

Eureka

Interim financial statements

June 2006



Eureko B.V.

Condensed Consolidated Interim financial statements 30 June 2006

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Consolidated Balance Sheet (before appropriation of profit)	30 June 2006	31 December 2005
<i>EUR million</i>		
Assets		
Intangible assets	2,366.7	2,375.1
Investments in associated companies	2,016.1	2,104.3
Investment property	1,452.4	1,430.2
Investments	34,231.6	35,108.7
Investments backing linked liabilities	19,818.5	19,213.2
Banking credit portfolio	16,348.9	16,458.8
Deferred tax assets	795.7	1,121.7
Deferred acquisition costs	545.1	545.3
Income tax receivable	30.8	38.2
Amounts ceded to reinsurers	921.6	834.7
Receivables	4,453.4	2,206.7
Other assets	1,101.9	979.0
Cash and cash equivalents	579.6	877.3
Total assets	84,662.3	83,293.2
Shareholders' equity	8,018.9	8,025.8
Other equity instruments	496.3	496.3
Capital and reserves	8,515.2	8,522.1
Minority interests	2.3	3.0
Total equity	8,517.5	8,525.1
Insurance liabilities	34,181.4	33,168.1
Insurance liabilities for policyholders	15,944.2	15,686.7
Investment contracts	3,217.0	3,060.2
Employee benefits	2,163.1	2,064.1
Other provisions	241.8	228.5
Banking customer accounts	5,394.3	5,335.5
Loans and borrowings	10,000.6	9,865.5
Derivatives	439.1	631.4
Deferred tax liabilities	750.0	1,163.0
Income tax payable	464.2	393.2
Other liabilities	3,349.1	3,171.9
Total liabilities and Total equity	84,662.3	83,293.2

Consolidated Income Statement <i>EUR million</i>	First half year	First half year
	2006	2005
INCOME		
Gross written premiums Life	2,633.0	1,314.3
Gross written premiums Non-Life	1,564.9	929.7
Gross written premiums Health	3,712.0	1,227.2
Gross written premiums	7,909.9	3,471.2
Reinsurance premiums	545.1	234.2
Change in provision for unearned premiums	470.7	441.0
Net earned premiums	6,894.1	2,796.0
Contribution received for health pooling	60.9	141.8
Income from associated companies	152.5	164.6
Investment income	719.9	464.8
Realised and unrealised gains and losses	52.5	357.4
Income from investments backing linked liabilities	46.1	598.2
Banking income	409.6	424.5
Fee and commission income, and Income from service contracts	328.7	183.0
Other income	51.5	74.4
Total income	8,610.8	5,204.7
EXPENSES		
Net claims and movements in insurance liabilities	5,949.5	2,669.9
Net claims and movements in insurance liabilities ceded to reinsurers	385.3	45.1
Profit sharing, bonuses en rebates	69.8	353.7
Movements in insurance liabilities for policyholders	300.8	501.0
Benefits on investment contracts	53.2	137.4
Operating expenses	1,386.0	778.8
Banking expenses	283.1	288.4
Interest and similar expenses	37.5	64.9
Other expenses	67.0	68.7
Total expenses	7,761.6	4,817.7
Profit before tax	849.2	387.0
Income tax expenses	180.5	50.7
Net profit for the year of the Group	668.7	336.3
Minority interest	0.1	1.5
Net profit (attributable to shareholders)	668.8	337.8
Average number of outstanding ordinary shares	282,219,707	193,571,772
Earnings per ordinary share (excluding shares subject to repurchase agreement)	2.28	1.68
Diluted earnings per ordinary share (excluding shares subject to repurchase agreement)	2.28	1.68

