

LOOK ON US AS A BRIDGE OVER THE RIVER OF CHANGE ...



LETTER TO SHAREHOLDERS 1ST-3RD QUARTERS 2004

Dear shareholder!

The present letter to shareholders provides you with detailed information regarding the business development of the Wiener Städtische Group and of the Wiener Städtische Allgemeine Versicherung Aktiengesellschaft in the 1st-3rd quarters 2004.

THE WIENER STÄDTISCHE GROUP IN THE FIRST THREE QUARTERS OF 2004

IN EUR MILLION	Accounted premium		Non-life excluding health insurance		Life	
	1.-9. 2004	+/- % of prev yr	1.-9. 2004	+/- % of prev yr	1.-9. 2004	+/- % of prev yr
Prämien der Gruppe ^{*)}	3,351.36	15.7	1,800.91	16.6	1,337.48	16.8
Gruppe Inland	2,321.90	10.6	1,045.95	9.3	1,062.98	13.8
Gruppe Ausland	1,029.46	28.9	754.96	28.5	274.50	29.9

^{*)} The participation relationships were taken into account with the calculation of Group premiums.

The **Wiener Städtische Group** was also able to maintain its strong premium growth over the first three quarters of the year 2004. The accounted premiums of the entire Group were increased by a total of 15.7% to EUR 3,351.36 million. This consists of a growth in premium of 10.6% at the domestic insurance companies and 28.9% at the foreign insurance companies.

Wiener Städtische Group in the domestic market

In Austria, Donau Versicherung (including a share in S-Versicherung), BA-CA Versicherung, Union Versicherung and a participation in Wüstenrot Versicherung belong to the Group in addition to Wiener Städtische AG.

In the non-life insurance (excluding health insurance) of the domestic insurance group, accounted premiums could be increased in the reporting period by 9.3% altogether, compared with the first three quarters 2003, to EUR 1,045.95 million, whereby this high growth was primarily borne by Wiener Städtische and Donau Versicherung.

The premium development of the Group in the domestic market is still very satisfactory in life insurance business as well. Altogether, accounted premiums could be increased by 13.8%, compared with the corresponding period of the previous year, to EUR 1,062.98 million. Apart from Wiener Städtische, the two companies almost exclusively operating in the life insurance class of business, Union Versicherung and BA-CA Versicherung, could also produce high growth rates here in the double-digit percentage range.

The Wiener Städtische Group abroad

The high premium growth in the accounted premium income of the foreign insurance companies of the Group could also be maintained in the first three quarters of the year 2004. Overall, around 28.9% more accounted premiums were generated at the foreign insurance companies in the first nine months of 2004 than in the corresponding period of the previous year. The total amount of accounted premiums stood at EUR 1,029.46 million for the three quarters 2004.

In the Czech Republic and the Slovak Republic, the Group was able to continue its impressive growth at a high level and to increase its premium by approximately a quarter in each case, compared with the first three quarters 2003. The other foreign members of the Group for the most part also attained considerable premium increases in the reporting period.

The ratio of accounted premiums for foreign Group companies to the total premium of the Group amounted to almost one third in the reporting period.

Opening of a branch in Slovenia

The most recent branch of the Wiener Städtische, "Wiener Städtische zavarovalnica" in Ljubljana, was officially opened on 28th October 2004 at a press conference. With the foundation of the branch in Ljubljana, Wiener Städtische is now also active in Slovenia – and therefore is now represented, with branches or subsidiaries, in all Austria's neighbouring countries apart from Switzerland. In the area of sponsorship, Wiener Städtische succeeded

in entering into a co-operation with the Slovenian ski association in order to bring the Wiener Städtische brand name to the attention of a broad public in Slovenia as well.

