

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



LETTER TO SHAREHOLDERS 1st HALF-YEAR 2004

Dear shareholder,

The present letter to shareholders provides you with detailed information regarding the business development for Wiener Städtische Allgemeine Versicherung Aktiengesellschaft as well as for the Wiener Städtische Group in the 1st half-year 2004.

Wiener Städtische AG in the 1st half-year 2004

IN EUR MILLION	1st HY 2004	Change on previous year
Earned premiums, direct	956.36	13.5%
Property/casualty	412.09	8.7%
Health	139.93	2.6%
Life	404.34	23.7%
Insurance payments, direct	577.93	1.5%
Operating expenses	201.59	-1.0%
Financial result	132.64	13.8%
Capital assets position ¹⁾	7,280.46	3.5%

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

Earned premiums in direct business amounting to EUR 956.36 million were produced by Wiener Städtische AG across all classes of business in the 1st half-year 2004. This represents a plus of 13.5% compared with the corresponding period of the previous year. As a result, Wiener Städtische was once again 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 23.7%. Wiener Städtische's total premium income consists of approximately 43% from property and casualty insurance, approximately 42% from life insurance and approximately 15% from health insurance.

Insurance payments have increased in the 1st half-year 2004 by 1.5% compared with the 1st half-year of the previous year and are thus once again clearly lower than the premium growth. **Operating expenses** fell by 1.0%.

The **financial result** in the 1st half-year 2004, at EUR 132.64 million, turned out markedly better than in the 1st half-year 2003. In the process, the write-down of the HVB shares in Wiener Städtische's securities portfolio has already been taken into account at the half-year. This write-down was necessary due to the depreciation of the share since the beginning of the year; a considerable proportion of the HVB shares have been sold in the meantime.

The **capital assets position** as at 30.06.2004 of EUR 7,280.46 million (+3.5% as at 31.12.2003) is calculated excluding the investments of the unit-linked life insurance, which amount to EUR 341.59 million (+13.4% as at 31.12.2003).

Property and casualty insurance

IN EUR MILLION	1st HY 2004	Change on previous years
Earned premiums, direct	412.09	8.7%
Motor classes	150.09	11.6%
Non-motor classes	262.00	7.1%
Insurance payments, direct	282.25	10.7%

A premium increase of 8.7% to EUR 412.09 million was achieved in **property and casualty insurance** in the 1st half-year 2004.

In motor vehicle liability insurance, earned premiums increased by 12.1% to EUR 97.33 million in the 1st half-year 2004 due to successful new business. Due to the strong new business, a premium increase could be attained in the hull class in the first half-year 2004 of 10.6%, compared with the corresponding period of the previous year, to EUR 50.80 million. In the non-motor classes of business, there was an increase in earned premiums by 7.1% to EUR 262.00 million.

Insurance payments were adversely affected in the second quarter of this year primarily by one large loss. A loss totalling millions resulted in April of this year in a major fire in a Dutch production plant of an Austrian company. However, Wiener Städtische's own contribution to be provided from this is small due to high re-insurance.

Life insurance

IN EUR MILLION	1st HY 2004	Change on previous year
Earned premiums, direct	404.34	23.7%
Renewable premium	255.11	12.1%
Single-premium policies	149.23	50.5%
Insurance payments, direct	196.62	-8.1%

The earned premiums from direct business in **life insurance** amounted to EUR 404.34 million in the 1st half-year 2004 and were thus around 23.7% above the premium level of the previous year. A premium growth of

12.1% could be produced in the case of renewable premiums, while in fact an increase in premiums of 50.5% could be achieved in the single-premium policy sector, compared with the 1st half-year 2003. This disproportionate gain in the single-premium policy sector is primarily attributable to the relatively modest level of the 1st half-year of the previous year. An increase in premiums from single-premium policies considerably below 50% should be assumed over the whole financial year 2004.

