

**LETTER TO
SHAREHOLDERS**
1ST QUARTER 2005



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Dear shareholders,
Dear Sir/Madam,

The present letter to shareholders provides you with detailed information on the business development of the Wiener Städtische Group in the first quarter 2005.

THE WIENER STÄDTISCHE GROUP IN THE FIRST QUARTER 2005

IN EUR MILLION	Earned premium		Non-life		Life	
	1.-3. 2005	+/- %	1.-3. 2005	+/- %	1.-3. 2005	+/- %
Group premiums	1,304.37	21.2	718.30	14.2	586.07	37.0
Group, domestic market	828.61	14.8	412.14	7.6	416.47	22.8
Group, foreign countries	475.76	47.5	306.16	23.8	169.60	125.4

The Wiener Städtische Group was able to even surpass the dynamic premium growth of the financial year 2004 over the first quarter of the year 2005. The significant increase compared with the corresponding period last year in Group premiums in the first three months of 2005 was borne primarily by the booming life insurance business of the companies in the domestic market and abroad.

The **Wiener Städtische extended Group**, to which other insurance participations (above all in Wüstenrot Versicherung and Sparkassen Versicherung) also belong in addition to the Group companies, was able to achieve **accounted premiums** amounting to EUR 1,619.87 million (+20.8%) in the reporting period.

Overall, the **gross earned premiums** of the **Wiener Städtische Group** could be increased by 21.2% to EUR 1,304.37 million. The companies in Central and Eastern Europe contributed to that with an excellent growth in premium income of 47.5% to EUR 475.76 million. As a result, the share of the foreign companies in the premium income already amounts to more than one third. However, the Austrian Group companies also showed a significant upsurge with their double-digit plus of 14.8% to EUR 828.61 million.

In the **non-life insurance** sector, the Wiener Städtische Group generated a premium plus of 14.2% with gross earned premiums of EUR 718.30 million. In Central and Eastern Europe, the premium income amounted to EUR 306.16 million. This corresponds to a growth of 23.8% compared with the corresponding period last year. In Austria, a gain of 7.6% was accomplished in this sector with EUR 412.14 million.

A distinct boom could be recorded in the months January to March 2005 in **life insurance business** with gross earned premiums of EUR 586.07 million; that corresponds to a growth of 37.0% compared with the corresponding period last year. The growth at the Group companies abroad was particularly high as well with a plus of 125.4% to EUR 169.60 million; and a double-digit plus of 22.8% to EUR 416.47 million could also be attained in Austria. Apart from Wiener Städtische, Union Versicherung and BA-CA Versicherung also contributed to that significantly with high, double-digit growth rates.

Since the launch of sales at the start of 2003, approximately 140,000 units of the **"Prämienpension"**, the government-sponsored future pension plan product in the Wiener Städtische Group, could be sold in Austria by the end of April 2005. As a result, the market share of the Wiener Städtische Group amounts to over 30 per cent. In 2005, around 20,000 units of "Prämienpension" were sold in the Group by the end of April.

At EUR 44.2 million, the **profit on ordinary activities** of the Group – in accordance with the Austrian Commercial Code and by application of the strict lower-of-cost-or-market principle – has already risen by a considerable 43.0% in the first quarter of the current year. On an IFRS basis, the corresponding figure would be approximately EUR 55 million. The positive results of the first quarter 2005 affirm the targeted corporate goal of a profit on ordinary activities, in accordance with the Austrian Commercial Code, of at least EUR 155 million (this would be EUR 175 million on an IFRS basis).

The performance of important Group companies in the first quarter 2005

Wiener Städtische AG

With gross earned premiums of EUR 547.56 million, Wiener Städtische Allgemeine Versicherung AG, the parent company of the Wiener Städtische Group, was able to produce an increase of 9.5% in the first three months of the current year compared with the reporting period of the previous year.

This excellent performance is accounted for both in the high growth rates of the property and casualty insurance class and in the life insurance class of business. Altogether, a premium income of EUR 246.17 million could be taken in life insurance; this corresponds to an increase of 11.9%. Demand for unit-linked and index-linked life insurance products was increasingly noticeable in the first quarter 2005. In property and casualty insurance, the growth amounted to 9.2% in the first quarter 2005 with premium income of EUR 229.20 million. In health insurance, EUR 72.19 million in premiums and therefore a plus of 3.1% were produced. The profit on ordinary activities – in accordance with the Austrian Commercial Code and strict lower-of-cost-or-market principle – could be increased by 143.4% to EUR 30.8 million in the first three months of 2005. The combined ratio (after reinsurance) is 95% in this reporting period.