	First half year 2006	First half year 2005
Condensed consolidated statement of Changes in Total equity		
Balance at 1 January	8,525.1	3,250.5
Currency translation differences not recognised in the income statement	49.6	61.3
Net revaluation on property for own use	0.1	3.4
Net unrealised gains/(losses) on available for sale investments	171.1	301.5
Net gains/(losses) on available for sale investments reclassified to the income statement on disposal	126.6	84.3
Net unrealised gains/(losses) on cash flow hedging instruments	13.2	-
Total gains and losses recognised directly in equity (net of taxes)	360.4	275.1
Changes due to future profit sharing	16.5	
Profit for the year of the Group	668.7	336.3
Total profit	324.8	611.4
Dividends to shareholders	499.4	434.1
Issue of share capital	168.0	496.3
Other movements	1.0	792.2
Balance at 30 June	8,517.5	4,716.3

Dividend to shareholders consist of dividend paid to Preference shareholders of EUR 22.3 million, dividend paid to Ordinary shareholders of EUR 451.5 million and an amount of EUR 25.6 million paid to the holders of the other equity instruments (perpetual capital securities).

Other movements in the first half year of 2005, as included in the condensed consolidated statement of Changes in Total equity, are mainly explained by the reclassification of the shares subject to repurchase agreements. In 2004, Eureka classified shares that are subject to repurchase agreements as a separate item in the face of the Balance Sheet. These shares were measured at fair value, which is calculated using the fair value of the shares based on market-based principles (in line with the repurchase agreements). In 2005 Eureka has found a third-party to cover the re-purchase obligations. As a result of the restructuring of these shares subject to repurchase agreement, exercise of the put options will no longer bring Eureka in a position where it can be obliged to purchase the shares involved. Early in 2005 the shares subject to repurchase agreements were reclassified as part of Total equity (EUR 790.0 million).

	First half year 2006	First half year 2005
Condensed consolidated Cash Flow Statement		
Cash and cash equivalents as at 1 January	530.8	593.5
Cash flow from operating activities	922.0	1,135.0
Cash flow from investing activities	785.2	1,460.4
Cash flow from banking activities	19.2	163.1
Cash flow from financing activities	222.3	62.8
Net cash flow	66.3	99.5
Net cash and cash equivalents as at 30 June	464.5	494.0
Cash and cash equivalents include the following items:		
<i>Assets</i>		
Cash	10.8	25.0
Bank balances	202.9	295.8
Call deposits	365.9	173.2
<i>Liabilities</i>		
Bank balances	115.1	-
Net Cash and cash equivalents at 30 June	464.5	494.0

1. Accounting principles

A. Statement of compliance

These condensed consolidated Interim financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (hereafter IFRS). They do not include all information required for full annual financial statements, and should be read in conjunction with the Eureka Annual Report 2005. These consolidated financial statements 2005 are available at www.eureka.net. All amounts in the notes to the condensed interim financial statements are in millions of euros unless stated otherwise.

B. Consolidation framework

The condensed consolidated Interim financial statements comprise Eureka B.V. and its subsidiaries.

For the preparation of the condensed consolidated Interim Financial Statements estimates and assumptions are used (e.g. for some of the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the accounting period). The actual outcome may deviate from these assumptions.

All figures are statutory. The comparable figures of the first half year 2005 are not adjusted for the acquisition of Interpolis and the public health care activities.

The comparative figures have been changed to align with current years' presentation. These adjustments do not affect the result and capital and reserves.

C. Accounting framework

The accounting principles applied by Eureka B.V. in these condensed consolidated Interim financial statements are the same as those applied in the consolidated Financial Statements 2005.

2. Segmental reporting

	First half year 2006	First half year 2005
Segment results		
Result technical account Life insurance	179.7	6.4
Result non technical account Life insurance	168.2	41.7
Result Life insurance	347.9	48.1
Result technical account Non-Life insurance	231.8	163.4
Result non technical account Non-Life insurance	72.4	0.1
Result Non-Life insurance	304.2	163.5
Result technical account Health insurance	70.6	63.4
Result non technical account Health insurance	81.5	18.1
Result Health insurance	152.1	81.5
Result Banking	5.0	12.4
Result Other activities	41.1	82.6
Eliminations	1.1	1.1
Profit before tax	849.2	387.0