Considerable opportunities present themselves in Slovenia for insurance companies by virtue of the economic appeal of the country. Economically, Austria's southern neighbour has developed rapidly since obtaining independence in 1991. In the preliminary stages of accession to the EU in 2002, Slovenia had already adapted all insurance laws to the European standards and established an insurance regulator. With an insurance penetration of 5.2%, the market is seriously making up ground. The same applies for the insurance density: on average, the Slovenes already invested approximately EUR 640 in 2003 in the safeguarding of goods and in their retirement provision.

Expansion of the investment in Croatia: Acquisition of Aurum Insurance

On 24th November 2004, the purchase agreement regarding the acquisition of the majority share in the Croatian non-life and life insurer Aurum was signed. The permits under cartel law that are still outstanding for the acquisition are expected in the next few weeks. Wiener Städtische is already present in Croatia with Kvarner Wiener Städtische, which has grown very rapidly in recent years and which was also able to increase its premium income in the first three quarters 2004 by approximately 35%, compared with the first three quarters 2003. By means of the acquisition of Aurum, the Wiener Städtische Group will probably be moved forward to sixth position in the market in Croatia.

Aurum Insurance was established in April 1995 and has nine branches nationwide and 25 additional consulting agencies. A gross premium income of 115.24 million Kuna (EUR 15.2 million) was achieved in 2003 with approximately 160 employees and around 300 freelance sales force employees.

Entry into the Ukraine

Wiener Städtische is also operating in the Ukrainian insurance market. It is planned to participate in the Ukrainian company Jupiter Insurance with just under 50% in the course of a capital increase. Jupiter Insurance, with its headquarters in the capital city Kiev, was

established in 1999. The marketing is carried out via agents and brokers.

The Ukraine marks the most easterly point on the map of the Wiener Städtische Group. The Ukraine is the biggest country in Eastern Europe with an area of more than 600,000 square kilometres. The potential market is huge: the Ukraine has roughly 50 million inhabitants. Since 1991, the Ukraine has been an independent state and has since then undergone a very strong economic development. In the last three years, the Ukrainian insurance market grew by approximately 40% per annum on average.

Planned expansion of the investment in Belarus

Wiener Städtische wishes to further build on its profile in Belarus with the participation in two additional insurance companies: It is planned to acquire shares in Sedmaya Linija, a life insurance company established in 2001, and in ZASI "Victoria", a non-life insurance company that was founded in 1999. The Wiener Städtische Group has already been represented in the Belarussian insurance market since 2002 with a participation in Kupala.

Wiener Städtische AG in the 1st-3rd quarters 2004

IN EUR MILLION	1 st -3 rd quarters 2004	Change on prev yr
Earned premiums, direct	1,395.10	10.5%
Property/casualty	618.09	8.1%
Health	210.01	2.6%
Life	567.00	16.5%
Insurance payments, direct	876.73	1.3%
Operating expenses	303.03	0.6%
Financial result	224.62	14.2%
Capital assets position ¹⁾	7,382.36	4.9%

¹⁾ excluding unit-linked life insurance, change as of 31.12.2003

Earned premiums in direct business amounting to EUR 1,395.10 million were produced by Wiener Städtische AG across all classes of business in the first three quarters 2004. This represents a plus of 10.5% compared with the corresponding period of the previous year. As a result, Wiener Städtische was still considerably above the growth of the insurance market. The insurance market was clearly outperformed in the life insurance class of business in particular with a growth in earned premiums of 16.5%. Wiener Städtische's total premium

income consisted of approximately 44% from property and casualty insurance, approximately 41% from life insurance and approximately 15% from health insurance as of 30.9.2004.

Insurance payments have increased in the 1st–3rd quarters 2004 by 1.3% compared with the 1st–3rd quarters of the previous year and are thus once again clearly lower than the premium growth. Operating expenses increased by a moderate 0.6%.

The financial result in the reporting period turned out considerably better than in the corresponding period of 2003, at EUR 224.62 million.

The capital assets position as of 30.09.2004 of EUR 7,382.36 million (+4.9% as of 31.12.2003) is calculated excluding the investments of the unit-linked life insurance, which amount to EUR 353.86 million (+17.5% as of 31.12.2003).

