

Tuesday 29 August 2006



The Manager
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Market Information Services
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Dear Sir/Madam,

Promina releases financial results for the six months to 30 June 2006

Yours faithfully,
For and on behalf of
Promina Group Limited

Judith Howard
Company Secretary

PROMINA DELIVERS A\$216 MILLION NET PROFIT FOR HALF-YEAR

Promina Group reaffirms key 2006 full-year expectations

Financial Highlights (A\$)	First Half 2006
Net profit after tax (NPAT)	\$216 million
Gross written premium	\$1,730 million
General Insurance result	\$135 million
Insurance margin	8.9%
Expense ratio	19.1%
Interim dividend	11.0 cents
Return on equity	18.1%
Earnings per ordinary share	20.7 cents

Promina Group Limited (Promina) today announced that its portfolio of general insurance and selected financial services businesses has delivered a net profit after tax of \$216 million for the six months ended 30 June 2006.

The continuing growth in Gross Written Premium, up 7.8% to \$1,730 million, is a clear indication of the success of Promina's business model of specialisation and focus delivering increasing market share in an environment that has been generally less favourable than previous years.

Promina's Board of Directors has declared a fully franked interim dividend of 11.0 cents per ordinary share, up from 10.5 cents for the same period in 2005. This dividend will be fully franked for Australian shareholders.

Promina's return on capital was 15.7%, with earnings per ordinary share of 20.7 cents.

The \$216 million net profit result equates to a return on equity of 18.1%, which continues to outperform the Group's long-term benchmark of an average of 1.5 times its weighted average cost of capital (WACC).

As expected, at 8.9% Promina's insurance margin is lower than the anticipated full-year target of 10%, and down from last year's half-year result of 11.4%. The Group reaffirms its expectation that the full-year margin will exceed 10% (see the Outlook statement below).

As previously indicated, the cost of Cyclone Larry was \$47 million, with snow-storms in the South Island of New Zealand costing \$9 million, both figures being pre-tax and net of reinsurance.

On the strategic front Promina has continued to actively manage its portfolio, completing three key activities in this area over the half year. These were:

- February: the launch of AA Life Services, a joint venture in New Zealand between Asteron Life Services Ltd and the New Zealand Automobile Association
- June: Vero's purchase of a majority stake in Australian Surety Corporation Pty Ltd
- June: Entering into an agreement for the sale of Vero Lenders Mortgage Insurance Limited, of which the profit (approximately \$25 million after tax) will be realised in the second half of 2006.

Throughout the first half of the year Promina also successfully undertook a number of capital management initiatives designed to progress the Group towards its preferred gearing ratio of 25%. These initiatives were:

- A capital reduction of 15 cents per ordinary share, equating to approximately \$156 million, completed in June
- An ongoing \$75 million on-market share buy-back which commenced in May.

In addition, a special dividend of 5 cents per ordinary share was paid in March, equating to approximately \$52 million.

These initiatives will be followed by further activities announced below, and will continue to improve the gearing ratio and continue to enhance the positive differential between return on capital and return on equity.

Comments from Mike Wilkins, Promina Group Chief Executive Officer and Managing Director

"Promina Group is pleased to announce a net profit of \$216 million for the first half of 2006.

"In a tightening and increasingly competitive market, Promina has continued to grow shareholder value, deliver superior experiences for our customers, and help all our stakeholders protect and nurture what matters most to them.

"This is a testament to the strength of our brands and our strategy of specialisation and focus.

"Evidence of this is clear from the Group's continuing market share gains in all personal lines of general insurance, and from revenue improvements in the intermediated business. This is an exceptional result in a general insurance sector that has been particularly affected by a competitive pricing environment.

"At the same time we have continued to improve the operations of our financial services business with the result that our operating margins have improved 23% during the half year", Mr Wilkins said.

"Our approach to portfolio management enables us to responsively flex and skew the allocation of capital amongst our businesses in order to generate the most effective returns. This enables us to move dynamically and swiftly in and out of the markets whose conditions we identify as critical to our success.

