Group Annual Report 2005

2005 was an exceptional year.

VIENNA INSURANCE GROUP

KEY FIGURES FOR VIENNA INSURANCE GROUP (IFRS)

in million EUR	2005	2004	Change versus 2004
Gross premiums written	**5,007.84**	**4,101.38**	**+22.1%**
Property/Casualty	2,563.32	2,179.08	+17.6%
Life	2,156.43	1,642.38	+31.3%
Health	288.09	279.91	+2.9%
Gross earned premiums	**4,951.95**	**4,093.59**	**+21.0%**
Property/Casualty	2,509.79	2,175.51	+15.4%
Life	2,154.28	1,638.37	+31.5%
Health	287.88	279.71	+2.9%
Financial result	**593.86**	**446.42**	**+33.0%**
Profit before taxes	**240.34**	**155.91**	**+54.2%**
Capital assets – total	**16,924.74**	**13,487.77**	**+25.5%**
Capital assets	15,162.67	12,368.14	+22.6%
Capital assets of unit- and index-linked life insurance	1,762.07	1,119.63	+57.4%
Underwriting provisions of unit- and index-linked life insurance	**13,086.29**	**11,290.37**	**+15.9%**
Underwriting provisions (without unit- and index-linked life insurance)	**1,729.87**	**1,119.22**	**+54.6%**
Shareholders' equity	**2,059.33**	**913.78**	**+125.4%**
Combined Ratio after reinsurance in %	**94.3**	**97.0**	
Number of employees	**16,346**	**13,226**	

Note regarding rounding: Calculation differences may arise when rounded amounts and percentages are summed automatically.

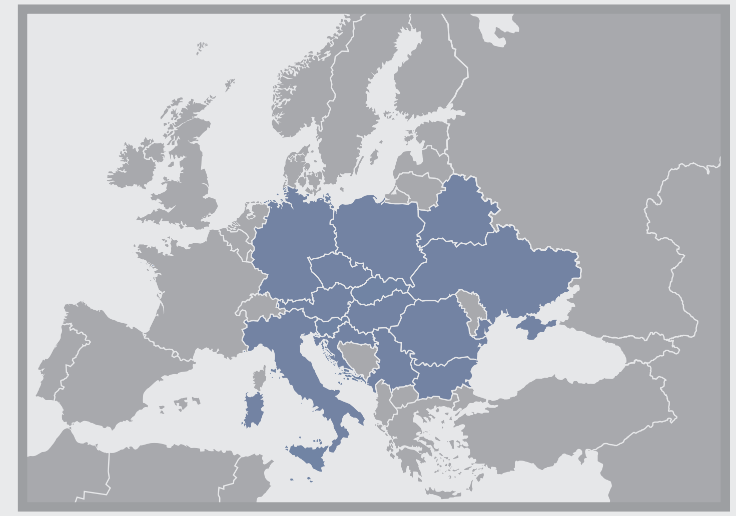
VIENNA INSURANCE GROUP

SLOVAKIA
- Kooperativa
- KOMUNÁLNA poisťovňa, a.s.
- KONTINUITA

POLAND
- COMPENSA
- BENEFIA
- ROYAL Polska Ubezpieczenia na Życie
- CIGNA

BELARUS
- КУПАЛА
- Victoria Страховое Общество

UKRAINE
- Юпітер
- Українська страхова компанія КНЯЖА



GERMANY
- InterRisk VERSICHERUNGEN

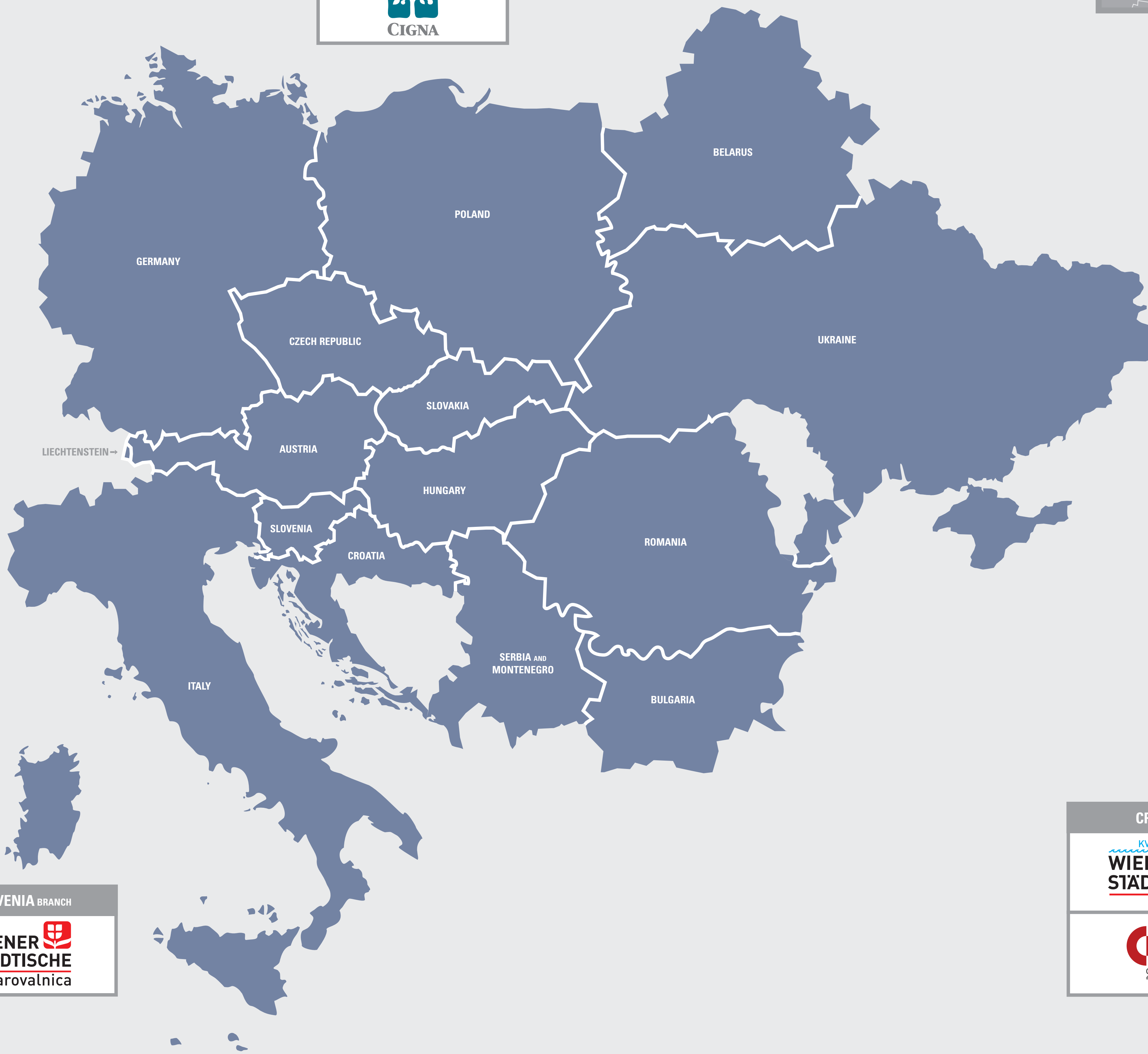
CZECH REPUBLIC
- Kooperativa
- ČPP ČESKÁ PODNIKATELSKÁ POJIŠŤOVNA, A.S.

LIECHTENSTEIN
- VIENNA LIFE

AUSTRIA
- WIENER STÄDTISCHE
- Donau
- Bank Austria Creditanstalt Versicherung
- union VERSICHERUNGS-AKTIENGESELLSCHAFT

ITALY BRANCH
- WIENER STÄDTISCHE

SLOVENIA BRANCH
- WIENER STÄDTISCHE zavarovalnica



HUNGARY
- UNION BIZTOSÍTÓ

ROMANIA
- OMNIASIG
- UNITA
- AGRAS GRUPUL WIENER STÄDTISCHE

SERBIA AND MONTENEGRO
- WIENER STÄDTISCHE OSIGURANJE A.D. – BEOGRAD

CROATIA
- KVARNER WIENER STÄDTISCHE osiguranje d.d.
- Life Cosmopolitan Life

BULGARIA
- BULGARSKI IMOTI INSURANCE COMPANY

Status as of March 2006

CONTENTS

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2005

ASSETS	Note	31.12.2005	31.12.2004
in EUR '000			
A. Intangible assets	1		
I. Goodwill		200,259	27,377
II. Present value of business in force		44,625	31,872
III. Other intangible assets		72,018	56,293
Total intangible assets		**316,902**	**115,542**
B. Capital assets			
I. Land and buildings	2	1,085,882	1,131,494
II. Shares in affiliated and associated companies	3 + 4	636,048	626,669
III. Financial instruments		13,440,739	10,609,979
a) Loans and other capital assets	5	2,322,678	2,062,307
b) Other securities	6	11,118,061	8,547,672
Total capital assets		**15,162,669**	**12,368,142**
C. Capital assets of unit- and index-linked life insurance	7	**1,762,071**	**1,119,628**
D. Reinsurers' share of underwriting provisions	8	**840,060**	**679,870**
E. Receivables	9	**856,853**	**716,246**
F. Deferred tax assets	11	**11,838**	**7,411**
G. Other assets	12	**200,706**	**230,647**
H. Cash and cash equivalents	10	**290,347**	**193,421**
Total ASSETS		**19,441,446**	**15,430,907**

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.12.2005	31.12.2004
in EUR '000			
A. Shareholders' equity	13		
I. Share capital		109,009	89,655
II. Capital reserves		1,035,029	150,000
III. Retained earnings		446,790	323,614
IV. Other reserves		410,664	285,459
V. Minority interests		57,840	65,050
Total shareholders' equity		**2,059,332**	**913,778**
B. Subordinated liabilities	14	**413,200**	**113,200**
C. Underwriting provisions			
I. Unearned premiums	15	627,653	442,929
II. Actuarial reserve	16	9,391,517	8,404,484
III. Reserve for outstanding claims	17	2,307,272	1,933,455
IV. Reserve for profit-independent premium refunds	18	30,950	31,949
V. Reserve for profit-dependent premium refunds	18	713,661	464,827
VI. Other underwriting provisions	19	15,239	12,727
Total underwriting provisions		**13,086,292**	**11,290,371**
D. Underwriting provisions of unit- and index-linked life insurance	20	**1,729,868**	**1,119,220**
E. Non-underwriting provisions	21 + 22	**871,386**	**886,121**
F. Liabilities	23	**1,074,731**	**939,156**
G. Deferred tax liabilities	11	**123,944**	**109,511**
H. Other liabilities	24	**82,693**	**59,550**
Total LIABILITIES AND SHAREHOLDERS' EQUITY		**19,441,446**	**15,430,907**

KEY FIGURES

Consolidated Income Statement	1.1.–31.12.2005	1.1.–31.12.2004
in EUR '000		
Premiums written – Total	5,007,835	4,101,378
Premiums written – Reinsurers' share	–732,199	–646,811
Premiums written – Retention	**4,275,636**	**3,454,567**
Change due to provisions for premiums – Total	–55,881	–7,789
Change due to provisions for premiums – Reinsurers' share	21,117	556
Earned premiums	**4,240,872**	**3,447,334**
Financial result	**593,860**	**446,423**
Other income	46,264	34,349
Expenses for insurance claims	–3,618,412	–2,878,246
Operating expenses	–891,790	–771,532
Other expenses	–142,025	–124,860
Income from interests in associated and affiliated companies	11,567	2,440
Profit before taxes	**240,336**	**155,908**
Tax expense	–41,599	–34,356
Net income for the period	198,737	121,552
Minority interest in net income for the period	1,760	600
Group result	**196,977**	**120,952**
Profit per share (basic = diluted profit per share in EUR)	**2.27**	**1.41**

Consolidated Cash Flow Statement	2005	2004
in EUR '000		
Cash and cash equivalents 1 January	**193,421**	**349,764**
Cash flow from operating activities	1,537,737	1,056,054
Cash flow from investing activities	–2,588,835	–1,298,186
Cash flow from financing activities	1,147,180	82,381
Net change in cash and cash equivalents	**96,082**	**–159,751**
Foreign exchange differences in cash and cash equivalents	844	3,408
Cash and cash equivalents 31 December	**290,347**	**193,421**

Changes to Group shareholders' equity in fiscal years 2005 and 2004	2005	2004
in EUR '000		
Equity as of 1 January	**913,778**	**682,305**
Currency changes	8,447	4,199
Changes to shares	–44,601	35,091
Capital increase	904,383	0
Unrealised gains and losses on financial instruments available for sale	121,452	93,918
Profit for the period	198,737	121,552
Dividend payment	–42,864	–23,287
Equity as of 31 December	**2,059,332**	**913,778**

Wiener Städtische speeds things up.

This is how you become a leader in Central and Eastern Europe.

Dear Shareholders,
Dear Madam/Sir,

in addressing you today, I am doing so as the Chairman of a company that is playing in a new league:

- With our market capitalisation of over EUR 5 billion we are already among the medium-sized companies listed on European exchanges.
- For the first time in our history, our insurance premiums have reached the EUR 5 billion mark.
- On the map, we already cover 17 European countries – those markets showing the strongest growth potential.
- The number of all customers increased to 17 million.

Dr. Günter Geyer,
General Director

Expansion abroad
The 2005 financial year has been our strongest year of expansion since we took our first steps into Central and Eastern Europe in 1990. We spent a total of approximately EUR 260 million for acquisitions in nine countries of Central and Eastern Europe and thus to greatly expand our existing position. In addition to Austria, the Czech Republic and Slovakia, we now also hold a leading position in Romania, where our approximate market share of 20 percent makes us to one of the largest players.

We want to take advantage of a unique chance in a market, which is new for us. In Russia, we are currently in the process of founding a life insurance company with the Moscow insurance company MSK. Each of the partners will be able to contribute its strengths: MSK's country-wide distribution network, and we our experience regarding products and actuarial matters. As previously when entering new markets, we are using a partnership model. We are doing the same in our collaboration with the Kardan Group. We have acquired a 40 percent interest in the Group's holding company, Kardan Financial Services. The Vienna Insurance Group is to assume operating control of the insurance holdings of TBIH. Combining our existing companies with Kardan's insurance company holdings will make us even more powerful, and will put us in second position in the Bulgarian market and fourth position in Croatia.

However, working together with the Kardan Group offers additional attractive prospects. Kardan's asset management, pension fund and leasing areas will provide us with the opportunity to address to a broad customer base with our products, thereby further expanding our business. This gives us a respectable total number of 17 million customers, with growing needs for financial services that we would like to satisfy with our products.

With our latest acquisitions we have to a large extent completed our geographic expansion. Entry into other countries may still be considered, if they border on existing markets and would round out our business. Our first priority, however, is to expand our current positions and increase our strength.

The new Vienna Insurance Group umbrella brand
Now that we have achieved a strong position as a Central and Eastern European insurance group, we would like to communicate this image more strongly to the outside. For this purpose we have created the Vienna Insurance Group as a common umbrella brand. Our intention is to display the shared identity of all our Group companies, which will continue to use the brand names that have been established in their local markets. You will come across with the name Vienna Insurance Group more often in Central and Eastern Europe in the near future.

Capital increase
We are planning to further expand in all our lines of business. In order to make this possible, we carried out a capital increase in December 2005 to provide us with the funds for future growth. The approximately EUR 910 million proceeds have made this the largest capital increase ever carried out by an Austrian insurance company, as well as one of the largest transactions in the history of the Vienna Stock Exchange. Especially remarkable is the fact that we were able to address to a particularly broad spectrum of the Austrian public. I know of no other large company in Austria that has approximately 40 percent of its free float in the hands of private investors. The number of Austrians – many of whom are our customers – taking advantage of this opportunity to participate in our potential growth is much larger than many had expected.

However, what makes me particularly proud is the level of our employee participation. Around half of all Wiener Städtische AG employees acquired shares, along with a significant number of employees in Group companies in Austria and Central Europe, thereby showing their entrepreneurial spirit and confidence in the future of the Vienna Insurance Group.

This gives us a respectable total number of 17 million customers.

Best results in the history of the Company
In my opinion, the confidence that our employees and shareholders show us is justified. This is shown by the performance in 2005, whereby we generated over EUR 5 billion in premiums, and once again achieved a record result before taxes of EUR 240 million, which corresponds to an increase of approximately 50 percent.

Premiums of EUR 3.2 billion were written in Austria, corresponding to a 15 percent increase in premiums. These double-figure growth rate, which is outstanding for a developed market, is primarily due to attractive offers for precaution products in the life insurance area. We expect strong demand to continue in this area in coming years, as Austrians have recognised that government pensions do not provide adequately for the later stage of life. I am especially pleased that increasing numbers of young people are starting early to make provision for precaution at attractive terms. However, new regulations in Austria have also provided a basis for expansion in the area of company retirement plans.

Group companies in Central and Eastern Europe grew by over 32 percent, and are already contributing around 31 percent of the premiums of the Vienna Insurance Group. No other internationally active insurance company can show such a high proportion of business in Central and Eastern Europe, or offer similar long-term growth prospects in this region.

Enormous potential in Central and Eastern Europe
The business potential in Central and Eastern Europe is truly large: While the insurance density (premiums per capita) in Western Europe is around USD 2,700, the value in Central and Eastern Europe is approximately USD 150. The countries of the New Europe also show economic growth which is two to three percentage points higher. These two factors should ensure that a sustainable, long-term economic equalisation process takes place in this region, from which no insurance company will profit as strongly as the Vienna Insurance Group.

The results of growth and the earnings that it generates, create a foundation for a sustainable increase in value that we can offer to our employees and shareholders, through secure, attractive employment, on the one hand, and an increase in corporate value and increasing dividends, on the other.

