Letter to Shareholders 2.08

helvetia

Ladies and gentlemen

With a profit of CHF 166.4 million, Helvetia can look back on an interim result in its anniversary year which is on a par with the excellent result from the previous year (CHF 172.9 million). The Group's operating business results developed very satisfactorily. In a still challenging competitive environment, we went ahead successfully with our strategy of profitable growth and posted a good operating result for our core business and also acquired two companies in Italy, Padana Assicurazioni and Chiara Vita. In view of the weak financial markets, our investment result fell far below the previous year in spite of our conservative investment strategy. Our capital , however, was unaffected and remains strong. Solvency remains high at 211.6 percent, and at CHF 2,667.4 million our equity base is still robust.

Core business improved even further

The Group posted 4.6 percent growth in original currency, reported an excellent technical result for the life and non-life segments, and managed to improve its cost ratio.
With a pleasing 7.9 percent increase in original currency, the life business enjoyed very dynamic growth. Unit-linked life insurance improved by as much as 96.0 percent. This excellent trend was supported to a significant extent by our home market Switzerland, which reported convincing premium growth of 22.4 percent for the individual life business (including unit-linked products) and 6.9 percent for group life business. The Group's new business margin rose by 3.1 percentage points to a high 19.0 percent, while the unfavourable capital markets pushed the embedded value down to CHF 2,091.4 million, slightly lower year-on-year. In direct non-life business, the Group saw pleasing premium growth of 2.4 percent in original currency in spite of continued competitive pressure. Thanks to the lack of major claims and the good quality of our portfolio, the group reported an excellent combined ratio at 91.6 percent. After many years of solid technical performance, our regular review of our reserve loadings allowed us to reduce our claims reserve through the income statement by CHF 196.9 million before taxes. This does not in any way affect Helvetia's high margin of safety in its claims reserves.

Successful acquisitions in the Italian market

With the purchase of Padana Assicurazioni and Chiara Vita, Helvetia sustainably strengthened its position and growth potential in the Italian non-life and life markets. The Group acquired attractive portfolios as well as exclusive distribution channels for the future, with Padana providing access to the 40,000 employees of the ENI Group and Chiara Vita granting entry to more than 150 bank branches in Northern Italy through its collaboration with Banco di Desio. This affirms Helvetia's ambition to supplement its organic growth with meaningful acquisitions in its core markets.

Capital position remains strong in spite of turbulent capital markets

The noticeably negative impact on Helvetia Group of the turbulence on the capital markets at the time of reporting was softened by our hedging policy, which focuses on the protection of our balance sheet. The already conservative equity component of around 7 percent was reduced even further in the first weeks of 2008, and our portfolio's equity risk exposure is now only around 5 percent of the asset portfolio. In spite of this cautious investment strategy, the weakness of the equity, fixed-interest and currency markets depressed our investment performance, which was –1.2 percent as at 30.6.2008. Against this background, our investment results lagged far behind the first semester of 2007.

Helvetia Group's solvency is sustainable and very solid. Our equity base is still more than robust at CHF 2,667.4 million, down 6.4 percent from end-2007, which is rather moderate in the current climate of extreme market turbulence. The solvency margin is unchanged and very comfortable at 211.6 percent. At 12.1 percent, the annualised return on equity ratio is only slightly below the previous year's 12.7 percent.

Setting a consistent course for profitable growth

Our sales growth is convincing, profits are stable and the solvency margin remains high. It is encouraging that the excellent insurance technical structure and solid capital base of Helvetia Group could more or less compensate for the negative impact of the capital market trends in the first semester. Our strong operating performance and successful acquisitions confirm the sustainability of our business model.

The establishment of the new business segment Strategy & Operations on 1 September 2008 represents another milestone on our road to profitable growth. With this business segment, Helvetia Group is bundling its cross-border strengths and know-how in the areas of strategy, M&A, IT and branding, which will give added impetus to the Group's strategic and operational development.

This year Helvetia Group also launched special value-adding programmes to celebrate its 150th anniversary. Following the celebratory Shareholders' Meeting, a donation of CHF 500,000 to the national camp of the Swiss Guide and Scout Movement (Contura 08) by Helvetia Patria Jeunesse Foundation and the country-wide Helvetia Day on 31 July 2008, the anniversary celebrations will see another highlight on 18 October 2008 with the Helvetia Allstar Band's public performance in Lucerne.

We are very pleased that our shareholder base has expanded substantially from 5,078 to 6,911 shareholders in the past 12 months. It is therefore of key importance to us that the strong operating performance and solid financial strength of our Group, particularly in these times of market turbulence, once again confirm Helvetia's great potential.

Thank you for your confidence.

Erich Walser
Chairman of the Board of Directors

Stefan Loacker
Chief Executive Officer

At a glance

Key share data Helvetia Holding AG

	30.6.08	31.12.07	30.6.07
Earnings per share in CHF	19.4	46.7	20.1
Consolidated equity per share in CHF	310.8	332.1	317.5
Price of Helvetia registered shares at the reporting date in CHF	397.8	407.0	470.0
Market capitalisation in CHF million	3441.7	3521.7	4066.9
Number of shares issued	8652875	8652875	8652875

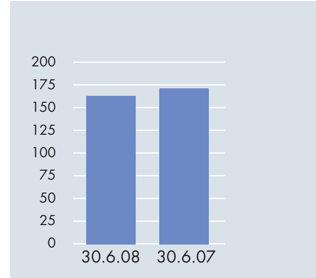
Key data

	30.6.08	31.12.07	30.6.07
Income statement in CHF million			
Gross premiums written	3486.8	5488.9	3358.9
– of which life	1991.4	2893.9	1850.9
– of which non-life	1495.4	2595.0	1508.0
Investment income	–41.4	1040.0	632.4
Profit before tax	203.7	505.5	223.6
– of which life	–34.0	190.6	129.1
– of which non-life	257.0	286.5	82.4
– of which other	–19.3	28.4	12.1
Group profit for the period after tax	166.4	402.0	172.9
Balance sheet in CHF million			
Investments	28543.0	29381.5	29529.9
Reserves for insurance and investment contracts (net)	25501.9	25924.7	26050.5
Consolidated equity	2667.4	2850.6	2725.3
Equity ratio per annum in per cent	12.1%	14.4%	12.7%

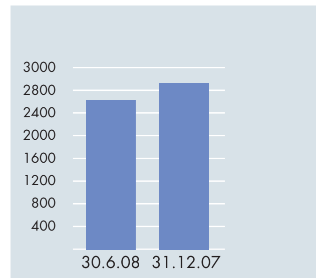
Key figures

	30.6.08	31.12.07	30.6.07
Life in CHF million			
Embedded value total	2091.4	2223.8	2180.4
– of which value of new business	20.5	32.3	17.0
Non-life in per cent			
Combined ratio (gross)	89.2%	94.9%	102.7%
Combined ratio (net)	91.6%	94.5%	102.0%
Investments in per cent			
Direct yield per annum	3.5%	3.3%	3.3%
Investment performance	–1.2%	2.4%	1.3%

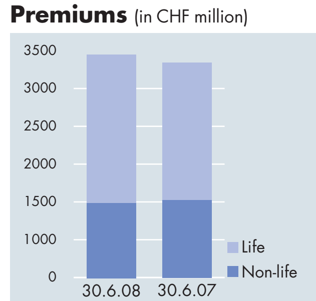
Profit (in CHF million)



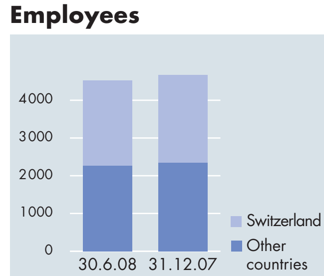
Shareholders' equity (in CHF million)



Premiums (in CHF million)



Employees



Group result

Helvetia Group's operating business did very well in the first half of 2008. The strategy of profitable growth is corroborated by the sustained good technical development of the life and non-life business segments as well as the high rate of organic growth. While the underwriting result improved even further, the investment result lagged behind the previous year in spite of a conservative investment strategy, due to pressure from the weak financial markets. However, the profit of CHF 166.4 million more or less stabilised at the year-earlier level thanks to the good performance of the core business and the updating of the parameters applying to our insurance reserves.

Dynamic growth

Direct business growth in original currency is encouraging at 5.6 percent. Gross life insurance premiums improved by an excellent 7.9 percent, while direct non-life business rose by 2.4 percent. Even in the current context of restrained markets, both business segments gained market shares. New life business volume, measured in annual premium equivalent (APE), also rose compared to the year-earlier period, with the new business margin improving by 3.1 percentage points to 19.0 percent. A large share of the growth in the life business derives from the successful marketing of our unit-linked life insurance products. Thanks to the strong growth rates in Switzerland, Germany and Austria, the share of these products in the Group's life premiums almost doubled. On the other hand, premiums written for the reinsurance business, which does not focus on volumes, fell in keeping with our profit-oriented underwriting policy.