	First half year 2006	First half year 2005
Technical Account Life Insurance		
INCOME		
Gross written premiums Life	2,633.0	1,314.3
Reinsurance premiums	171.1	160.6
Net written premiums	2,461.9	1,153.7
Change in provision for unearned premiums	113.5	93.2
Reinsurers' share	-	0.1
Net earned premiums	2,348.4	1,060.6
Investment income	647.6	400.3
Realised and unrealised gains and losses	144.8	338.9
Income from investments backing linked liabilities	49.1	596.2
Other technical income	0.1	3.3
Total income	2,900.2	2,399.3
EXPENSES		
Gross claims policyholders	2,222.9	917.1
Reinsurers' share	85.2	28.9
	2,137.7	888.2
Changes in provisions for Life insurance	383.8	261.3
Reinsurers' share	0.3	0.6
Claims net of reinsurance	1,754.2	1,150.1
Profit sharing, bonuses and rebates	45.6	328.3
Movements in insurance liabilities for policyholders	311.0	506.8
Benefits on investment contracts	53.1	137.4
Operating expenses	340.6	217.2
Investment expenses	33.7	20.1
Interest and similar expenses	6.8	8.0
Investment income allocated to the non technical account	171.4	16.2
Other technical expenses	4.1	8.8
Total expenses	2,720.5	2,392.9
Result technical account Life	179.7	6.4

Non-Technical Account Life Insurance

INCOME		
Result technical account Life	179.7	6.4
Investment income allocated to the non-technical account	171.4	16.2
Other investment income non-technical account Life	1.9	3.2
Fee and commission income, and Income from service contracts	12.7	6.5
Other income	27.5	16.7
Total income	389.4	49.0
EXPENSES		
Operating expenses	0.1	-
Other expenses	41.4	0.9
Total expenses	41.5	0.9
Profit before tax	347.9	48.1

	First half year 2006	First half year 2005
Technical Account Non-Life Insurance		
INCOME		
Gross written premiums Non-Life	1,564.9	929.7
Reinsurance premiums	116.0	65.7
Net written premiums	1,448.9	864.0
Change in provision for unearned premiums	249.7	174.4
Reinsurers' share	32.4	13.9
Net earned premiums	1,231.6	703.5
Investment income	108.7	48.6
Realised and unrealised gains and losses	46.0	15.1
Other technical income	1.9	14.6
Total income	1,388.2	781.8
EXPENSES		
Gross claims policyholders	732.4	426.1
Reinsurers' share	13.0	21.6
	719.4	404.5
Gross change in outstanding claims provisions	48.8	26.0
Reinsurers' share	44.8	7.6
	4.0	33.6
Claims net of reinsurance	723.4	438.1
Operating expenses	332.9	175.5
Investment expenses	5.3	2.6
Interest and similar expenses	4.2	0.5
Investment income allocated to the non technical account	87.7	2.9
Other technical expenses	2.9	4.6
Total expenses	1,156.4	618.4
Result technical account Non-Life	231.8	163.4

Non-Technical Account Non-Life Insurance

INCOME		
Result technical account Non-Life	231.8	163.4
Investment income allocated to the non-technical account	87.7	2.9
Other investment income non-technical account Non-Life	0.1	0.1
Other income	4.6	3.7
Total income	324.2	164.3
EXPENSES		
Other expenses	20.0	0.8
Total expenses	20.0	0.8
Profit before tax	304.2	163.5

Technical Account Health insurance	First half year	First half year
	2006	2005
INCOME		
Gross written premiums	3,712.0	1,227.2
Reinsurance premiums	257.7	7.3
Net written premiums	3,454.3	1,219.9
Change in provision for unearned premiums	143.4	188.0
Reinsurers' share	3.4	0.6
Net earned premiums	3,314.3	1,032.5
Contributions received for health pooling	60.9	141.8
Investment income	53.8	53.6
Realised and unrealised gains and losses	36.3	7.7
Income from investments backing linked liabilities	2.0	5.9
Other technical income	5.7	8.3
Total income	3,469.0	1,249.8
EXPENSES		
Gross claims	1,654.1	892.1
Reinsurers' share gross claims	256.6	3.6
	1,397.5	888.5
Gross change in outstanding claims provisions	1,664.8	141.7
Reinsurers' share	14.0	0.6
	1,678.8	142.3
Claims, net of reinsurance	3,076.3	1,030.8
Profit sharing, bonuses and rebates	24.3	25.4
Operating expenses	255.6	106.9
Investment expenses	0.9	0.6
Interest and similar expenses	0.7	1.2
Investment income allocated to the non- technical account	5.9	9.6
Other technical expenses	34.7	11.9
Total expenses	3,398.4	1,186.4
Result technical account Health	70.6	63.4

