

# The family of success – Strong Together



**Dear Shareholders!  
Ladies and Gentlemen!**

The outstanding results on our domestic markets are proof of the immense trust Vienna Insurance Group's customers place in our products and services.

Thus, the premium volume of the Vienna Insurance Group increased during the first six months of 2007 to nearly EUR 3.5 billion. In line with the watchword "Strong Together", all the companies of the Vienna Insurance Group contributed to the excellent

results. The share of the CEE companies in the total premium volume of the Vienna Insurance Group has surpassed the 40 percent mark in all, and for the first time in a half-year period is at over 50 percent in the property/casualty segment.

Through Vienna Insurance Group's successful growth, we have been able to improve our market share in several countries and we are one of the top-players on the relevant markets. We are the number 1 in Austria as early as by the end of 2006; and we are the current leader in Bulgaria, Romania and Georgia, too. It is particularly gratifying for us to have taken



Günter Geyer,  
General Manager

leadership of the market in the motor insurance sector in Slovakia and in the whole property/casualty sector in the Czech Republic. Moreover, by the planned acquisition of Asirom, one of the largest insurance companies in Romania, we succeeded in further strengthening our top position on the strongly growing Romanian market.

Thanks to positive economic developments in our domestic markets, Vienna Insurance Group anticipates continuing strong demand in all areas for the coming year as well. Thus, for the future as well, the Vienna Insurance Group is offering its shareholders the perspective of an optimally positioned Central and Eastern European insurance group.

Our Group profit before taxes, which has increased by half, compared to the first half of 2006, makes it possible to already expect an increase of the dividend for our shareholders to more than one Euro per share.

Sincerely,

A handwritten signature in dark ink, appearing to read 'G. Geyer'.

Günter Geyer



## HIGHLIGHTS OF THE VIENNA INSURANCE GROUP BY NUMBERS

Clear expansion of market positions in CEE

Profit before taxes increased by approximately 50% to EUR 215.40 million

CEE premiums up 33%

At more than 40%, CEE companies make unique contribution to Group premiums

More than 50% of premiums in property/casualty from CEE for the first time in any half-year period

Planned dividend increase for 2007 by at least 25%

## MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

### VIENNA INSURANCE GROUP CONSOLIDATED FINANCIAL STATEMENTS FOR THE 1ST HALF 2007

With consolidated premiums written (excluding other insurance participations) of EUR 3.49 billion in the aggregate, the Vienna Insurance Group in the 1st half of 2007 achieved an increase of 15.3% as compared to the same period of the previous year.

The Group's profit before taxes was increased by EUR 72.05 million, to a total of EUR 215.40 million. This translates to an excellent plus of 50.3% as compared to the same period of the previous year.

At 96.0%, the combined ratio of the Group after reinsurance (not considering investment income) is improved significantly from the previous year (97.9%) in spite of storm damage (1st quarter: Kyrill).

The financial result was EUR 550.15 million in the 1st half of the current year and was up by more than half (+54.1%) from the same period of the previous year.

The expenses for claims incurred in the non-life segment were at EUR 996.73 million and despite storm damage rose sub-proportionally relative to the premiums, namely by 12.4%. The expenses for claims and insurance benefits from the life segment amounted to EUR 1,423.85 million (+22.9%).

The total investments of the Vienna Insurance Group increased from EUR 19.60 billion as of 31 December 2006 to EUR 21.74 billion as of 30 June 2007. This translates to a 10.9% increase.

## BUSINESS PERFORMANCE OF THE GROUP

In the first six months of the current year, the Vienna Insurance Group markedly increased premiums written both in the property/casualty segment and in the life segment.

In total, the Group's income in terms of premiums written amounted to EUR 3.49 billion, and was thus up 15.3% from the same period of the previous year.

In the CEE countries, premiums amounted to EUR 1.41 billion, surpassing the previous year's value by an excellent 32.8%.

In the non-CEE countries (Austria, Germany, Liechtenstein), the Group companies achieved a premium income of EUR 2.08 billion in the 1st half of the current financial year, which translates to a 5.9% growth. Austria accounted for a premium volume of EUR 1.96 billion, which means an increase of 5.8%.

## Business performance by class (business segments)

### Property/casualty insurance

In property/casualty insurance, the premiums written by the Vienna Insurance Group increased by a total of 14.8%, attaining EUR 1.98 billion, in the 1st half of 2007.

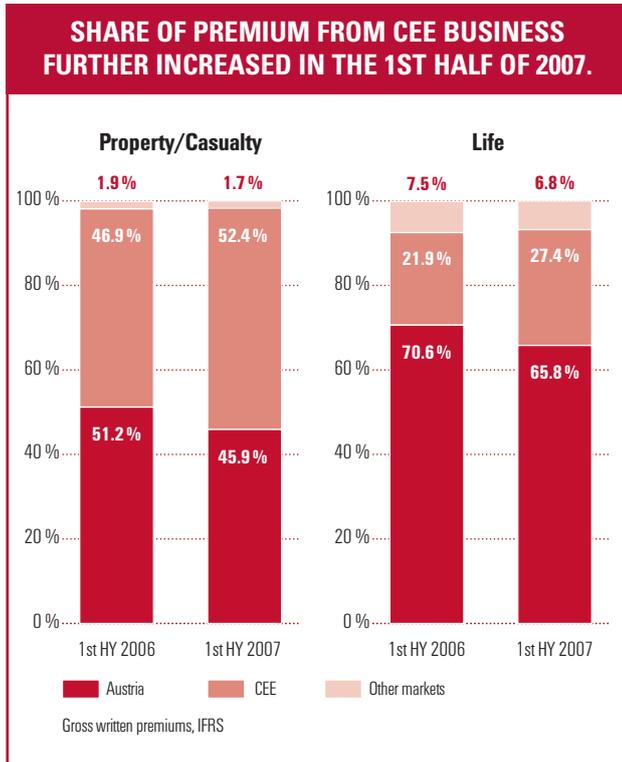
In the CEE countries, the one billion euro mark in premiums written was attained in this segment for the first time in a half-year period – with the Group companies posting a premium volume in the amount of EUR 1.04 billion and an excellent 28.2% boost compared to the corresponding period of the previous year. This brings the share of premium income generated from this region to an unprecedented 50% in a half-year period.