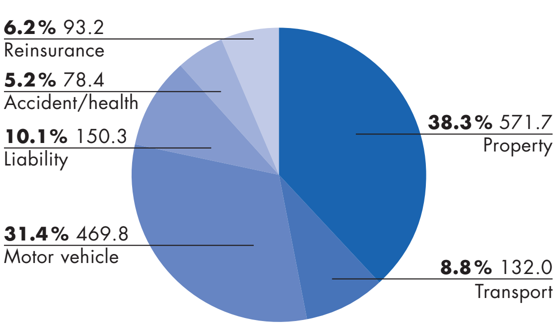
Strong underwriting results, unfavourable capital markets

In the non-life business, the segment result of CHF 257.0 million with a net combined ratio of 91.6 percent is based on a sustained and strong

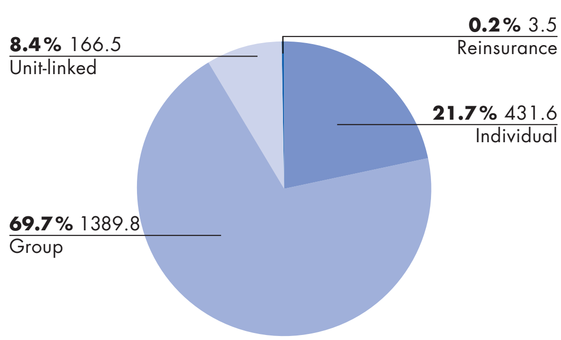
Gross premiums written

	Gross premiums (CHF million)		Growth currency-adjusted (%)	Growth in CHF (%)
	30.6.08	30.6.07		
Direct business total	3390.1	3236.7	5.6%	4.7%
– life	1987.9	1847.2	7.9%	7.6%
– non-life	1402.2	1389.5	2.4%	0.9%
Assumed reinsurance	96.7	122.2	–20.9%	–20.9%
Helvetia Groupe	3486.8	3358.9	4.6%	3.8%

Gross premiums, non-life, 1.1.–30.6.08
in CHF million



Gross premiums, life, 1.1.–30.6.08
in CHF million



technical performance. After many years of solid actuarial performance, our regular review of our reserve loadings allowed us to reduce our claims reserve by CHF 196.9 million before taxes. Although this adjustment was not reflected in the calculation of the combined ratio, it was reflected in net income. On the other hand the losses suffered on our investments as a result of the weak equity markets and exchange rate trends overshadowed the excellent operating result, particularly in the life segment which turned in a very good technical performance in the first semester. However, as this could not compensate for the investment losses, a negative segment result of CHF –34.0 million was posted, in contrast to the profit of CHF 129.1 million generated in the year-earlier period. The "Other" segment, which mainly comprises Helvetia Holding AG and the financing companies, was strongly affected by the negative capital markets and posted a pre-tax loss of CHF 19.3 million. Thanks to our limited exposure to equities and the good quality of our portfolio, the total impairment losses on investments charged to the income statement equalled only 1.6 percent of the investment portfolio. The overall performance is –1.2 percent.

Group results

(CHF million)	30.6.08	30.6.07	
Profit before tax	203.7	223.6	–8.9%
– life	–34.0	129.1	–126.3%
– non-life	257.0	82.4	211.9%
– other	–19.3	12.1	–259.5%
Taxes	–37.3	–50.7	–26.5%
Profit for period (after taxes)	166.4	172.9	–3.8%

Equity base remains strong

Helvetia Group's equity base is sustainably strong. The moderate contraction of 6.4 percent compared to the end of 2007 to CHF 2,667.4 million is explained by the dividend payout, changes to the reserve for foreign currency translation differences and changes to the unrealised gains resulting from the falling equity markets and rising interest rates, which caused fluctuations in the valuation of the bond portfolio. The solvency situation is also solid, and at a very comfortable 211.6 percent, solvency is far above the statutory minimum of 100 percent and only around 6 percent lower than at the end of 2007. Given our strong growth and the slight contraction in equity, this development can be described as excellent. At 12.1 percent, the annualised equity ratio is only slightly below the previous year's 12.7 percent.

Encouraging growth in life business

With a growth rate of 7.9 percent in direct business, the life insurance segment lived up to our ambitious strategy. The strong growth rate was boosted by the 9.8 percent growth posted in the Swiss domestic market, which was supported by the great success of the Jubi+ fund product launched this year to celebrate our anniversary. Thanks to a 6.9 percent increase in new business, the Swiss group business also did very well in spite of strong competitive pressure. The foreign markets also contributed to the good growth rate, with Germany (+6.5 percent in original currency) and Spain (+7.9 percent in original currency) in particular making a substantial contribution to Group growth. The German life business again far outstripped the market. In Italy, however, premium volume was affected by the sharp decline in market growth and our consistent focus on a quality-centric underwriting policy. Special mention should be made of the fact that, in confirmation of our strategy, the Group-wide unit-linked life insurance business posted a stunning growth rate of 96.0 percent.

The current capital market environment also had a negative impact on the embedded value, which is slightly lower year-on-year at CHF 2,091.4 million. The increase in new business profitability by 3.1 percentage points to 19.0 percent is very encouraging. At +20.5 percent, the value of new business improved substantially compared to the year-earlier period. New business volume rose 6.3 percent in the EU, which supports our strategic ambition to expand in our foreign markets. At 17.1 percent, Germany again made the largest contribution. Details on the embedded value are provided on pages 18 to 20 of the shareholders' letter.

Sustained strong technical performance confirms operating strength in non-life

In the direct non-life business, which grew 2.4 percent in original currency, Helvetia gained market share in most regions. This is particularly encouraging in view of the strong competition, in particular in motor vehicle insurance. In geographical segments, Spain (+4.5 percent in original currency) and Germany (+2.9 percent in original currency) posted the strongest growth. In terms of business lines, property insurance, the largest line, reported substantial growth of 4.7 percent in original currency. The reinsurance segment, however, which does not focus on volume, reported a contraction in premium volume.

At CHF 257.0 million, the non-life result before taxes considerably exceeded the result of CHF 82.4 million for the year-earlier period. This is due, on the one hand, to the substantial improvement in the net combined ratio which dropped to 91.6 percent from 102.0 percent, and on the other hand, the adjustment to the reserve increases in view of the sustained strong technical performance, which translated into CHF 196.9 million in pre-tax income. This adjustment does not have any impact on our cautious approach to setting claims reserves, which is based on many years of experience. The investment result, of course, was much lower than in the previous year.

The significant technical improvement mainly results from the reduction in the claims ratio, which at 58.1 percent is far below the prior year level. This can be attributed to the fact that there were fewer storm and large claims and the generally good claims experience, which confirms the quality of our insurance portfolio. Cost savings also contributed to the combined ratio improvement. To ensure year-to-year operating comparability, the published ratio does not contain the effect of the above mentioned adjustments to the reserve increases. More details on the country markets are given on pages 10 to 17.

Combined Ratio net	Helvetia Group	CH	DE	IT	ES	Other
30.6.08	91.6%	82.2%	100.2%	102.9%	92.1%	79.7%
30.6.07	102.0%	101.5%	111.1%	98.8%	98.1%	97.2%

Investment result

In the first half of 2008, the financial markets were plagued by the ongoing liquidity crisis and credit crunch. Triggered by the US sub-prime mortgage segment, the crisis caused ever widening ripples. The financial sector was the only victim at first, but slowly the entire market was affected. This led to a massive downswing in the equity markets, with the European markets losing well over 20 percent in the first half of the year. In spite of the heavy weighting of financial stocks, Swiss equities suffered comparatively less with a drop in share prices of only 16 percent. The offensive monetary policy of the US Fed that was adopted in a bid to support the banking system triggered rising prices, higher interest rates and a weak US dollar. Bonds suffered from rising interest rates and closed the first half with a mainly negative performance. The lower valuation of the euro, dollar and pound proved to be an added burden for Swiss franc investors.

In a market where equities, bonds and currencies are all suffering losses in value, the negative impact on the investment result cannot be escaped. At Helvetia Group the effect of the market turbulence was softened by a hedging policy designed to protect the balance sheet and the substantial reduction of the equity exposure. The already conservative equity component of around 7 percent at the beginning of 2008 was reduced even further until the end of February, so that the portfolio's equity risk exposure is now only around 5 percent. The hedging ratio for foreign currency positions in the Swiss portfolio was increased to more than 90 percent early in the first quarter. Thanks to our active investment strategy investment performance came in at –1.2 percent as at 30 June.

The earnings trend for our securities, mortgage and real estate portfolio is encouraging and current investment income improved 1.2 percent year-on-

Investment income in CHF million

	30.6.08	30.6.07
Interest and dividend income	406.3	396.9
Gains and losses on investments (net)	–530.6	174.3
Income on investment property	114.5	108.3
Share of profit or loss of associates	–0.2	1.1
Investment income (gross)	–10.0	680.6
Investment management expenses on financial assets	–5.2	–8.8
Investment management expenses on property	–26.2	–39.4
Investment income (net)	–41.4	632.4

Interest and dividend income in CHF million

	30.6.08	30.6.07
Interest on bonds	250.3	241.9
Interest on loans	87.0	89.0
Interest on money market instruments	17.6	15.9
Interest income	354.9	346.8
Dividends from shares, investment funds and alternative investments	49.8	49.1
Income of securities lending	1.6	1.0
Other	0.0	0.0
Interest and dividend income	406.3	396.9

year to CHF 525.5 million. In annualised terms this equals a solid direct yield of 3.5 percent. However, the current income for the first semester was more or less completely eroded by exceptional losses, mainly book losses. These losses are in part also due to the valuation principles applied by Helvetia, which are strict in a sector comparison. In compliance with these principles, a large portion of the changes in portfolio value was already recognised in the income statement in the first semester[1]. It can therefore be said that the drop in unrealised gains and losses in equity to CHF –25.9 million net in the first half of the year is relatively modest. This also means that the ripple effect of delayed impairment in the second half of the year will be severely limited.