Non-Technical Account Health insurance		
INCOME		
Result technical account Health	70.6	63.4
Investment income allocated to the non-technical account	5.9	9.6
Fee and commission income, and Income from service contracts	136.9	106.0
Other income	95.9	24.7
Total income	309.3	203.7
EXPENSES		
Investment and interest expenses	-	0.2
Operating expenses	149.1	121.0
Other expenses	8.1	1.0
Total expenses	157.2	122.2
Profit before tax	152.1	81.5

Income statement Banking	First half year	First half year
	2006	2005
Interest income	404.5	421.5
Interest expenses	334.5	340.3
Net interest margin	70.0	81.2
Commission income	11.2	17.2
Commission expense	6.3	8.5
Net commission income	4.9	8.7
Realised and unrealised results	5.7	2.1
Other operating income	3.2	3.1
Operating income	72.4	90.9
Operating expenses	60.3	64.2
Other expenses	7.1	14.3
Total expenses	67.4	78.5
Profit before tax	5.0	12.4

Income statement Other activities	First half year	First half year
	2006	2005
INCOME		
Income from associated companies	130.2	144.1
Investment income	39.4	72.2
Realised and unrealised gains and losses	13.4	5.2
Fee and commission income, and Income from service contracts	189.0	77.9
Other income	31.4	21.6
Total income	403.4	310.6
EXPENSES		
Operating expenses	252.4	97.3
Financial expenses	-	1.2
Interest expenses	59.6	86.8
Other expenses	50.3	42.7
Total expenses	362.3	228.0
Profit before tax	41.1	82.6

3. Notes to the condensed consolidated interim financial statements

Acquisition of subsidiaries

Business Combination Achmea Health - Zilveren Kruis Achmea / Groene Land PWZ Achmea / OZB Health insurance N.V.

As of 1 January 2006 Eureko effectively obtained control over 100% of the shares of Zilveren Kruis Achmea Zorgverzekeringen N.V., Groene Land PWZ Achmea Zorgverzekeringen N.V. and OZB Zorgverzekeringen N.V.

Details of net assets acquired and badwill are as follows:

Cost of the Business Combination Achmea Health - Zilveren Kruis Achmea / Groene Land PWZ Achmea / OZB Health insurance N.V

Total provisional cost of the business combination Achmea Health - Zilveren Kruis Achmea / Groene Land PWZ Achmea / OZB Health insurance N.V	102.9
Provisional fair value of the net assets acquired	190.0
Provisionally calculated badwill	87.1

The carrying amount of the assets and liabilities acquired are:

	Acquiree's carrying amount 1 Jan 2006	Fair value 1 Jan 2006
Assets		
Investments	347.0	347.0
Other assets	1,072.0	1,063.0
Total assets	1,419.0	1,410.0
Equity	208.0	190.0
Liabilities		
Insurance liabilities	881.0	881.0
Other liabilities	330.0	339.0
Total liabilities	1,211.0	1,220.0
Total liabilities and equity	1,419.0	1,410.0

Investments in associated companies

As, contrary to the situation in previous years, recent figures are not at our disposal, the PZU result is based on internal assessments of the expected result for the first half year 2006.

Intangible assets

	30 June 2006	31 December 2005
Goodwill	1,514.1	1,463.8
Internally developed software	99.5	112.5
Brandname	85.0	89.5
Value of business acquired	492.6	526.3
Distribution networks	83.4	87.8
Other intangible assets finite	92.1	95.2
	2,366.7	2,375.1

The fair values of the goodwill and other intangible assets relating to the business combination Eureko-Interpolis and the business combination of the health care companies are deemed provisional. Any changes within twelve months after 31 October 2005 respectively 1 January 2006 due to the availability of more accurate fair values will be treated as adjustments on the original fair values and/or goodwill. As at 30 June 2006, no adjustments were taken into account.