In the non-CEE countries, premiums written in the amount of EUR 940.70 million were achieved in this segment (+2.9% as compared to the 1st half of 2006). Of this, EUR 907.04 million (+2.8%) was achieved in Austria, and EUR 33.67 million (+6.0%) in the other markets (Germany, Liechtenstein).



## Life insurance

In the life sector, the premium volume of the Group companies increased by a total of 17.7%, to attain EUR 1.36 billion. As in the first quarter of 2007, this business segment thus also posted the highest increase in the first half of 2007.



Premium increase was extremely successful in the CEE markets: premium income in the amount of EUR 373.11 million meant that an excellent 47.2% premium growth was achieved.

In the non-CEE countries, the premium income in the life insurance business was at EUR 988.84 million, thus rising by 9.4% as compared to the 1st half of 2006. The Group companies in Austria generated a premium volume of EUR 895.71 million. This translates to a 9.6% growth. The other markets (Germany, Liechtenstein) posted an increase of 8.1% to EUR 93.14 million.

## Health insurance

In the 1st half of 2007, the income from premiums written in the health insurance segment of the Vienna Insurance Group reached a total of EUR 155.00 million (up 2.8% from the 1st half of 2006). The products from this business segment are only offered to a relevant extent by Wiener Städtische AG as one of the leading health insurers in Austria.

## Business performance by regions

### Austria

In the 1st half of 2007, premiums written in Austria were at a total of EUR 1.96 billion, translating to a 5.8% increase as compared to the same period of the previous year.

At EUR 138.53 million, profit before taxes was boosted by a significant 35.9% in the first six months of the current year.

### Czech Republic

In the Czech Republic, the Group companies of the Vienna Insurance Group generated an excellent market result in the 1st half of 2007 and increased their market share to approximately 27%.

In the non-life segment, the Vienna Insurance Group currently ranks number one on the market and, with a plus of 5.9%, even generated double the growth achieved by the overall Czech market (market growth: 2.7%). One out of three cars in the Czech Republic is already insured by the Vienna Insurance Group.

In total, premiums written in the amount of EUR 577.12 million were achieved in the 1st half of 2007, which translates to an 8.3% increase.

Profit before taxes in the 1st half of 2007 was EUR 35.32 million, which amounts to an increase of 92.5%.

### Slovakia

In Slovakia, the Vienna Insurance Group ranks a clear first on the market (as of the 1st half of 2007) both in motor liability insurance (42.1%) and in motor own damage insurance (37.6%). Overall, it ranks second on the market in the first half of the year, with a market share of 28%.

In the first half of 2007, the Group companies generated premiums written in the amount of EUR 243.76 million, representing a 22.1% increase over the comparable prior-year period.

Profit before taxes was increased by an excellent 48.0% to EUR 17.64 million in the 1st half of 2007.

### Other CEE

In the following countries, the Vienna Insurance Group holds the top position on the insurance market (in each case according to the available data material): Bulgaria (market share: 20.8%); Georgia (market share: 33.6%); Romania (market share: 17.7%).

In Poland, the Vienna Insurance Group with its Group companies is already among the top five insurance companies in the non-life segment.

The result of the other Group companies of the Vienna Insurance Group in the first half of 2007 includes the following countries: Bulgaria, Croatia, Poland, Romania, Serbia and Hungary.

The premium income of other Group companies of the Vienna Insurance Group in CEE increased 78.8% to a total of EUR 587.71 million. Of this, EUR 247.56 million (up 94.0%) in premium income were achieved by the Vienna Insurance Group in Poland and a total of EUR 192.32 million (up 78.9%) in premium income were achieved by the Vienna Insurance Group in Romania.

In total, profit before taxes in this segment in the first half of the current year was at EUR 17.37 million, with the result thus more than tripling.

## Other markets

The Group companies in Germany and Liechtenstein generated premiums written in the amount of EUR 126.81 million (plus 7.5%) in the 1st half of 2007. Profit before taxes was at EUR 6.54 million.

## VIENNA INSURANCE GROUP CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2ND QUARTER 2007

With consolidated premiums written (without other insurance participations) of EUR 1.47 billion in the aggregate, the Vienna Insurance Group in the 2nd quarter of 2007 achieved an increase of 15.5% as compared to the same period of the previous year.

The Group's profit before taxes was increased in the 2nd quarter to a total of EUR 114.67 million. This translates to an excellent plus of 62.8% as compared to the same period of the previous year.

The financial result was EUR 345.77 million in the 2nd quarter of the current year and was up by 76.2% from the same period of the previous year. The expenses for claims incurred were in the 2nd quarter EUR 1,235.84 million.

## RISK REPORT

The Vienna Insurance Group's core competency is its professional management of risks. Positive developments in risk organization and risk profile continued in the 1st half of 2007. The central

risk committee, which reports to the entire board of directors, provides intra-group methods and processes for risk control and monitoring. Vienna Insurance Group holds a leading position in Austria in its preparation for Solvency II. Supported by this commitment and its current capital strength, the Vienna Insurance Group is outstandingly well prepared for future solvency requirements.

## Current Topics

As a result of increasing globalization, international capital markets are more and more interdependent. In particular the developments on the Chinese stock markets were responsible for increased stock volatility at the beginning of 2007.