It should also be noted that the good credit quality of the portfolio – over 50 percent of fixed-interest securities rated AAA and approximately 95 percent with at least an A rating – has paid off in this difficult market environment. The portfolio also contains a large component of best-rated government bonds and still has no direct sub-prime investments or any similar exposure. As a precaution, however, a one-off impairment loss of CHF 45 million on subordinated bonds was recognised as these bonds were downgraded heavily after many years with a stable and excellent rating due to the very difficult refinancing conditions that apply to the issuer. These investments have nevertheless not suffered any interest losses to date. Helvetia's investment portfolio thus continues to generate stable current income.

Due to the early writedowns and the hedges on our equity holdings as well as our currency exposure, further losses from market fluctuations in the second half of the year are likely to be very limited. The valuation rules of Helvetia Group, which have a direct impact, also mean that we will be able to benefit immediately when the markets recover.

Gains and losses on investments (net) in CHF million

	30.6.08	30.6.07
Bonds	–112.3	53.3
Shares	–186.5	91.6
Investment funds	–135.2	38.5
Alternative investments	–1.4	37.3
Derivative financial instruments	30.1	–47.6
Mortgages	0.0	0.0
Loans	0.2	0.0
Money market instruments	–	–
Other	–6.7	1.4
Impairment of financial assets of the period	–119.1	–0.6
Reversal of impairment losses on financial assets of the period	0.3	0.5
Gains and losses on investments (net)	–530.6	174.3

[1] The cautious criteria applied to equities result in write downs if the value of a share falls more than 20 percent below amortised cost or remains below amortised cost for longer than nine months. Compared to other companies this rule is conservative and means that changes in value are recognised in the income statement at an early stage. Helvetia also has a large portfolio of held-for-trading equities and investment funds, for which changes in value are recognised in the income statement immediately.

The business units

Helvetia Group's operating business was very strong in all country markets in the first half of 2008. In original currency the growth was very encouraging, but was dampened somewhat in the consolidated financial statements by the CHF/EUR exchange rate movements. The underwriting result was excellent for both the non-life and the life segments. As a result of this sustained positive technical trend, the reserve loadings for the non-life claims reserve were adjusted in the first half during the regular review of the reserves . Although this adjustment increased profits, it was not reflected in the reported net combined ratio. The unfavourable situation in the capital markets meant that investment income lagged behind the previous year.

Country market Switzerland

Helvetia Switzerland is active as an all-line insurer and has 29 general agencies, around 2,200 employees and more than 750,000 customers. It is one of the five largest insurance companies in Switzerland.

The first half of 2008 was very successful in operating terms and premiums written improved by 8.1 percent year-on-year to CHF 2,118.2 million. However, the segment result was down 18.0 percent to CHF 109.6 million due to the turbulence on the financial markets. With this contribution to the result and a share in premium volume of almost 60 percent, Switzerland is the Group's strongest earner.

Slowdown in economic growth

Economic growth in Switzerland was restrained in the first half of 2008. The cooling of the world economy and the current difficult conditions on the financial markets are likely to hamper future economic activity. This assessment of the prospects is also reflected in the decline in consumer sentiment. First GDP estimates forecast economic growth for the whole of 2008 of 1.9 percent.

Profitable growth in life business

Helvetia Switzerland posted encouraging growth in the life business in the first half of 2008 and outperformed the market in this segment. Gross premium income improved by an excellent growth of 9.8 percent year-on-year and amounts to CHF 1,692.8 million. Growth for unit-linked products tripled, also thanks to the successful launch of the anniversary product Jubi+ to celebrate Helvetia's 150th anniversary. In spite of a selective underwriting policy, the group life business grew at a pleasing rate of 6.9 percent. In keeping with the Group's strategy, sales of equity-protecting fund products were pushed and this segment's share in the total premium volume was expanded. The actuarial result once again improved compared to the year-earlier period, with Helvetia capitalising on its healthy portfolio and risk-oriented pricing policy.

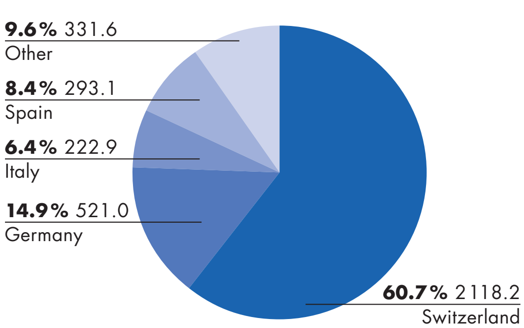
Strong performance in competitive non-life business

Helvetia successfully held its ground in the competitive non-life market and gross premiums written improved by another 1.8 percent year-on-year to CHF 425.4 million, with the lion's share of this increase posted by the core property and motor vehicle insurance lines. Boosted by the lack of large claims, the net combined ratio was

Gross premiums by geographical and business segment in CHF million

	Gross premiums		Elimination		Total consolidated		Change in %	Change in % (FX-adjusted)
	30.6.08	30.6.07	30.6.08	30.6.07	30.6.08	30.6.07		
Switzerland – non-life	425.4	417.9	–	–	425.4	417.9	1.8	1.8
Switzerland – life	1692.8	1542.2	–	–	1692.8	1542.2	9.8	9.8
Total Switzerland	2118.2	1960.1	–	–	2118.2	1960.1	8.1	8.1
Germany – non-life	401.4	398.3	–	–	401.4	398.3	0.8	2.9
Germany – life	119.6	114.7	–	–	119.6	114.7	4.3	6.5
Total Germany	521.0	513.0	–	–	521.0	513.0	1.6	3.7
Italy – non-life	184.2	187.0	–	–	184.2	187.0	–1.5	0.6
Italy – life	38.7	56.0	–	–	38.7	56.0	–31.1	–29.7
Total Italy	222.9	243.0	–	–	222.9	243.0	–8.3	–6.4
Spain – non-life	228.1	222.9	–	–	228.1	222.9	2.3	4.5
Spain – life	65.0	61.5	–	–	65.0	61.5	5.6	7.9
Total Spain	293.1	284.4	–	–	293.1	284.4	3.1	5.2
Other – non-life:								
Other countries	163.1	163.4	–	–	163.1	163.4	–0.2	2.0
Reinsurance	194.9	234.9	–101.7	–116.4	93.2	118.5	–21.3	–21.3
Other – life:								
Other countries	71.8	72.8	–	–	71.8	72.8	–1.3	0.8
Reinsurance	12.3	14.6	–8.8	–10.9	3.5	3.7	–6.5	–6.5
Total other	442.1	485.7	–110.5	–127.3	331.6	358.4	–7.5	–6.1
Total gross premiums	3597.3	3486.2	–110.5	–127.3	3486.8	3358.9	3.8	4.6

Gross premium income 1.1.–30.6.08
in CHF million



excellent at 82.2 percent and also much better than in the year-earlier period. This is also reflected in the noticeable improvement of the cost ratio.

Fit for the future

Helvetia Switzerland launched ten strategic initiatives to support its profit-oriented growth strategy. These initiatives are furthered by market-centric measures and projects designed to achieve ongoing improvement of business processes and e-business solutions and to increase quality and strengthen the service mentality. In the second half of the year our 150th anniversary will again take centre stage with various events and special offers for customers, employees and the general public.

Country market Germany

Helvetia operates in Germany as a property and an accident and life insurer. With 750 employees and approximately 850,000 customers it is one of the medium-sized insurance companies in the German market. Two-thirds of new business is acquired via brokers and general agents representing more than one insurance company, and the remaining third comes in through our exclusive sales channels.

The premiums written by the German companies improved by 3.7 percent year-on-year (1.6 percent growth in CHF) to CHF 521.0 million, which is better than the market average. At CHF 30.5 million the business result for the first half is substantially better than in the first semester of 2007, which was severely burdened by claims related to storm damage.

Stagnating insurance market

In view of the global economic cooling, economic growth was expected to slow down in the second quarter of 2008. However, GDP is still expected to increase by 2 percent in 2008. While competitive pressure in the insurance industry remains high, premium growth is weak. Although the life insurance sector is expected to grow by 2 percent this year, premiums for property and accident insurance are likely to fall by 0.2 percent. The introduction of a new insurance contract law will also burden the industry with considerable conversion expenditure.