This extremely positive performance reflects the increase in production in the single-premium policy sector, particularly the higher number of conclusions of annuity insurance policies. Also, the "Premium Pension", Wiener Städtische's product for the future pension plan with subsidised premiums, is still selling very well in the current year 2004.

Insurance payments decreased in the 1st half-year 2004 by 8.1%, compared with the 1st half-year 2003, to EUR 196.62 million.

Health insurance

IN EUR MILLION	1st HY 2004	Change on previous year
Earned premiums, direct	139.93	2.6%
Insurance payments, direct	99.06	-1.6%

The earned premiums from direct business in **health insurance** amounted to EUR 139.93 million in the 1st half-year 2004. As a result, an increase of approximately 2.6% could be achieved compared with the 1st half-year 2003. Insurance payments in health insurance amounted to EUR 99.06 million, which represents a reduction of 1.6% compared with the corresponding period of the previous year.

The Wiener Städtische Group in the 1st half-year 2004

The Wiener Städtische Group was also able to maintain its strong premium growth in the 1st half-year 2004. The accounted premiums of the entire Group were increased by a total of 15.3% to EUR 2,345.96 million. This consists of a growth in premium of 10.2% at the domestic insurance companies and 29.2% at the foreign insurance companies.

Wiener Städtische Group in the domestic market

In addition to Wiener Städtische AG, Donau Versicherung (including a share of 10% in S-Versicherung), BA-CA-Versicherung and Union Versicherung also belong to the domestic group. In addition, there is a participation in Wüstenrot Versicherung to the extent of 31.6%.

In the property and casualty insurance class of the domestic insurance group, accounted premiums could be increased in the first half-year 2004 by 9.2% overall, compared with the first half-year 2003, to EUR 769.08 million, whereby both Wiener Städtische and Donau Versicherung achieved growth rates greater than 9%.

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 13.0%, compared with the previous year, to EUR 727.03 million.

The Wiener Städtische Group abroad

The high premium growth in the accounted premium income of the Group's foreign insurance companies could also be maintained in the 1st half-year 2004. Overall, around 29.2% more accounted premiums were generated at the foreign insurance companies in the first six months of 2004 than in the corresponding period of the previous year. The total amount of accounted premiums stood at EUR 707.23 million for the 1st half-year 2004.

In particular, the Czech and Slovak members of the Group were able to continue their impressive growth. In the Czech Republic, Kooperativa Prague was chosen as "Insurance company of the year 2003" by the Czech Chamber of Insurance Brokers. Kooperativa Prague has already had the prestigious title bestowed for the third time. In detail, first position was won in the category "personal insurance", in the category "corporate and industrial insurance" and in the collaboration with brokers. In the categories "personal accident insurance" and "motor insurance", Kooperativa Prague reached second position.

The Hungarian company Union Biztosító, which has been active in motor insurance since the beginning of the year, achieved a premium increase of almost 70%, partly through the exclusive collaboration with the Hungarian motoring association. Vienna Life in Liech-

THE WIENER STÄDTISCHE GROUP IN THE 1st HALF-YEAR 2004

IN EUR MILLION	Accounted premium		Non-life excluding health insurance		Life	
	1st HY 2004	+/-% of prev yr	1st HY 2004	+/-% of prev yr	1st HY 2004	+/-% of prev yr
Group premiums ¹⁾	2,345.96	15.3	1,303.92	16.7	899.43	15.6
Group, domestic market	1,638.73	10.2	769.08	9.2	727.03	13.0
Group, foreign countries	707.23	29.2	534.84	29.5	172.40	28.1

¹⁾The participation relationships were taken into account with the calculation of Group premiums.

tenstein, a company specialising in life insurance policies, was able to almost double its premium income in the first half-year 2004 compared with the first half-year 2003. Also, Wiener Städtische Belgrade in Serbia, established at the start of 2003, is developing extremely strongly in the second year of its existence. Compared with the first half-year 2003 – where premium income could be recorded that was already above the plan – accounted premiums were increased many times over.