Triggered by the very favorable interest rates on loans and increasing property prices during recent years, a market for lower-rated real estate loans has developed in the United States, referred to in the banking industry as "subprime." These mortgages were thereafter securitized and sold to funds and to institutional investors. Following a worldwide rise in interest rates and falling property prices at the same time the "Suprime Segment" ran into increased payment problems. Securitized mortgage loans and their derivatives wound up becoming illiquid and underwent a sharp decline in value, with possibly even more to lose. This led to highly negative investor sentiment and to increased risk premiums in the entire credit market, as well as to fears of a credit crunch. The Subprime Segment also has an impact on global financial markets, particularly the financial service sector, leading in July and August 2007 to corrections in equity prices and sharp increases in stock volatilities.

Thanks to the Vienna Insurance Group's very conservative risk policy and its avoidance of credit derivatives and complex credit structures, the exposure of the Vienna Insurance Group to the structured credit market is less than 0.5% of total assets. Possible risks arising from the problems in this area are negligible.

The Europe-wide results of the QIS 3 (quantitative impact study) field study will be published at the end of 2007 and will allow for an international comparison of the risk position of insurers and for the calibration of the model's parameters. By expanding into new growth markets, the Vienna Insurance Group risk methods and risk processes will also be extended to the new businesses. As in the last few years, the objective is continual improvement of the overall risk situation.



## CURRENT THEMES OF THE VIENNA INSURANCE GROUP

### **Bulgaria:**

Merger between Bulstrad and Bulgarski Imoti planned

### **Austria:**

Resolution of merger between UNION and BA-CA Versicherung adopted

### **Romania:**

Vienna Insurance Group acquires shares of Asirom

### **Turkey:**

Closing of acquisition of majority interest in Ray Sigorta A.Ş.

#### **Bulgaria – Merger between Bulstrad and Bulgarski Imoti planned**

In the future, the Vienna Insurance Group plans to do business on the Bulgarian insurance market under one standardized trade name, through the merger of Bulgarski Imoti Life and Bulgarski Imoti Non-Life into Bulstrad Life and Bulstrad Non-Life.

Presently, WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP holds majority interests in Bulstrad Life and in Bulstrad Non-Life through TBIH Financial Services Group N.V. (TBIH), while holding a nearly 100% direct interest in Bulgarski Imoti Life and Bulgarski Imoti Non-Life. After the planned merger of the Bulgarski Imoti AG insurance companies into Bulstrad-Group, WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP will also have a direct interest in Bulstrad. The merger of the companies is planned to be finalized by the beginning of 2008.

With a market share of 20.8%, the Vienna Insurance Group holds first place on the Bulgarian insurance market (as of: 1st quarter 2007).

#### **Austria – Resolution of Merger between UNION and BA-CA Versicherung adopted**

At the beginning of August, WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP, ERGO insurance group and Bank Austria Creditanstalt AG, as shareholders of UNION Versicherungs-Aktiengesellschaft and Bank Austria Creditanstalt Versicherung Aktiengesellschaft, adopted a resolution to merge the two insurance companies.

The shareholders in the new corporation, named Bank Austria

Creditanstalt Versicherung Aktiengesellschaft, are WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP with an interest of 60.5%, ERGO International AG with an interest of 29.5% and Bank Austria Creditanstalt AG with an interest of 10.0%. The merger of the two insurance companies were recorded in the commercial register on August 17, 2007.

#### **Romania – VIENNA INSURANCE GROUP acquires shares of Asirom**

In July of 2007, WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP leaned towards further expansion of its involvement in Romania by acquiring 30% of the shares of SC Asigurarea Romaneasca Asirom S.A. (Asirom) from the previous majority shareholder, the Romanian company Interagro S.A. The transaction was entered into subject to approval by the authorities. After approval the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP will submit a offer to the remaining shareholders of publicly listed Asirom.

Asirom is one of the leading insurance companies in Romania, with close to 2,200 employees. Having an extensive distribution network consisting of 160 county offices and branch offices, Asirom is represented nationwide. In 2006, Asirom had premium income of close to EUR 190 million and a market share of 10.6%

With a market share of 17.7%, Vienna Insurance Group is in first place on the Romanian insurance market excluding Asirom (as of: 1st quarter 2007).

#### **Turkey – Closing of Acquisition of Majority Interest in Ray Sigorta A.Ş.**

With the closing, at the beginning of June 2007, of the acquisition of 58.2% in Ray Sigorta A.Ş. through TBIH Financial Services N.V. (TBIH), in which Vienna Insurance Group has a 60% interest, the Vienna Insurance Group's entry onto the Turkish insurance market was successfully accomplished.

The shares were acquired for about EUR 62 million from the former majority shareholder, the Turkish Doğan Şirketler Grubu Holding A.Ş. (Doğan), which will continue to hold close to 20% of Ray Sigorta A.Ş. Moreover, from August 6 through August 20, TBIH made a public takeover bid for the approximately 22% of the shares of Ray Sigorta A.Ş. held by the public and now holds about 75% of the shares.

Ray Sigorta A.Ş. is a publicly listed Turkish insurance company with its head office in Istanbul. The corporation, founded in 1958, does business in the Non-Life insurance area with a primary focus on motor policies, achieving a premium volume of about EUR 136 million for business year 2006.

With a market share of 2.7%, Vienna Insurance Group is in 12th place on the Turkish insurance market (as of: 1st half 2007).

## NEWS OF THE VIENNA INSURANCE GROUP

- **Number One on the Austrian insurance market**
- **Growth Champion of the Vienna Stock Market**
- **Cooperation with OMV in Central and Eastern Europe**
- **Kids Camp 2007**
- **Head Office as “Tower of Life”**

### **Number One on the Austrian Insurance Market**

With a market share of 22.9%, Vienna Insurance Group in Austria retains first place on the insurance market and thus holds a meaningful 1.3%-point lead over the nearest competitor with a market share of 21.6%. There is a significant 9.2%-point gap with the competitor in third place.