Continued good growth for life business

With an increase in premium volume of 6.5 percent (growth in CHF: 4.3 percent), Helvetia's life business in Germany once again substantially outperformed the market. Insurance products financed by regular premiums did particularly well and grew by around 10 percent in original currency. New business improved by around 20 percent compared to the strong year-earlier period, and with a growth rate of 21.4 percent in original currency, demand for Helvetia's unit-linked products remains buoyant. As part of its "Helvetia WorkLife" range of employee benefit products, Helvetia Germany launched an innovative new annuity product in the first semester. As several product innovations are in the pipeline, the growth trend can be expected to remain positive for the second half of the year.

Non-life market share gains

With a growth rate of 2.9 percent (growth in CHF: 0.8 percent), the non-life business also outpaced the market again. This growth was mainly driven by the core property insurance line, where Helvetia Germany posted 6.5 percent growth in original currency. An investment in the portfolio of a competitor led to an encouraging increase in the building insurance segment, but in the motor vehicle business Helvetia's premiums written fell by 1.7 percent in original currency, which is a small decline compared to the market. At 100.2 percent, the net combined ratio improved 11 percentage points compared to the year-earlier period, which was heavily burdened by the winter storm Cyril. This year the claims ratio is also influenced by bad weather, albeit less heavily than last year, with hurricane Emma in March and hail storms in May. As part of the implementation of the new strategy, a number of products was improved and new products were introduced, including MultiLine for doctors, farmers, hoteliers and restaurant owners as well as Helvetia FamilyPlus, an accident insurance policy for families.

Strategy aims for growth and efficiency

The dynamic and substantially higher than the market average growth rate should be continued this year with the launch of other new life and non-life products, the strengthening of the life sales team and the expansion of our exclusive distribution channels. In the second half of 2008 we will also improve our efficiency by introducing measures aimed at optimising our processes and organisational structure.

Country market Italy

In Italy, Helvetia operates as an all-lines insurer in the economically interesting northern provinces of the country. Helvetia Italy serves approximately 350,000 customers with around 310 employees and a distribution network comprising 334 non-exclusive agencies and 130 brokers.

For the first half of the year, Helvetia Italy can look back on successful acquisitions that echo the strategy of profitable growth. The acquisitions of the non-life insurer Padana Assicurazioni and the life insurance company Chiara Vita will double Helvetia's sales power in Italy from 2009. The declining growth experienced by the Italian life insurance market in the first semester and the strong competition in the motor vehicle business had a negative impact on Helvetia Italy's premium volume, which dropped 6.4 percent (growth in CHF: –8.3 percent) year-on-year to CHF 222.9 million. The segment result, however, improved by 39 percent to CHF 14.6 million.

Slowdown in economic growth

The Italian economy is confronted by rising energy prices, high inflation and restrained consumer spending. As a result, GDP growth is forecast at only 0.4 percent. These factors coupled with the financial market trends particularly affect the life insurance market, which shrank by 16 percent in the first quarter of 2008. At –0.3 percent, the non-life market also contracted, mainly as a result of fierce competition, particularly in motor vehicle insurance.

New growth potential in life segment

Helvetia Italy generated a premium volume of CHF 38.7 million in the life segment, which is still on the decline under pressure from market conditions, even though Helvetia's agency business did extremely well in a sector comparison. Another tranche of index-linked products was launched successfully in the first semester, and these sales will boost business volumes from the second semester. As regards the coming years, the acquisition of 70 percent of Chiara Vita and the resulting cooperation programme with Banco di Desio will give us access to the bank sales channels, which cover around 60 percent of the Italian life market. Business volumes will already start rising significantly next year, boosted by unit- and index-linked products and traditional insurance products.

Stable non-life business in a slowing market environment

Supported by its successful sales partnerships, Helvetia Italy posted excellent growth in its property insurance business of 13.9 percent (growth in CHF: 11.5 percent). As a result, the non-life business grew by 0.6 percent (growth in CHF: –1.5 percent) in spite of continued strong competitive pressure in the motor vehicle segment. The cost ratio improved to 30.9 percent thanks to successful measures to cut administrative costs. The claims ratio, however, increased year-on-year, as we do not yet have any claims handling figures for the new sector-wide system of settling motor vehicle claims in Italy and therefore had to take a very cautious approach in setting up reserves. The net combined ratio of 102.9 percent is therefore higher year-on-year. The acquisition of the new non-life company gives Helvetia Italy access to the approximately 40,000 employees of the ENI Group and their families.

Successful strategy of profitable growth

Following the two acquisitions, the second half of the year will be overshadowed by the integration of the two new companies. The acquisition of Padana Assicurazioni announced on 14 March 2008 was finalised on 1 August 2008 after receiving the go-ahead from the supervisory authority.

Country market Spain

Helvetia Spain is among the 30 leading insurers in the strongly fragmented Spanish insurance market, where more than 300 active insurance companies are operating. The company offers a broad range of life and non-life products to more than 500,000 customers via a country-wide distribution network comprising more than 50 branches and three service centres in Pamplona, Madrid and Seville. Helvetia Spain currently has around 530 employees.

Helvetia Spain's premiums written improved by CHF 293.1 million or 5.2 percent (growth in CHF: 3.1 percent) year-on-year, which confirms its position in the Group as an important growth market even under challenging market conditions. Strategically speaking, business operations are well on course, but the persistent financial market crisis had a substantial impact of CHF 24.5 million on the segment result.

Weakening growth in insurance market

Compared to the previous years, which were characterised by strong growth, premium growth in the Spanish insurance market weakened in view of the general economic slowdown, falling GDP and restrained consumer and investor sentiment. The economic situation is overshadowed by the problems in the real estate market, high inflation and rising unemployment. According to first estimates, premium growth of 5 to 6 percent is expected for the first semester of 2008.

Marketing success in life business

With a growth rate of 7.9 percent (growth in CHF: 5.6 percent) and a premium volume of CHF 65.0 million, the life segment did very well. New business improved substantially, in particular policies financed by a single premium. The strong growth of 19.8 percent (growth in CHF: 17.4 percent) posted by the individual life business for the first half was supported by successful marketing campaigns for savings and risk products. Reflecting the trends on the capital markets, demand for unit-linked life insurance products declined sharply compared with a year earlier. In step with the strategic targets, Helvetia Spain will continue to promote the sales for its broad range of products with marketing campaigns in the second half of the year.

Sustainable combined ratio

The non-life portfolio outperformed the market and increased its premium income to CHF 228.1 million, up 4.5 percent year-on-year (CHF 2.3 percent). Helvetia Spain's main insurance line, motor vehicle insurance, improved by 7.0 percent (growth in CHF: 4.8 percent). At 92.1 percent, the net combined ratio, which represents the technical result, is excellent in view of the current pressure on prices and substantially below the sector average. The 6 percent improvement compared to a year earlier is explained by a disciplined underwriting policy and the good quality of the portfolio. The strategic initiatives that were launched to optimise our products and processes and our marketing projects for motor vehicle and property insurance as well as our niche product transport insurance made an important contribution to this encouraging result.

Successful implementation of Strategy 2010

Much work was done on the implementation of the strategic targets in the first semester of 2008. The focus fell on the productivity and growth targets, which should be achieved by concentrating on niche products, opening up new customer segments and implementing measures to improve sales and cost efficiency. These initiatives will be continued in the second semester and will ensure that we retain our successful market position.

Country market Austria

Helvetia operates as an all-lines insurer in Austria through Helvetia Versicherungen AG, while the head office for Austria specialises in transport insurance. With its 250 sales force employees, 2,000 active broker relationships, around 620 employees and more than 250,000 customers, Helvetia is one of the medium-sized Austrian insurance companies and is close to the top 10 insurers as regards market share.

The Austrian companies increased their premium income by 1.3 percent year-on-year in original currency in spite of an unfavourable market environment. Due to the exchange rate differences, the premiums written remained more or less stable in Swiss franc terms at CHF 182.6 million.

Robust economy and solid insurance market

In spite of the international financial crisis and the dampened mood worldwide, economic conditions in Austria are still relatively good. In view of the strong exports to Eastern Europe, brisk investment activity but restrained private consumption, GDP is expected to grow by 2.2 percent. The insurance industry is robust, and, in contrast to the previous years, premium growth on a par with the growth of the Austrian economy can be expected for 2008.

Attractive life products return first marketing successes

Life premium income increased by 0.8 percent in original currency. The unit-linked life insurance products introduced in 2007 boosted the business with policies financed by a single premium by almost 75 percent in original currency. Measures introduced to actively combat cancellations of traditional life insurance policies and to push the new unit-linked products are expected to provide added growth momentum in the second semester of 2008. The actuarial result itself is consistently solid, even though the risk result is slightly above the year-earlier period.

Improved earning power innon-life business

With a premium increase of 1.6 percent in original currency, the non-life business held pace with the market for the first time in several years. In spite of the general premium decline in the motor insurance segment, an encouraging increase in new contracts helped Helvetia to gain market share in this area. The profitable private customer segment performed better than expected, particularly as regards the business done via the broker channels. This confirms that the improvement of our services and various process optimisation measures are beginning to bear fruit. The insurance portfolio proved its quality in a business year marked by a number of natural disasters. In a difficult environment, the net combined ratio improved by around 4 percentage points to 98.2 percent.

