2004	40,320	136,382	295,600	94,092	1,083	—
Issue of shares	—	—	—	—	—	—
Dividends paid	—	—	- 11,520	—	—	—
Change in scope of consolidation	—	—	- 196,265	- 137,996	- 1,441	—
Other changes	—	—	215,346	—	1,207	—
Consolidated net income for the year	—	—	20,946	—	—	—
Other consolidated results	—	—	—	167,095	—	—
Total consolidated result	—	—	20,946	167,095	—	—
Equity on 31 December 2005	40,320	136,382	324,107	123,191	849	—
Issue of shares	—	—	—	—	—	—
Dividends paid	—	—	—	—	—	—
Change in scope of consolidation	—	—	—	—	—	—
Other changes	—	—	- 762	—	- 195	—
Consolidated net income for the year	—	—	10,925	—	—	—
Other consolidated results	—	—	—	5,882	—	—
Total consolidated result	—	—	10,925	5,882	—	—
Equity on 31 March 2006	40,320	136,382	334,270	129,073	654	—



Shareholders' equity excl. minority interests	Minority interests	Accumulated other consolidated results		Shareholders' equity, minority interests	Group equity
		Foreign exchange differences	Other neutral transactions		
567,477	91,671	- 1,581	—	90,090	657,567
—	—	—	—	—	—
- 11,520	- 2,618	—	—	- 2,618	- 14,138
- 335,702	- 10,212	2,229	—	- 7,983	- 343,685
216,553	- 18,186	- 967	—	- 19,153	197,400
20,946	- 726	—	—	- 726	20,220
167,095	11,416	—	—	11,416	178,511
188,041	10,690	—	—	10,690	198,731
624,849	71,345	- 319	—	71,026	695,875
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
- 957	- 1,248	- 8	—	- 1,256	- 2,213
10,925	11	—	—	11	10,936
5,882	3,064	—	—	3,064	8,946
16,807	3,075	—	—	3,075	19,882
640,699	73,172	- 327	—	72,845	713,544

# Notes to the Consolidated Financial Statements

## Accounting policies

The report of the NÜRNBERGER INSURANCE GROUP for the first quarter of 2006 was compiled in accordance with the International Financial Reporting Standards (IFRS), taking account of the requirements of Sec. 315a of the German Commercial Code (HGB) in conjunction with IAS 34. All standards the application of which was prescribed for the reporting period and all interpretations approved by the International Financial Reporting Interpretations Committee or its predecessor, the Standing Interpretations Committee (IFRIC and SIC) have been taken into account. The accounting, measurement and consolidation principles correspond to those applied in the annual financial statements as at 31 December 2005.

## Currency Conversion

The reporting currency of the NÜRNBERGER INSURANCE GROUP is the euro. Amounts were converted at middle rates (reference rates), with items in the balance sheet being converted at the exchange rate prevailing on the reporting date and items in the Income Statement being converted at the average exchange rate.

The exchange rates used are as follows (values shown = EUR 1):

	Reporting date rates		Average rates	
	31 March 2006	31 Dec. 2005	Q1/2006	Q1/2005
Swiss franc	1.5801	1.5551	1.5588	1.5488
US Dollar	1.2104	1.1797	1.2020	1.3111

## Scope of consolidation

In addition to the parent company NÜRNBERGER Beteiligungs-Aktiengesellschaft, the quarterly financial statement encompassed another 54 subsidiaries. This includes eight domestic insurance companies, including a pension insurance fund, two foreign insurance companies, a pension fund, a bank and a communications services company. The remaining subsidiaries are mostly financial services, real estate and investment management companies as well as special funds. Two joint ventures, including a domestic insurance company, which we operate directly or indirectly together with another shareholder, were consolidated on a pro rata basis.

A total of 25 domestic and foreign companies over which we exercise a significant influence were valued at equity as associated companies.