In Austria, WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP is not only the market's Number 1 as a corporate group, but is also Number 1 as an individual company, and with a total market share of 15.3% occupies the leading position in Austria and also holds first rank among life insurers, with 15.8%.

### **“Growth Champion” of the Vienna Stock Market**

For the third time now, the business newspaper “Wirtschafts-Blatt” reviewed 45 publicly listed companies in Austria for their economic dynamics. For the second time in a row, WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP retained the title “Stock Market Growth Champion”. The average annual growth rate was analyzed in the four categories of sales, EBIT, employees and EBITDA/employees for the years 2001 through 2006. WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP was awarded first place with an average growth rate of 20.0% for premium income, of 72.4% in pre-tax income and of 37.5% in employees. No other company was able to demonstrate such a dynamic growth rate as WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP.

### **Cooperation with OMV in Central and Eastern Europe**

OMV, Central Europe's leading oil and natural gas group, and the Vienna Insurance Group, the leading Austrian insurance group in

Central and Eastern Europe, are cooperating in marketing in ten Central European countries (Austria, Bulgaria, Czech Republic, Croatia, Germany, Hungary, Romania, Serbia, Slovakia and Slovenia), offering their customers a combined package of products and services.

The cooperation was begun in mid-July 2007 with a joint summer promotion consisting of giving car drivers at selected border crossings in Central and Eastern Europe a free vacation package. The package contains a street map with all OMV gas stations and Vienna Insurance Group branch offices in Central and Eastern Europe, a gift voucher for a travel guide from the Vienna Insurance Group with useful travel and service information, redeemable at OMV gas stations, as well as some small refreshments.

### **Kids Camp 2007**

From July 28, 2007 through August 12, 2007, 450 children from all over central and eastern Europe participated in the Vienna Insurance Group Kids Camp 2007 in Austria. A painting competition throughout the Group gave children of Vienna Insurance Group employees the chance to qualify for the two adventure-filled weeks in the international vacation camp in Austria.

Activities such as tennis, soccer, beach volleyball and swimming, along with climbing, kayaking and rafting, provided unique experiences in an international setting. Regardless of language and culture the children were also able to make friendships spanning the borders over the course of the numerous outings offered by the Vienna Insurance Group, an expanding family of success. Under [www.vigkidscamp.com](http://www.vigkidscamp.com) you will find information and pictures about the Kids Camp 2007.

### **Head office as “Tower of Life”**

The Ringturm, the head office of the Vienna Insurance Group in the heart of Vienna, becomes a significant monument to a painter during the summer: After the Don Giovanni house designed by Christian Ludwig Attersee in 2006, this year, the Ringturm becomes the “Tower of Life” based on pictures from Austrian painter Robert Hammerstiel. Hammerstiel dealt with four subjects: Childhood, Youth, Family and Old Age. He thus symbolizes all the stages of life supported by the Vienna Insurance Group as an insurer.

## **CAPITAL MARKET**

### **Capital market developments**

After a strong correction resulting from the overheating of the Chinese stock market at the end of February 2007, international stock markets recovered surprisingly quick during the 2nd quarter 2007. This positive development is the result of basically

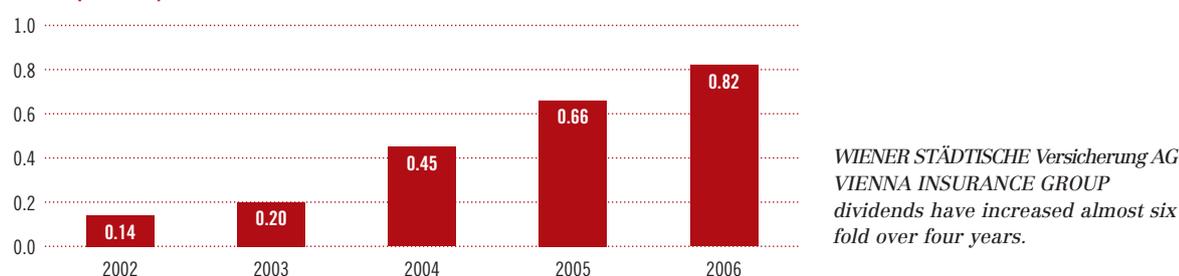
## REPORT OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

The 16th ordinary annual general meeting of the shareholders of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP was held on May 25, 2007, in the Austria Center in Vienna. As in the preceding year, the address given by the Chairman of the Board Dr. Günter Geyer was carried live on the Internet. The recording of the live broadcast can be viewed on the Vienna Insurance Group's website, under [www.wienerstaedtiche.com/ir](http://www.wienerstaedtiche.com/ir) > *Annual General Meeting 2007*. The website also allows for an inspection the agenda, motions and results of voting.

### Dividend Increase to 82 Cent per Share

At the general meeting of shareholders, a resolution was passed to increase the dividend per share to EUR 0.82 for fiscal year 2006. Thus, the dividend per share is EUR 0.16 more, or nearly 25%, than the dividend distributed the previous year. The payment date for the dividend was June 4, 2007.

Dividend per ordinary share in EUR



three factors: the excellent economic trend worldwide, steadily positive company results and numerous additional mergers and acquisitions. May showed significant price increases on stock markets, and many stock exchange indices, also including the ATX, reached all-time or multi-year historic highs. Index levels at the end of the semi-annual period were just below these highs for the year values, and have been sharply in retreat over the past few weeks (as of the finalizing of this report). In particular, the crisis on the U.S. real estate market appears to be the underlying cause responsible for the general uncertainty on international markets during the last few weeks.