Consistent strategy implementation

In the current strategy period until 2010, Helvetia is aiming for above-average growth and the sustainable improvement of its cost position. In doing this it is relying on an attractive and competitive range of products that is constantly maintained and expanded. Distribution and related projects should support the achievement of the targeted growth rates. The growth initiatives are accompanied by other cost-cutting measures.

Country market France

With around 90 employees, Helvetia France operates in the French insurance market as a specialist in transport insurance. However, although it is the fifth largest provider in the transport segment, it only has a market share of 6 percent. It sells freight and liability insurance to forwarding agents via a sales network of around 1,700 brokers and agents.

Competition remains fierce

The transport insurance business is affected directly by the current economic situation. The productivity slowdown and the weak dollar are hurting the transport market. International competitive pressure is also consistently high in the transport insurance segment, which depresses the average premium, in particular in business with large customers.

Profitable premium growth

With a growth rate of 2.6 percent (growth in CHF: 0.5 percent) and a premium volume of CHF 52.3 million, Helvetia France held its own in a very competitive environment in the first half of the year. The expansion of the product range and other efforts to strengthen its sales power made a significant contribution to this success. In terms of profit, Helvetia France is still in good shape. With a claims ratio of 49.8 percent and a cost ratio of 28.4 percent, the transport insurance business is consistently profitable with a net combined ratio of well below 80 percent.

Stable position in transport segment

The implementation of efficiency measures and the exploitation of synergies arising from intensive collaboration with all the transport departments of Helvetia Group will ensure and expand Helvetia France's long-term success. Its secure position is strengthened by its excellent image among customers and partners. By investing in its processes, IT projects and the improvement of its sales structures, Helvetia France is well equipped to meet the challenges of a highly competitive market.

Assumed reinsurance

Helvetia is one of the oldest reinsurers in the world. As an experienced niche provider, the assumed reinsurance business unit has a top quality, globally diversified and consistently profitable reinsurance portfolio that does not focus on volumes.

Good first-half result

The 2008 renewal season was very satisfactory. Premium volume for the first half of 2008 amounted to CHF 95.8 million. Although this is down 20.9 percent from a year earlier, it is in keeping with our underwriting policy, which focuses strictly on profits. The reinsurance business unit consistently refused to renew contracts that no longer meet these demands.

The fact that the reinsurance segment posted an encouraging result for the first half of 2008 with a combined ratio of 78.9 percent in spite of the storm Emma at the end of February and the hail storms at the end of May in Germany confirms the quality of its well-diversified portfolio. The combined ratio is also affected by the development of the exchange rates that apply to the conversion of balance sheet liabilities in foreign currencies.

Still on course

Compared to the previous years, competition in the reinsurance industry has intensified. Assuming a normal claims experience, we expect the assumed reinsurance segment to again make a significant contribution to Helvetia's annual profit, even in this difficult environment.

Embedded value

Embedded value measures the shareholder value of the life insurance portfolio and is made up of
- the adjusted equity
- plus the value of the insurance portfolio
- less the solvency costs.

The adjusted equity includes the statutory equity and the shareholders' interest in the valuation reserves. The value of the insurance portfolio corresponds to the present value of all expected future statutory earnings after tax from the life insurance portfolio as of the reporting date. Solvency costs, i.e. the costs of solvency capital provided by the shareholder, are deducted from the embedded value.

The embedded value was determined in full for all Helvetia Group companies that handle life business. In addition to the life business in Switzerland, the life business in the EU countries Germany, Austria, Spain and Italy was also considered.

Compared to 31 December 2007, the value of the insurance portfolio increased by an encouraging 3.3 percent. This improvement, the good risk experience and cost savings all had a positive impact on the embedded value. New business written improved by 20.5 percent, mainly thanks to a higher volume of new business, the launch of new and highly profitable products, and a shift in the product mix. New business profitability rose from 15.9 percent in the first semester of 2007 to 19.0 percent in the first semester of this year. This positive trend is experienced both in Switzerland and the EU countries.

The improvement in the value of the insurance portfolio is offset by a decrease in adjusted equity, which is explained by the unfavourable capital market environment. As a result, Helvetia Group's embedded value of CHF 2,091.4 million at the end of June 2008 is CHF 132.4 million less than at the end of 2007. This equals a drop of 5.9 percent.

Embedded value after tax in CHF million	30.6.08	31.12.07
Switzerland	1 699.1	1 793.0
of which value of insurance portfolio	1 061.6	1 024.9
of which adjusted equity	1 003.5	1 130.5
of which solvency costs	–366.0	–362.4
EU	392.3	430.8
of which value of insurance portfolio	295.8	289.4
of which adjusted equity	185.2	233.0
of which solvency costs	–88.7	–91.6
Total	2 091.4	2 223.8
of which value of insurance portfolio	1 357.4	1 314.3
of which adjusted equity	1 188.7	1 363.5
of which solvency costs	–454.7	–454.0

Assumptions	30.6.08	31.12.07
Switzerland		
Risk discount rate	7.0%	7.0%
Yield on bonds	3.7% – 3.9%	3.4% – 3.7%
Yield on equities	6.5%	6.5%
Yield on real estate	4.5%	4.5%
EU		
Risk discount rate	8.0%	8.0%
Yield on bonds	4.9% – 5.6%	4.7% – 5.2%
Yield on equities	7.5%	7.5%
Yield on real estate	4.6%	4.6%

Development of embedded value after tax in CHF million	2008
Embedded value as of 1 January	2 223.8
Operating profit from insurance portfolio and adjusted equity	138.3
Value of new business from 1.1.2008 to 30.6.2008	20.5
Economic changes, including changes to unrealised gains and losses on investments (equities and real estate)	–219.7
Dividends and movement of capital	–59.3
Foreign currency translation differences	–12.2
Embedded value as of 30 June	2 091.4

New business	30.6.08	30.6.07
Switzerland		
Value of new business in CHF million	15.4	12.7
Annual premium equivalent (APE) in CHF million	76.0	77.0
Value of new business (APE) in %	20.3%	16.5%
Present value of new business premiums (PVNBP) in CHF million	751.6	764.6
Value of new business (PVNBP) in %	2.0%	1.7%
EU		
Value of new business in CHF million	5.1	4.3
Annual premium equivalent (APE) in CHF million	32.1	30.2
Value of new business (APE) in %	15.9%	14.2%
Present value of new business premiums (PVNBP) in CHF million	207.1	178.6
Value of new business (PVNBP) in %	2.5%	2.4%
Total		
Value of new business in CHF million	20.5	17.0
Annual premium equivalent (APE) in CHF million	108.1	107.2
Value of new business (APE) in %	19.0%	15.9%
Present value of new business premiums (PVNBP) in CHF million	958.7	943.2
Value of new business (PVNBP) in %	2.1%	1.8%

Annual premium equivalent (APE): 100% annual premiums on new business + 10% single premiums on new business
PVNBP: present value of new business premiums

Our share

The Helvetia share closed at CHF 398 at the end of the first half, just slightly below the year-end price of CHF 407 (–2.3 percent). As the overall market (SPI) lost 15.5 percent, Helvetia substantially outperformed the market. The share price fluctuated between a low of CHF 336 in March and a high of CHF 435 in May. If we remember that the market environment was extremely volatile and uncertain, this is an extraordinary performance which proves the solidity and constancy of Helvetia.

Further shareholder growth

The strong operating performance and solid financial strength of the Group in these times of market turbulence once again underline Helvetia's great potential as an attractive investment. This is also confirmed by the fact that the number of shareholders increased substantially from 5,078 to 6,911 in the past twelve months. The new shareholders also include many employees of Helvetia Switzerland, who were given the opportunity in the 150th anniversary year to buy company shares at an attractive price.
Our shareholder structure changed only slightly in the reporting period, and our ownership base remains stable. Shareholder structure as at 31 July:

Shares of investor groups

Private individuals	10.4 percent
Banks and insurance companies	27.6 percent
Other institutional investors	62.0 percent

92.8 percent of investors were based in Switzerland and 7.2 percent were based abroad.
As of 31 July, the following important shareholders were registered with the share register of Helvetia Holding:

Shareholders as per 31.7.2008

Patria Genossenschaft	30.1 percent
Vontobel	4.0 percent
Raiffeisen	4.0 percent
Munich Re Group	8.2 percent
Bâloise Group	3.1 percent

Par value repayment carried out in July

The par value repayment of CHF 9.90 per share that was approved at the Shareholders' Meeting of 25 April 2008 was carried out on 28 July 2008. From this date only registered shares with a par value of CHF 0.10 each are officially traded on the main board of the Swiss stock exchange (SWX). The reduction of the share capital by reducing the par value of the share is a sign of active capital management. With this measure, Helvetia is living up to its policy of actively managing its equity base and is at the same time setting the stage for attractive future returns on equity.