Property and casualty insurance

IN EUR MILLION	1 st –3 rd quarters 2004	Change on prev yr
Earned premiums, direct	618.09	8.1%
Motor classes	226.34	11.3%
Non-motor classes	391.75	6.4%
Insurance payments, direct	427.48	6.8%

In **property and casualty insurance**, the earned premiums of the direct business increased in the first three quarters of the year 2004 by 8.1% to EUR 618.09 million, compared with the corresponding period of the previous year.

The growth of the premium income in the motor classes of business, with a premium income of EUR 226.34 million, was 11.3% in the first three quarters of this year in comparison with the corresponding period of the previous year. In motor vehicle liability insurance, earned premiums rose by 11.7% to EUR 146.92 million and in motor hull insurance by 10.6% to EUR 76.46 million.

In motor vehicle passenger accident insurance, an increase in the earned premiums by 7.7% to EUR 2.96 million could be achieved.

The non-motor classes were able to achieve an increase in the earned premiums of the direct business of 6.4%

in the first three quarters 2004, compared with the corresponding period of the previous year. The premium income for the three quarters amounted to EUR 391.75 million.

Insurance payments increased in the first three quarters 2004 in property and casualty insurance by 6.8% overall, compared with the corresponding period 2003, to EUR 427.48 million.

Life insurance

IN EUR MILLION	1 st –3 rd quarters 2004	Change on prev yr
Earned premiums, direct	567.00	16.5%
Renewable premium	372.23	10.1%
Single-premium policies	194.77	31.1%
Insurance payments, direct	293.71	-5.2%

In **life insurance**, the earned premiums of the direct business increased by 16.5% in the 1st–3rd quarters 2004, compared with the corresponding period of the previous year, to EUR 567.00 million. The single-premium policy sector was able to record a gain of 31.1% to EUR 194.77 million compared with the corresponding period, while an increase of 10.1% to EUR 372.23 million was achieved in the earned premiums of the business against renewable premium.

New business in the traditional classes of business has primarily contributed to this excellent performance.

Insurance payments in the 1st–3rd quarters 2004 recorded a fall of 5.2% to EUR 293.71 million, whereby it should be noted, however, that the high disbursements in the corresponding period of the previous year were attributable in particular to the maturing of the tax-privileged 15-year policies concluded in 1988.

Health insurance

IN EUR MILLION	1 st - 3 rd quarters 2004	Change on prev yr
Earned premiums, direct	210.01	2.6%
Insurance payments, direct	155.54	-0.1%

In **health insurance**, earned premium income increased in the first three quarters of the year 2004 by 2.6%, compared with the first three quarters of the previous year, to EUR 210.01 million.

Through a consistent optimisation of the claims management, a stabilisation in the insurance payments to the level of EUR 155.54 million was achieved in the current year. Based on the disbursements to be expected for the whole year 2004 of approximately EUR 208 million overall, the assumed increase in insurance payments for the entire current year amounting to 0.4% will be considerably below the forecast premium increase of 2.7%.

Latest news

Supplementary capital bond

For the financing of its expansion in Central and Eastern Europe and for the optimisation of its financial structure, Wiener Städtische issued two supplementary capital bonds in the middle of December 2004 with a total issue volume of EUR 300 million. The two bonds are issued under the lead management of Erste Bank. The term of the supplementary capital bond 2005-2022 represents 17 years; the term of the variable supplementary capital bond 2005 is not limited in terms of time. The bonds are aimed both at institutional investors and at private investors. The acquisition of the bond makes it possible to participate in the growth potential and the earnings prospects of the Wiener Städtische.

Eastern Europe equity fund in the future pension plan

Clients with a government-sponsored Wiener Städtische Premium Pension now participate in the future potential of the new EU countries. Wiener Städtische incorporates the new Eastern Europe equity fund of Ringturm KAG into the equity investment of the Premium Pension. The fund invests exclusively in stock markets whose capitalisation does not exceed 30 per cent of the GDP of the respective country and they are the Hungarian, Czech, Slovak and Polish stock markets amongst others. Investors who have no Premium Pension can also directly invest in the fund.