"This is clearly succeeding. Our selective deployment of capital is reaping rewards, delivering a sound return on capital of 15.7%, which equates to a return on equity of

18.1%. This is evidence that we are focusing on the areas of the business most likely to deliver the results we desire.

“Further, we are poised to embark on another stage of the capital management program designed to manage our existing surplus and achieve our preferred gearing level of 25%.

“We are today announcing an extension to our current on-market share buy-back of up to \$75 million – taking the total buy-back to approximately \$150 million. Further, we also anticipate undertaking a debt raising of approximately \$150 million during the second half of this year. This debt raising will be used to support a number of available capital initiatives including the extension to the buyback. We will also look at the most efficient options to manage and return any remaining surplus to shareholders.

“While significant events such as Cyclone Larry in Australia (\$47 million), and snow-storms in the South Island of New Zealand (\$9 million), have made an impact to our insurance margin for the first half of the year, it is expected that our growth in market share and demonstrated focus on profitability will balance this impact by year end.

“Total pre-tax investment earnings for the period have fallen from \$196 million in the same period last year, to \$139 million for this half. Like many others in the Australian market we have been adversely impacted by volatile investment markets – particularly in the second quarter.

“Consequently, we have seen an impact to our interim profit figure. However, given the current momentum of our businesses and the performance differentiation which our strategy and associated business model affords us, we expect that, subject to market conditions and barring unforeseen circumstances and catastrophes, Promina’s strategic approach should deliver on our previously stated key targets for 2006”, Mr Wilkins said.

General Insurance

Promina’s General Insurance division delivered a net profit after tax of \$159 million, a decrease of 5.4% against the first half of 2005.

The underwriting result of \$96 million is an increase of 31.5% over the first half of 2005, while the impact of reduced investment income has seen the General Insurance result fall from \$163 million in the first half 2005 to \$135 million in this half.

The division has delivered another solid return on capital of 16.9%.

Delivering against its stated objective to demonstrate above-market organic growth, gross written premium grew 7.8% against the very strong first half of 2005, well above the Group’s stated target of 5.0%, to a total of \$1,730 million.

- The Direct General Insurance division generated 12.4% growth in Gross Written Premium and market share gains in all personal line segments. Growth has been driven by a number of factors including the strong reputation of the brands linked with direct marketing and cross-selling activity that has helped to increase numbers of target customers in all portfolios. The quality of the business being written continues to improve the overall risk profile of the book.
- The Intermediated General Insurance division experienced a 2.3% improvement in revenue in continuing difficult market conditions, exercising discipline in technical pricing and preferring to preserve profitability over market share. In New Zealand the business grew by 7% in local currency terms.

Net Earned Premium increased 5.5%, and was adversely affected by \$21 million as a consequence of the change in the AUD/NZD exchange rate.

Investment income on General Insurance technical reserves has decreased by 57% over the prior corresponding period, from \$90 million to \$39 million. This is largely due to a significant increase in interest rates during the period, resulting in unrealised capital losses in the fixed interest portfolio.

Financial Services

Promina's Financial Services division, which includes the Asteron and Tyndall businesses, has recorded a net profit after tax of \$55 million, down from \$60 million for the same period in 2005.

Operational performance improved again in 2006, with pre-investment operating margins increasing 23% to \$38 million after tax, up from \$31 million on the prior corresponding period.

This included a \$7 million improvement in operating margins, offset by a decrease of \$12 million in investment returns on shareholder funds.

- The Wealth Management component of operating margins delivered a 180% increase to \$14 million, from the \$5 million posted in the first half of 2005.
- The Life Risk component of operating margins was \$24 million, down from the \$26 million posted in the first half of 2005.

Total operating revenue has increased by 3.9%, driven by:

- Strong retention rates in the Life Risk business, and a renewed focus on sales
- Tyndall Asset Management showed a 16.0% increase in funds under management. Total funds under management in Australia and New Zealand are \$11,177 million for the first half of 2006, against \$9,640 million in the first half of 2005.