As in the Eureko Annual Report 2005, the goodwill amounting to EUR 1.004,0 million relating to the business combination Eureko - Interpolis is allocated to the cash generating unit Holding. In the second half year of 2006, the goodwill will be allocated to the cash generating units Health - Netherlands, Life - Netherlands, Non-Life - Netherlands and Holding. There were no indications for impairment per 30 June, 2006.

In 2006, an impairment was accounted for amounting to EUR 20.0 million relating to internally developed software. As the deadlines for the acceptance of the system have already passed, the value in use was lower than the carrying amount. The software is accounted for in segment Life insurance.

Investments

	Available for sale	At fair value through Income Statement	Loans and receivables	30 June 2006	31 December 2005
Equities and similar investments	4,354.0	853.1	-	5,207.1	4,606.7
Bonds	17,854.3	4,386.2	-	22,240.5	23,759.5
Loans	769.2	222.9	3,429.9	4,422.0	4,330.5
Mortgages	7.8	715.1	364.9	1,087.8	1,110.5
Deposits with reinsurers	8.3	-	-	8.3	8.8
Deposits with credit institutions	289.7	86.0	-	375.7	429.9
Derivatives	12.5	803.1	-	790.6	842.8
Other financial investments	99.5	0.1	-	99.6	20.0
	23,370.3	7,066.5	3,794.8	34,231.6	35,108.7

Shareholders' equity

The movements in Shareholders' equity are specified in the condensed consolidated statement of changes in Total equity.

Insurance liabilities

	30 June 2006	31 December 2005
<i>Life insurance:</i>		
Provision for life policy liabilities	24,755.0	25,009.4
Less: Deferred interest surplus rebates	307.6	336.2
Net provision for life policy liabilities	24,447.4	24,673.2
Profit sharing, bonuses and rebates	682.7	1,673.7
Total Life insurance	25,130.1	26,346.9
<i>Non-life insurance:</i>		
Unearned premiums	1,169.1	933.0
Provision for premium deficiency or unexpired risks	0.2	-
Outstanding claims	2,558.2	2,531.5
Incurred but not reported claims (IBNR)	267.6	269.6
Total Non-Life insurance	3,995.1	3,734.1
<i>Health insurance:</i>		
Unearned premiums	280.7	132.1
Provision for premium deficiency or unexpired risks (incl. ageing provision)	158.9	279.3
Outstanding claims	4,160.3	2,143.5
Less: Deferred interest surplus rebates	0.2	-
Incurred but not reported claims (IBNR)	456.1	532.2
Total Health insurance	5,056.2	3,087.1
Total Insurance liabilities	34,181.4	33,168.1

Life insurance

Insurance liabilities of which the cash flows are based measured on locked assumptions, are discounted at either the lowest of actual interest rates or technical discount rate. The Life policy liabilities are measured using the technical discount rate. The fair value changes of related interest sensitive financial instruments, classified as 'Available for Sale', are transferred to the 'Profit sharing, bonuses and rebates'. The minimum amount of this provision should be at least the difference between the values of the Life policy liabilities discounted at the market based interest rate and the actuarial discount rate. The value may not be negative.

The increasing interest rate levels have affected the fair value of fixed income investments as well as the technical provisions. Interest rate sensitivity is high from an accounting perspective and a further increase over 0.8% will impact the income statement directly. The possible mitigating actions, including changes in accounting policies, but also taking into account the economic interest rate sensitivity, are currently being investigated.

Health insurance

The introduction of the new basic health insurance system as from 1 January 2006, as well as the implementation of the DBC's at the end of 2004 lead to uncertainties in the performance and financial position of the Health activities as at 30 June 2006. Best estimates have been used for the determination of technical provisions and results; however, due to the lack of historical data the basis for the underlying parameters is not yet robust.