Consolidated income statement (unaudited)

Income in CHF million

	30.6.08	30.6.07
Gross premiums written	3 486.8	3 358.9
Reinsurance premiums ceded	–170.2	–177.9
Net premiums written	3 316.6	3 181.0
Net change in unearned premium reserve	–647.0	–635.9
Net earned premiums	2 669.6	2 545.1
Interest and dividend income	406.3	396.9
Gains and losses on investments (net)	–530.6	174.3
Income on investment property	114.5	108.3
Other income[1]	20.8	10.4
Total operating income	2 680.6	3 235.0

Expenses in CHF million

	30.6.08	30.6.07
Claims incurred including claims handling costs (non-life)[2]	–511.3	–868.1
Claims and benefits paid (life)	–1 705.8	–1 302.8
Change in actuarial reserve	292.1	–214.4
Reinsurers' share of benefits and claims	62.6	119.5
Policyholder dividends and bonuses	41.1	–115.3
Net insurance benefits and claims	–1 821.3	–2 381.1
Acquisition costs	–370.0	–361.5
Reinsurers' share of acquisition cost[1]	34.5	37.7
Operating and administrative expenses[2]	–254.4	–273.2
Interest payable	–20.1	–21.6
Other expenses	–41.2	–9.7
Total operating expenses	–2 472.5	–3 009.4
Profit or loss from operating activities	208.1	225.6
Finance costs	–4.2	–3.1
Share of profit or loss of associates	–0.2	1.1
Profit or loss before tax	203.7	223.6
Income taxes	–37.3	–50.7
Profit or loss for the period	166.4	172.9
attributable to:		
Shareholders of Helvetia Holding AG[3]	166.1	172.5
Minority interests	0.3	0.4
Earnings per share		
Basic earnings per share in CHF	19.4	20.1
Diluted earnings per share in CHF	19.4	20.1

[1] The restatement of the prior year figures for "Other income" results from the reclassification of "commissions receivable from reinsurers" to "Reinsurers' share of acquisition cost in the amount of CHF 37.7 million.

[2] The change in the prior year figures results from the reclassification of claims handlings costs of CHF 10.7 million for the country market Spain that were previously included in "Operating and administrative expenses" to "Claims incurred including claims handling costs (non-life)".

[3] Details on this item can be found under "Consolidated statement of equity".

Consolidated balance sheet (unaudited)

Assets in CHF million

	30.6.08	31.12.07
Property and equipment	606.7	560.6
Goodwill and other intangible assets	58.6	64.9
Investments in associates	52.2	48.3
Investment property	3938.6	3970.4
Financial assets	24552.2	25362.8
Receivables from insurance business	760.7	696.4
Deferred acquisition costs (life)	223.0	223.2
Reinsurance assets	795.2	688.5
Deferred tax assets	45.6	49.8
Current income tax assets	15.6	6.2
Other assets	143.5	157.5
Accrued investment income	291.5	340.2
Cash and cash equivalents	209.8	375.9
Total assets	31693.2	32544.7

Liabilities and equity in CHF million

	30.6.08	31.12.07
Share capital	86.5	86.5
Capital reserves	386.1	636.1
Treasury shares	–17.1	–17.1
Unrealised gains and losses (net)	–25.9	48.2
Foreign currency translation differences	–33.9	20.9
Retained earnings	1869.4	1526.4
Valuation reserves for contracts with participation features	399.3	545.8
Equity of Helvetia Holding AG shareholders	2664.4	2846.8
Minority interests	3.0	3.8
Total equity	2667.4	2850.6
Actuarial reserve (gross)	21299.1	21725.0
Provision for future policyholder participation	415.6	693.2
Loss reserves (gross)	2759.3	3017.8
Unearned premium reserve (gross)	1595.1	944.7
Financial liabilities from financing activities	245.5	234.2
Financial liabilities from insurance business	1218.6	1295.3
Other financial liabilities	18.7	21.4
Liabilities from insurance business	552.1	737.1
Non-actuarial provisions	57.1	77.5
Employee benefit obligations	267.0	286.6
Deferred tax liabilities	361.2	405.9
Current income tax liabilities	86.7	129.5
Other liabilities and accruals	149.8	125.9
Total liabilities	29025.8	29694.1
Total liabilities and equity	31693.2	32544.7

Consolidated statement of equity (unaudited)

in CHF million	Equity attributable to shareholders of Helvetia Holding AG Share capital	Capital reserves	Treasury shares	Unrealised gains and losses (net)
Balance as of 1.1.07	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
Balance as of 1.1.08	86.5	636.1	–17.1	48.2
Fair value revaluation of investments	–	–	–	–257.7
Change in liabilities for contracts with participation features	–	–	–	160.0
Foreign currency translation differences	–	–	–	–
Deferred taxes	–	–	–	23.6
Gains/losses recognised directly in equity (net)	–	–	–	–74.1
Profit for the year	–	–	–	–
Total recognised income	–	–	–	–74.1
Transfer from/to retained earnings	–	–250.0	–	–
Change in minority interests	–	–	–	–
Treasury share transactions	–	–3.2	–	–
Employee share purchase plan	–	3.2	–	–
Dividends	–	–	–	–
Shareholders' contribution	–	32.0	–	–
Allocation of shareholders' contribution	–	–32.0	–	–
Balance as of 30.6.08	86.5	386.1	–17.1	–25.9

Foreign currency translation differences	Retained earnings	Valuation reserves for contracts with participation features	Total before minority interests	Minority interests	Total equity
15.6	1 277.2	608.8	2 735.0	3.4	2 738.4
–	–	–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	–	–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	1 263.9	617.4	2 722.2	3.1	2 725.3
20.9	1 526.4	545.8	2 846.8	3.8	2 850.6
–	–	–119.2	–376.9	–0.1	–377.0
–	–	–	160.0	–	160.0
–54.8	–	–	–54.8	–0.2	–55.0
–	–	28.3	51.9	0.0	51.9
–54.8	–	–90.9	–219.8	–0.3	–220.1
–	222.2	–56.1	166.1	0.3	166.4
–54.8	222.2	–147.0	–53.7	0.0	–53.7
–	249.5	0.5	0.0	0.0	0.0
–	–	–	–	–	–
–	–	–	–3.2	–	–3.2
–	–	–	3.2	–	3.2
–	–128.7	–	–128.7	–0.8	–129.5
–	–	–	32.0	–	32.0
–	–	–	–32.0	–	–32.0
–33.9	1 869.4	399.3	2 664.4	3.0	2 667.4

Consolidated cash flow statement (unaudited)

Cash flow from operating activities in CHF million	30.6.08	30.6.07
Profit before tax	203.7	223.6
Reclassifications to investing and financing activities (affecting cash):		
Realised gains and losses on property, equipment and intangible assets	0.0	2.9
Realised gains and losses on sale of associates	–	–
Dividends from associates	–1.0	–0.6
Adjustments:		
Depreciation/amortisation of property, equipment and intangible assets	16.1	17.3
Realised gains and losses on financial assets and investment property	140.5	–13.9
Unrealised gains and losses on investments in associates	1.3	–0.4
Unrealised gains and losses on investment property	7.6	19.6
Unrealised gains and losses on financial assets	404.7	–80.3
Share-based payments for employees	3.2	0.7
Foreign currency gains and losses	91.2	–65.3
Other income and expenses not affecting cash[1]	–12.2	74.9
Change in operating assets and liabilities:		
Deferred acquisition costs (life)	–0.5	0.3
Reinsurance assets	–113.1	–83.4
Actuarial reserve	–292.1	214.4
Provisions for future policyholder participation	–146.5	31.8
Loss reserves	–211.6	103.0
Unearned premium reserve	668.3	655.5
Financial liabilities from insurance business	–53.8	–187.2
Changes in other operating assets and liabilities	–205.4	–177.9
Purchase of investment property	–11.8	–12.2
Sale of investment property	32.4	29.4
Purchase of bonds	–1829.2	–2399.5
Repayment / sale of bonds	1632.1	1499.9
Purchase of shares, investment funds and alternative investments	–712.7	–873.5
Sale of shares, investment funds and alternative investments	851.5	904.3
Purchase of derivatives	–153.9	–65.3
Sale of derivatives	51.2	2.4
Origination of mortgages and loans	–182.2	–181.9
Repayment of mortages and loans	226.9	202.3
Purchase of money market instruments	–12919.3	–10413.4
Repayment of money market instruments	12603.7	10787.5
Cash flow from operating activities (gross)	89.1	215.0
Income taxes paid	–74.8	–55.3
Cash flow from operating activities (net)	14.3	159.7

[1] Other income and expenses not affecting cash' primarily contains the change to interest-accruing profit participation of owners of contracts with discretionary participation features.

Cash flow from investing activities in CHF million	30.6.08	30.6.07
Purchase of property and equipment	–67.7	–45.8
Sale of property and equipment	0.4	20.5
Purchase of intangible assets	–3.4	–3.7
Sale of intangible assets	0.2	0.0
Purchase of investments in asscociates	–5.4	–
Sale of investments in associates	–	–
Purchase of investments in subsidiaries, net of cash and cash equivalents	0.0	0.0
Sale of investments in subsidiaries, net of cash and cash equivalents	–	–
Dividends from associates	1.0	0.6
Cash flow from investing activities (net)	–74.9	–28.4
Cash flow from financing activities in CHF million		
Sale of treasury shares	–	–
Purchase of treasury shares	–3.2	–0.7
Shareholders' contribution	32.0	9.0
Dividends paid	–129.5	–116.3
Cash flow from financing activities (net)	–100.7	–108.0
Effect of exchange rate differences on cash and cash equivalents	–4.8	2.7
Total change in cash and cash equivalents	–166.1	26.0
Cash and cash equivalents in CHF million		
Cash and cash equivalents as of 1 January	375.9	121.2
Change in cash and cash equivalents	–166.1	26.0
Cash and cash equivalents as of 30 June	209.8	147.2

Condensed notes (unaudited)

1. General information

The Board of Directors approved the consolidated interim financial statements and released them for publication at its meeting of 29 August 2008.