During the 1st half of 2007, the trend on European stock exchanges was stronger than on exchanges in the U.S. or in Japan. Things have taken a different turn since June 30, 2007, however. As of this writing (August 21, 2007), the European stock index, EuroStoxx 50 had posted a performance of +1.3% over its 2006 year-end value, thus below the U.S. Dow Jones Industrial Average's gain of +3.0%, and above the Japanese stock exchange index the Nikkei 225 (-5.8%). On the other hand, the German DAX Index, for example, tacked on more than 21% during the first half of the year and at the time of this writing was up +12.6%. Likewise, after a markedly positive trend through mid-July (up as much as +17%), the Central and Eastern-European stock index CECE (in EUR) was drawn into a strong move in sympathy with the turbulence on capital markets, showing a performance of +0.6% in 2007.

### Developments in Interest Rates

The European Central Bank (ECB) raised its prime rate again for the 8th consecutive time, to 4.00%. With regard to the present events on capital markets, forecasts on the development of interest rates are hard to make. Poland and the Czech Republic increased their prime rate during the 2nd quarter 2007 in two steps, by 25 basis points each; on the other hand, the prime rate in Slovakia was lowered from 4.50% to 4.25%. The U.S. prime rate has remained unchanged, at 5.25%, from the last rise in interest rate of about a year ago.

### Vienna Stock Exchange

The Vienna Stock Exchange index ATX managed to slightly exceed the performance of the EuroStoxx 50 during the first six months in 2007, with a 9.1% increase. This is all the more significant as the ATX had already reached an all-time high of 4,463.47 points by the end of 2006. Due to the outstanding fundamental data coming from companies, the ATX index reached a new all-time high of 4,967.61 by mid-June. By the end of the first half-year period, the ATX eased off slightly due to profit-taking. During the 1st half of July, the ATX already went above the 5000 points mark on an intraday basis. Nonetheless, the Vienna stock market could not escape the U.S. real estate crisis and, since its all-time high, has sharply drawn back, by more than 12%. By August 21, 2007, the finalization date of the interim report, the value of the ATX index had fallen to 4,323.71 points, thus, posting a loss of just under 3% for 2007.

# INTERIM REPORT, 1ST HALF 2007

## INVESTOR RELATIONS

In connection with the Frankfurt and London roadshows during the first half of 2007, management met with interested investors and answered questions regarding the Vienna Insurance Group's strategy and growth. These topics were also at the forefront of the one-to-one meetings at the roadshow in Budapest in May, organized by the Vienna Stock Exchange together with Capital Bank. In June, at the banking conferences of Goldman Sachs in Lisbon and of UBS in Zurich, management presented highlights and background information on the Vienna Insurance Group and answered questions by the investors in numerous one-to-one meetings.

At the end of May and the beginning of August, two investment banks increased their price targets for Wiener Städtische stock, to EUR 71.00 and EUR 70.00, hence, the range of price expectations in analyses published this year of the Vienna Insurance Group currently extends from EUR 57.00 to EUR 71.00.

Particularly gratifying was the recent inclusion of Wiener Städtische stock in the FTSE4Good Index, which, on an international basis, includes all businesses meeting selected criteria with respect to the areas of the environment, human rights and society. In addition, the Vienna Insurance Group is represented in

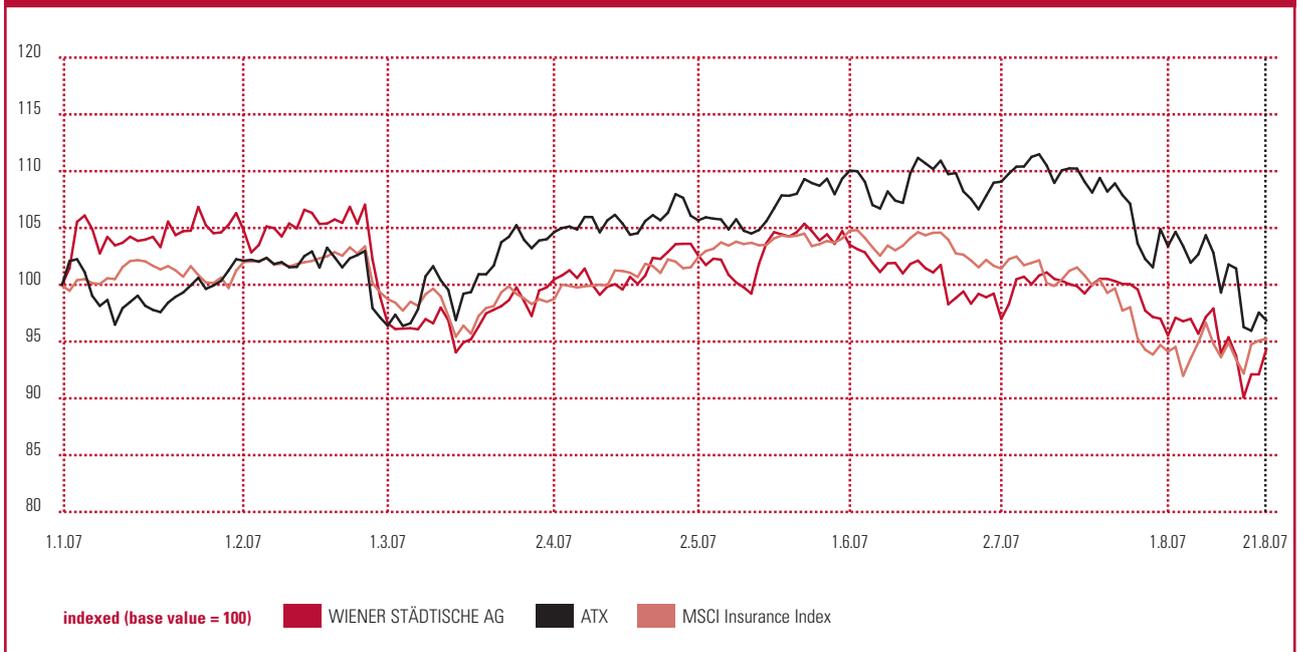
the Austrian VÖNIX index and is thus included in two sustainability indices, documenting the Vienna Insurance Group's commitment in matters of *Corporate Social Responsibility*.