Risk management

The risk management objectives and policies are consistent with those disclosed in the Eureko consolidated Financials Statements 2005.

Subsequent events

Mr Contominas

Several shareholders of Eureko have rights to sell their shares on market based conditions during a certain timeframe. Mr Contominas exercised his put option in July 2006 and sold 6,959,792 shares. The value was based on a valid valuation by an expert third party. Eureko bought these shares. These shares will be temporarily accounted for as treasury stock.

Repurchase Interamerican Cards

In July 2006 an agreement has been reached between Eureko B.V. and one of Eureko's shareholders Mr. Contominas. The repurchase of 70% of the shares of Interamerican Cards Financial Service Systems S.A. (currently named Bestline Cards SA) will not take place. In the second half of 2006, a capital gain on the sale, deferred in 2005, in anticipation of the repurchase, will be accounted for amounting to EUR 6.8 million.

Court hearing on conflict between Eureko and the Polish state about PZU

Eureko and the Republic of Poland (ROP) continue to be involved in an arbitration procedure under the Polish-Dutch Treaty on the encouragement and reciprocal protection of investments.

In August 2005, the Court of Arbitration found in Eureko's favour, and stated that the ROP committed various breaches under the Polish-Dutch Treaty and that Eureko's rights as an investor in Poland had not been protected by the ROP.

This was the first phase, the second being the calculation and award of damages. Eureko's preliminary assessment of the damages suffered by it as a consequence of the breaches committed by the ROP as per 30 June 2006 amounts to EUR1.4-2.1 bln (after gross-up for taxes). However, final amount will be independently calculated by external experts. In the period following this Court finding, the outgoing government took no action to try to solve the dispute.

Eureko then, in a further attempt to solve the conflict, launched conciliatory proceedings before a Polish court, at which it laid out its claims. Subsequently, the ROP declared its willingness to work on a settlement and confirmed this at the following court hearing in January 2006. However, in a written brief to the Polish Court on 31 January 2006, the ROP suddenly withdrew its willingness to seek a solution to the conflict. The ROP justifies this decision by the fact that it (now) denies that the State Treasury is obliged to perform the existing agreements. This is surprising, given that the ROP declared before the Arbitration tribunal that it was ready to comply with the existing agreements – justly so, as the Tribunal confirmed that the agreements remain valid and that the ROP is obliged to comply with its obligations pursuant to the existing agreements.

Since that time, the ROP has submitted two cases to a Brussels court. One challenging the impartiality of one of the judges in the arbitration case. This has resulted in a further delay to the second phase of the Arbitration. The Brussels court will probably render a decision in November 2006. The arbitration proceedings can re-commence shortly thereafter.

The other regarding the annulment of the partial award of August 2005. These proceedings do not suspend the arbitration procedure.

Eureko has continued to express its willingness to hold discussions with the State Treasury, and to work to find a resolution to the conflict. To date, there has been no reciprocal proposal from the ROP.

Independent auditors' report on the review of the condensed consolidated interim financial statements

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Eureko B.V. ("the Company") as of 30 June 2006, and the related condensed consolidated income statements, statement of changes in total equity and cash flows for the six month period then ended ("interim financial information"). This interim financial information is the responsibility of the company's management. Our responsibility is to issue a report on this interim financial information based on our review.

Scope

We conducted our review in accordance with standards for review engagements generally accepted in the Netherlands. These standards require that we plan and perform the review to obtain moderate assurance about whether the interim financial information is free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Matters affecting our opinion

The net result for the first half year 2006 and the net equity of Eureko B.V. include Eureko's share in the half year results of PZU, amounting to a net result of EUR 115.6 million and a net equity of EUR 1,122.8 million. These figures have been derived by Eureko B.V. from PZU's forecast to June 2006. As we were not allowed by PZU management to review their half year figures, we are not in a position to express an opinion on the valuation of Eureko's share in the result and equity of PZU.

Opinion

Based on our review, with the exception of the issue mentioned in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amstelveen, 16 August 2006

KPMG ACCOUNTANTS N.V.

F. van der Wel RA