Donau Versicherung

Donau's gross earned premiums grew by 5.2% to a total of EUR 162.99 million in the first quarter 2005. The profit on ordinary activities rose by 116.6% to EUR 10.3 million. The combined ratio (after reinsurance) at 98% is still strikingly below the 100 per cent mark.

Wiener Städtische Group outside Austria

The Wiener Städtische Group is today represented in 15 countries as the leading Austrian insurance group. The strong premium growth achieved in the financial year 2004 of the foreign insurance companies of the Group could also be maintained in the first quarter of the year 2005. Overall, around 47.5% more earned premiums were generated at the foreign insurance companies in the first three months of the year 2005 than in the corresponding period of the previous year. The total amount of earned premiums stood at EUR 475.76 million for the first quarter 2005.

The Czech company Kooperativa pojišť'ovna, a. s.

The first quarter 2005 went extremely favourably for Kooperativa pojišť'ovna, a. s. – the largest insurance company of the Group outside Austria and the second-biggest insurance company in the Czech Republic – particularly against the background of a decreasing trend in the Czech insurance market. The trend of the profit on ordinary activities is very positive at EUR 7.1 million and a plus of 14.5%.

Gross earned premiums recorded a double-digit growth rate of 10.0% to EUR 205.2 million compared with the corresponding period last year. The Czech company was particularly successful in the non-life sector with an increase in premium income of 11.0% to EUR 163.1 million; but premiums could also be expanded in the life sector by 5.6% to EUR 42.1 million. The combined ratio (after reinsurance) is still below 100% (98.9%) in the first quarter 2005.

The Slovak company Kooperativa poisť'ovňa, a.s.

Kooperativa poisť'ovňa, a.s. was able to score a hit in the first quarter 2005, particularly in life insurance, and generated a big increase in premium income of 18.0% compared with the previous year. Gross earned premiums amounted to EUR 22.08 million in this sector. In non-life insurance, the premium income amounted to EUR 75.43 million (+3.5%). Overall, the Slovak Kooperativa produced gross earned premiums of EUR 97.51 million and therefore a growth of 6.5%. The profit on ordinary activities could be increased by 48.4% to EUR 8.7 million. The combined ratio (after reinsurance) is very satisfactory at 97%.

Latest news

Acquisition in the Czech Republic – Wiener Städtische Group further extends its second market ranking

Kooperativa pojišť'ovna, a. s., which belongs to the Wiener Städtische Group, purchased Česká podnikatelská pojišť'ovna, a.s. in May 2005. Česká podnikatelská pojišť'ovna, a.s. is a composite insurer with an annual premium income of approximately EUR 120 million, of which around EUR 25 million is apportionable to life insurance and around EUR 95 million to non-life insurance with the main focus on motor insurance. The transaction takes place subject to approval by the Czech

anti-monopoly and cartel authority and of the Ministry of Finance.

The company is extensively active in the Czech insurance market with approximately 80 branches and around 700 employees. With this acquisition, the Wiener Städtische Group can extend its already excellent market share in the Czech Republic from 21.7% to approximately 25%. Česká podnikatelská pojišťovna, a.s. will also remain independently active in future within the framework of the Kooperativa Group.

Acquisition in Romania – Wiener Städtische Group becomes the Number Two in the market

The Wiener Städtische Group is expanding through the acquisition of the majority share in the Romanian Omnisig Group. Up to now, Wiener Städtische has been represented in Romania already through Unita and the market leader for agricultural insurance policies, Agras, with a market share combined of approximately 6%. Together with the Omnisig Group operating in the life and non-life sectors, the market share now amounts to 19%, as a result of which Wiener Städtische becomes the Number 2 in the market. The premium income of the Omnisig Group amounted to approximately EUR 120 million in 2004. The purchase agreement was signed subject to agreement by the Romanian insurance regulatory authority and approval under cartel law. The Romanian insurance market is growing extremely dynamically at present and Wiener Städtische will be able to participate in this growth to an even greater extent through the takeover of the Omnisig Group.

Further distinction for Ringturm KAG

The "Ringturm Donau Investment Fund 1 A" was distinguished as the best investment fund authorised in Austria by the globally operating fund analysis company Lipper in the category "Mixed Funds Euro Balanced/10-year Performance". The "Ringturm Donau Investment Fund" is managed by Ringturm KAG, the fund management company of the Wiener Städtische Group. The Lipper Fund Award 2005 is already the third distinction for Ringturm KAG within a short period: In December 2004, Mag. Günter Faschang, the fund manager for the "Ringturm Eastern Europe Equity Fund", was chosen by the renowned Wall Street Journal as the best single fund manager in the world and, in March 2005, Standard & Poor's gave an award to Ringturm KAG as the best

Austrian company in the category "Up to nine funds per fund type".