Security for our customers
We are therefore continuously aiming for both growth and earnings. At the same time, we offer our customers the required security, which represents our corporate foundations. The internationally recognised rating agency Standard & Poor's raised our rating to the "A+" category in the previous fiscal year. No other Austrian insurance company has been granted this outstanding rating. And there are very few companies whose creditworthiness has improved in the middle of a strong expansion phase.

I believe that in particular we can be rightfully proud of what has been achieved, and I would like to thank our employees of all Group companies, whose energetic efforts during this eventful period helped to turn the Vienna Insurance Group into the company it is today.

I am certain that our success will also give us the strength to continue as up to now. We not only want to look back with satisfaction, but to look steadily into the future, in order to continue pursuing our goals.

In this way, we will achieve the best for our customers, our employees and everyone in a business relationship with us.

Yours sincerely,

Günter Geyer

THE MANAGING BOARD OF WIENER STÄDTISCHE AG

Dr. Günter Geyer
General Manager, Chairman on the Managing Board
*1943, legal studies

Area of responsibility: Group management, strategic planning, Group matters, international relations, Austria/Central and Eastern Europe human resources, Austria/Central and Eastern Europe labour law, public relations, life and accident insurance

Country responsibilities: Czech Republic, Hungary, Slovakia

Dkfm. Karl Fink
Deputy General Manager, Director on the Managing Board
*1945, graduate of the international trade institute, Hochschule für Welthandel

Area of responsibility: Austria/Central and Eastern Europe reinsurance, sponsoring, non-motor vehicle property insurance, excluding liability (corporate business: underwriting/claims, private business: underwriting)

Country responsibilities: Bulgaria, Russia

Mag. Christian Brandstetter
Director on the Managing Board
*1963, commercial studies

Area of responsibility: health insurance, administrative coordination for international affairs, marketing/training/sales coordination with foreign companies, business organisation and information technology abroad

Country responsibilities: Croatia, Belarus, Romania

Dr. Rudolf Ertl
Director on the Managing Board
*1946, legal studies

Area of responsibility: information technology and process optimisation, legal protection (claims), Austria/Central and Eastern Europe company law, property management

Country responsibilities: Poland, Serbia and Montenegro

Dr. Peter Hagen
Director on the Managing Board
*1959, legal studies

Area of responsibility: general liability, motor vehicle insurance, legal protection insurance (underwriting), non-life insurance (claims, excluding legal protection and corporate business)

Mag. Robert Lasshofer
Director on the Managing Board
*1957, social and commercial studies

Area of responsibility: marketing, sales, advertising, provincial head offices

Country responsibilities: Italy, Liechtenstein, Slovenia

Dr. Martin Simhandl
Director on the Managing Board
*1961, legal studies

Area of responsibility: Austria/Central and Eastern Europe finance and accounting, Austria/Central and Eastern Europe capital assets, real estate and real estate-related interests, securities and funds, equity holdings management, loans

Country responsibilities: Germany, Ukraine

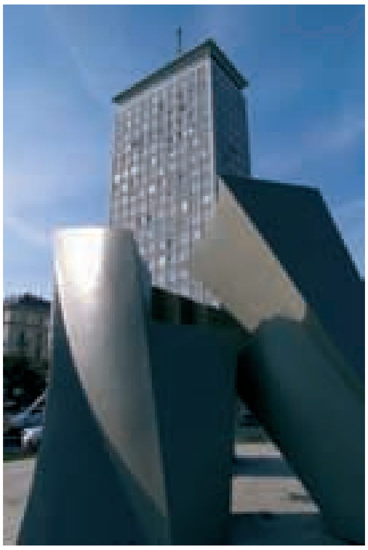
The Managing Board of Wiener Städtische AG.
Sitting (from left to right): Director on the Managing Board Mag. Robert Lasshofer, General Manager Dr. Günter Geyer, Director on the Managing Board Dr. Rudolf Ertl.
Standing (from left to right): Director on the Managing Board Mag. Christian Brandstetter, Director on the Managing Board Dr. Peter Hagen, Director on the Managing Board Dr. Martin Simhandl, Deputy General Manager Dkfm. Karl Fink.

50TH ANNIVERSARY OF THE RINGTURM

On 14 June 2005, the Ringturm – site of Vienna Insurance Group's corporate headquarters – celebrates its 50th anniversary. Located on the Danube canal in the centre of Vienna, at the time of its completion in 1955, the Ringturm was the first high-rise office building in the city. The event rooms on the upper floor of the Ringturm offer visitors and guests a magnificent panoramic view over the roofs of Vienna.

Record construction time

At the end of the 1940s, the offices at Tuchlauben 8 – previously occupied by Wiener Städtische AG – had become too small for the fast growing company. They were also no longer able to meet the requirements of a modern business. Consideration was given to the construction of a modern office building. The managing director at the time, Norbert Liebermann, decided to build a new headquarters. Particularly impressed by the skyscrapers he had been seeing in the large cities of the United States during his many years living there, he used the motto "We're building a skyscraper" to underline his wish for a modern office building in line with modern city planning. The famous Viennese architect Erich Boltenstern, who had also overseen the reconstruction of the state opera house, was commissioned to realise Liebermann's vision and began designing the building in the summer of 1952. On 14 June 1955, after a record construction time of only two years, the first high-rise office building in Vienna was ready to fulfil its destiny.



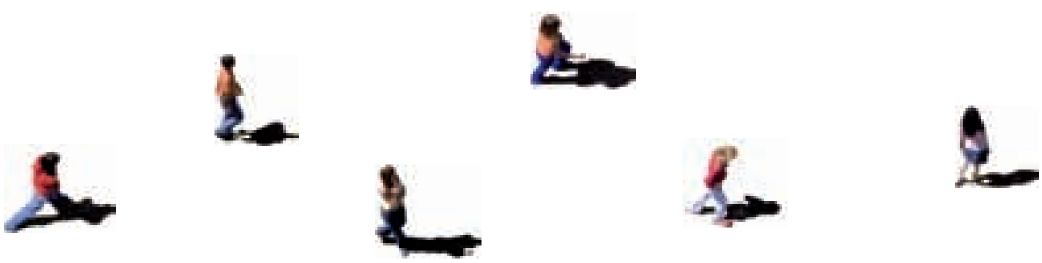
In 1955, the Ringturm was the first high-rise office building in the city.

The name "Ringturm" was chosen from over 6,500 suggestions submitted by the public as part of a contest. In addition to local politicians, the grand opening was also attended by guests from many European countries. The Wochenschau commented on the event as follows: "This isn't America, it's Austria..."

The Ringturm has 20 floors and reaches a height of 73 metres. A 20-metre light column located on the roof is connected directly to the Hohe Warte weather station, and uses light signals to indicate weather conditions. Wiener Städtische could now use its approximately 12,000 square metres of office space to continue its history of success.

Christmas 2005: Christmas spirit at the Ringturm

The facade of the Ringturm was lit up during the Christmas season by 116,736 small lights in the form of a Christmas tree in what is suspected to be a record size of 65 metres. The Christmas tree had learned a lesson from the growth of the group in previous years. From a more modest size of 20 metres in 2003, at the time of Wiener Städtische's capital increase in December 2005, the tree had grown to brightly light up almost the entire facade of the group headquarters.



Our strategy: Keep moving.

That's how we will maintain the lead position.

STRATEGY

For all activities the primary goal of the Vienna Insurance Group is to create added value for customers, employees and anyone who has business relations with a Group company. This goal is achieved by continual and sustainable expansion of the insurance business, which represents the core competence of the Vienna Insurance Group.

> The Vienna Insurance Group intends to pursue further expansion of its leading position in Austria.

The Vienna Insurance Group always strives to capture a leading market position in the insurance business. This key goal is viewed as providing the basis for long-term motivation and challenge of management and employees and serves as orientation principle for success in all actions. The following strategies and associated management principles are derived from this fundamental orientation.

Leading position in Austria
The Vienna Insurance Group intends to pursue further expansion of its leading position in Austria. Although the Austrian insurance market is a developed market, insurance penetration lies significantly below the Western European average, particularly in the area of life insurance. The conversion of the social system and the associated expansion of private retirement plans in particular create new business opportunities for the future. Wiener Städtische would like to make use of this opportunity to further strengthen its market share.

• **Sales strength.** This takes place by strengthening the already excellent positions of existing distribution channels, particularly by placing increased emphasis on customer-oriented sales and process optimisation and the associated cross-selling by the primary pillar for sales, the field sales force. Existing cooperative arrangements with bank partners are to be further maintained and selectively expanded.

Targeted expansion in Central and Eastern European countries
Continuing its previously successful model, the Vienna Insurance Group follows a strategy of entering selected markets in new countries in Central and Eastern Europe, combined with continuous expansion of its local position through organic growth and corporate acquisitions. In addition, the Vienna Insurance Group pursues the goal of being at least one of the top five insurance companies by size in each of its core markets in the Central and Eastern European region (this includes the Czech Republic, Slovakia, Bulgaria, Croatia, Poland, Romania, Serbia and Monte-

Outline of the strategy

Strategy	Strategic potential	2005 achievements
Stengthening the top position in Austria	Realisation of growth opportunities arising from the increased significance of private retirement plans	Wiener Städtische AG is once again number 1 in Austria
	Further strengthening and expansion of the distribution network: - Expansion of customer services - Additional cross-selling	Growth outpacing the market in Life and Property/Casualty
Targeted expansion in Central and Eastern Europe	Become top five insurer in all core markets	Already in the top five in all core markets (except for Hungary and Poland)
	Growth potential due to low insurance density in Central and Eastern Europe	Significant expansion of positions particularly in the Czech Republic, Slovakia, Romania, Bulgaria and Croatia
	Continual expansion using organic growth and acquisitions	Group premiums increased above 20% and acquisition of eleven new insurance companies
	Geographic expansion to a large extent completed	Start of entry into the Russian growth market

negro and Hungary). In management's view, this market position allows to influence the local insurance market and to create a profit-oriented presence.

The Vienna Insurance Group's expansion into the CEE-countries emphasises on a business potential that is based essentially on two factors. One factor is the low level of insurance density in Central and Eastern Europe, which represents only a small fraction of the Western European level. In addition to this, the Central and Eastern European economies exhibit strong, stable growth and therefore disproportionally high demand for financial services as compared to more mature markets. It can be expected that the economic convergence process taking place in the region, along with the associated market opportunities, will continue over the long term. The Vienna Insurance Group would like to use a broad market presence to take full advantage of these market opportunities.

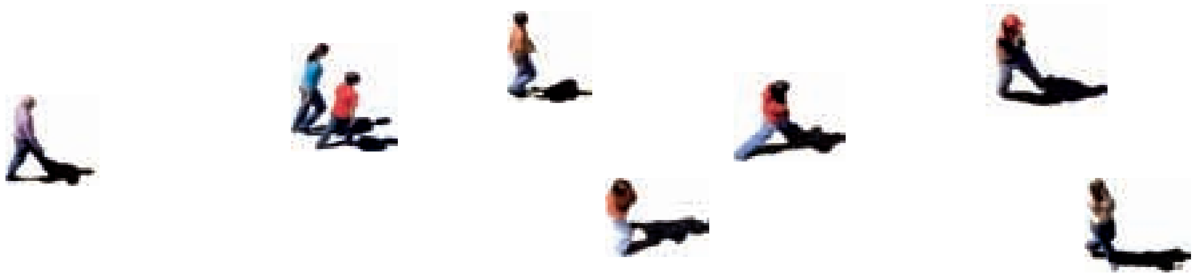
The key strategies followed by the Vienna Insurance Group are accompanied by the following **management principles,** which are intended to ensure optimal access to customers, mutual exploitation of synergies and broad risk diversification throughout the entire Group:

• **Think globally – act locally.** The Vienna Insurance Group has set a goal of promoting the mutual exchange of know-how between all Group companies. This is intended to allow the experience and ideas of employees in individual markets to be used throughout the Group. This starts with the management of Wiener Städtische AG. In addition to functional responsibilities, the members of the Managing Board are in charge for individual countries in Central and Eastern Europe and are members of the Supervisory Boards of the corresponding Group companies. In addition, at least one member of the Managing Board for each Group company is sent from Vienna. This ensures a continuous first-hand flow of information. Moreover, in the Vienna Insurance Group vehicles are created for the exchange of know-how in a variety of specialised areas. The heads of these specialised areas in the Group companies take advantage of the opportunity to discuss topics and outline solutions to problems during these meetings.

Selected market entry, organic growth and corporate acquisitions are the cornerstones of our CEE-strategy.

• **Local roots.** In principle, newly acquired companies keep their previous brand names as part of the conscious application of the Vienna Insurance Group's multi-brand strategy. These names have been introduced into the local markets optimally and are anchored in customers' minds. This allows existing distribution arrangements to be continued and the focus can be placed on marketing activities for continuing expansion of the company in question. As a rule, local management also continues to have responsibility for important duties in the company. This ensures that customer relations are continuously maintained and that knowledge of the market is not lost.

• **Diversification.** The goal of the Group is to keep risks low by means of broad diversification in all areas. Geographic diversification and broad diversification over a variety of distribution channels is intended to achieve this goal. As a result, the potential deterioration of the insurance business in one market has only a limited effect on the Group as a whole.



The run on our shares.

40% of the capital increase subscribed by private investors.

INVESTOR RELATIONS

The lure of the East makes the Vienna Stock Exchange attractive for international investors

2005 was an excellent year for the Vienna financial market. At the end of 2005, the ATX (Austrian Traded Index), the leading index for the Vienna Stock Exchange, went up again, as it had the previous year, rising by 50.8% as compared to the last trading day of 2004. On the last trading day of the 2005 stock market year, the ATX closed at the level of 3,667.03 points (starting from 1,000 points on 1 January 1991). Thus the ATX was almost able to reach its record 57.4% performance in 2004 and posted one of the most successful years in its history. In contrast to other international stock markets, the Austrian stock market experienced a strong, almost continuous upward swing during the entire year. More than 50 trading days closed at new all-time highs in 2005. This development was primarily supported by the above-average business results of the companies listed in Vienna, as compared to the international average and the strong involvement in the dynamic growth economies in Central, Eastern and Southern Europe. The accession of eight countries in this region – including four direct neighbours of Austria – to the European Union in 2004 further intensified the attention paid by international investors to the favourable economic and geographic conditions of the companies listed in Vienna.

Since 2000, the development of the ATX has been impressive in comparison to other international indexes:

Leading indexes	End of 2000	End of 2005	Performance
ATX (Austria)	1,073.30	3,667.03	+241.6 %
DJI (USA)	10,868.76	10,717.50	–1.3 %
FTSE (England)	6,223.20	5,618.80	–9.7 %
CAC 40 (France)	5,920.60	4,715.23	–20.3 %
DAX (Germany)	6,371.64	5,408.26	–15.1 %
SMI (Switzerland)	8,135.40	7,583.93	–6.7 %
BUX (Hungary)	7,795.46	20,784.74	+166.6 %
Wiener Städtische AG	**EUR 16.29**	**EUR 49.85**	**+206.0 %**

The increased attention paid to the Vienna Stock Exchange was also evident from the recent significant increase in the number of international financial services providers trading on the Vienna Stock Exchange. Since September 2004, a total of 18 new trading members, including 16 international investment banks, have assured an even closer connection between the Vienna Stock Market and international investors. It is particularly pleasing that the trading activities of the foreign market participants accounted for half the total sales on the stock market. The attractiveness of the market, the expansion of its offerings through new listings and capital increases, and the greater number of trading members have recently led to a significant increase in trading volume: Total sales on the spot market more than doubled to an average of EUR 6.3 billion a month in 2005 as compared to the previous year.

In 2005, the ATX (Austrian Traded Index) posted one of the most successful years in its history.

The influx of new capital to the Vienna Stock Exchange from IPOs and capital increases by existing issuers amounted to EUR 6.5 billion in 2005. Overall, the Vienna Stock Exchange had seven new listings last year. An influx of capital is again beginning to emerge for 2006. Several large IPOs and significant capital increases are expected.

Private investors, who are an important target group for a functioning capital market, are also increasingly profiting from the Austrian market. Whereas the trend several years ago was towards other international shares, since 2002 investment patterns have changed in favour of Austrian shares and reached a provisional peak in 2005. This is also closely tied to the fact that investment advisors are increasingly viewing the Austrian market as an attractive option.

In 2005, the Austrian market experienced another significant increase in quality. Having almost tripled its market capitalization over the past three years to EUR 107.1 billion (year-end 2005), corresponding to over 40% of gross domestic product, the Vienna Stock Exchange has gained an importance for the Austrian economy comparable to that of other Western European stock exchanges – and this has happened faster than expected. In 2005 alone, the market capitalisation of the Vienna Stock Exchange rose by EUR 42.5 billion, an increase of 65.8%.

THE SHARES

Wiener Städtische AG shares on the stock market

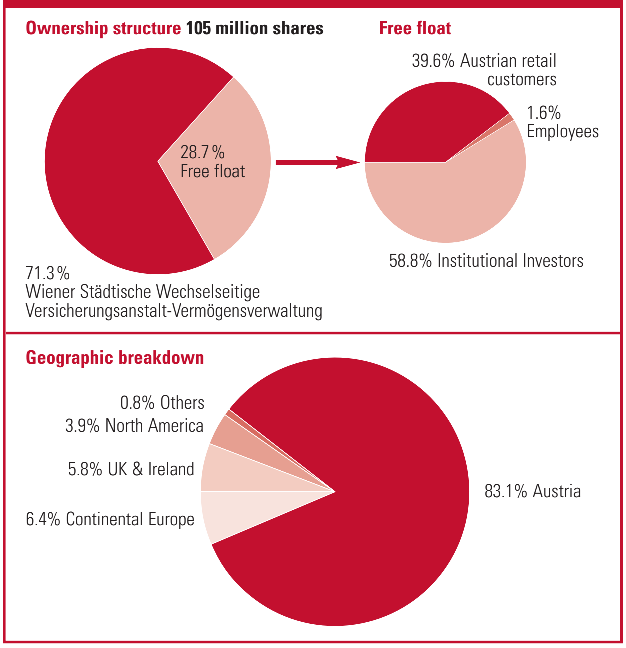
Wiener Städtische AG's shares were first listed on the Vienna Stock Exchange at a subscription price of ATS 1,030 (EUR 74.85) on 17 October 1994. The demand was already so strong that purchase orders for the allotment had to be curtailed.