Outsourcing of the Metropolitan division to the IBM subsidiary BLUE IT

As of 1st December 2004, the IT services of Wiener Städtische, Donau Versicherung and Metropolitan Datenservice GmbH have been spun off to the company Blue IT, a subsidiary of IBM. Blue IT, as a company of the IBM Austria group, is thus responsible henceforth for the entire IT infrastructure of the Wiener Städtische Group –

amongst other things for the operation of the host applications, of the network, of the central server systems including all business applications and the SAP basic operation. With this move, the Wiener Städtische Group can concentrate increasingly on its core competences.

Maecenas award for sponsorship activities

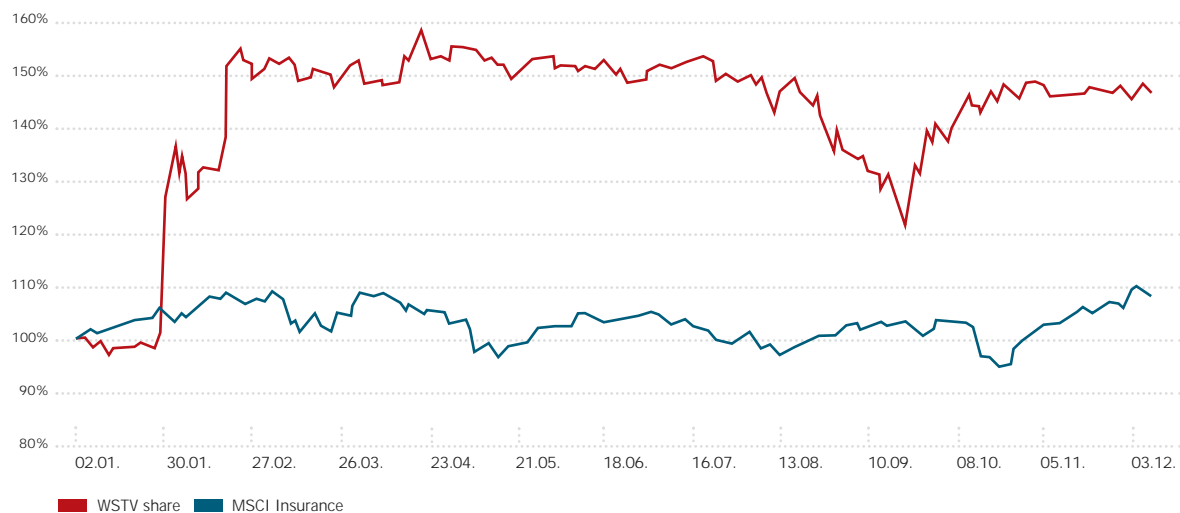
Wiener Städtische's commitment for the arts and culture was honoured at the end of November 2004 with two of the sought-after Maecenas awards. In the category "Best concept", Wiener Städtische received the Maecenas 2004 award for sponsorship in the area of child and youth literature. The promotion of adolescent creativity through reading and writing has been actively carried out by Wiener Städtische for approximately 20 years. The project "Angels for angels for angels" for the refurbishment of the baroque angel of the Altenburg Cathedral Chapter was submitted for the Maecenas Lower Austria award. Wiener Städtische is one of the main sponsors and was also honoured with a recognition award for its commitment here. Wiener Städtische had already received the Maecenas award in 1993 for the project "Children hear, see and join in".

Wiener Städtische Preference Share

The Wiener Städtische preference share was quoted at EUR 24.0 on 8.12.2004. As a result, it has achieved an appreciation in value amounting to 46.1% since the beginning of the year 2004. In comparison with that, the MSCI Insurance Index (a global insurance index) has only achieved an appreciation in value of 8.2% since the start of 2004.

PERFORMANCE OF WSTV AND MSCI INSURANCE

1st January - 12th December 2004



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