"Petrol station" TV advertisement honoured

At the advertisement gala of Austria's most popular advertising clips presented live on ORF on 28.4.2005, Wiener Städtische's "petrol station" advertisement was voted to an excellent third place by the viewers. In addition, the advertisement created together with the advertising agency Demner, Merlicek & Bergmann secured the "red-white-red drum" for the best Austrian production. In total, precisely 200 advertising films were submitted and each advertisement screened on ORF in the course of the last year was eligible. The two drums demonstrate the great popularity of the Wiener Städtische advertising campaign.

New "Bonus-Tarif" (bonus tariff) in motor hull insurance

In the middle of 2005, Wiener Städtische AG is introducing a new tariff specifically for motorists, which rewards both better driving in the past and in the future. The third-party liability bonus grade will be applied also in motor hull insurance as from 1st June 2005, therefore a bonus driver in grade 0 also pays only 50% of the premium in hull insurance. In addition, a 15% "advance bonus" is granted on the hull premium on conclusion of the policy. If a claim occurs, the advance bonus does not apply, but is automatically taken into account again after two claim-free years. The advance bonus is preserved in the event of windscreen repairs, damage from additional coverages, e.g. the breakage of indicator and rear light units or the theft of objects of personal supply as well as in the event of minor losses below EUR 100, e.g. the repair of small scrapes or dents in the paintwork.

"Limited Edition Symphony"

Obtainable since the beginning of 2005, "Symphony" is a further product of Wiener Städtische AG from its popular "Limited Edition" series of life insurance policies with a single-premium payment. The product is a special form of monetary investment with the advantages of a life insurance policy. The single-premium payment is invested in a structured bond (issuer: Erste Bank), which is supported with four different indices (shares, bonds, real estate funds, hedge funds).

Only the three indices with the highest performance are

valued at the end of the term. The profits from "Symphony" are exempt from capital gains tax and speculation tax. The capital employed is protected by a capital guarantee from Erste Bank. To that is added a special insurance protection of 150% of the sum insured in the event of accidental death. The customer may choose between a monthly supplementary pension or payment of the earned amount.

"Extra-Pflege" (Extra Care)

Wiener Städtische AG is the first insurer in Austria to launch a nursing care insurance policy without a waiting period. The basic state provision is improved through the product "Extra-Pflege". The number of people in need of care in Austria has already increased in 2004 to approximately 540,000. However, the state nursing allowance in accordance with the Austrian Federal Nursing Care Act [Bundespflegegesetz] only covers the basic benefit – therefore a private supplementary provision for the person in need of care becomes more and more important. Customers additionally receive a private nursing allowance with the new nursing care insurance policy "Extra-Pflege". The private nursing allowance is freely available and thus aids the preservation of the individual standard of living.

In contrast to the state nursing allowance, the extra nursing allowance is still paid out even if the customer has to undergo hospital treatment. Of course, the extra nursing allowance helps not just in the event of the need for nursing in old age. Even if you become the recipient of nursing allowance at an early age through an accident or a serious illness, you draw the benefit from the "Extra-Pflege". The product is obtainable from just three euro a month (for a man around 30 years of age). The following also applies here with the conclusion of an insurance policy: Younger customers pay a lower premium – and this over the entire insurance period.

Wiener Städtische committed to good Corporate Governance

Corporate Governance – rules of the company management that ensure transparency and should thus create confidence with all stakeholders – is greatly important for the management of Wiener Städtische. Therefore, Wiener Städtische Allgemeine Versicherung AG declares its support for the principles of the Austrian Corporate Governance Code, which pursues the objective of a responsible company management and control focused on sustainable and long-term value enhancement. The

focal point of all activities in the course of compliance with the Corporate Governance Code is open and transparent communication. As the first step of this ongoing development process, Wiener Städtische has established an Investor Relations department, which is meant to take into account the information needs of Austrian and international investors.

Wiener Städtische is already complying today with the provisions of the Austrian Corporate Governance Code to a great extent. Specific comments will periodically document the compliance with the guidelines in accordance with the requirements of the code as from the annual report for the year 2005. These – together with additional important information on the company – will be made available also on the Wiener Städtische homepage.