In order to inform its shareholders and all interested parties on a more timely basis, on August 21, 2007, the Vienna Insurance Group broadcasted the presentation by General Manager Günter Geyer in connection with the press conference regarding the 2007 six-month results, in German and English.

## Performance of Wiener Städtische shares

Consequent upon the turbulence on international capital markets, shares of Wiener Städtische also underwent a drop in prices over the first quarter. Driven by the publication of its full year results, the first quarter results and the European Embedded Value for 2006, as well as by the raising of profit targets for the years following, on May 23, 2007, Wiener Städtische shares were almost back to their all-time high, reaching EUR 56.10. Subsequently, the stock could not escape the heightened market volatility, and like all others had to survive a bitter setback and as of the date this report was finalized, was trading at EUR 50.20, 5.6% below year-end 2006.

WIENER STÄDTISCHE AG COMPARED TO THE ATX AND MSCI INSURANCE INDICES (IN EUR)  
1 JANUARY 2007 – 21 AUGUST 2007



# INTERIM REPORT, 1ST HALF 2007

## Information on Wiener Städtische shares

Initial quotation	17 October 1994
Share capital	EUR 109,009,251.26
Free Float	28.7%
Number of shares	105 million
ISIN	AT0000908504
Ticker symbol (Vienna Stock Exchange)	WST
Bloomberg	WST AV
Reuters	WISV.VI
Datastream	O:WNST
Stock exchange listing	Vienna
Wiener Städtische AG rating	Standard & Poor's: A+, stable

## Next event in the financial calendar

Result for the 1st to 3rd quarters 2007	14 November 2007
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## Key figures for the shares in the 1st half 2007

	1/1/07–30/6/07	1/1/06–30/6/06
Highest price in EUR	57.00	53.90
Lowest price in EUR	50.00	41.26
Price as of 30 June in EUR	52.80	46.00
Earnings per share in EUR	3.06	2.17
Market capitalisation (30 June) in billions of EUR	5.54	4.83

## OUTLOOK

In view of the consistently positive business development of the Group in the first six months of the current year and the increase in profits of more than 50%, the target for the Group profit before taxes for the year 2007 of EUR 410 million will be exceeded, from today's perspective. This will render it possible to raise the dividend for the year 2007 by at least 25% to more than one euro per share – subject to the consent of the relevant corporate bodies.



# INTERIM REPORT, 1ST HALF 2007

## CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2007

ASSETS	30/6/2007	31/12/2006
in EUR '000		
<b>A. Intangible assets</b>		
I. Goodwill	386,256	339,576
II. Purchased insurance portfolios	40,709	49,022
III. Other intangible assets	68,667	72,849
<b>Total intangible assets</b>	<b>495,632</b>	<b>461,447</b>
<b>B. Investments</b>		
I. Land and buildings	2,177,816	2,175,573
II. Shares in affiliated and associated companies	616,522	532,223
III. Financial investments	16,117,768	14,552,572
a) Loans and other capital investments	1,749,077	1,601,828
b) Other securities	14,368,691	12,950,744
Financial investments held to maturity	302,163	306,234
Financial investments available for sale	12,982,125	11,760,935
Financial investments held for trading*)	1,084,403	883,575
<b>Total investments</b>	<b>18,912,106</b>	<b>17,260,368</b>
<b>C. Capital assets of unit- and index-linked life insurance</b>	<b>2,824,852</b>	<b>2,340,578</b>
<b>D. Reinsurers' share of underwriting provisions</b>	<b>1,188,175</b>	<b>963,314</b>
<b>E. Receivables</b>	<b>1,219,640</b>	<b>983,703</b>
<b>F. Deferred tax assets</b>	<b>38,405</b>	<b>23,543</b>
<b>G. Other assets</b>	<b>240,671</b>	<b>224,058</b>
<b>H. Cash and cash equivalents</b>	<b>235,361</b>	<b>226,443</b>
<b>Total ASSETS</b>	<b>25,154,842</b>	<b>22,483,454</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
in EUR '000		
<b>A. Shareholders' equity</b>		
I. Share capital	109,009	109,009
II. Capital reserves	1,035,029	1,035,029
III. Retained earnings	848,169	775,701
IV. Other reserves	221,342	292,670
V. Minority interests	109,984	70,799
<b>Total shareholders' equity</b>	<b>2,323,533</b>	<b>2,283,208</b>
<b>B. Subordinated liabilities</b>	<b>433,447</b>	<b>413,200</b>
<b>C. Underwriting provisions</b>		
I. Unearned premiums	1,032,654	765,602
II. Mathematical reserve	11,958,758	10,477,880
III. Provisions for outstanding claims	2,841,209	2,644,255
IV. Provisions for profit-independent premium refunds	40,265	36,792
V. Provisions for profit-dependent premium refunds	780,353	687,725
VI. Other underwriting provisions	17,527	16,167
<b>Total underwriting provisions</b>	<b>16,670,766</b>	<b>14,628,421</b>
<b>D. Underwriting provisions of unit- and index-linked life insurance</b>	<b>2,701,068</b>	<b>2,238,861</b>
<b>E. Non-underwriting provisions</b>		
I. Provisions for pensions and similar obligations	477,488	526,384
II. Tax provisions	81,298	76,859
III. Other provision	223,769	232,391
<b>Total non-underwriting provisions</b>	<b>782,555</b>	<b>835,634</b>
<b>F. Liabilities</b>	<b>2,045,183</b>	<b>1,856,439</b>
<b>G. Deferred tax liabilities</b>	<b>126,092</b>	<b>121,528</b>
<b>H. Other liabilities</b>	<b>72,198</b>	<b>106,163</b>
<b>Total LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>25,154,842</b>	<b>22,483,454</b>

\*) Includes financial investments at fair value through profit and loss.