The performance of the New Zealand business has been a stand out in the first half, and reflects the success of the remediation work that has been undertaken in that business over the past two years:

- New Zealand delivered a 33.3% increase in net profit after tax, to \$20 million up from \$15 million in the first half of 2005 – a result that includes an approximate 7% deterioration in the AUD/NZD exchange rate.
- Key drivers of success were the increase in operating margins by 17.7% and investment income by 81%.

Total investment income on shareholder funds was \$17 million, down from \$29 million in the first half of 2005, due to lower earnings on Australian equities and increasing interest rates over the six-month period.

Outlook

For the remainder of 2006 Promina expects similar underlying conditions as for the past six months, with the broader general insurance industry remaining relatively stable, but continuing to experience competitive pricing pressure in commercial lines.

Subject to the caveats below, financial performance for 2006 should meet the previously stated expectations, with the exception of Financial Services revenue, which is expected to reach a level of 8% annual growth.

Based on continuing to pursue its four strategic priorities (previously outlined) and subject to market conditions and any unforeseen circumstances or catastrophes, Promina reaffirms its previously stated expectations for the 2006 – 2008 period:

General Insurance

- Compound average annual growth in Gross Written Premium of at least 5%;
- A minimum average annual insurance margin of 10%;

Financial Services

- An average annual growth of 10% in revenue and operating margins respectively;

Promina Group

- An average annual return on equity greater than 15%.

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About Promina Group

Promina Group is a portfolio of specialised and focused general insurance and selected financial services businesses featuring well-known brands such as AAMI, Vero, Shannons, Tyndall, Asteron, AA Insurance and Australian Pensioners Insurance Agency (APIA).

Promina Group Limited is listed on the Australian and New Zealand Stock Exchanges. It employs over 7,200 people in 210 offices across Australia and New Zealand, and traces its operations back to 1833 in Australia and 1878 in New Zealand.

www.promina.com.au / www.promina.co.nz

Unless otherwise stated, all references to "\$" are to Australian dollars.

The information in this Release is for general information only. To the extent that the information may constitute forward-looking statements, the information reflects Promina's current views at the date of this Release and is subject to known and unknown risks and uncertainties, many of which are beyond Promina's control, that may cause actual results to differ materially from those expressed or implied. Promina undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this Release (subject to stock exchange disclosure requirements). The information is also not financial product advice. Investors should seek appropriate advice based on their own objectives, financial situation and needs.

Promina Group Limited ABN 79 000 746 092

Promina Group Limited

ASX Half Year Information

30 June 2006

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Promina Group Limited
Half year ended 30 June 2006

Results for Announcement to the Market

				\$A m
Revenue from ordinary activities	up	3.1%	to	2,336.5
Profit from ordinary activities after tax attributable to members	down	5.7%	to	215.8
Net profit for the period attributable to members	down	5.7%	to	215.8
Dividends/distributions	Amount per security		Franked amount per security	
Interim dividend – ordinary shares	11.0 cents		11.0 cents	
Semi-annual payment – reset preference shares	\$2.5866		\$2.5866	

Record date for determining entitlements to the interim dividend re ordinary shares payable on 3 October 2006

12-Sep-06

Record date for determining entitlements to the semi-annual payment re reset preference shares payable on 31 October 2006

16-Oct-06

Explanation of any of the figures reported above:

- ❑ On 16 June 2006, capital to the value of \$156.1 million, representing 15 cents per ordinary share was returned to shareholders in accordance with the Group's capital management strategy.
- ❑ Further in line with the Group's capital management strategy, during the months of May and June 2006, the Group participated in an on-market share buy back programme. At 30 June 2006, shares to the value of \$37.5 million had been purchased by the Group.
- ❑ Further information on the Promina Group result and review of operations can be found in the 30 June 2006 Promina Group Limited Investor Report available on our website at www.promina.com.au.

Revenue

- ❑ General Insurance gross written premium was \$1.7 billion (2005 - \$1.6 billion). Total investment revenue was \$305.1 million (2005 - \$325.5 million).