Anyone who purchased a share then, has seven shares valued at about EUR 360 in his securities account today. This is a significant appreciation in value – and does not even take the annual dividends into account.

Successful capital increase

To finance the successful expansion strategy, Wiener Städtische AG carried out a capital increase in December 2005, which placed 18,642,400 new shares on the Vienna Stock Exchange at a price of EUR 49.00 per share. In addition, the principal shareholder of Wiener Städtische AG, Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung, made 2,796,300 shares from its portfolio available as a Greenshoe (over-allotment option). This option was fully exercised by the issuing banks in the first week. Thus, a total of 21,438,700 shares were placed on the Vienna Stock Exchange. Under the capital increase, existing shareholders were granted subscription rights, such that 14 old shares entitled the holder to purchase 3 new shares. The capital increase (including the over-allotment option) raised the percentage of Wiener Städtische AG shares in free float from 11% to approximately 29%. Wiener Städtische AG's capital stock is now divided into 105 million shares.

SHAREHOLDING STRUCTURE AFTER THE CAPITAL INCREASE



> **The number of Wiener Städtische shares in free float rose to almost 30% as a result of its successful capital increase.**

Road show

In the course of the capital increase, informational events were held during the offering period in a number of Austrian provinces to introduce the Vienna Insurance Group to potential private investors as a possibility of investment. In addition, institutional investors in the most important financial centres of Europe and the United States were explained the investment potential of the Vienna Insurance Group in a 14-day road show.

Widely disseminated publicity campaign

An extensive advertising campaign was carried out in December 2005 to support the capital increase. The first phase publicised the broad international orientation of the Vienna Insurance Group, particularly in Central and Eastern Europe. The second phase alluded to the possibility of subscribing shares – with the goal of reaching as many private investors as possible so that the shares would be widely held.



Several targeted measures contributed to make the Vienna Insurance Group more attractive.

Capital increase exceeds all expectations

- This was the largest capital increase carried out by an Austrian insurance company. Including the Greenshoe option, shares with a total value of EUR 1.05 billion were placed. The proceeds for Wiener Städtische AG were about EUR 910 million.
- The company's shares are now widely held: 40% ownership by Austrian private investors is an above-average percentage of retail investors.
- High identification with the company: about 50% of the employees of Wiener Städtische AG participated in the capital increase.

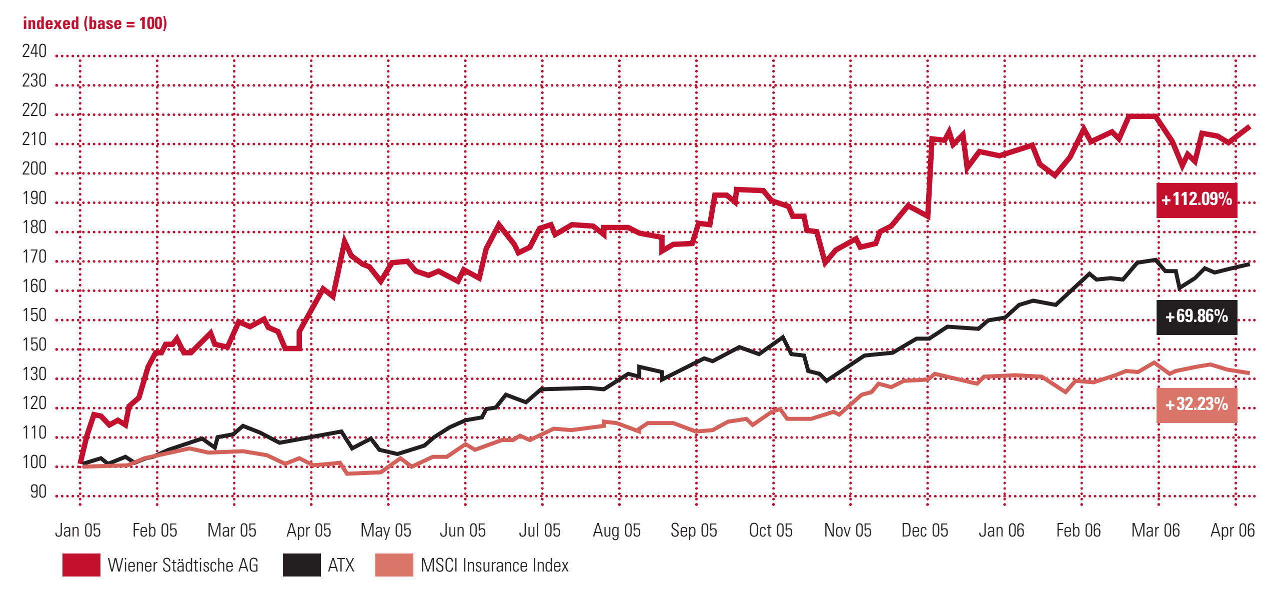
Widely held shares

Several targeted measures in the past year have contributed to the increased attractiveness of the Vienna Insurance Group's shares to investors. The conversion of preferred shares to ordinary shares with voting rights created a uniform share structure and, thereafter, the shares were admitted to trading on the in "Prime Market" segment of the Vienna Stock Exchange on 20 June 2005. Since 19 September 2005, Wiener Städtische shares have been included in the ATX, which represents the most actively traded and most highly capitalised stocks on the Vienna Stock Exchange. The Vienna Insurance Group has endeavoured to create even greater confidence in its management by stating its clear commitment to the Austrian Code of Corporate Governance, which contains principles of Corporate Governance and transparency.

In 2005, the ranking of Austrian companies according to stock market capitalisation underwent a major change. Now Wiener Städtische AG – with more than EUR 5 billion – has one of the highest market capitalisations on the Vienna Stock Exchange.

Wiener Städtische shares have been included in the following Vienna Stock Exchange indexes: ATX, ATX Prime and WBI

WIENER STÄDTISCHE AG COMPARED TO THE ATX AND THE MSCI INSURANCE INDEX
START OF 2005 – 7 APRIL 2006, INDEXED



(Vienna Stock Exchange Index). In addition, Wiener Städtische shares are included in the VÖNIX (VBV-Austrian Sustainability Index), a stock index consisting of the publicly traded Austrian companies that are leaders in terms of social and ecological performance and, in December 2006, it was also included in the "New Europe Blue Chip Index" (NTX). The NTX was developed by Erste Bank and the Vienna Stock Exchange and contains the 30 largest publicly traded companies in Central Europe.

On 1 March 2006, Wiener Städtische was also included in the MSCI (Morgan Stanley Capital International) Standard Index Series. The global MSCI Index is a weighted market capitalisation index, which contains companies that are representative of the market structure worldwide. Many portfolio managers use it as a benchmark for their own performance. In addition to the global MSCI World Index, the Index Series includes local MSCI indexes worldwide.

+ 105.1% – Top Performer on the Vienna Stock Exchange

2005 was an excellent year for Wiener Städtische AG shareholders. Looking at the increase in value of Wiener Städtische shares, one can see that the value of the shares increased by 105.1% in 2005, which far exceeds the increase in value of the shares in 2004 (+24.3%) and the 2005 increase in the ATX (+50.8%). The MSCI Insurance Index (in EUR), which contains the most important European insurance stocks, rose 31.1% in the same time period. The fact that the Vienna Insurance Group had such strong performance in 2005 is primarily attributable to the company's strong connection to Central and Eastern Europe and the Group's outstanding economic development. The increased liquidity of the shares is also noteworthy. Due to the steadily increasing interest of investors, the number of shares traded on the Vienna Stock Exchange was more than six times greater in 2005 than the previous year.

Key figures 2005 for the shares

Earnings per share (basic)	EUR 2.27
Proposed dividend	EUR 0.66
Highest price (7.12.2005)	EUR 52.20
Lowest price (3.1.2005)	EUR 24.65
Year-end price	EUR 49.85
Average daily trading	EUR 4.9 million*
Annual performance	105.1%

* according to the total trading published by Wiener Börse AG (1/2005–12/2005)

Wiener Städtische shares are performing well in 2006 too

Wiener Städtische shares increased significantly in the first three months of 2006. The share price increased by 3.4% since the start of the year, reaching a value of EUR 51.56 on 7 April 2006.

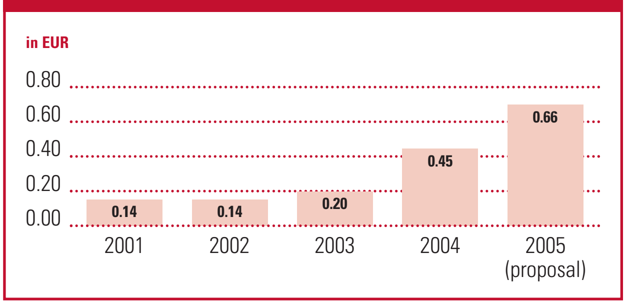
> The value of the Wiener Städtische share increased by 105.1% in 2005, which is far higher than the gain in the ATX.

The following investment banks publish analyses of Wiener Städtische shares*:

- CA-IB
- Citigroup
- Erste Bank
- Fox-Pitt, Kelton
- Goldman Sachs
- Keefe, Bruyette & Woods
- Sal. Oppenheim
- UBS Investment Research

* This list contains all institutions known to Wiener Städtische that publish research reports on Wiener Städtische share as of the publication deadline .

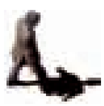
DIVIDEND DISTRIBUTION PER COMMON SHARE











Proposed dividend
The Managing Board of Wiener Städtische AG plans to propose a EUR 0.66 per share dividend for fiscal year 2005 at the Ordinary Annual General Meeting on 30 May 2006. This represents an increase of EUR 0.21 or 46.4% over the previous year.

Information on Wiener Städtische shares

Initial quotation	17 October 1994
Market capitalisation (as of 31.12.2005)	EUR 5,234,250,000
Capital stock	EUR 109,009,251.26
Number of shares	105 million shares
ISIN	AT0000908504
Ticker symbol	WST
Bloomberg	WST AV
Reuters	WISV.VI
Stock exchange listing	Vienna

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Investor Relations
Mag. Thomas Schmee
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1010 Vienna
Tel.: +43 (0) 50 350-21919
Fax: +43 (0) 50 350 99-21919
E-Mail: investor.relations@staedtische.co.at

Online Annual Report
An online Annual Report, specially adapted for the Internet, is available in German and English on the Wiener Städtische website: www.wienerstaedtische.at.

Vienna Insurance Group rating increased by Standard & Poor's to "A+"
The international rating agency Standard & Poor's (S&P) raised Wiener Städtische AG's rating from "A" to "A+" in July 2005 and assessed its outlook as "stable". This outstanding rating is a validation of the Vienna Insurance Group's strategy of long-term, profit-oriented growth in Austria and abroad.

The determining reasons for S&P's rating increase were the company's steadily improving operating performance, conservative capital investment strategy, process optimisation in Austria and its risk-conscious expansion of its presence in the new markets of Central and Eastern Europe. Other strengths of the Vienna Insurance Group were found to be its outstanding sales organisation and strong position in its core markets. The Group's great financial strength was also stressed.

> The rating agency, Standard & Poor's, raised Wiener Städtische AG's rating from "A" to "A+".

S&P based its assessment of the Vienna Insurance Group's outlook as stable on its strong, long-term operating performance in its core markets. The increasing share of premium revenues contributed by life insurance, further cost reductions and process optimisation in coming years were cited in this regard.

The Vienna Insurance Group's* financial calendar

Result for the first quarter 2006*	22 May 2006
2006 General Shareholder's Meeting	30 May 2006
Ex-dividend day	6 June 2006
Dividend payment day	12 June 2006
Result for the first half 2006*	22 August 2006
Result for the first three quarters 2006*	21 November 2006

* Preliminary schedule

CORPORATE GOVERNANCE

Corporate Governance stands for responsible corporate management and control aimed at creating long-term shareholder value. The Code of Corporate Governance is designed to bring the "rulebook for corporations" – the assignment of authorities and responsibilities between owners, the Managing Board and the Supervisory Board, as well as the interaction of the governing bodies – into line with international standards and to make it transparent to the general public. The aim is to avoid complexity, conflicts of interests and any disadvantaging of third parties. The Code is a catalogue of good behaviour for sound company management and is increasingly perceived by the public as a quality feature of in-house control and communcation.

The Austrian Code of Corporate Governance was developed by the Austrian Working Group for Corporate Governance and was first enacted in October 2002. Amendments were adopted in February 2005 and January 2006 in response to the Corporate Governance recommendations of the EU Commission and to the Austrian Company Law Reform Act (Gesellschaftsrechtsänderungsgesetz) of 2005. The Austrian capital market can thus demonstrate a modern Corporate Governance system that meets international standards and investors' expectations. This is an important building block for the future development and vitality of the Austrian capital market.

The Austrian Code of Corporate Governance comprises 29 rules based on mandatory legal regulations (so-called "Legal requirements" [L-provisions]), 45 internationally customary rules, requiring explanations for a failure to comply if applicable (so-called "Comply or Explain" rules [C-provisions]) and a further 6 rules that go beyond the foregoing standards (so-called "Recommendation provisions" [R-provisions) that are offered in the nature of recommendations and for which non-compliance must neither be justified nor disclosed. Wiener Städtische has nevertheless decided to comment on the R-provisions as well.

Corporate Governance: transparent and efficient

For many years, Wiener Städtische has pursued a strategy of growing the value of the company on a sustained long-term basis. The rules for corporate management encompassed in the Code of Corporate Governance, which ensure transparency and thereby create confidence among all investors and partners, are of great importance to Management.

Wiener Städtische is committed to the Austrian Code of Corporate Governance

Wiener Städtische is therefore committed to the principles of the Austrian Code of Corporate Governance. By doing so, Wiener Städtische intends to further broaden and promote shareholder confidence through regular open and transparent communications with investors, employees, the public and business partners. Wiener Städtische AG has implemented and lives the major portion of the rules and recommendations of the Code.

Corporate Governance is a continuous process. Wiener Städtische will continue to face up to this topic and, in doing so, will take the standards of the Austrian Code of Corporate Governance into consideration. In this spirit, the Wiener Städtische AG Corporate Governance Declaration makes reference to the current version of the Code as of January 2006.

Supervisory Board: efficient monitoring of the corporation

In accordance with the Austrian Stock Corporation Act (Aktiengesetz), there is strict separation between the roles and responsibilities of executive management and control. It is the responsibility of the Supervisory Board to monitor the Management of the company and to advise the Board. The appointment and dismissal of the Managing Board is one of the Supervisory Board's core responsibilities. Moreover, due to statutory regulations or rights of approval reserved to the Supervisory Board, certain transactions can only be executed with the latter's approval.

The Supervisory Board of Wiener Städtische AG consists of 15 members, of which ten are elected by the Annual General Meeting and five are delegated by the Workers Council. When proposing nominations for election to the Supervisory Board, care is taken to ensure that the candidates possess the required skills and knowledge, and that they do not perform any functions at or provide consulting services to competitors. Committees have been established to support the work of the Supervisory Board.

Independence and the absence of conflicts of interests are the necessary conditions for sound work by the Supervisory Board and are therefore also reflected in the rules of procedure for the Supervisory Board. In accordance with Rule 53 of the Austrian Code of Corporate Governance, the Supervisory Board of Wiener Städtische AG established criteria for its independence in February 2006, which are also available as a download from the Internet. Information about the composition of the Supervisory Board, the independence of its members, and details concerning the committees can be found in the notes to the consolidated financial statements on page 167 and 168.

In implementing the Code of Corporate Governance and the statutory provisions, the Managing Board is supported by the Internal Audit function, the Public Relations and the Investor Relations Department as well as the following functions:

- Risk management
- Compliance officer
- Anti-money laundering officer

Risk management is responsible for an integrated assessment and analysis of the risk situation. For further information on this topic, please refer to the chapter entitled "Risk Management". The Compliance Officer ensures compliance with certain statutory regulations, for instance with respect to the prevention of improper use of insider information. Compliance with regulations for the prevention of money laundering and financing of terrorist activities is controlled by dedicated functions.

Wiener Städtische AG has very lately already taken steps in the interest of its investors. Thus, a 1 to 7 stock split ratio was implemented in 2004 in order to offer shares that are more readily tradable – especially for retail shareholders. A shareholder-friendly uniform capital structure in adherence to the "one share – one vote" rule was further created by the conversion of the formerly existing preferred shares without voting rights into ordinary shares. Finally, in connection with the 2005 capital increase, Group employees were given the opportunity – which has, indeed, already been exercised – to invest in Wiener Städtische AG on very attractive terms. In order to make information about Wiener Städtische available to investors and potential investors, the Investor Relations page on the company website (www.wienerstaedtische.at) has been redesigned and expanded.

Independent voting proxy to support the exercise of the voting rights

At the 2006 Annual General Meeting, Wiener Städtische AG will, for the first time, appoint an independent voting proxy from the Austrian Shareholder Association (IVA Interessenverband für Anleger) as a special service to the shareholders. In this way, those shareholders, who are unable to attend the Annual General Meeting in person, are given the best possible assistance in exercising their voting rights.