# INTERIM REPORT, 1ST HALF 2007

## CONSOLIDATED INCOME STATEMENT

from 1 January to 30 June 2007	1/1–30/6/2007	1/1–30/6/2006
in EUR '000		
<b>Premiums written – Total</b>	<b>3,493,139</b>	<b>3,029,303</b>
<b>Net earned premiums</b>	<b>2,829,108</b>	<b>2,411,349</b>
<b>Net investment income, not incl. shares in affiliated and associated companies</b>	<b>550,151</b>	<b>356,967</b>
Other income	20,652	29,034
Claims and insurance benefits	-2,420,587	-2,045,406
Operating expenses	-677,411	-526,331
Other expenses	-89,555	-86,361
Results from shares in affiliated and associated companies	3,041	4,094
<b>Profit before taxes</b>	<b>215,399</b>	<b>143,346</b>
Tax expense	-41,148	-24,518
<b>Profit for the period</b>	<b>174,251</b>	<b>118,828</b>
Attributable to Wiener Städtische AG shareholders	160,626	114,085
Minority interests in net income for the period	13,625	4,743
<b>Earnings per share, annualized (basic = diluted earnings per share in EUR)</b>	<b>3.06</b>	<b>2.17</b>

from 1 April to 30 June 2007	1/4–30/6/2007	1/4–30/6/2006
in EUR '000		
<b>Premiums written – Total</b>	<b>1,474,767</b>	<b>1,277,144</b>
<b>Net earned premiums</b>	<b>1,364,761</b>	<b>1,163,986</b>
<b>Net investment income, not incl. shares in affiliated and associated companies</b>	<b>345,769</b>	<b>196,212</b>
Other income	11,781	13,216
Claims and insurance benefits	-1,235,842	-996,432
Operating expenses	-329,747	-262,922
Other expenses	-44,154	-46,462
Results from shares in affiliated and associated companies	2,102	2,838
<b>Profit before taxes</b>	<b>114,670</b>	<b>70,436</b>
Tax expense	-22,593	-12,053
<b>Profit for the period</b>	<b>92,077</b>	<b>58,383</b>
Attributable to Wiener Städtische AG shareholders	84,650	55,718
Minority interests in net income for the period	7,427	2,665
<b>Earnings per share, annualized (basic = diluted earnings per share in EUR)</b>	<b>3.22</b>	<b>2.12</b>

## SEGMENT REPORTING BY REGIONS

	Premiums written		Profit before taxes	
	30/6/2007	30/6/2006	30/6/2007	30/6/2006
in EUR '000				
Austria	1,957,745	1,850,421	138,533	101,945
Czech Republic	577,116	532,656	35,318	18,345
Slovakia	243,761	199,564	17,639	11,916
Other CEE markets	587,711	328,709	17,373	4,912
Other markets	126,806	117,953	6,536	6,228
<b>Total</b>	<b>3,493,139</b>	<b>3,029,303</b>	<b>215,399</b>	<b>143,346</b>

# INTERIM REPORT, 1ST HALF 2007

## INCOME STATEMENT BY BUSINESS SEGMENT

from 1 January to 30 June 2007

	Property/Casualty		Life		Health		Total	
	1/1–30/6/07	1/1–30/6/06	1/1–30/6/07	1/1–30/6/06	1/1–30/6/07	1/1–30/6/06	1/1–30/6/07	1/1–30/6/06
<b>in EUR '000</b>								
<b>Premiums written –</b>								
<b>Total</b>	<b>1,976,184</b>	<b>1,721,457</b>	<b>1,361,952</b>	<b>1,157,077</b>	<b>155,003</b>	<b>150,769</b>	<b>3,493,139</b>	<b>3,029,303</b>
Net earned premiums	1,331,945	1,118,323	1,344,277	1,144,583	152,886	148,443	2,829,108	2,411,349
Net investment income, incl. affiliated and associated companies	93,301	56,819	445,829	292,171	14,062	12,071	553,192	361,061
Other income	11,914	14,427	8,738	14,605	0	2	20,652	29,034
Claims and insurance benefits	–861,478	–755,447	–1,423,853	–1,158,404	–135,256	–131,555	–2,420,587	–2,045,406
Operating expenses	–377,334	–294,456	–279,615	–212,266	–20,462	–19,609	–677,411	–526,331
Other expenses	–64,260	–60,635	–24,720	–25,215	–575	–511	–89,555	–86,361
<b>Profit before taxes</b>	<b>134,088</b>	<b>79,031</b>	<b>70,656</b>	<b>55,474</b>	<b>10,655</b>	<b>8,841</b>	<b>215,399</b>	<b>143,346</b>

## CONSOLIDATED CASH FLOW STATEMENT

from 1 January to 30 June 2007

	30/6/2007	30/6/2006
<b>in EUR '000</b>		
<b>Cash and cash equivalents as of 1 January</b>	<b>226,443</b>	<b>290,347</b>
Cash flow from operating activities	717,458	655,005
Cash flow from investing activities	–642,124	–644,588
Cash flow from financing activities	–70,541	–143,775
<b>Cash and cash equivalents before change in consolidation scope and foreign exchange differences</b>	<b>231,236</b>	<b>156,989</b>
Change in consolidation scope and foreign exchange differences	4,125	13,722
<b>Cash and cash equivalents as of 30 June</b>	<b>235,361</b>	<b>170,711</b>