Profit from ordinary activities after tax

- ❑ The General Insurance consolidated operating profit after income tax was \$162.5 million, compared to \$168.7 million for the corresponding period last year. An underwriting profit of \$112.9 million was achieved, representing a combined operating ratio (COR) of 92.6%. This compares to \$77.6 million profit achieved for the same period last year, which represented a COR of 94.6%.
- ❑ The Financial Services consolidated operating profit after income tax was \$53.3 million, representing a decrease of 11.3% on the \$60.1 million profit recorded for the corresponding period last year.

Promina Group Limited
Half year ended 30 June 2006

Results for Announcement to the Market (continued)

Cash Flows

- Cash flows from operations were \$395.5 million (2005 - \$350.3 million). In accordance with the Group's capital management strategy, a return of capital and an on-market share buy back programme was undertaken during the half year resulting in a combined net cash outflows from financing activities of \$187.9 million of the total net cash outflows from financing activities of \$331.3 million.

Dividends

- The Directors have declared an interim ordinary dividend of 11.0 cents per share, 100% franked to Australian shareholders (2005 – 10.5 cents per share, 100% franked).
- The interim dividend will reflect the calculation of imputation credits available to New Zealand shareholders as a proportion of Promina's total shareholder base as required under the trans-Tasman imputation rules.

Other distributions

- The Directors have declared a semi-annual payment of \$2.5866 cents pre reset preference share, 100% franked to Australian shareholders (2005 - \$2.5201 cents per share, 100% franked).

Promina Group Limited
Half year ended 30 June 2006

Supplementary Appendix 4D information

NTA Backing

	30 June 2006	30 June 2005
Net tangible asset backing per ordinary share	\$1.85	\$1.94

Controlled entities acquired or disposed of

Acquired	Australian Surety Corporation Pty Limited and its controlled entity New Zealand Surety Corporation Limited	
Date control gained	13 June 2006	
Contribution to profit from ordinary activities after tax in current period, where material	Not material	
Profit from ordinary activities after tax during the whole of the previous corresponding period, where material	N/A	

Disposed of*	Nil	
Date control lost		
Contribution to profit from ordinary activities after tax in current period, where material		
Profit from ordinary activities after tax during the whole of the previous corresponding period, where material		

*Vero Lenders Mortgage Insurance Limited was disposed of on 3 July 2006

Additional dividend information

Details of dividend declared or paid on ordinary shares during or subsequent to the half year ended 30 June 2006 are as follows:

Record date	Payment date	Type	Amount per security	Total dividend	Franked amount per security	Foreign sourced dividend amount per security
10 March 2006	31 March 2006	Final	13.0 cents	\$135.6m	13.0 cents	-
10 March 2006	31 March 2006	Special	5.0 cents	\$52.1m	5.0 cents	-
12 September 2006	3 October 2006	Interim	11.0 cents	See below*	11.0 cents	-

*As Promina continues to buy back shares the total interim dividend paid will be based on the number of shares at record date.

The interim dividend will reflect the calculation of imputation credits available to New Zealand shareholders as a proportion of Promina's total shareholder base as required under the trans-Tasman imputation rules.

Promina Group Limited Half year ended 30 June 2006

Supplementary Appendix 4D information (continued)

Dividend reinvestment plan

Promina Group's dividend reinvestment plan will be activated in respect of the interim dividend to be paid on 3 October 2006.

The last date to lodge notices electing to participate or varying the participation in the Group's dividend reinvestment plan in respect of this interim dividend is 12 September 2006.

Associates and Joint Venture entities

Name	Ownership interest		Aggregate share of profits/(losses), where material		Contribution to net profit, where material	
	2006 %	2005 %	2006 \$	2005 \$	2006 \$	2005 \$
NTI Limited	50	50	Not material	Not material	Not material	Not material
RAC Insurance Pty Ltd	50	50	Not material	Not material	Not material	Not material
Axiom Risk & Insurance Management Limited	50	50	Not material	Not material	Not material	Not material
Mariner Underwriters Limited	50	50	Not material	Not material	Not material	Not material
Comprehensive Travel Insurance (2004) Limited	50	50	Not material	Not material	Not material	Not material
AA Warranty Limited	50	N/A	Not material	N/A	Not material	N/A
AA Life Services Limited	50	N/A	Not material	N/A	Not material	N/A