Wiener Städtische AG complies with all L-provisions cited in the Code in keeping with the law and taking the stipulated transitional rules into consideration. Wiener Städtische AG departs from the provisions of the Austrian Code of Corporate Governance only with respect to a very few of the rules categorized as "Comply or Explain" or "Recommendations," as disclosed on the next page:

Concerning Rule 38 and Rule 57 (C-provisions)

Rule 38: The Supervisory Board shall define a profile for the Managing Board members that takes into account the enterprise's business focus and its situation and shall use this profile to appoint the Managing Board members in line with a predefined appointment structure. Furthermore, the Supervisory Board shall also give due attention to the issue of successor planning. *Nominations to the Managing Board must be made for the last time before the age limit defined in the internal rules or in the articles of incorporation is reached.*

Rule 57: A person holding a position on the Managing Board of a listed company may not hold more than four positions on the Supervisory Boards (function of chairperson shall count double) of stock corporations not belonging to the group. Major shareholdings are not considered non-group companies. *An appointment as Supervisory Board member must be made for the last time before the age limit defined in the internal rules or in the articles of incorporation is reached.*

Explanation by Wiener Städtische AG: In the opinion of Wiener Städtische AG, age alone is not a criteria that would justify exclusion from exercising membership in a governing body. In view of the fact that experience represents a very valuable qualification and age is a very individual measure, it does not seem advisable to establish such an age limit. Accordingly there are no fixed age limits neither for appointment to the Managing Board nor for appointment to the Supervisory Board of Wiener Städtische AG. When selecting Managing Board and Supervisory Board members, the best possible personal and professional qualifications are valued above all.

Concerning Rule 41 (C-provision)

The Supervisory Board shall set up a nomination committee. In cases of Supervisory Boards with not more than 6 members (including employees' representatives) this function may be exercised by all members jointly. The nomination committee submits proposals to the Supervisory Board for filling appointments that become free on the Managing Board and deals with issues of successor planning.

Explanation by Wiener Städtische AG: Given its particular importance, succession planning is dealt with by the entire Supervisory Board. The Supervisory Board of Wiener Städtische AG has therefore not established a nomination committee.

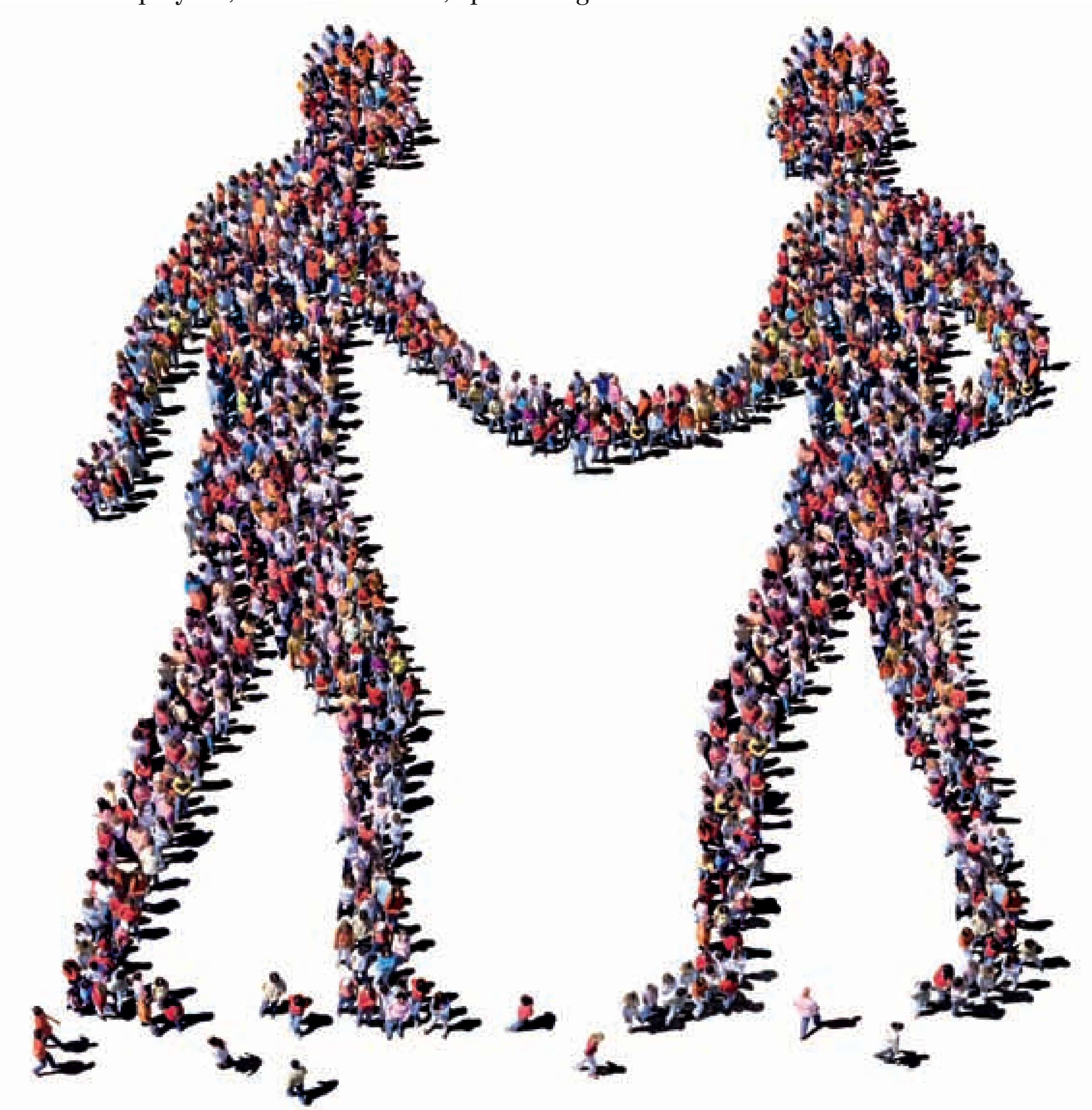
Concerning Rule 31 (R-provision)

The fixed and performance-linked remuneration components are to be disclosed for each individual member of the Managing Board in the annual report.

Explanation by Wiener Städtische AG: The main factors of the reward of the Managing Board as well as the aggregate remuneration of the Managing Board are disclosed. Considering the right to privacy of the Managing Board members in relation to the comparatively low value of the information for investors, the remuneration of the Managing Board members is not disclosed in the Annual Report on an individualized basis.

People are key to our success.

Employees, the environment, sponsoring.



The Vienna Insurance Group emphasises its social responsibility by providing transparency and a readiness for dialog.

CORPORATE SOCIAL RESPONSIBILITY

Manage successfully – act responsibly

One of the demands placed on business today is to act in a responsible and sustainable manner. The Vienna Insurance Group emphasises its social responsibility by providing transparency and a readiness for dialog. Intensive dialog with all interest groups, e.g. shareholders, employees, customers, business partners, the capital market and the public, increases confidence in the company. Working together as partners also increases employee motivation and loyalty.

The insurance business and the concept of sustainability have a great deal in common. Both are oriented towards the long-term. The best example of this is life insurance, where the Vienna Insurance Group enters into business relationships extending over a number of years with its customers.

In autumn 2005, the Centre of Corporate Citizenship Austria performed its first ranking of the largest Austrian companies. Wiener Städtische AG was ranked in the Top 30 "Responsible Austrian companies".

Wiener Städtische AG's shares are also listed on VÖNIX. The VÖNIX Sustainability Index is a stock index of Austrian listed companies oriented towards sustainability. The index selects listed Austrian companies that are leaders in the areas of social and environmental achievement.

Sustainable business development ...

Like very few other sectors in the economy, insurers need to be experts in thinking and acting for the long-term. They do, after all, make very long-term commitments to their customers.

... by using a successful human resources strategy

Each of the 16,346 employees in the Group, including the 10,980 employees in countries outside of Austria, shares in the responsibility for successful achievement of sustainable economic development for the Vienna Insurance Group.

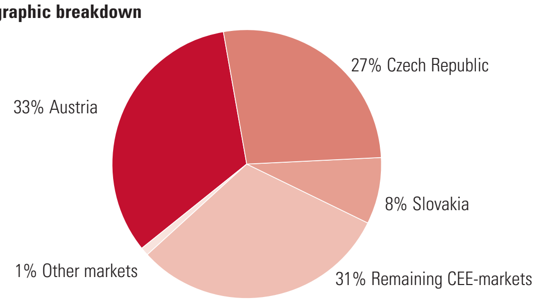
A functioning company is founded on capable, committed employees. In order to remain on course for success, the Vienna Insurance Group invests not only in new markets and modern concepts, but also in its employees. Targeted basic and advanced training courses are used to provide employee support and development.

Potential managers from Group companies of the different countries receive training together in the management course across the group. The international nature of the Group also allows qualified employees to take part in an international training program where they are stationed in a variety of companies in the Group. During this program, employees take temporary work positions in companies outside of their home company in order to become better acquainted with the organisation and corporate structure of other companies.

In addition to these international programs, knowledge and expertise are also exchanged during regular international Group conferences at the expert level. These specialized vehicles pro-

VIENNA INSURANCE GROUP EMPLOYEES IN 2005

Geographic breakdown



Number of employees in the Group	2005 (IFRS)	2004 (IFRS)	2003 (HGB)	2002 (HGB)
Austria	5,366	5,534	5,640	5,692
Total outside of Austria	10,980	7,692	6,059	5,574
Total group	16,346	13,226	11,699	11,266

vide experts from a wide range of specialties and countries with the opportunity to develop concepts for Group-wide problem solutions and innovations through presentations and follow-up discussions. In 2005, conferences were held in the areas of international claims management, property and motor vehicle insurance, CEE property insurance (non-life insurance), actuarial issues, marketing, controlling, accounting and risk management. A reinsurance conference also takes place each year.

The Vienna Insurance Group places the focus on customers.

The Group's own human resources company, Horizont GmbH, also ensures competence and continuous further training of employees. Horizont GmbH is also active outside of the Group and was elected by Austrian human resources managers for the list of the 25 recommended soft-skills seminar organisers in 2005. Each year, Horizont conducts more than 800 training events with more than 25,000 participant days for the Group. These events combine eLearning and classic forms of training to create modern and efficient forms of employee development. Following the mandatory multi-week basic training course, employees can choose from a highly diverse selection of advance training courses which is updated each year. The selection includes both seminars on specific technical areas as well as personal development seminars, enabling continuous employee development. During program planning, particular attention is placed on service orientation and quality in employee advisory activities. New sales representatives therefore receive full certification as insurance advisors from the Austrian insurance sector training organisation Bildungswerk der österreichischen Versicherungswirtschaft (BÖV). Regular analyses of management potential in all areas of the Group ensure that new managers will be developed to fill future requirements. Another focus for human capital development is placed on systematic investments in employees' technical knowledge.

... by paying special attention to customer needs

The Vienna Insurance Group places the focus on customers. Customer satisfaction has many aspects. The Vienna Insurance Group interprets this to mean a first-class, demand-based product line offered at fair prices and transparent terms. Above all else, the Vienna Insurance Group requires that a lasting relationship of trust be created and maintained with the customer. The customer relations standards introduced under the motto "more service - more success" which are designed to further increase customer satisfaction apply to all employees in the Vienna Insurance Group, including both field and office employees.

The Service Line offered by Wiener Städtische AG and Donau Versicherung is an important component of customer service in Austria. A total of about 70 employees are available by telephone in the call centre at 050 350 350 or 0350 330 330 respectively to answer questions from existing and potential customers. The services provided by call centre employees range from providing product information, providing information on current fund values for unit-linked life insurance products, making simple policy changes and sending requested documents (e.g. Green Card insurance, revenue office confirmation, etc.), all the way to complaint and claims management. The central common hotline offers a combination of service expertise from all classes. Approximately 80% of all customer inquiries can be brought to a final resolution at the first contact. The service line is available throughout Austria at the cost of a local call 24 hours a day, 7 days a week.

Environmental responsibility ...

At first glance, the effect of an insurance group on the environment would seem negligible compared to an industrial company. A second look, however, shows that a large number of employees is always associated with a significant demand for water, energy and supplies.

... by using mobility management

On 1 March 2006, Wiener Städtische AG became the first Austrian insurance company to be a program partner in the "klima:aktiv mobil – Corporate Mobility Management" environmental initiative of the Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management. The presentation of the "klima:aktiv mobil" certificate recognised the pioneering role played by Wiener Städtische AG and its commitment to protect the environment.

... by offering products promoting environmental protection

Customers of Wiener Städtische AG have the opportunity to insure against accidental environmental damage to soil and water. For example, fire, household and homeowner insurance policies include "environmental packages" that ensure environmentally appropriate disposal of hazardous wastes if a loss event occurs.

On 1 March 2006, the 10% eco-bonus for motor vehicle liability and own-damage insurance for natural gas operated vehicles was extended to vehicles with hybrid motors (electric and gasoline or diesel motors in the same vehicle). This promotes vehicles which are significantly less polluting to the environment than conventional automobiles. In addition, a premium reduction is used to promote the changeover from older high emission automobiles to environmentally friendly vehicles satisfying the EURO3 and EURO4 norms.

Social commitment ...

The Vienna Insurance Group uses the term social commitment to include both its relations with its employees as well as its social commitments.

... by fair treatment of one another

The Vienna Insurance Group offers equal opportunities to all employees. As an international company, the Vienna Insurance Group promotes above all cooperation across borders and cultural groups, making a contribution in this way to mutual understanding and tolerance. Sexual equality in particular is not just a catchword, it is part of everyday reality in the Vienna Insurance Group. Equal opportunity means not only the availability of family-friendly facilities such as company kindergartens for the Group companies in Vienna, or problem-free options for part-time work, but also true equal opportunity for the sexes in terms of career possibilities. Positions are filled exclusively on the basis of a candidate's qualifications, with no consideration of gender. The high proportion of female employees consequently leads automatically to a high proportion of female managers.

The Austrian Disability Equality Package (Behindertengleichstellungspaket) entered into force on 1 January 2006. The aim of this federal law is to remedy and prevent discrimination against individuals with disabilities. The Vienna Insurance Group has held the opinion for years that people with certain disabilities perform their work just as efficiently as people with no disabilities. With 132 advantaged disabled employees in Austria, Wiener Städtische AG was far ahead of legal requirements in 2005.

To promote motivation and identification with the Company, at the time of the capital increase in December 2005, the Vienna Insurance Group offered to its employees to become shareholders in the Company by purchasing new shares at a favourable employee price. Around 50% of all Wiener Städtische AG employees took advantage of this offer, as did a large number of employees of other group companies in the EU. This above-average level of employee participation shows the strong connection that employees feel to the Vienna Insurance Group.

Equal opportunity employment is one of the core values of the Vienna Insurance Group.

... by providing support to a variety of social projects

In its role as an international insurance company operating throughout Central and Eastern Europe, the Vienna Insurance Group has set important social initiatives into action. By supporting the Caritas "Bedrooms on the streets" campaign, which has a goal of establishing shared Caritas living facilities, emergency shelters and day centres in order to enable street children in Eastern Europe to start new lives, the Vienna Insurance Group provides street children e.g. in Romania with new hope for a better future.

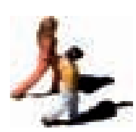
As a health insurance company, Wiener Städtische AG also makes an active contribution to the prevention of illness, through providing assistance to the Vienna cancer support organisation Wiener Krebshilfe, as well as through targeted prevention campaigns for its customers, such as the Melanoma Check and Colon Cancer Test. Wiener Städtische AG co-published the guidebook "100 answers to questions about leukaemia" together with Wiener Krebshilfe.

In the summer of 2005, Wiener Städtische AG initiated a number of campaigns aimed at improving traffic safety for children. Customers could, for example, pick up one of 10,000 bicycle helmets for their children available free of charge at all business offices throughout Austria. In addition, as part of a campaign with the Vienna superintendent of schools, Wiener Städtische AG distributed approximately 65,000 safety raincoats to Viennese elementary schools.

... by means of selected public works

The Vienna Insurance Group supports numerous projects in the field of arts and culture, since art makes it easier to overcome barriers. Although the Vienna Insurance Group now operates in almost all of Central and Eastern Europe, a region representing a broad spectrum of languages, the language of art is universally understood.






In Vienna, the Burgtheater, the Volkstheater, the Theater in der Josefstadt and the Vienna Lustspielhaus are sponsored, while in the provinces outside of Vienna, support is primarily given to summer festivals. Partnerships have existed for many years with the Bregenz Festival, the Carinthian Summer Festival, the St. Margarethen Opera Festival and the Innsbruck/Graz Summer Dance Festival, among others. The "Kino unter Sternen" outdoor film festival in Augarten, Vienna, has also been a key element in the sponsoring work, as well as the support provided in cooperation with Erste Bank to the Diagonale in Graz and Viennale in Vienna.

Vienna Insurance Group also plays a pioneering role in the area of ethical investments.

Museums such as the Leopold Museum, the Vienna Museum and the Albertina also work in cooperation with the Vienna Insurance Group.

Special exhibition highlights supported by the Vienna Insurance Group in 2005 included:
- The Austrian Constitution exhibition in Belvedere on the history of the founding and development of the Second Republic in Austria.
- The opening of the Globe Museum in the Palais Mollard of the Austrian National Library, presenting the originals of 240 globes of the earth, the heaven, the moon and Mars.