2. Summary of significant accounting policies

The consolidated interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". With the exception of the changes listed below, the accounting principles used in preparing the financial statements correspond to the principles applied to the 2007 consolidated financial statements. The interim financial statements must therefore be read in conjunction with the 2007 financial statements.

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 with effect from 1 January 2008:

- IFRIC 14 – The limit on a defined benefit asset, minimum funding requirements and their interaction

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

IFRIC 14 – The limit of a defined benefit asset, minimum funding requirements and their interaction
This IFRIC interpretation provides guidelines on calculating the maximum amount of the surplus of a pension fund that can be measured as an asset under IAS 19. IFRIC 14 also addresses the interaction between statutory or contractual minimum funding requirements and the limit placed on the measurement of a liability or an asset. The application of this IFRIC interpretation does not have any significant impact on Helvetia Group.

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 interim financial statements

	Effective date: to be applied for annual periods beginning on/after:
IFRS 2 Share-based payment – vesting conditions	1.1.2009
IFRS 3 / IAS 27 Business combinations phase II	1.7.2009
IFRS 8 Operating segments	1.1.2009
Amendments to IAS 1 Presentation of financial statements	1.1.2009
Amendments to IAS 23 Borrowing costs	1.1.2009
Amendments to IAS 32 Financial instruments – puttable instruments and instruments with obligations arising on liquidation	1.1.2009
Annual improvements project	1.1.2009
IFRIC 13 Customer loyalty programmes	1.7.2008
IFRIC 15 Agreements for the construction of real estate	1.1.2009
IFRIC 16 Hedges of a net investment in a foreign operation	1.10.2008

Helvetia Group does not expect the first-time application of IFRS 8 to have any significant impact on the consolidated financial statements, as this will primarily affect the type and extent of disclosure. Due to the changes to IAS 16 and IAS 40, the annual improvements project will mean that a large part of the real estate under construction will in future be recognised as investment properties and be measured at fair value through profit or loss. The new amendments to existing standards and interpre-tations are not expected to have any significant impact on Helvetia Group.

4. Scope of consolidation

The following events in the interim reporting period led to changes in the scope of consolidation of Helvetia Group:

On 1 January 2008, Helvetia Swiss Life Insurance Company Ltd, Basel acquired 100% of Helvetia Consulta AG, Basel. The purchase price was CHF 0.1 million. No goodwill was recognised on this acquisition.

On 1 January 2008, Helvetia Swiss Insurance Company Ltd, Management Board Germany, Frankfurt a.M. acquired 26% of PS Beteiligungs- und Verwaltungsgesellschaft mbH & Co. KG and 26% of PS Verwaltungs-GmbH. The total amount for both transactions was EUR 3.3 million. No goodwill was recognised on these two transactions. Together, PS Beteiligungs- und Verwaltungsgesellschaft mbH & Co. KG and PS Verwaltungs-GmbH hold 100% of Deutsche Familienversicherung AG.

In the reporting period, the share capital of Helvetia Vermögens- und Grundstücksverwaltung GmbH & Co. KG, Frankfurt am Main, was increased by EUR 1.1 million.

5. Segment information

5.1 Segment information by geographical segment

Income in CHF million	Switzerland		Germany	
	30.6.08	30.6.07	30.6.08	30.6.07
Gross premiums written	2 118.2	1 960.1	521.0	513.0
Reinsurance premiums ceded	–70.9	–67.8	–52.9	–63.4
Net premiums written	2 047.3	1 892.3	468.1	449.6
Net change in unearned premium reserve	–520.7	–511.2	–81.1	–79.9
Net earned premiums	1 526.6	1 381.1	387.0	369.7
Interest and dividend income	259.6	251.8	51.8	52.0
Gains and losses on investments (net)	–374.5	146.5	–44.0	10.3
Income on investment property	100.9	90.3	3.4	3.2
Other income	9.5	5.6	2.0	1.7
Total operating income	1 522.1	1 875.3[1]	400.2	436.9
of which transactions between geographical segments	28.1	29.5	41.1	47.1
Expenses in CHF million				
Claims incurred including claims handling costs (non-life)	–21.9	–203.5	–163.7	–240.1
Claims and benefits paid (life)	–1412.9	–1105.1	–66.6	–61.4
Change in actuarial reserve	257.4	–109.8	–30.9	–54.7
Reinsurers' share of benefits and claims	7.7	42.7	29.1	66.4
Policyholder dividends and bonuses	22.4	–97.3	12.3	–14.5
Net insurance benefits and claims	–1 147.3	–1 473.0	–219.8	–304.3
Acquisition costs	–105.5	–108.3	–110.4	–103.7
Reinsurers' share of acquisition costs	11.4	14.7	12.5	14.7
Operating and administrative expenses	–136.9	–157.0	–42.5	–45.0
Interest payable	–17.3	–18.6	–1.2	–1.2
Other expenses	–13.1	3.0	–8.3	–7.5
Total operating expenses	–1408.7	–1739.2[1]	–369.7	–447.0
Profit or loss from operating activities	113.4	136.1	30.5	–10.1
Financing costs	–3.1	–3.1	–	–
Share of profit or loss of associates	–0.7	0.6	–	–
Profit or loss before tax	109.6	133.6	30.5	–10.1
Income taxes				
Profit or loss for the period				

[1] The change in the prior year figures results from the reclassification of technical interest of CHF 10.7 million previously included in "Operating and administrative expenses" to "Interest and dividend income" and from the reclassification of "commissions receivable from reinsurers" from "Other income" to "Reinsurers' share of acquisition costs" (see income statement).

Italy		Spain		Others		Elimination and non-allocated items		Total	
30.6.08	30.6.07	30.6.08	30.6.07	30.6.08	30.6.07	30.6.08	30.6.07	30.6.08	30.6.07
222.9	243.0	293.1	284.4	442.1	485.7	–110.5	–127.3	3 486.8	3 358.9
–27.5	–34.3	–24.9	–25.0	–105.2	–114.5	111.2	127.1	–170.2	–177.9
195.4	208.7	268.2	259.4	336.9	371.2	0.7	–0.2	3 316.6	3 181.0
–7.7	2.1	–27.9	–32.6	–8.9	–14.5	–0.7	0.2	–647.0	–635.9
187.7	210.8	240.3	226.8	328.0	356.7	0.0	–	2 669.6	2 545.1
29.7	29.4	18.1	17.4	47.1	46.3	–	–	406.3	396.9
–26.2	4.0	–27.7	10.8	–58.2	2.7	–	–	–530.6	174.3
0.3	0.6	2.2	4.7	7.7	9.5	–	–	114.5	108.3
7.9	1.0	0.4	0.2	1.0	1.6	0.0	0.3	20.8	10.4
199.4	245.8	233.3	259.9	325.6	416.8[1]	0.0	0.3	2 680.6	3 235.0
19.3	21.0	18.1	18.2	–106.6	–115.5	0.0	–0.3		
–96.1	–123.7	–104.6	–122.9	–161.6	–284.0	36.6	106.1	–511.3	–868.1
–115.9	–39.6	–44.4	–36.5	–70.1	–63.9	4.1	3.7	–1 705.8	–1 302.8
69.2	–23.2	–3.2	–3.1	2.3	–23.4	–2.7	–0.2	292.1	–214.4
15.6	18.8	7.4	6.9	40.8	94.3	–38.0	–109.6	62.6	119.5
3.2	–0.8	–	–	3.2	–2.7	–	–	41.1	–115.3
–124.0	–168.5	–144.8	–155.6	–185.4	–279.7	–	–	–1 821.3	–2 381.1
–40.9	–41.2	–48.2	–45.2	–90.2	–94.4	25.2	31.3	–370.0	–361.5
8.3	10.0	6.1	5.8	23.1	25.8	–26.9	–33.3	34.5	37.7
–25.0	–27.5	–21.1	–21.6	–29.1	–22.1	0.2	0.0	–254.4	–273.2
–1.4	–1.5	0.0	0.0	–0.2	–0.3	–	–	–20.1	–21.6
–0.7	–6.6	–1.3	–0.9	–19.3	0.6	1.5	1.7	–41.2	–9.7
–183.7	–235.3	–209.3	–217.5	–301.1	–370.1[1]	0.0	–0.3	–2 472.5	–3 009.4
15.7	10.5	24.0	42.4	24.5	46.7	0.0	0.0	208.1	225.6
–1.1	–	–	–	–	–	–	–	–4.2	–3.1
–	–	0.5	0.5	–	0.0	–	–	–0.2	1.1
14.6	10.5	24.5	42.9	24.5	46.7	0.0	0.0	203.7	223.6
						–37.3	–50.7	–37.3	–50.7
								166.4	172.9