## CHANGE IN GROUP SHAREHOLDERS' EQUITY

from 1 January to 30 June 2007

	30/6/2007	30/6/2006
<b>in EUR '000</b>		
<b>Equity as of 1 January</b>	<b>2,283,208</b>	<b>2,059,332</b>
Exchange rate	–1,957	–2,999
Change in scope of consolidation/ownership interests	<b>39,396</b>	<b>15,995</b>
Unrealised gains and losses on financial instruments available for sale	–69,667	–61,274
Profit for the period	<b>174,251</b>	<b>118,828</b>
Dividend payment	–101,698	–74,584
<b>Equity as of 30 June</b>	<b>2,323,533</b>	<b>2,055,298</b>

## EXPLANATIONS OF THE CONSOLIDATED INTERIM STATEMENT ENDED JUNE 30, 2007

### Accounting Principles

This consolidated interim financial report was prepared in accordance with International Financial Reporting Standards (IFRS), and complies with IAS 34 "Interim Financial Reporting."

There have been no material changes made to accounting and valuation methods since the last financial statement for the period ending December 31, 2006.

### Information on seasonal and economic factors

Seasonal fluctuations within the Vienna Insurance Group appeared mainly in the areas of premiums, losses and financial results.

Based on the high number of inception dates in January, the first quarter has traditionally been the strongest in premiums over the course of the year. In the loss area as well, the first quarter (or first six months, as the case may be) is usually characterized by higher expenses – in particular, due to adverse weather conditions (snow, melting snow, storms and floods). In the context of financial results, a major portion of dividend payments comes during the second quarter, while distributions by investment funds pick up strongly during the 2nd half of the year.

The persistent rise in interest rates during the first two quarters led to a price decline in the Vienna Insurance Group's fixed income securities area.

### Estimates

Preparation of a consolidated interim statement under IFRS requires discretionary judgments to be made and forecasts established regarding those future developments that can have a material influence on estimates and values of assets and liabilities, as well as on income and expenses, over the course of the fiscal year. The estimates relate in particular to underwriting provisions. In the current reporting period, no substantial changes have been made in the system for determining these estimates.

### Business events with closely-related persons and companies:

This primarily relates refers to intracompany reinsurance relationships of a subordinate volume as well as to financing on market terms, particularly in the area of real property and billing for services. Even so, these have no material effects on business results. The members of the managing board and of the supervisory board were not granted any loans or liabilities during the reporting period.

### Information regarding Changes to the Scope of Consolidation:

Already since the first quarter, UNION Versicherungs-AG, Vienna, has been fully consolidated (previously proportionally consolidated). In addition, during the second quarter, AIS-Servis s.r.o., Brno, was included for the first time at equity in the consolidated financial statements of the Vienna Insurance Group, while all interests in COUNTRY INN VIC Hotelerrichtungs- und Betriebsgesellschaft m.b.H., Vienna, were sold and the company was de-consolidated.

### Type and Extent of Business Transactions unusual with regard to type, amount or frequency:

- Acceptance of the takeover bid by voestalpine for acquisition of Böhler-Uddeholm AG at EUR 73.00 per share. Additional stock transactions and property sales led to realized profits of ca. EUR 264 million in the first half of the year.
- Storm damages caused by Hurricane "Kyril" during the first quarter 2007 (gross claims approximately EUR 60 million – net loss approximately EUR 10 million)

### Changes in contingent liabilities and receivables

Compared to 2006 financial statements, the following change took place during the reporting period just ended:

Through the sale of COUNTRY INN VIC Hotelerrichtungs- und Betriebsgesellschaft m.b.H., Vienna, the joint liability on loans amounting to 10,580 TEUR was discharged.

### Material events subsequent to the financial statement closing date

- At the beginning of August, WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP, the ERGO insurance group and Bank Austria Creditanstalt AG, as shareholders of UNION Versicherungs-Aktiengesellschaft and the Bank Austria Creditanstalt Versicherung Aktiengesellschaft, passed a resolution to merge the two insurance companies.
- In July of 2007, WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP towards further expansion of its involvement in Romania by acquiring 30% of the shares of SC Asigurarea Romaneasca Asirom S.A. (Asirom) from the previous majority shareholder, Romanian company Interagro S.A. The transaction was entered into subject to approval by the authorities.

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# INTERIM REPORT, 1ST HALF 2007

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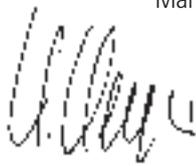
## DECLARATION BY THE MANAGING BOARD

The Managing Board hereby declares that the consolidated financial statements, prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU, give a true and fair view of the net assets, financial position and results of operations of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP and all companies included in the consolidation.

The board further declares that the consolidated interim report presents the course of business and the business results in such a way as to yield as true a presentation as possible of the assets, financial position and operating results of the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP as well as of the companies included within the scope of consolidation and that such report describes the material risks and uncertainties to which the business is exposed.

The carrying out of an audit, or an auditor review, of the interim report has been dispensed with.

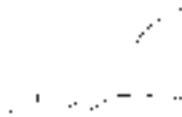
Managing Board of the Group:



Günter Geyer



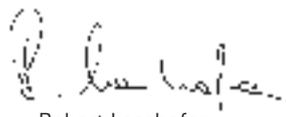
Karl Fink



Rudolf Ertl



Peter Hagen



Robert Lasshofer



Martin Simhandl

Vienna, 21 August 2007

## EDITOR AND MEDIA OWNER

WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP  
Company register: 75687 f  
Data Processing Register Code (DVR No.): 0016705

Editorial deadline: 21 August 2007

This interim report can be downloaded from our internet website as a German or English pdf file:

([www.wienerstaetdische.com/ir](http://www.wienerstaetdische.com/ir) > Downloads)

In cases of doubt, the German version is authoritative.

*Project coordination: General Secretariat, Elisabeth Karner*

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