Architecture in the Ringturm
Since its opening in 1955, the Ringturm, the headquarters of the Vienna Insurance Group, has been a meeting place and a place for the exchange of ideas. The former cash hall, which has been converted into a modern exhibition centre, has regularly hosted the exhibition series "Architecture in the Ringturm" since 1998. Free entrance has allowed architecture – with a focus on Central and Eastern Europe – to be made widely accessible to the public.

The latest exhibitions were:
- Passages from Prague (from 28 January to 11 March 2005)
- Ideas and contours (from 21 April to 3 June 2005)
- The Avant-Garde are coming (from 15 June to 2 September 2005)
- Light and Form – Modern architecture and photography in Hungary (from 4 November 2005 to 3 February 2006)
- Moscow – Melnikov: The architecture and city planning of Konstantin Melnikov 1921-1937 (from 16 February to 13 April 2006)

... by offering ethically correct investment opportunities
Wiener Städtische AG also plays a pioneering role in the area of ethical investments. A modern, flexible unit-linked life insurance policy combining a market rate of return with ethical and sustainable investment, is being offered together with the banking house of Schelhammer & Schattera, Vienna's oldest private bank, which has provided many years of outstanding service for the promotion of social and environmental funds.

The fund "United Funds of Success Ethik" includes the "Superior 3 – Ethik" ethical fund by Schelhammer & Schattera, which can look back on ten years of success and counts as one of the largest in its class in the entire German-speaking region. By providing an average annual rate of return of over 7% since its inception, the "Superior 3 – Ethik" fund demonstrates that constant growth and strict ethical and sustainability guidelines can be combined with excellent results.

Compliance with the ethical criteria of the fund is ensured by the use of an independent advisory committee made up of prominent members of the church, business and scientific communities that makes binding recommendations for the funds managers, and a rating agency specialising in environmental and social development that analyses companies and countries worldwide. The definition of highly strict exclusion criteria prevents investments from being made in sectors whose business areas are in conflict with ethical and sustainability principles. In addition, investments are to be made in companies that show above-average results in comparison to their competitors in the areas of social, environmental and cultural acceptability.

Successful growth, expa

The Vienna Insurance Group makes excellent progress in 17 countries.

nding market share.

MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

VIENNA INSURANCE GROUP

From the beginning of 2006, Wiener Städtische Group is operating under a new umbrella brand – Vienna Insurance Group. This shared brand is intended to strengthen the Group identity and enhance the sense of cohesion of the Group companies. Under the Group's multibrand strategy, the companies use their locally established names in their home markets. With this shared brand, the Vienna Insurance Group emphasises the financial strength as a major Central and Eastern European insurer based in Vienna.

The Vienna Insurance Group is the largest Austrian insurance group in Central and Eastern Europe.

The largest Austrian insurance group in Central and Eastern Europe
With premium volume of more than EUR 5 billion, the international Vienna Insurance Group is the largest Austrian insurance group in Central and Eastern Europe. The Group provides high-quality insurance services both in the life and non-life segments. The central aim is to deliver innovative local insurance solutions for all areas of life through optimum customer service.

A tradition of success
The Vienna Insurance Group builds on a long history of success, tracing the roots to the year 1824.

Presence in 17 countries
The Vienna Insurance Group is currently operating in 17 countries. More than 16,000 employees look after the security of their customers. In addition to the presence in Austria, there are Group companies, branch offices or investments in Belarus, Bulgaria, Croatia, the Czech Republic, Georgia, Germany, Hungary, Italy, Liechtenstein, Poland, Romania, Russia, Serbia and Montenegro, Slovakia, Slovenia and the Ukraine.

Focus on Central and Eastern Europe
Building on its leading position in Austria, Vienna Insurance Group has for more than fifteen years been expanding purposefully into the emerging markets of Central and Eastern Europe. In 2005 the share of the Group's premiums generated in this region was already well over 30%. No other international insurance group is active in so many Central and Eastern European countries.

Rated A+ by Standard & Poor's
The Group's excellent financial strength is also confirmed by the international rating agency Standard & Poor's, which has given Wiener Städtische AG a rating of A+ with a stable outlook.

Traded on the Vienna Stock Exchange
The share of Wiener Städtische AG (ISIN: AT0000908504) is listed on Wiener Börse, where it is one of the most actively traded and highly capitalised issues. The share is thus also represented in the ATX, Austria's blue-chip equity index. The Group's superb financial results were a key driver of the share's solid performance in 2005.

VIENNA INSURANCE GROUP

> To finance its expansion in Central and Eastern Europe, Wiener Städtische AG conducted a capital increase.

GROUP HIGHLIGHTS IN 2005

Capital increase
Primarily to finance the region-wide expansion in Central and Eastern Europe via acquisitions and organic growth, Wiener Städtische AG conducted a capital increase in December 2005. With proceeds of about EUR 910 million, this was not only the largest capital increase ever carried out by an Austrian insurance company, but also one of the largest in the history of the Vienna Stock Exchange. Fully about one-half of the staff of Wiener Städtische AG, as well as many employees at the subsidiaries, used the opportunity to buy shares, thus demonstrating their confidence in the future of the Vienna Insurance Group.

Partnership with the Kardan Group
In 2005, the Vienna Insurance Group launched a sweeping strategic collaboration with **Kardan Financial Services.** Kardan Financial Services is a holding company with a majority stake in **TBIH,** which in turn has a broad portfolio of investments in financial services companies in Central and Eastern Europe. As the first step, in the middle of 2005, the Vienna Insurance Group acquired from TBIH the majority ownership of Romanian insurance group **Omniasig.** Next, agreement was reached to take a 40% interest in Kardan Financial Services. The Vienna Insurance Group is to assume operating control of the insurance holdings of TBIH. The subsidiaries of TBIH in the pension fund, asset management and leasing businesses are to unlock access to a wide customer base for the Vienna Insurance Group. The insurance assets of TBIH include companies in Bulgaria **(Bulstrad),** Croatia **(Helios),** Georgia **(GPIH),** Romania **(Omniasig Life)** and Russia **(Standard Reserve, SoVita).** The regulatory and other government approvals for the investment in Kardan Financial Services were chartered at the beginning of April 2006.

AUSTRIA

Double-digit growth rates in life insurance
In Austria, the Vienna Insurance Group includes **Wiener Städtische AG, Donau Versicherung, Union Versicherung** and **BA-CA Versicherung.** Given the growing importance of private retirement savings, 2005 brought impressive double-digit premium growth in life insurance for all Austrian Group companies. In fact, Wiener Städtische AG, BA-CA Versicherung and Donau Versicherung with life insurance growth, far outpaced the Austrian life insurance market as a whole.

Italy

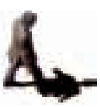
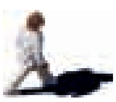
Launch of bancassurance distribution
The Vienna Insurance Group has already been active in Italy for six years, through a branch office of Wiener Städtische AG. After long and careful preparation, the launch of insurance sales via banks was implemented to very good effect in 2005.

Slovenia

Successful market entry in Slovenia
The Vienna Insurance Group entered the Slovenian market in 2004 by opening a branch of Wiener Städtische AG, immediately after the country's accession to the European Union. Slovenia is one of the most highly developed of the emerging life insurance markets in CEE.

CZECH REPUBLIC

Market share of 26.4%
The Czech Republic is the most important insurance market for the Vienna Insurance Group outside Austria. In 2005 the Group wrote premiums of around EUR 900 million in this country, expanding its market share to 26.4%. **Kooperativa Prague,** the Group's second largest company, is one of the leading insurers in the Czech market for a long time. In 2005 Kooperativa Prague was recognized for the fourth time as "Insurer of the Year", an award annually given out by insurance brokers. To further bolster the position in the Czech Republic, last year the Vienna Insurance Group acquired **Česká podnikatelská pojišťovna (ČPP).** ČPP is a composite insurer deriving more than three-quarters of its premiums from non-life lines. The most important business in the insurance portfolio of ČPP is motor insurance. Overall in 2005, ČPP achieved premium growth considerably higher than that of the Czech insurance market.

SLOVAKIA

Further growth in market share

The market share of the Vienna Insurance Group in Slovakia, where the Group operates through **Kooperativa Bratislava, Komunálna poisťovňa** and **Kontinuita poisťovňa,** rose from 23.9% in 2004 to 26.8% in 2005. Kooperativa Bratislava, which has been part of the Vienna Insurance Group since 1990, not only marked its fifteenth year in business last year, but also delivered outstanding premium growth of more than 15%. Kooperativa Bratislava was the Slovak "Trend" business magazine's "Insurance Company of the Year" for 2005, with Komunálna placing third. Likewise, Kontinuita thrived in the Slovak insurance market in 2005. It is the country's fifth largest life insurance company and enjoyed superior growth in new business.

> The Group is going to enlarge its market position in the growth markets of Central and Eastern Europe.

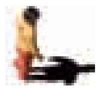
REMAINING CEE-MARKETS

Bulgaria

Stake in insurer Bulstrad strengthens market position

The Vienna Insurance Group acquired majority ownership of the Bulgarian companies **Bulgarski Imoti Life** and **Bulgarski Imoti Non-life** as long ago as 2002. This positioned us in the rapidly growing Bulgarian insurance market as a life and non-life insurer with a well-developed branch network. The foremost insurance product in the Bulgarian market is motor liability insurance, but there is also high potential in the life business. With growth of about 50% in 2005 the two Bulgarski Imoti companies thus achieved an expansion in premiums far above the growth rate of the Bulgarian insurance market. Since last year, both these insurers are now nearly 100% owned by the Vienna Insurance Group, which bought the remaining 26% stake in each of Bulgarski Imoti Life and Bulgarski Imoti Non-life from HUK-Coburg Holding. By the indirect investment through Kardan Financial Services in **Bulstrad,** the third-ranking company in the Bulgarian insurance market, the Vienna Insurance Group will strengthen its position in Bulgaria significantly further.

Georgia



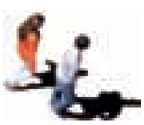
Dynamic growth

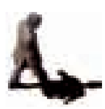
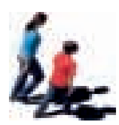
The Georgian insurance market has burgeoned in recent years. Thus, its premium growth in 2004 of 17.4% was twice the rate of Georgian GDP growth. Through **GPIH,** the third largest insurer in Georgia, the Vienna Insurance Group is entering this country's market via a stake in Kardan Financial Services.

Croatia

The Vienna Insurance Group among the top five

In the form of **Kvarner Wiener Städtische,** which writes both life and non-life insurance, the Vienna Insurance Group has been successfully operating in Croatia since 1999. With the purchase of Croatian non-life and life insurer Aurum at the end of 2004, which was merged with Kvarner in 2005 to reap synergies, the Vienna Insurance Group extended its presence in Croatia. In 2005 the Group acquired **Cosmopolitan Life,** a life insurance company based in Zagreb. As a result of these investments, the Vienna Insurance Group is one of the five largest insurance groups in the country. As part of the investment in Kardan Financial Services, the Vienna Insurance Group also gains an indirect stake in the insurer **Helios.**

Poland

Presence of the Vienna Insurance Group substantially strengthened

Poland, with a population of about 40 million, is one of the largest insurance markets in Central and Eastern Europe. The Vienna Insurance Group took far-reaching steps in 2005 to further enlarge its presence in this market. In the first half of the year, the Group bought **Benefia Non-life** and **Benefia Life,** which were recognized by the Polish Business Club as "2004 Company of the Year". The principal focus of Benefia Non-life, founded in 1999, is motor insurance. It maintains a close relationship to the Fiat group, which has manufacturing operations in Poland. In July 2005 the Vienna Insurance Group acquired the Polish life insurer **Royal Polska,** including that company's own distribution company. In addition, the Group secured from HUK-Coburg Holding its shares in the two **Compensa** insurance companies, which it now own almost entirely. In the second half of 2005, the Vienna Insurance Group was able to conclude an agreement to buy **Cigna,** an important non-life player in Poland.

> The Vienna Insurance Group as First Mover: first Austrian insurance group in Russia.

Romania

Strengthening the market position in Romania

The Vienna Insurance Group has been in the Romanian market for some time through **Unita** and **Agras.** Unita is a successful composite insurer that in 2005 achieved 80% growth in motor insurance and doubled the number of its household insurance policies; Agras remained the clear market leader in farm insurance. In 2005 the Vienna Insurance Group bolstered its position in the Romanian market by acquiring majority ownership of the country's third largest insurance company, **Omniasig Non-life,** which holds 50% of **Omniasig Life.**

Russia

First mover in Russia

In November 2005 the Vienna Insurance Group agreed with the Russian non-life insurer MSK to start a life insurance company in Russia, named **MSK Life.** This makes the Vienna Insurance Group the first Austrian insurance group to enter the Russian market. The company is to begin operations in the middle of 2006. Its products are to be sold both by Bank of Moscow, the country's fifth largest bank and MSK Insurance, the third biggest non-life insurance company in Russia.

Serbia and Montenegro

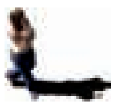
Fast growth of Wiener Städtische

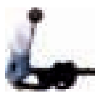
Wiener Städtische Belgrade, which received its operating licence in February 2003, now has 13 branches in the Serbian insurance market. With premium growth of nearly 100% to about EUR 19 million in the 2005 financial year, Wiener Städtische Belgrade performed superbly and again was one of the most rapidly growing insurance companies in Serbia last year. After only three years in business, Wiener Städtische Belgrade already ranks as one of the top five Serbian insurance companies.

Ukraine

Two new insurance companies added

The Vienna Insurance Group entered the Ukrainian insurance market at the end of 2004 by acquiring **Jupiter,** a life insurer. In 2005 Jupiter stepped up its distribution of insurance prod-





ucts through banks. Last year the Group followed the Jupiter purchase with more acquisitions in Ukraine. By taking a majority equity interest in **Kniazha,** which is one of the most important Ukrainian providers of third-party liability motor insurance, the Group intensified its activities in the Ukrainian insurance market in 2005 and expanded into the non-life segment. In its yearly review of financial institutions, the Ukrainian weekly magazine "Invest Gaseta" ranked Kniazha among the best companies in the country's financial industry. In 2005, another achievement was the agreement reached to buy **Globus.** The supervisory authorities' approval still required for this purchase is expected for 2006.

> The Group expanded into the non-life segment in the Ukrainian insurance market in 2005.

Hungary

Best year ever for Union Biztosító

2005 was the most successful year in the history of **Union Biztosító,** the Group's insurance company in Hungary. Especially by expanding the car insurance business, the company decisively improved its market position thanks to growth far superior to the market's. In 2005, Union Biztosító was able to increase its premium revenues by more than 50% to approximately EUR 60 million and earn a profit.

Belarus

Victoria acquired

Since 2002 the Vienna Insurance Group has been co-owner of **Kupala.** Thanks to the sustained effectiveness of the restructuring, which realigned the company to focus on accident, personal and vehicle insurance, the target for 2005 was surpassed by more than 90%. With the acquisition of the insurer **Victoria** in July 2005, the Group continued to build its position in the Belarusian market.

OTHER MARKETS

Germany

Stronger growth than the German market

The Group's companies in Germany are the **InterRisk Non-life** and the **InterRisk Life,** based in Wiesbaden. In 2005 both insurance companies grew more quickly than the German insurance market. The clear strategic focus on market-leading product and service quality in selected market niches continued to bear fruit last year. For instance, the company placed first among all German property and casualty insurers in the leading survey of brokers, the "Charta Quality Barometer 2005".

Liechtenstein

Premium volume tripled

In 2005 **Vienna Life,** the Group's life insurance company in Liechtenstein established in 2000, carried on the outstanding sales trend of the previous years. Vienna Life's premium income tripled from one year earlier, to approximately EUR 170 million. The key growth engine was the segment of high-net-worth individuals, a group targeted since 2003.

Strong growth potential in Central and Eastern Europe

With a total population of around 330 million, the CEE-region represents a very large and dynamic economic area with considerable potential for further growth. The fact that most CEE-countries have a well-developed infrastructure in comparison to other emerging markets, a high level of education and increasing political stability makes it possible for these countries to continually improve their economic indicators.

The countries of Central and Eastern Europe showed excellent growth in 2005.

The countries of Central and Eastern Europe have been able to greatly increase their international competitiveness over the past 10 years. The new EU member countries showed excellent economic growth in 2005, with the real gross domestic product in the CEE-region increasing almost twice as fast as in the EU-15 countries. The economic output of the new EU member states in Central and Eastern Europe is about 50% higher now than it was 10 years ago. Between 1999 and 2005, foreign trade deficits dropped from an average of 7% of GDP to less than 3%. These trends are due to a significant increase in productivity. While productivity in the new EU countries has risen by an average of 4% per year (measured as real GDP per capita), it has only increased by 2% in the EU-15 countries.

The 2005 insurance market in the CEE-area

The private insurance sector was practically non-existent in Central and Eastern Europe before the fall of the Iron Curtain at the start of the 1990s. As a rule, the insurance market consisted of only a single government provider. A large number of private insurance companies were founded after market liberalisation – many of which have disappeared from the market in past years. Significant market consolidation took place, in particular, after the introduction of solvency guidelines harmonized with EU regulations in practically all CEE-countries. This process is expected to continue in future years. In the long run, it can be assumed that only large, financially strong companies will be in a position to play an important role in these markets.