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

Latest news

Wiener Städtische obtains an A-rating from Standard & Poor's

Wiener Städtische has opted for an interactive rating through the world's leading rating company Standard & Poor's for the first time. After an intensive analysis, the independent experts from Standard & Poor's rated the excellent financial stability of Wiener Städtische with a Financial Strength Rating and a Credit Rating of "A" with a stable outlook. Insurance companies that obtain an A-rating are classified by Standard & Poor's as secure (investment grade) with an excellent financial stability. Standard & Poor's stressed in particular the excellent market position of the Wiener Städtische Group in Austria, the Czech Republic and the Slovak Republic. In addition, the low loss ratio of the Group, the high-quality capital investment, the conservative reinsurance strategy and the good equity capital structure were positively highlighted in particular.

Wiener Städtische AG -

Austria's largest insurance company in 2003

As in the years before, Wiener Städtische was by far

Austria's largest insurance company in 2003 as well, as emerges from the official statistics published in the summer of the Austrian Association of Insurance Companies (www.vvo.at). Yet, it was even possible to considerably increase the market share of 13.14% across all classes of business compared with the financial year 2002 (12.27%). The Number Two in the market achieved a market share of 9.42%. Donau Versicherung was able to improve its position in the insurance market from the tenth to the ninth position with a market share of 4.18% overall; Union Versicherung achieved the eighth position in the life insurance class with a market share of 5.23%.

Collaboration with s Bausparkasse

The already existing partnership of the Wiener Städtische Group and the Erste Bank Group has been developed further. Wiener Städtische has acquired a shareholding of two per cent in the building society of the Austrian savings banks (s Bausparkasse). The signature of the agreement took place in Vienna on 21.4.2004. The participation also comprises a marketing agreement, which provides for the preferential sale of s Bausparkasse's building society products through Wiener Städtische and conversely the preferential sale of the Wiener Städtische Group's non-life insurance policies through s Bausparkasse. There has already been a successful marketing collaboration arrangement between Wiener Städtische and Erste Bank for approximately one year in the countries of Central and Eastern Europe. Wiener Städtische collaborates with Erste Bank in property insurance business outside Austria in the Czech Republic, Croatia and in Slovakia.

Relaunched: "Limited Edition Quattro"

On 1st July 2004, Wiener Städtische launched another allocation of the successful "Limited Edition Quattro". All the product features of the successful first edition of the single-premium life insurance policy could be retained, such as capital distribution from the sixth

insurance year, a guaranteed minimum rate of return and the 80% peak level guarantee of the bond. The breakdown between investment in the bond and in the deferred annuity now amounts to 53 per cent to 47 per cent. As in the case of the previous "Limited Edition" products, it should also be expected with the new "Limited Edition Quattro" that the product will be heavily in demand and therefore will be sold out in a few months.

International Actuarial Office

The Wiener Städtische Group will some time this year establish an International Actuarial Office. A new benchmark in international insurance management will be set with this move. Economic analyses, which will affect all operations, also rank among the main tasks of the International Actuarial Office in addition to all questions of actuarial mathematics. Kurt Ebner will take over the management of the International Actuarial Office. In addition, the Supervisory Board of Wiener Städtische AG has appointed Dr. Martin Simhandl as a new member in the Managing Board of Wiener Städtische AG with effect from 1st November 2004.

Awards for advertising

Wiener Städtische's advertising is still on the road to success. The readers of the daily newspaper "Kurier" chose the subject "Airport" as the advertising favourite for the month of July. The "Premium Pension" subject "Boot" won the Silver Print Oscar in the category "Services" with 530 submissions. The "Airport" advertisement is also very successful on TV (Focus Top TV: the "Most original", it reached an excellent second place in the overall rating) and on the Infoscreens in the Vienna underground (Focus Top Infoscreen: 2nd place). The subject "Airport" was voted the campaign of the week (22/04) in the magazine "Format".