5.2 Segment information by business segment

Income in CHF million	Life		Non-life	
	30.6.08	30.6.07	30.6.08	30.6.07
Gross premiums written	1 991.4	1 850.9	1 495.4	1 508.0
Reinsurance premiums ceded	–35.3	–34.2	–134.9	–143.7
Net premiums written	1 956.1	1 816.7	1 360.5	1 364.3
Net change in unearned premium reserve	–413.0	–389.5	–234.0	–246.4
Net earned premiums	1 543.1	1 427.2	1 126.5	1 117.9
Interest and dividend income	323.4	317.1	73.3	72.0
Gains and losses on investments (net)	–421.5	144.4	–87.5	28.0
Income on investment property	99.9	88.5	13.4	18.8
Other income	8.7	4.0	12.0	6.4
Total operating income	1 553.6	1 981.2	1 137.7	1 243.1
of which transactions between business segments	–0.5	0.4	0.4	–0.5
Expenses in CHF million				
Claims incurred including claims handling costs (non-life)	–	–	–511.3	–868.1
Claims and benefits paid (life)	–1 705.8	–1 302.8	–	–
Change in actuarial reserve	292.1	–214.4	–	–
Reinsurers' share of benefits and claims	8.5	6.6	54.1	112.9
Policyholder dividends and bonuses	41.1	–115.1	0.0	–0.2
Net insurance benefits and claims	–1 364.1	–1 625.7	–457.2	–755.4
Acquisition costs	–92.8	–84.9	–277.2	–276.6
Reinsurers' share of acquisition costs	8.3	9.4	26.2	28.3
Operating and administrative expenses	–112.5	–124.1	–140.5	–147.9
Interest payable	–19.5	–20.4	–0.6	–1.2
Other expenses	–6.3	–7.0	–30.8	–8.4
Total operating expenses	–1 586.9	–1 852.7	–880.1	–1 161.2
Profit or loss from operating activities	–33.3	128.5	257.6	81.9
Financing costs	–	–	–1.1	–
Share of profit or loss of associates	–0.7	0.6	0.5	0.5
Profit or loss before tax	–34.0	129.1	257.0	82.4
Income taxes				
Profit or loss for the period				

Others		Elimination and non-allocated items		Total	
30.6.08	30.6.07	30.6.08	30.6.07	30.6.08	30.6.07
–	–	–	–	3 486.8	3 358.9
–	–	–	–	–170.2	–177.9
–	–	–	–	3 316.6	3 181.0
–	–	–	–	–647.0	–635.9
–	–	–	–	2 669.6	2 545.1
9.6	7.8	–	–	406.3	396.9
–21.6	1.9	–	–	–530.6	174.3
1.2	1.0	–	–	114.5	108.3
0.6	0.4	–0.5	–0.4	20.8	10.4
–10.2	11.1	–0.5	–0.4	2 680.6	3 235.0
–0.4	–0.3	0.5	0.4		
–	–	–	–	–511.3	–868.1
–	–	–	–	–1 705.8	–1 302.8
–	–	–	–	292.1	–214.4
–	–	–	–	62.6	119.5
–	–	–	–	41.1	–115.3
–	–	–	–	–1 821.3	–2 381.1
–	–	–	–	–370.0	–361.5
–	–	–	–	34.5	37.7
–1.4	–1.2	0.0	0.0	–254.4	–273.2
0.0	0.0	–	–	–20.1	–21.6
–4.6	5.3	0.5	0.4	–41.2	–9.7
–6.0	4.1	0.5	0.4	–2 472.5	–3 009.4
–16.2	15.2	0.0	0.0	208.1	225.6
–3.1	–3.1	–	–	–4.2	–3.1
–	–	–	–	–0.2	1.1
–19.3	12.1	0.0	0.0	203.7	223.6
		–37.3	–50.7	–37.3	–50.7
				166.4	172.9

6. Investments

In view of the generally weak performance of the capital markets, impairment losses of CHF 118.8 million on the investments of Helvetia Group were recognised in the first half of 2008.
CHF 72.8 million applied to equity instruments. The weak trend on the equity markets and the prudent impairment criteria applied by Helvetia Group resulted in impairment losses of CHF 69.6 million on available-for-sale securities and CHF 3.2 million on investment funds and alternative investments. At Helvetia Group, equity instruments are considered impaired if their fair value remains below cost for longer than nine months and/or falls more than 20% below cost irrespective of the period of time.

Debt instruments were impaired by CHF 46.0 million. This impairment loss is mainly related to an investment company in which several Group companies hold available-for-sale interest-bearing notes. This investment company invests in diversified bonds with an excellent credit rating and is financed via senior notes and capital notes. Due to the illiquidity of the credit market and the negative refinancing conditions, the investment company and the issued notes were downgraded by the rating agencies. Helvetia Group has no intention and is also under no immediate pressure to sell these investments and has also not suffered any payment defaults, but in order to reflect the current market risk of these investments, the fair value of the capital notes for CHF 183 million held by Helvetia Group was determined and an impairment loss of CHF 45.0 million was recognised. The value of the investment was calculated using the discounted cash flow (DCF) approach, taking account of the average risk premium for a pool of similar investments with observable market prices.

7. Insurance business

In the non-life business of Helvetia Group, the inherent uncertainties associated with the settlement of claims are accounted for by reserve loadings when calculating the loss reserves. These reserve loadings are reviewed periodically. Based on actual claims experience, the reserve loadings were reduced as of 30 June 2008. The resulting reduction in the loss reserves affected the result by CHF 197.2 million before taxes. The remaining total reserve loadings on the non-life loss reserves amounted to CHF 182.4 million as at 30 June 2008.

In the Swiss life business, the actuarial reserves decreased by CHF 83.1 million due to changes to the actuarial assumptions within the framework of the standard periodic review.

8. Seasonal influences

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

9. Contingent liabilities, contingent receivables and capital commitments

Since the last reporting date, the Group Executive Management has not become aware of any new facts or circumstances that could lead to any substantial changes to the contingent liabilities, contin-gent receivables and capital commitments and could thereby have a significant impact on the Group’s assets and its financial and earnings position.

10. Equity

The Shareholders' Meeting of 25 April 2008 approved a dividend of CHF 15.00 per share for the 2007 financial year. The total dividend payout amounted to CHF 129.8 million. A par value reduction of CHF 9.90 per share to CHF 0.10 per share was also approved. This par value reduction totalling CHF 85.7 million was paid out in the third quarter of 2008.

The Shareholders' Meeting of 25 April 2008 also approved the transfer of CHF 250 million from capital reserves to retained earnings, which was posted in the second quarter of 2008.

In the first half of the year, Patria Genossenschaft paid CHF 32.0 million into the bonus reserves of Helvetia Swiss Life Insurance Company Ltd. This was booked to equity without affecting profit or loss and allocated in total to "Provision for future policyholder participation" in accordance with the cooperative society's objective.

11. Events after the reporting date

No important events occurred before or on 29 August 2008, the date on which these consolidated interim financial statements were completed, that are likely to have a significant impact on the interim financial statements as a whole.

Cautionary note regarding forward-looking statements
This document was prepared by the Helvetia Group and may not be copied, altered, offered, sold or otherwise distributed to any other person by any recipient without the consent of the Helvetia Group. Although all reasonable effort has been made to ensure that the information provided herein is accurate and that the opinions contained herein are fair and reasonable, this document is selective by nature and is intended to provide an introduction and overview of the business of the Helvetia Group. Where information and statistics are quoted from any external source, such information or statistics should not be interpreted as having been adopted or endorsed by the Helvetia Group. Neither the Helvetia Group nor any of its directors, officers, employees and advisors nor any other person shall have any liability whatsoever for loss howsoever arising, directly or indirectly, from any use of this information. The facts and information contained herein are as up to date as is reasonably possible and may be subject to revision in the future. Neither the Helvetia Group as such nor any of its directors, officers, employees or advisors nor any other person makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this document.
This document may contain projections or other forward-looking statements related to the Helvetia Group which, by their very nature, involve inherent risks and uncertainties, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved. We caution you that a number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include: (1) changes in general economic conditions, in particular in the markets in which we operate; (2) the performance of financial markets; (3) changes in interest rates; (4) changes in currency exchange rates; (5) changes in laws and regulations, including accounting policies or practices; (6) risks associated with implementing our business strategies; (7) the frequency, magnitude and general development of insured events; (8) mortality and morbidity rates; and (9) policy renewal and lapse rates. We caution you that the foregoing list of important factors is not exhaustive; when evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties. All forward-looking statements are based on information available to the Helvetia Group on the date of its publication and the Helvetia Group assumes no obligation to update such statements unless otherwise required by applicable law.
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 2008. 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 2009	Business Results 2008: with analysts and media conference
17 April 2009	General Assembly of Shareholders in St. Gallen
3 September 2009	Publication of the interim business result 2009

St. Gallen, 3 September 2008

Contact
Nicola Breitschopf
Head of Investor Relations
P.O. Box, CH-9001 St. Gallen
Phone +41 58 280 56 04
Fax +41 58 280 55 89
www.helvetia.com
nicolamaria.breitschopf@helvetia.ch

helvetia