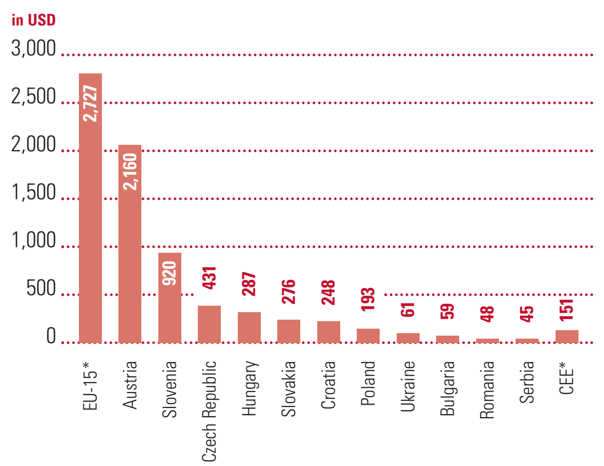
CEE – The growth market

The CEE-region offers highly optimistic growth prospects for the insurance sector. The Vienna Insurance Group's expansion into the CEE-countries pursues a business potential that is based essentially on two factors. Although it is increasing each year, the insurance density in CEE is only a fraction of the Western European level. In addition, rapid economic growth is creating a significant increase in the affluence of the population in the CEE-countries, leading to a disproportionately high demand for financial services. The economic convergence process taking place in the region is expected to continue long term. In a dynamically changing economy, the insurance market normally grows at a significantly faster rate than the overall economy. These factors make Central and Eastern Europe attractive for the insurance industry.

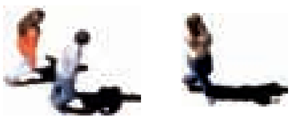
The long-term convergence potential of the CEE-region can be illustrated, for example, through the use of insurance density (premiums per capita). The insurance density in Central and Eastern Europe is only a fraction of the Western European level. In 2004, it was USD 151 in the CEE-states (excluding Russia and Belarus), versus USD 2,727 in the EU-15 countries (weighted average).

The following table shows the insurance density in a number of countries as of 31 December 2004:

INSURANCE DENSITY IN EUROPE



* Weighted average value for the CEE-area, excluding Russia and Belarus
(Source: Swiss Re, Sigma Nr. 2/2005)



The countries of the CEE-area offer a high potential of growth for the insurance industry.

IFRS reporting

The following pages provide an overview of the countries where the Vienna Insurance Group is operating and of the individual group companies. The individual countries are arranged in a manner similar to the geographic segment reporting in the IFRS consolidated financial statements. The individual segments are Austria (including the Italian and Slovenian branch offices), the Czech Republic, Slovakia, the "Remaining CEE-markets" (Bulgaria, Georgia, Croatia, Poland, Romania, Russia, Serbia and Montenegro, Ukraine, Hungary and Belarus) and "Other markets" (Germany, Liechtenstein).

Remarks on the country indicators and key figures in the individual presentations of insurance companies

The tables showing key figures for the Vienna Insurance Group in each country only contain information from group companies that are included in the Vienna Insurance Group's consolidated financial statements as of 31 December 2005. The Group's consolidated financial statements do not include the companies in Ukraine, Belarus, Russia and Georgia (Scope of consolidation and methods; Notes on the consolidated financial statements, p. 110). This is also the reason why there is no table for these countries showing key figures for the Vienna Insurance Group. No table is shown for Italy and Slovenia because Wiener Städtische is operating through branch offices in these countries, which means that the results are included in the figures for Wiener Städtische AG (Austria segment).

Percentage changes over the previous year are calculated using the local currency. To improve readability, all absolute figures for 2005 are converted to euro using the average 2005 exchange rate that was used to prepare the IFRS balance sheet. As a rule, the figures used in the text describing the individual companies are the figures that were used in the IFRS balance sheet. The figures for companies that are not included in the consolidated financial statements come from individual regional financial statements, unadjusted for participating interests or consolidation entries.

Summary of currencies and average exchange rates for 2005

Country	Currency	Name	Average rate of exchange (2005)
			1 EUR ≙
Belarus	BYR	Belarus Rouble	2,590.673575
Bulgaria	BGN	Bulgarian Lev	1.955868
Croatia	HRK	Croatian Kuna	7.366754
Czech Republic	CZK	Czech Koruna	29.794714
Hungary	HUF	Hungarian Forint	248.570718
Liechtenstein	CHF	Swiss Franc	1.547834
Poland	PLN	Polish Zloty	4.021944
Romania	RON	Romanian Leu	3.624081
Russia	RUB	Russian Rouble	34.606866
Serbia	CSD	Serbian Dinar	84.559445
Slovakia	SKK	Slovak Koruna	38.577270
Slovenia	SIT	Slovenian Tolar	239.578342
Ukraine	UAH	Ukrainian Hryvnia	6.088688





AUSTRIA

Area	83,871 km^2
Population	8.1 million
Capital	Vienna
EU accession	1995
Currency	Euro (EUR)
Per capita GDP	EUR 29,800
Real change in GDP versus 2004	1.9 %
Inflation	2.1 %
Insurance density (2004)	USD 2,160 per capita
Insurance penetration (2004)	5.9 %
Growth in the insurance market	9.6 %

Economic development in 2005
After positive growth of 2.4% in 2004, the economy lost some of its momentum in the first half of 2005 only to show a clear upward trend starting in the third quarter. Overall economic growth for 2005 was 1.9%. Inflation also slowed in Austria in 2005, which led to a slight increase in real income. Private consumption grew at a slightly positive rate of 1.4%.

The significant growth engines of the Austrian economy in 2005 were exports, which increased by 3.5%, and capital expenditure, up by 0.8%. An upturn of the export economy was seen from midyear 2005. Suppliers of industrial enterprises, in particular, benefited from the devaluation of the euro in relation to the US dollar. Furthermore, Austrian companies increased their investing activities.

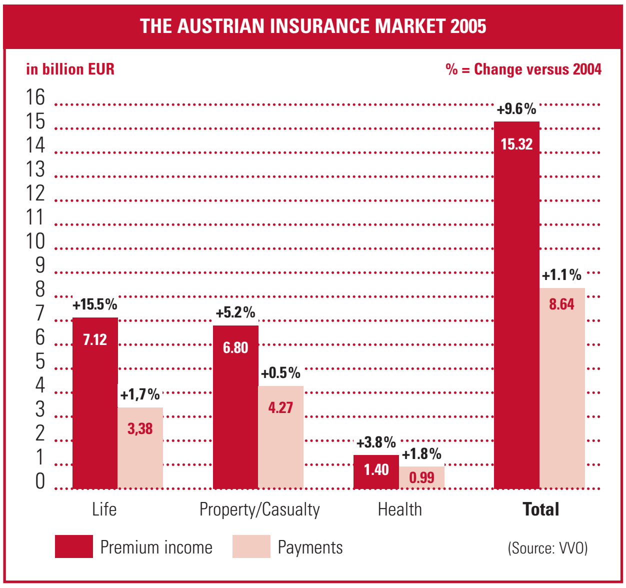
> The total premium volume of the Austrian insurance market grew by 9.6% to EUR 15.32 billion in 2005.

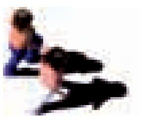
The number of salary/wage earners increased by roughly 1% in 2005. Particularly strong growth was seen in the services segment and in part-time employment. Women, in particular, joined the labour force in increasing numbers. The unemployment rate held steady in 2005 at 5.2% (Eurostat).

Strong performance of the Austrian insurance market
The Austrian insurance economy grew more strongly than expected in 2005. The total premium volume (preliminary numbers) grew by 9.6% to EUR 15.32 billion, with the government-sponsored future pension plan making the greatest contribution to this outcome. The original growth expectations of 5.7% were thus clearly exceeded. On the other hand, payments increased only by 1.1% to EUR 8.64 billion.

In life insurance, the Austrian insurance industry recorded an approximate 15.5% increase in premiums with the premiums from the government-sponsored future pension plan increasing by as much as 42.0%. In addition, good developments in the capital markets and the introduction of company group insurance contributed to this outcome. Payments in the life insurance segment increased by 1.7% in 2005. Health insurance in Austria reported 3.8% premium growth in 2005 while payments in this segment grew by 1.8%. In property and casualty insurance, premium volume grew by 5.2% in 2005. In this segment, insurance payments grew by only about 0.5%.

In an international comparison, the Austrian insurance market shows an extraordinarily good performance. With premium growth of 9.6%, for example, Austria clearly exceeds growth in Germany (3.4%). In Switzerland, the Austrian growth contrasts with a 1.2% decline in premiums.

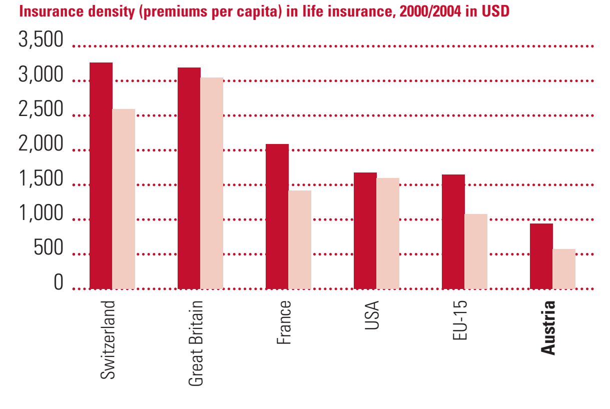




Life insurance shows considerable potential

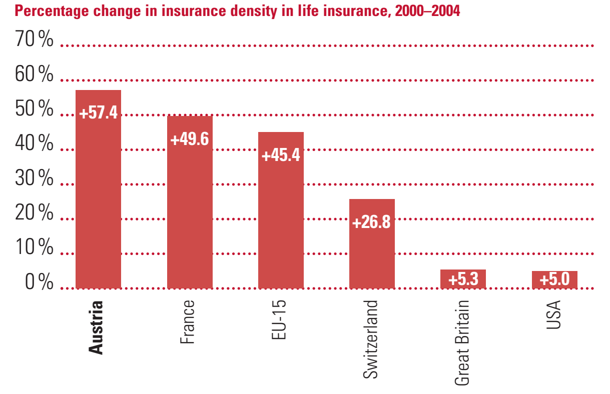
The Austrian insurance market is a developed market; however, its insurance density, in life insurance in particular, is clearly below the average of the Western European countries. While the insurance density of the EU-15 is approximately USD 1,640 per year for life insurance, in Austria it is approximately USD 955 per year. However, the developments in recent years show that insurance density in Austria is growing faster. Insurance density in Austria increased by about 57.4% from 2000 to 2004 while the average for the EU-15 was only about 45.4%.

THERE IS STILL GREAT POTENTIAL IN LIFE INSURANCE



(Source: Swiss Re, Sigma Nr. 2/2005)

ROBUST RECOVERY IN AUSTRIA



(Source: Swiss Re, Sigma Nr. 2/2005)

> All Austrian companies of the Vienna Insurance Group were able to post a double-digit growth in life insurance premiums in 2005.

THE VIENNA INSURANCE GROUP IN AUSTRIA

In addition to Wiener Städtische AG, the Vienna Insurance Group in Austria includes Donau Versicherung, Bank Austria Creditanstalt Versicherung and Union Versicherung (included proportionally with 45%).

Vienna Insurance Group in Austria

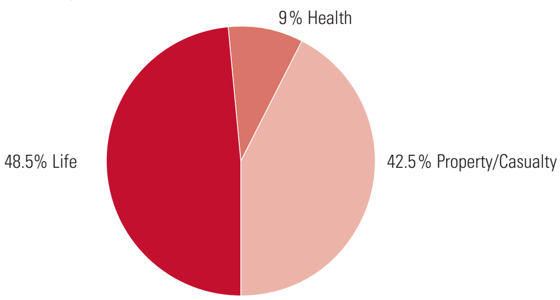
in million EUR	2005	Change versus 2004
Premiums written	3,170.97	+14.7 %
Life	1,537.85	+24.8 %
Non-life	1,633.12	+6.6 %
Result before taxes	144.52	+32.8 %

At the same time, Wiener Städtische AG is an operating insurance company and group parent of Vienna Insurance Group. It offers products in the life, property and casualty and health insurance classes. Donau Versicherung, the Group' largest domestic insurance company investment held, is active in both non-life and life insurance throughout Austria. Union Versicherung and BA-CA Versicherung are active almost exclusively in the life insurance business; however, they also offer casualty insurance products to complement their product range. Furthermore, the Vienna Insurance Group holds financial investments in Wüstenrot Versicherung and Sparkassen Versicherung.

Austria is currently the largest market for the Vienna Insurance Group. In fiscal year 2005, approximately two thirds of the Group's premiums and two thirds of the Group's income were generated in Austria. Overall, Vienna Insurance Group generated premium income of EUR 3,170.97 million in Austria in 2005. Life insurance contributed EUR 1,537.85 million, health insurance EUR 288.09 million and property and casualty insurance EUR 1,345.03 million to this result. The graphic below shows the breakdown of premiums by individual classes.

BREAKDOWN OF PREMIUMS IN AUSTRIA

Base: Gross premiums written 2005



Market leader in property/casualty and life insurance
Vienna Insurance Group holds a leading position in the Austrian insurance market. Both in life insurance and in property and casualty insurance, the Vienna Insurance Group holds the leading position based on direct premiums in 2005. In health insurance, which Vienna Insurance Group offers only through Wiener Städtische AG in Austria, the Vienna Insurance Group is the second largest provider in the market. The market share in all classes was somewhat over 20%.

Broad area of coverage
The Vienna Insurance Group is represented in all regions of Austria through a close network of offices and customer advisors. Furthermore, branches also exist in Italy and Slovenia.

Sales
The products of the Vienna Insurance Group are sold in Austria and in all countries where the Vienna Insurance Group operates, as part of a multi-brand strategy to take best advantage of the well-known brand names the Group´s companies introduced. Various distribution channels are used. The employed sales staff is particularly well developed in Austria. The products are also marketed through brokers, insurance agents, banks, financial advisers and the Internet.

> The Vienna Insurance Group is represented in all regions of Austria through a close distribution network.

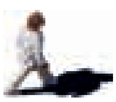
Wiener Städtische AG and Donau Versicherung have a well-developed and effective sales force; however, they also sell a considerable volume of their products through brokers and banks. In contrast, most of Union Versicherung's and BA-CA Versicherung's insurance policies are sold through Bank Austria Creditanstalt AG. Through cooperative agreements with the two largest financial institutions in Austria, Erste Bank Group and Bank Austria Creditanstalt AG, the Vienna Insurance Group has exceptionally strong sales through banks.

Wiener Städtische AG

As an individual company, Wiener Städtische AG is the largest insurance company in Austria. The company, whose roots go back to 1824, is active in all segments of the Austrian insurance market nationwide. Wiener Städtische AG has been listed on the Vienna Stock Exchange since 1994. Wiener Städtische AG is not only Austria's leading insurance company but is the parent company of the multinational Vienna Insurance Group.

Outstanding business development in 2005
Across all classes, premiums written came to EUR 2,160.62 million in 2005, up 14.1% from 2004. As in recent years, Wiener Städtische AG grew at a significantly faster rate than the 9.6% growth of the Austrian insurance market. Roughly 42% of Wiener Städtische AG's premiums written in 2005 were made up of property and casualty insurance, roughly 45% of life insurance and roughly 13% of health insurance.

The year 2005 was very successful for Wiener Städtische AG in property and casualty insurance. Premiums written increased significantly and rose by approximately 8.6% in





2005 compared to the previous year to EUR 909.75 million. Special emphasis should be placed on the significant premium increase of Wiener Städtische AG in the non-motor classes in which Wiener Städtische AG was able to increase its premiums by more than 8.2% compared to the previous year to EUR 612.18 million. The motor vehicle classes also generated significant growth in premiums of 10.1% to EUR 331.48 million. The combined ratio after reinsurance was further improved to 94.1%

As an individual company, Wiener Städtische AG is the largest insurance company in Austria.

In life insurance, premiums written were gratifyingly increased by 24.0% compared to 2004 to EUR 962.79 million. Of the earned premiums, approximately EUR 632.91 million (+12.5%) were accounted for by life insurance policies with regular payment of premiums and approximately EUR 349.57 million (+51.9%) by one-time premium products. In addition to the excellent sales result, the increase in premiums is also attributable to the newly marketed corporate group insurance with a premium volume of approximately EUR 36 million.

The premium written income from health insurance came to EUR 288.09 million last fiscal year. This reflects an increase of approximately 2.9% compared to 2004.

Successful capital increase

In December 2005, Wiener Städtische AG implemented a successful capital increase and generated proceeds of approximately EUR 910 million. These proceeds are primarily to be invested in the further expansion of the Vienna Insurance Group in Central and Eastern Europe.

Rating A +

The international rating agency Standard & Poor's assigned Wiener Städtische AG a rating of A+ (outlook: stable). This excellent rating is a sign of the company's financial stability and its positive prospects for the future.

Local presence, customers and products

Proximity to the customer and high quality service are important characteristics of Wiener Städtische AG. With almost 2,000 consultants in approximately 170 offices, it offers its services in all provinces of Austria.

Both in the business customer segment, which in Austria is primarily made up of a large number of dynamic small and medium-sized companies and in the private customer segment, Wiener Städtische AG is one of the leading companies in the Austrian insurance market.

The product range is highly flexible. The customer chooses from core products that can be complemented with appropriate modules and adapted to individual needs. A high value is placed on the rapid development of new solutions.

Sales

In sales, Wiener Städtische AG follows a consistent multi-channel strategy. The sales backbone is the salaried sales staff. In recent years extensive efforts have been made to expand the sales staff and raise the qualifications of sales employees to an above-average level.

In addition to the company's own sales staff, brokers, insurance agents and cooperation with financial institutions are very important to the sales network. The premium growth rates of recent years, which exceed the market average, are proof that this path has been extremely successful.

Outstanding advertising campaigns

The company's advertising campaigns were honoured with a number of awards in 2005. Especially successful was the advertising campaign in connection with the Wiener Städtische AG capital increase, which won first place in posters, city lights and rolling boards from GewistaAußenwerbeMedienAnalyse (GAMA) in December 2005.

Donau Versicherung is the largest Austrian insurance affiliate in the Vienna Insurance Group.