Planned capital measures

Conversion of preference shares into ordinary shares

On 2.5.2005, the Supervisory Board of Wiener Städtische AG passed the resolution to propose the conversion of preference shares into ordinary shares to the meeting of the holders of preference shares and to the ordinary Annual General Meeting on 24.5.2005. The share capital of Wiener Städtische AG is split into 86,357,600 shares at present, of which 76,907,600 are no-par-value shares with voting rights and 9,450,000 non-voting preference shares. The preference shares have been listed on the Vienna Stock Exchange since 17.10.1994. The conversion of preference shares into ordinary shares is to be effected in the ratio 1:1. With the harmonisation of the share structure, Wiener Städtische will take a further prominent step for the parity of treatment of all shareholders in accordance with the spirit of the applied Corporate Governance.

Inclusion in Prime Market and ATX

After a resolution by the Annual General Meeting and the meeting of the holders of preference shares and after an effected conversion, Wiener Städtische will apply for inclusion in the Prime Market market segment at the Vienna Stock Exchange for June 2005 and in addition is aiming for inclusion in the guiding index of the Vienna Stock Exchange, the ATX (Austrian Traded Index). It is also planned, in the course of these measures, to apply for the listing of the existing ordinary shares for trading

on the Vienna Stock Exchange in accordance with the Austrian Stock Exchange Act.

Dividend proposal

In the Annual General Meeting on 24.5.2005, a dividend increase will be proposed, from 45 cents to 55 cents, for preference shares for the financial year 2004. The distribution for ordinary shares is to be raised from 20 cents to 45 cents per share and, as a result, an important step taken for the harmonisation of the no-par-value and preference shares.

Capital increase by approximately 20%

On 2.5.2005, the Supervisory Board also resolved to implement a capital increase by approximately 20%. The

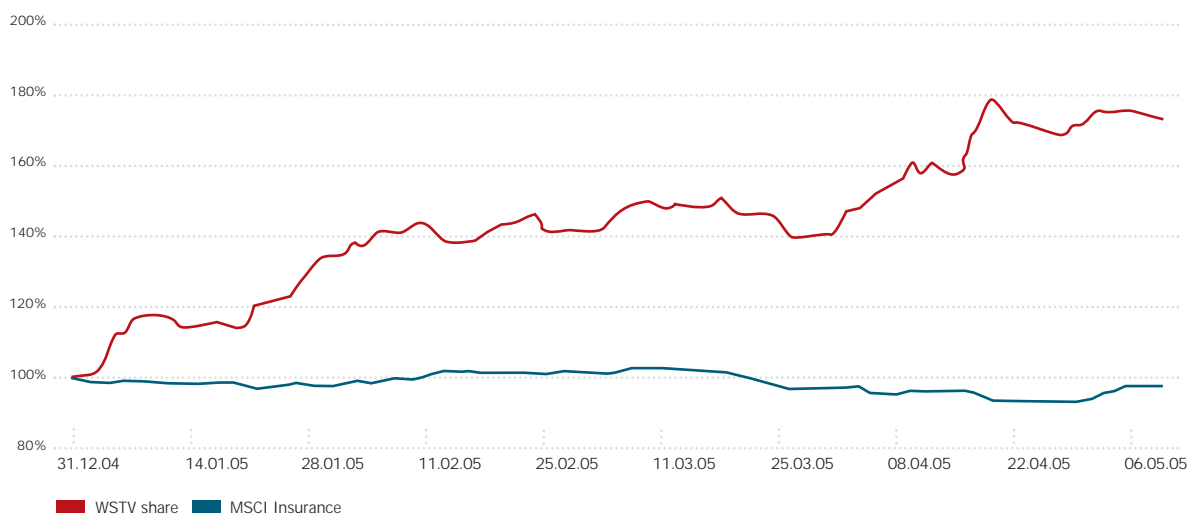
end of 2005 or the beginning of 2006 was envisaged as the timing for the capital increase from today's perspective. Overall, the freefloat of the Wiener Städtische share should increase to approximately 30%. Details regarding the structure and handling of the capital increase will be determined at a later date.

Preference share

The year 2005 has been extremely satisfactory so far for Wiener Städtische shareholders. The preference share was quoted at EUR 41.11 on 10.5.2005. As a result, it has achieved an appreciation in value amounting to 69.1% since the beginning of the year 2005. In comparison with that, the MSCI Insurance Index (a global insurance index) has lost 3.7% since the start of 2005.

PERFORMANCE OF THE WSTV PREFERENCE SHARE AND MSCI INSURANCE

1st January - 10th May 2005



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