New and attractive tariff in health insurance

It is the aim of many people to live a healthier and more relaxed life. All those who are interested can actually come a whole lot closer to the ideal with the new customer highlight "Wellness Plus". "Wellness Plus" combines the attractive benefits of "Live Better" ["Besser Leben"] with a financial consolation of EUR 60 per day and supportive assistance payments if a hospital stay is unavoidable. "Wellness Plus" customers can now rely on Wiener Städtische's support. Assistance is offered with the maintenance of domestic care and completion of urgent administrative procedures. In addition, customers obtain a refund of

costs for the care of children and pets. As a result, Wellness Plus ensures a bit of carefree quality of life in every situation.

Wiener Städtische Preference Share

Dividend increase

At the 13th ordinary Annual General Meeting of Wiener Städtische, which took place on 16th June 2004 with the attendance of many small shareholders in the former stock exchange building on the Wiener Ring, an increase in the dividend was adopted for the preference shares by 95 cents from EUR 2.20 to EUR 3.15 per share. The disbursement of the dividend ensued on 28th June 2004.

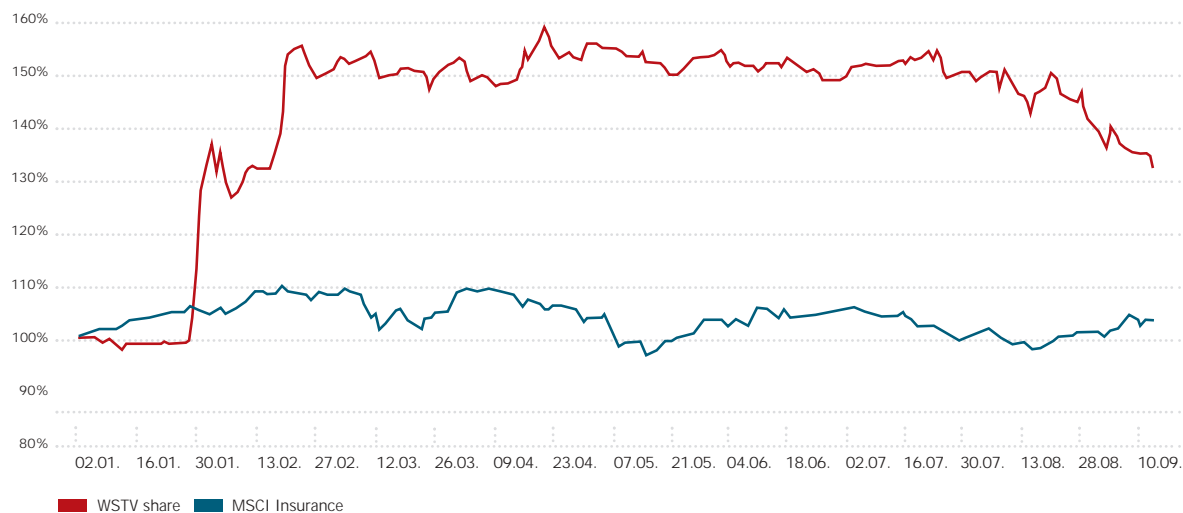
Share split implemented

The Wiener Städtische preference share was split on 19th July 2004 in the ratio of 1:7, as approved beforehand at the Annual General Meeting. As a result, seven new shares have replaced one old share. The current share price now amounts to one seventh of the price up to now. Wiener Städtische's share capital was not changed through the share split and still amounts to just under EUR 90 million. Due to the split, the shares became more easily tradable on the stock market and thus, above all, even more attractive for small shareholders.

The Wiener Städtische preference share was quoted at EUR 21.6 on 10.9.2004. As a result, it has achieved an appreciation in value amounting to 31.5% since the beginning of the year 2004. Thus, the MSCI Insurance index (a global insurance index) has been outperformed by almost 30 percentage points since the start of 2004.

PERFORMANCE OF WSTV AND MSCI INSURANCE

1st January - 10th September 2004



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Dkfm. Karl Fink
Deputy General Manager

Mag. Christian Brandstetter
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