Donau Versicherung

Donau Versicherung is the largest fully consolidated Austrian insurance affiliate in the Vienna Insurance Group. Wiener Städtische AG holds a roughly 90% stake in Donau Versicherung. Erste Bank and Sparkassen Versicherung each hold about 5%. Donau Versicherung is represented by approximately 70 offices in all of the Austrian provinces and has been a partner of the Sparkassen segment for many years. The Sparkassen and Erste Bank are marketing partners of Donau Versicherung in the property insurance segment.

Double-digit growth in total premium volume

With premium growth of approximately 14.9% to EUR 641.04 million, new and innovative products contributed to the success of Donau Versicherung in 2005. In life insurance, premium income was even increased by 41.2%. In company pension plans, Donau Versicherung is one of the market leaders with its customized solutions for companies. With premium growth of roughly 5.3%, Donau Versicherung is also above the industry average of 5.2% in property and casualty insurance. Due to the good claims history in 2005 and the optimization of costs, the combined ratio for 2005 is clearly under 100%.

Government involvement in pension and casualty insurance reached its limit in recent years. The private insurance companies are thus faced with the challenge of offering solutions in this area. With its "BonusPension", Donau Versicherung offers an attractive government-sponsored future pension plan to make it possible for its customers to enjoy their accustomed standard of living even in retirement. One innovation in Donau Versicherung's product policy is its life cycle-oriented view of the customer. Because needs and demands change over the course of a lifetime, Donau Versicherung offers the possibility to adapt insurance protection to the needs of a particular time of life. In early 2005, Donau Versicherung placed its new "Berufsunfähigkeits-Vorsorge" (disability pension plan) on the market. The independent rating firm Franke and Bornberg awarded the product its highest rating. There is high potential for disability insurance in the Austrian market. Formerly only 0.6% of the population carried disability protection. In Germany on the other hand, 30% of all gainfully employed persons have such protection.

As regards the Austrian Insurance Broker Association's Austrian Insurance Industry Award, Donau Versicherung was among the top five in all classes in which it operates. A survey confirmed that customers are satisfied with Donau Versicherung's service; roughly 84% of the persons asked said that they were "very satisfied" or "satisfied" with Donau Versicherung's claims processing. Donau Versicherung was also successful in advertising in 2005. The market research firm Focus considered Donau Versicherung's poster series on private pensions in the summer 2005 the most informative campaign.

MyDon@u

Donau Versicherung's online policy information service for customers has become established on the market in the last two years. Through this means, Donau Versicherung offers its customers information concerning their insurance policies via the Internet. Customers have access free of charge to MyDon@u, the new area of the company website that is only accessible to customers. Customers of Donau Versicherung can register directly at www.donauversicherung.at. It enables customers to obtain the most up-to-date information about all their policies. For unit-linked life insurance, the customer can obtain the current price for his/her fund with a mouse click. For 2006, it will also be possible to obtain a confirmation for the revenue office on claims for special expenses via MyDon@u.

Bank Austria Creditanstalt Versicherung

BA-CA Versicherung, in which Wiener Städtische AG holds a 90% stake and Bank Austria Creditanstalt AG holds 10%, has operated under combined administration with Union Versicherung since October 2004. Both companies continue to function as independent companies. However, to utilize synergy effects, the back office area was combined and a product range was developed to be as uniform as possible. In addition, both companies maintain joint administrative offices in Vienna. In the life insurance segment, both insurance companies primarily use the bank branches of Bank Austria Creditanstalt AG as a common distribution channel.

Specialised in unit-linked life insurance policies

The life insurance business is BA-CA Versicherung's mainstay. BA-CA Versicherung offers a broad spectrum of pension and investment products. The product range includes pension plans, education plans, family protection, capital formation and investment as well as traditional risk coverage. Therefore traditional life insurance products, unit-linked and index-linked insurance polices as well as guaranteed products are offered. A special product of BA-CA Versicherung is the checking account insurance policy to protect against negative balances in checking accounts in the event of death. In the business products segment, the spectrum includes products to cover pension commitments, provisions for severance pay and government-sponsored future pension plan.

In property and casualty insurance, BA-CA Versicherung only operates in the casualty insurance business and offers various casualty insurance products with different types of benefits tailored to the special needs of the target groups. BA-CA Versicherung concentrates primarily on business with private customers.

Further increase in premium income in the life and casualty insurance classes.

The total premium volume came to EUR 201.35 million in 2005 compared to EUR 161.99 million the previous year (+24.3%). With a more than 99% share of total premium income, life insurance represents the dominant line of business. EUR 200.18 million (+25.1%) was attributed to this segment. The single premium business provided the major stimulus and recorded growth of 35.9% to EUR 117.46 million in 2005. However, BA-CA Versicherung produced also pleasing results in the core business of life insurance with renewable premiums with 12.5% growth to EUR 82.72 million. In casualty insurance, the premiums amounted to EUR 1.17 million.

Expansion of the product range

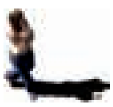
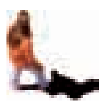
The product range was also expanded in 2005. "SinfonieInvest" combines the safety of traditional endowment insurance with the yield opportunities of a unit-linked investment. The "GoldenGate Pension" offers added flexibility to the "Pensionsmanagement" product offered since 2002, which offers the customer a higher private pension with a time limit.

> BA-CA Versicherung and Union Versicherung have operated under combined administration since October 2004.

Union Versicherung

Union Versicherung has been active in the Austrian insurance market for more than 20 years and primarily operates in the life insurance business. In addition, Union Versicherung is active as a casualty insurer. Wiener Städtische AG and ERGO International AG each hold a 45% stake in Union Versicherung. Bank Austria Creditanstalt AG holds a 10% interest. Since October 2004, Union Versicherung has operated under combined administration with BA-CA Versicherung.

Union Versicherung is a life insurance company specializing in private pension plans, capital formation and risk coverage. The core business is life insurance with regular premiums having a provident nature. In the one-time premium segment, unit- and index-linked life insurance policies have gained in importance for Union Versicherung. The product portfolio of Union Versicherung, which was simplified as a result of the combined administration with BA-CA Versicherung, includes various niche products that were specially developed for bank sales due to the company's close collaboration with Bank Austria Creditanstalt AG.


Like BA-CA Versicherung, Union Versicherung also offers a checking account insurance policy. In addition, it offers special products combining the elements of traditional life insurance with those of unit-linked life insurance, such as "JokerLife" and "SinfonieInvest". With the "Junior Care" product, Union Versicherung also offers insurance for children and adolescents. Casualty insurance rounds out the product range.

Like BA-CA Versicherung, Union Versicherung concentrates its business on the private customer segment.

A successful year in 2005

Union Versicherung increased its premium volume in life insurance by approximately 12.1% from EUR 328.39 million in 2004 to EUR 368.12 million in 2005. Of particular significance is the extraordinarily high premium rise in the one-time premium segment of approximately 24.2% to EUR 160.62 million. In the core business of life insurance with regular premiums, it was also possible to expand premium income by roughly 4.3% to EUR 207.49 million. In casualty insurance, a premium volume of EUR 5.12 million was generated, nearly unchanged from 2004. Product expansions should broaden the position of this segment in 2006.

> The goal of Vienna Insurance Group is a continous increase in earnings and revenues.

Outlook for Austria

The Austrian Insurance Association expects the Austrian insurance market to grow by 4.1% in 2006. Life insurance is expected to contribute 4.7%, health insurance 3.1% and property and casualty insurance 3.7%. Accordingly, the forecast growth in the insurance industry will clearly exceed that of the overall economy which is projected at 2.4%.

The goal of Vienna Insurance Group is a long-term and continuous increase in earnings and revenues. For that purpose its leading position in the Austrian market is to be expanded further. The Vienna Insurance Group expects growth in all segments roughly matching or exceeding the growth of the Austrian insurance market in 2006. The realignment of the social system, in particular and the associated expansion of private insurance will bring expanded business opportunities in life insurance.

Name	**Wiener Städtische Allgemeine Versicherung AG**
Year founded	1824
Contact	Wiener Städtische Allgemeine Versicherung AG Schottenring 30 A-1010 Wien Tel.: +43 (0) 50 350-20000 Fax: +43 (0) 50 350 99-20000 mail-us@staedtische.co.at www.wienerstaedtische.at

Name	**Donau Allgemeine Versicherungs-AG**
Proportion held	89.47 %
Year founded	1867
Contact	Donau Allgemeine Versicherungs-AG Schottenring 15 A-1010 Wien Tel.: +43 (0) 50 330-70000 Fax: +43 (0) 50 330 99-70000 donau@donauversicherung.at www.donauversicherung.at

Name	**Bank Austria Creditanstalt Versicherung AG**
Proportion held	90.00 %
Year founded	1990
Contact	Bank Austria Creditanstalt Versicherung AG Schottenring 27–29 A-1010 Wien Tel.: +43 (1) 313 83-0 Fax: +43 (1) 313 83-27490 office@ba-cav.at www.ba-cav.at

Name	**Union Versicherungs-AG**
Proportion held	45.00 %
Year founded	1984
Contact	Union Versicherungs-AG Schottenring 27–29 A-1010 Wien Tel.: +43 (1) 313 83-0 Fax: +43 (1) 313 83-27490 office@union.at www.union.at

ITALY

Economy

2005 was a difficult year for the Italian economy. Weak industrial productivity, low employment and significant aging of the population are placing a burden on the Italian economy, which was stagnant in 2005 (0.0% growth in GDP). However, the aging population and lack of trust in the government create good opportunities for the insurance industry in the life insurance market.

Area	301,277 km^2
Population	58.5 million
Capital	Rome
EU accession	1952
Currency	Euro (EUR)
Per capita GDP	approximately EUR 23,500
Real change in GDP versus 2004	0.0 %
Inflation	2.2 %
Insurance density (2004)	USD 2,218 per capita
Insurance penetration (2004)	7.6 %
Growth in the insurance market	12.6 %

The Italian insurance market grew by 12.6%, due to strong growth in bank distribution.

Increasing importance of bank distribution

The Italian insurance market grew by 12.6% compared to the previous year to EUR 53.03 billion, due primarily to strong growth in bank distribution. At the same time that traditional distribution channels (investment advisors, agencies) have become significantly less important in the Italian insurance market, distribution through banks has greatly increased. Approximately 77% of all new premiums were already being earned from bank distribution in 2005.

Branch office in Italy

Wiener Städtische AG operates through a branch office in Italy, where it concentrates on the life insurance business. In 2005 bank distribution was strengthened. This was Wiener Städtische AG's most important distribution channel in Italy at the end of the year. The unit-linked single-premium life insurance product, "United Funds of Success", is already being sold successfully through this new distribution channel. Sales could be further increased by new cooperative arrangements with investment advisors.

Wiener Städtische AG scores with quality and stability with Italian customers. Because Austrian products are being sold, the

An even wider range of products has been available to Wiener Städtische AG in Italy since the beginning of 2006.

actuarial interest rate guaranteed in Austria applies, as well as some of the strict regulations of the Austrian insurance regulatory authority.

A more transparent insurance market

Due to a new directive issued by the Italian insurance regulatory authority, as of 1 December 2005, all insurance companies operating in Italy are required to publish tariff-related costs, thereby ensuring the greatest possible transparency for customers. These provisions will have positive repercussions on Wiener Städtische AG's competitiveness in 2006, since its products are thoroughly competitive both in terms of premiums and benefits. It is expected that bank distribution, which is to be promoted further in 2006, will particularly profit from this development. At the same time, an even wider range of products, largely matched to the Austrian product range, has been available to Wiener Städtische AG Italy since the beginning of 2006.

Expansion of Donau Versicherung

Donau Versicherung also intends to open a branch office in Italy. The company has already been operating very successfully in Italy for several years under the EC Treaty's freedom to provide services. Until now, the regional focus of Donau's distribution activities has been the South Tyrol region. A branch office headquartered in North Italy is to be founded before the end of this year in order to intensify sales of non-life insurance products, primarily through brokers.

Name	**Wiener Städtische Allgemeine Versicherung AG**
Year founded	1999
Contact	Wiener Städtische Allgemeine Versicherung AG Via Cristoforo Colombo 149 I-00147 Rome Tel.: +39 (06) 510 70 11 Fax: +39 (06) 510 70 129 wiener@wieneritalia.com www.wieneritalia.com

SLOVENIA

Economic environment

The Slovenian economy reached growth in 2005 of 3.8%, fuelled primarily by strong foreign demand. Additional impetus for the benign economic trend came from the inflation rate, which fell to 2.5% despite the high oil prices and an employment rate that was up 4% from the year before. Slovenia is thus poised to fulfil the Maastricht criteria, a key requirement for joining the euro area and as early as 2007 will probably become the first of the new EU-countries to introduce the euro as its currency.

Double-digit growth in Slovenia's life insurance market

Since the country's accession to the EU in 2004, the Slovenian life insurance market has changed greatly. Slovenia's life insurance sector is growing at a double-digit rate that owes much to pension insurance and the successful partnerships between banks and insurance companies. Several international insurers are now operating in Slovenia, but most of the market players are under Slovenian ownership, with the largest belonging to the state. The next few years are likely to see privatisations. Austria is the largest source of foreign investment in the insurance industry.

Area	20,273 km^2
Population	2.0 million
Capital	Ljubljana
EU accession	2004
Currency	Slovenian Tolar (SIT)
Exchange rate	1 Euro = SIT 239.58
Per capita GDP	EUR 13,750
Real change in GDP versus 2004	3.8%
Inflation	2.5%
Insurance density (2004)	USD 920 per capita
Insurance penetration (2004)	5.6%

Double-digit growth in Slovenia's life insurance market.

Successful market entry

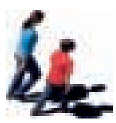
With Slovenia's EU accession in May 2004 the legal requirements were met for establishing a branch office of Wiener Städtische AG, which opened in the same year. Through this new branch, the Vienna Insurance Group can now cater for Austrian investors (among others) in Slovenia. With strong distribution through brokers, agencies and banks, the company thus already became entrenched in the Slovenian insurance market in the very first full year.

The activities here centre squarely on life insurance, with the modern investment vehicle of unit-linked contracts selling particularly well in the Slovenian market. The non-life segment as well generated attractive premium growth in the first year.

Wiener Städtische AG is the top sponsor of Slovenia's national ski association. Some 10,000 ski association members are protected by accident insurance from Wiener Städtische when skiing anywhere in Europe.

Outlook for 2006

The highest priority in 2006 will be the expansion of the distribution network. Collaboration with exclusive agencies as well as bancassurance are to ensure future sales success. However, the right products are needed to take advantage of the market



opportunities. Alongside the existing, proven products, the basis for continued success in 2006 was laid with Limited Edition "Best of Europe".

Wiener Städtische AG sees one of the big sales opportunities in tailored commercial insurance packages, which are designed jointly with the Group's head office. Among the key selling points for these is the Group's high degree of financial strength, documented, for example, by a rating of A+ from Standard and Poor's.

In non-life business, it is especially home contents and home buildings insurance products, with their transparent policy terms and clear lead in advantages, that give us a competitive edge in the market.

Name	**Wiener Städtische zavarovalnica Podružnica v Ljubljani**
Year founded	2004
Contact	Wiener Städtische zavarovalnica Podružnica v Ljubljani Masarykova cesta 14 SI-1000 Ljubljana Tel.: +386 (0) 1 300 17 00 Fax: +386 (0) 1 300 17 09 mail-us@wienerstaedtische.si www.wienerstaedtische.si

Towards success in the

The Vienna Insurance Group is making excellent progress in Austria, Italy, Slovenia, Serbia and Montenegro, the Ukraine, Hungary, Belarus, Germany and Liechtenstein.

East.

the Czech Republic, Slovakia, Bulgaria, Georgia, Croatia, Poland, Romania, Russia,

E

CZECH REPUBLIC

Area	78,866 km^2
Population	10.2 million
Capital	Prague
EU accession	2004
Currency	Czech Koruna (CZK)
Exchange rate	1 Euro = CZK 29.795
Per capita GDP	EUR 9,490
Real change in GDP versus 2004	4.9%
Inflation	1.9%
Insurance density (2004)	USD 431 per capita
Insurance penetration (2004)	4.2%
Growth in the insurance market	3.5%

Economy
Since early March 2005, the World Bank has ranked the Czech Republic among the developed industrial nations, this upgrade being due to the progress made in recent years. In 2005, the economy grew at a rate of 4.9%, unemployment was reduced by 0.8 percentage points to 9.0% and private consumption increased by 2.9%. Sustained economic growth is expected in the next years. Due to income tax reform, an improved labour market situation and more favourable financing conditions, this will primarily impact private consumption. The insurance industry will also profit from the increasing consumption.

> Kooperativa Prague is currently the largest Vienna Insurance Group company outside of Austria.

Insurance market
Currently 27 insurance companies are active in the Czech insurance market. Except for the largest one, all large insurance companies are controlled by foreign companies. The five leading insurance groups hold three-fourths of the total Czech insurance market.

With total premiums of EUR 3.88 billion, the Czech insurance market grew by 3.5% compared to the previous year. This growth was slower than in the previous years, which is primarily attributable to noticeably more intense competition in the motor vehicle segment. The life insurance segment grew by 1.5% to EUR 1.51 billion; the non-life insurance segment increased by 4.8% compared to 2004 to EUR 2.37 billion and at 60.4% accounted for the greatest share of the total premium volume.