A further 35 % of the shares were acquired in the subsidiary Communication Center Nürnberg (CCN) GmbH, which was already included in the scope of consolidation. The Group now owns 95 % of the shares in this company.

One subsidiary has been recognized at amortized cost. We have not included two subsidiaries of a company consolidated on a pro rata basis in the consolidation, as they are insignificant from a Group vantage, their aggregate sales accounting for less than 1 % of Group sales.

## Reconciliation account

The consolidated financial statements of NÜRNBERGER Beteiligungs-Aktiengesellschaft for 2005 were prepared in accordance with IFRS for the first time. The date of transition from accounting in accordance with German Commercial Code applied hitherto was therefore 1 January 2004. The reconciliation of Group equity as at this date is reported in the Notes to the Consolidated Financial Statements for 2005.

The reconciliation of Group equity as at 31 March 2005 is presented in the following table:

	EUR '000
Group equity as at 31 March 2005 according to German Commercial Code	610,306
Capitalization of internally generated intangible assets	31,271
Reversal of claims equalization provision and similar provisions	169,292
Revaluation of pension provisions including the recognition in liabilities of obligations owing to the benefit fund	– 140,893
Revaluation of properties	6,957
Revaluation of financial instruments	136,705
Formation of deferred taxes	– 13,695
Formation of deferred provision for premium refunds	– 156,496
Change in minority interests	22,366
Other revaluations	1,627
Group equity according to IFRS as at 31 March 2005	<u>667,440</u>

The following table presents the reconciliation of the consolidated result in the first quarter of 2005 from German Commercial Code requirements to IFRS:

	EUR '000
Consolidated result at 31 March 2005 according to German Commercial Code	9,108
+ Change in pension provisions including the recognition in liabilities of obligations owing to the benefit fund	1,835
+ Reduction in amortization of goodwill	3,078
– Expenses from the deferred provision for premium refunds	– 10,388
– Expenses from recognition of deferred taxes	– 6,242
+ Change in results of associated companies	2,583
– Revaluation of financial instruments with impact on profit or loss	– 7,523
– Change in gains on disposal of properties due to recognition at fair value	– 1,542
+ Change in scope of consolidation	19,382
– Other differences	– 1,338
Consolidated result after tax as at 31 March 2005 according to IFRS	<u>8,953</u>

## Notes to the Consolidated Balance Sheet and the Consolidated Income Statement

### (1) Intangible assets

The goodwill arising from offsetting the purchase price and net assets of subsidiaries included in the consolidated financial statements developed as follows in the first quarter of 2006:

	EUR '000
Carrying amount at 31 December 2005	85,931
Additions	290
Disposals	—
Write-downs	— 1,016
Carrying amount at 31 March 2006	85,205

The item Other intangible assets essentially comprises purchased rights of use, software programs and licences.

### (2) Other non-current property, plant and equipment

This item comprises the following partial amounts:

	31 March 2006 EUR '000	31 December 2005 EUR '000
Plant and equipment	15,434	16,153
Technical plant and machinery	667	724
Tenants' installations	6,570	6,674
Carrying amount	22,671	23,551

### (3) Receivables

Receivables were measured at reporting date rates; deductions for recognizable risks were not required.

The balance sheet item Accounts receivable on primary insurance business comprises receivables due from:

	31 March 2006 EUR '000	31 December 2005 EUR '000
Policyholders:		
claims due	72,306	75,369
claims not yet due	242,021	240,347
	314,327	315,716
Intermediaries	78,783	73,429
Carrying value	393,110	389,145

**(4) Accounts payable on primary insurance business**

Accounts payable on primary insurance business comprise accounts payable to:

	31 March 2006	31 December 2005
	EUR '000	EUR '000
Policyholders	107,793	152,476
Insurance intermediaries	64,372	62,949
Carrying amount	172,165	215,425

**(5) Premium income**

The following table presents a breakdown of premium income and its distribution over the individual business segments in the first quarter of 2006 and the comparable period of the previous year:

	Q1/2006	Q1/2005
	EUR '000	EUR '000
Gross premiums from primary insurance business		
Life Insurance segment	482,250	477,148
Pension Business segment	9,369	5,734
Health Insurance segment	30,099	26,653
Property and Casualty Insurance segment	338,626	363,162
Consolidation/Other	– 1,294	– 1,719
	859,050	870,978
Gross premiums from business assumed		
Life Insurance segment	–	4
Property and Casualty Insurance segment	2,487	27
Consolidation/Other	– 6	– 6
	2,481	25
Premium income from the provision for premium refunds		
Life Insurance segment	18,312	18,477
Pension Business segment	94	58
Health Insurance segment	4,425	6,632
	22,831	25,167
Change in gross unearned premiums		
Life Insurance segment	6,852	4,499
Pension Business segment	– 121	– 94
Health Insurance segment	79	80
Property and Casualty Insurance segment	– 130,501	– 145,919
	– 123,691	– 141,434
Total premium income shown in the Consolidated Income Statement	760,671	754,736

### Revenues and results in the individual business segments

The business segments of the NÜRNBERGER INSURANCE GROUP generated the revenues and results shown below in the first quarter of 2006 and in the comparable period of the previous year. Revenues are considered to include gross premiums earned (including premiums from the provision for premium refunds), investment income (not including unrealized gains from investments for unit-linked life insurance) and commissions from mediation business.

	Q1/2006 EUR '000	Q1/2005 EUR '000
<b>Life insurance</b>		
Premiums	507,414	500,128
Investment income	211,343	195,208
Commission income	180	213
Revenues	718,937	695,549
Result	3,788	4,563
<b>Pension business</b>		
Premiums	9,342	5,698
Investment income	244	92
Revenues	9,586	5,790
Result	54	5
<b>Health insurance</b>		
Premiums	34,603	33,365
Investment income	2,658	2,369
Revenues	37,261	35,734
Result	467	333
<b>Property and casualty insurance</b>		
Premiums	210,612	217,270
Investment income	16,081	11,367
Commission income	2,949	2,842
Revenues	229,642	231,479
Result	10,366	4,533
<b>Financial services</b>		
Investment income	5,143	4,407
Commission income	11,043	11,478
Revenues	16,186	15,885
Result	2,414	331

## Human resources

As at 31 March 2006, the companies belonging to the NÜRNBERGER INSURANCE GROUP employed a total of 5,456 staff in internal and field service positions as well as 398 trainees.

	31 March 2006	31 Dec. 2005	31 March 2005
<b>Germany</b>			
Internal	3,499	3,516	3,590
including prorated figure for proportionally consolidated companies	52	49	46
Salaried field service	1,688	1,701	1,616
including prorated figure for proportionally consolidated companies	23	23	22
<b>International</b>			
Internal	237	236	236
including prorated figure for proportionally consolidated companies	7	7	7
Salaried field service	32	34	33
including prorated figure for proportionally consolidated companies	10	10	10
	5,456	5,487	5,475
<b>Trainees</b>			
Germany	383	419	343
International	15	15	13
	398	434	356

Nuremberg, 15 May 2006

The Executive Board of NÜRNBERGER Beteiligungs-Aktiengesellschaft

Günther Riedel

Dr. Werner Rupp

Dipl.-Päd. Walter Bockshecker

Dipl.-Kfm. Henning von der Forst

Dr. Wolf-Rüdiger Knocke

Dr. Hans-Joachim Rauscher

Dr. Armin Zitzmann

# Financial Calendar

Interim report as at 30 June 2006  
August 2006

Quarterly report as at 30 September 2006  
November 2006

Our annual and interim reports – in both German and English – as well as the latest information on the NÜRNBERGER INSURANCE GROUP and the shares of NÜRNBERGER Beteiligungs-Aktiengesellschaft are also available online (<http://www.nuernberger.de>) under “Unternehmen/Investor Relations”.

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