Vienna Insurance Group in the Czech Republic*

in million EUR	2005	Change versus 2004
Premiums written	891.51	27.0%
Life	218.96	27.9%
Non-life	672.54	26.7%
Result before taxes	60.09	51.2%

* ČPP recognized from 1st July 2005

Two-brand strategy in the Czech Republic
The Vienna Insurance Group also pursues a consistent multi-brand strategy in the Czech Republic and is represented by the two insurance companies Kooperativa pojišťovna (Kooperativa Prague) and Česká podnikatelská pojišťovna (ČPP). Together, the two companies hold a 26.4% market share and obtain the second place in the market.

Kooperativa Prague

Kooperativa Prague, which is active in all classes of insurance, is currently the largest Vienna Insurance Group company outside of Austria. It employs more than 3,500 persons and, with more than 300 offices, covers the entire Czech Republic. With a market share of 22.9%, it holds a second place in the market. Its dynamic growth is further reducing the distance to the market leader.

Kooperativa Prague was again able to achieve record results in 2005. Kooperativa Prague was once again the most successful insurance company in the Czech market with the highest absolute increase in premiums written, which increased by 17.7% from EUR 702.00 million in 2004 to EUR 826.24 million in 2005. Kooperativa Prague's increase in premiums was thus clearly above the increase in the Czech insurance market. Kooperative Prague generated EUR 202.61 million in the life insurance segment and EUR 623.62 million in the non-life insurance segment. Now Kooperativa Prague holds more than one million personal insurance policies.

This sales momentum is primarily based on the high sales quality as well as the outstanding cooperation with Kooperativa's banking partner, the financial group Česká spořitelna.

Cooperation with Česká spořitelna

The cooperation with Česká spořitelna Bank, which is part of Erste Bank Group, made it possible to increase Kooperativa Prague's bank sales. Česká spořitelna Bank is the largest bank in the Czech Republic with more than 5 million customers, more than 10,000 employees and 646 branches. The bank advises its customers on insurance matters and offers Kooperativa Prague's products. Customers of Kooperativa Prague have the option of paying their insurance premiums using Česká spořitelna's automatic teller machines. Česká spořitelna is the first bank which offers these services. In return, Kooperativa Prague is very successful in arranging banking products for its customers, primarily pension funds and building society savings agreements.

> In 2005, Kooperativa Prague was recognized for the fourth time as "Insurance company of the Year".

Kooperativa receives numerous awards

In 2005, Kooperativa Prague again received a number of significant awards. This is proof that both the industry and the broad public are aware of the quality and successes of the company. In particular, it again received the prestigious "Insurance Company of the Year" award, which is presented annually by insurance brokers. In addition to the main category, Kooperativa Prague also won in the "claims adjustment", "cooperation with brokers" and "industrial and corporate insurance" categories.

Česká podnikatelská pojišťovna (ČPP)

Since midyear 2005, the Vienna Insurance Group has been represented in the Czech market by a second brand, Česká podnikatelská pojišťovna (ČPP). In May 2005, Kooperativa Prague purchased ČPP, which covers the entire Czech insurance market with approximately 80 branch offices and about 700 employees. ČPP is a composite company that was formed in 1995 and primarily offers products in motor vehicle liability insurance but also in life and casualty insurance. ČPP primarily addresses its products to the local rural population. ČPP primarily sells its products through insurance brokers, insurance agents and network marketing.

Due to the acquisition of ČPP in the middle of the year 2005, only the result from the 2^{nd} half is recognized in the income statement. In the 2^{nd} half of 2005, ČPP generated premiums written of EUR 65.27 million. Of that amount, EUR 16.35 million was attributable to life insurance and approximately EUR 48.92 million to non-life insurance with the focus on motor vehicle insurance. The growth in motor vehicle own-damage insurance is primarily attributable to the introduction of the "Jubiläumsversicherungspaket" (Anniversary Insurance Package) product. Special features of the product include expanded driver's accident coverage, windshield damage and animal collision insurance. ČPP sees a great potential to sell expanded own-damage insurance coverage to motor vehicle liability insurance customers in the regions.

In 2005, the life insurance products were modified to enable customers to take optimal advantage of the tax advantages offered by the government. The most important condition is that the insured and the policyholder must be one and the same person, which makes it possible to obtain considerable tax advantages. The product spectrum ranges from capital forming insurance policies for adults and children, to pension insurance polices.

Kooperativa Prague and ČPP have the ideal conditions for further increasing their market share in 2006.

Outlook

Despite the rather low growth rate of the Czech insurance market in 2005 and insurance penetration approaching Western European standards, the insurance industry still has enormous potential. A high catch-up potential exists in life insurance in particular. While life insurance premiums account for approximately 60% of the total premium volume of the insurance industry in Western European countries, they make up only about 40% in the Czech Republic. Both companies of the Vienna Insurance Group intend to take advantage of this opportunity with their high-quality products to further expand their market position in this segment.

Since most Czech insurance companies offer a very similar product range, the customer usually chooses a company based on the quality of service offered. A common back office, an Internet presence geared to customers' needs and a friendly and competent staff provide both Kooperativa Prague and ČPP the ideal conditions to strenghten or to increase their market share in 2006.

Name	**Kooperativa pojišťovna, a.s.**
Proportion held	87.67 %
Year founded	1990
Contact	Kooperativa pojišťovna, a.s. Templová 747 CZ-110 01 Praha 1 Tel.: +420 (2) 21 000 111 Fax: +420 (2) 21 000 410 info@koop.cz www.kooperativa.cz

Name	**Česká podnikatelská pojišťovna, a.s.**
Proportion held	87.67 %
Year founded	1995
Contact	Česká podnikatelská pojišťovna, a.s. Budějovická 5 CZ-140 21 Praha Tel.: +420 (2) 61 02 2170 Fax: +420 (2) 61 02 3313 pojistovna@cpp.cz www.cpp.cz

SLOVAKIA

Slovakia is a growth market

In 2005, Slovakia was one of the new EU member states with the highest growth rate. In the 4^{th} quarter of 2005, the Slovak economy achieved the highest growth in gross domestic product in its history: 7.5%. For all of 2005, economic growth was 5.6%. The positive trend in economic development was also evident in the lower unemployment rate and the increase in real wages. The resulting strengthening of consumer confidence supported increased consumption in the Slovak market. Standard & Poor's raised its country rating for Slovakia to "A", reflecting the favourable general economic prospects.

Area	49,034 km^2
Population	5.4 million
Capital	Bratislava
EU accession	2004
Currency	Slovak Koruna (SKK)
Exchange rate	1 Euro = SKK 38.577
Per capita GDP	EUR 6,850
Real change in GDP versus 2004	5.6%
Inflation	2.7%
Insurance density (2004)	USD 276 per capita
Insurance penetration (2004)	3.6%
Growth in the insurance market	9.9%

In the 4^{th} quarter of 2005, the Slovak economy achieved with 7.5% the highest growth in gross domestic product in its history.

Introduction of a three-pillar pension insurance system

One of the most significant changes for the Slovak population last year was pension reform, which converted the pension insurance system to a three-pillar system. The model consists of statutory pension insurance (1^{st} pillar), commercial retirement savings (2^{nd} pillar) and private pension insurance (3^{rd} pillar). In addition to the first pillar, in which insurance protection is mandatory, in the second pillar, employees may elect until midyear 2006 to pay into commercial retirement savings. However, for employees and businesspersons who did not come under mandatory pension insurance until 1 January 2005, commercial retirement savings is obligatory. The contribution to the statutory insurance is then reduced accordingly. The third pillar is supplemental insurance, which each employee and businessperson may choose voluntarily in order to receive a higher pension. Favourable tax treatment makes this option very attractive to customers.

The Slovak insurance market

In 2005, 28 insurance companies were active in Slovakia. Due to the high concentration of the insurance market, the ten largest companies had approximately 90% market share.

A convergence of banks and insurance companies is evident in the services sector as considerable growth potential is still seen in the development of common banking and insurance products (e.g. loans with residual debt insurance). The bank merger trend and the market entry of additional international financial groups continued in 2005. Foreign expertise significantly expanded the range of insurance products and services available in the Slovak market.

Vienna Insurance Group in Slovakia

in million EUR	2005	Change versus 2004
Premiums written	330.94	+15.6%
Life	105.27	+28.4%
Non-life	225.68	+10.4%
Result before taxes	24.98	+24.5%

Vienna Insurance Group represented by three companies in Slovakia

The Vienna Insurance Group is represented by three insurance companies in Slovakia: Kooperativa poisťovňa (Kooperativa Bratislava), Kontinuita poisťovňa and Komunálna poisťovňa. Kooperativa Bratislava is a wholly owned subsidiary of Wiener Städtische AG and is the parent company of the two other insurance companies. The Vienna Insurance Group holds an impressive second position in the Slovak market. In 2005, the market share was expanded by 2.9 percentage points to 26.8%.

2005 was marked by process optimization in the common back office area of the three Slovak companies. On the one hand, this cooperation makes it possible to save costs but it also brings an increase in quality and efficiency in customer service and administration.

Centralized claims adjustment

The program to improve quality in the area of claims adjustment that had been started in 2004 was continued during 2005. Claims adjustment for the entire Vienna Insurance Group has been performed centrally in Slovakia since 1 January 2005, ensuring optimum processing of claims. The companies set up their own service departments in the Slovak offices, guaranteeing convenient and speedy benefits processing for customers.

For the fourth year in a row, Kooperativa Bratislava received the “Insurance Company of the Year” award.

Kooperativa Bratislava

Kooperativa Bratislava offers non-life and life insurance products. The company covers the entire country with approximately 400 branch offices and employed 969 persons at the end of 2005.

Kooperativa Bratislava’s positive business development of recent years made it necessary to enlarge the company’s headquarters in the heart of Bratislava. The addition was officially inaugurated during the festivities celebrating the company's fifteenth anniversary.

In 2005, Kooperativa Bratislava increased its premiums written by 12.5% compared to 2004 to EUR 263.45 million. The approximate 9.0% growth to EUR 193.67 million in non-life insurance is attributable, among other things, to the introduction of the successful motor vehicle own-damage product “Eurokasko”, which includes protection while abroad. With life insurance, the growth was as high as 23.6%, generating premium volume of EUR 69.79 million.

2005 Insurance Company of the Year

For the fourth year in a row, Kooperativa Bratislava received the “Insurance Company of the Year” award, which is presented annually by the respected Slovak business journal “Trend”. The evaluation criteria included profitability, cost ratios and change in market share.

Slovenská sporitel’ňa – the strategic partner

In 2005, Kooperativa Bratislava intensified its cooperation with Slovenská sporitel’ňa, which is part of the Erste Bank Group. With approximately 350 branches and approximately 2.5 million customers, Slovenská sporitel’ňa is the largest bank in Slovakia. Non-life insurance products of Kooperativa Bratislava are offered in all bank branches. In return, Kooperativa Bratislava’s sales network actively offered its customers selected Slovenská sporitel’ňa banking products, as needed, during 2005.

Komunálna poisťovňa

Komunálna poisťovňa has been part of the Vienna Insurance Group since 2001. Komunálna poisťovňa specializes in covering the insurance needs of local government units and companies. The company is active in all insurance classes; however, its focus is on the non-life segment, particularly motor vehicle liability insurance in which premiums were increased by approximately 20% compared to the previous year. Total premiums written in 2005 came to EUR 34.36 million, reflecting a 20.9% increase compared to 2004. Product upgrades and favourable tax treatment for employees and employers have made life insurance increasingly attractive for customers.

Pension reform increased the attractiveness of the life insurance industry in Slovakia.

Because of its good business results in 2005, the Slovakian business journal "Trend" put Komunálna poisťovňa in third place among the most successful insurance companies in Slovakia.

Kontinuita poisťovňa

Kontinuita poisťovňa has been part of the Vienna Insurance Group since 2003 and concentrates exclusively on life insurance. In 2005, Kontinuita generated a premium volume of EUR 33.13 million, up 39.2% from the previous year. With a 5.7% life insurance market share, the company attained fifth place in this market in 2005. This dynamic growth is also evident in the almost 20,000 newly issued life insurance policies, reflecting a 50% increase compared to the year before.

In 2005, a strong emphasis was placed on the sale of unit-linked life insurance policies and pension insurance policies in view of the ongoing pension reform. The economic research institute Symsite Research confirmed the outstanding quality of its products by choosing the "Kapital" product as the best endowment and whole life insurance policy and the "Penzia" product as the best pension insurance.

In addition to increased cooperation with brokers, field sales staff was also increased in 2005. This expansion is to be continued in 2006.

Outlook for 2006

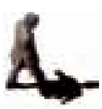
Pension reform and the resulting tax benefits for private pensions increased the attractiveness of the still relatively young life insurance industry in Slovakia. The three Slovak companies of the Vienna Insurance Group intend to use this potential to attract numerous new customers in 2006 as well.

The Vienna Insurance Group wants to further increase its market share in Slovakia in 2006. This is to be achieved through a ongoing expansion of the existing distribution channels based on its outstanding product portfolio.

Name	**Kooperativa poisťovňa, a.s.**
Proportion held	100 %
Year founded	1990
Contact	Kooperativa poisťovňa, a.s. Štefanovičova 4 SK-816 23 Bratislava Tel.: +421 (2) 572 99 210 Fax: +421 (2) 572 99 239 info@koop.sk www.kooperativa.sk

Name	**Komunálna poisťovňa, a.s.**
Proportion held	95.14 %
Year founded	1994
Contact	Komunálna poisťovňa, a.s. ul. Dr. Vladimíra Clementisa 10 SK-821 02 Bratislava 2 Tel.: +421 (2) 48 2105 111 Fax: +421 (2) 48 2105 115 info@kpas.sk www.kpas.sk

Name	**Kontinuita poisťovňa, a.s.**
Proportion held	100 %
Year founded	1997
Contact	Kontinuita poisťovňa,a.s. Rajská 15/a SK-811 08 Bratislava Tel.: +421 (2) 573 70 200 Fax: +421 (2) 573 70 291 info@kontinuita.sk www.kontinuita.sk



Our goal in Central and Eastern Europe: Satisfied customers.

REMAINING CEE-MARKETS

BULGARIA

Pleasing economic development
Bulgaria was able to demonstrate pleasing economic growth of 5.3% in 2005. The employment stimuli associated with the strong economic expansion are manifest in the positive change in the unemployment rate, which nearly reached a ten year low in 2005. Despite the positive economic trend, it will be necessary to systematically press ahead with the reform process so EU accession can take place on 1 January 2007, as scheduled. It will be necessary to step up the intensity of the reform process, especially with respect to the adoption of EU law, reform of public administration and the judicial system and the struggle against corruption.

Motor vehicle insurance is the most important insurance class in Bulgaria.

Adaptation of insurance law to EU standards
Bulgaria's planned entry into the EU on 1 January 2007 requires adaptation of the Bulgarian regulatory and legal framework to EU standards. In this connection, the legal provisions relating to the sale of motor vehicle liability insurance were liberalised in late 2005. This led to strong competition between insurers in this segment of the market in Bulgaria for the first time. Motor vehicle insurance accounts for approximately 65% of the Bulgarian insurance market, consequently this class of insurance has a particularly high significance.

Vienna Insurance Group in Bulgaria

in million EUR	2005	Change versus 2004
Premiums written	10.39	+47.8%
Life	1.46	+44.9%
Non-life	8.93	+48.2%
Result before taxes	0.21	–

Innovative products of Bulgarski Imoti

The Vienna Insurance Group has been represented in Bulgaria by the two Bulgarski Imoti companies for more than three years. In the dynamic and concentrated Bulgarian insurance market (the three leading insurance companies have an approximately 50% market share), the Vienna Insurance Group has positioned itself through Bulgarski Imoti Non-life and Bulgarski Imoti Life as a composite insurer with a well developed network of offices (just under 60 offices). The Bulgarski Imoti companies are specialised in supporting Austrian companies situated in Bulgaria.

Area	110,994 km^2
Population	7.8 million
Capital	Sofia
EU accession	planned for 1.1.2007
Currency	Lev (BGN)
Exchange rate	1 Euro = BGN 1.9559
Per capita GDP	EUR 2,780
Real change in GDP versus 2004	5.3%
Inflation	5.0%
Insurance density (2004)	USD 59 per capita
Insurance penetration (2004)	1.9%

The assumption of the 26% interest of the former minority shareholder HUK-COBURG in the first half of 2005 brings the two Bulgarian companies almost completely under the ownership of the Vienna Insurance Group.

The Bulgarski Imoti companies generated a premium volume of EUR 10.39 million in 2005 and, in so doing, increased their premiums by approximately 50% over the previous year. This growth was achieved both in the non-life and life segments. Overall, the motor vehicle business was dominant last year with motor vehicle liability insurance accounting for 53.3% of the total premium volume.

Among other things, the stepped up business expansion was supported by the fact that shareholders' equity was increased by approximately EUR 8 million. The two companies are thus among the insurers with the highest shareholders' equity component in the Bulgarian market.

The purchase of a new office building as a headquarters for both companies is not only expanded the business but also optimised processing and improved cost efficiency.

Exceptionally attractive insurance products
In 2005, Bulgarski Imoti introduced completely revised, flexible and combinable insurance products to the market. New product launches such as "Houshold+" and "Auto Casco" – which give the customer the option of selecting the risks to cover – are unique and exceptionally attractive in the Bulgarian market.

Bulgaria experienced severe floods in mid-2005, resulting in ruined harvests and destroyed buildings. These dramatic events have led to a change of mind. More and more people see the necessity of private protection from the consequences of natural catastrophes and seek insurance coverage.

The Bulgarski Imoti companies increased theit premiums by approximately 50% in 2005.

With the "Household+" product, Bulgarski Imoti responded to the midyear floods immediately and brought an insurance product to the market that was tailored to customers' needs. "Household+" insures household goods and private dwellings with the option of compensation based on replacement value, e.g. full reimbursement of the costs for repurchase and restoration.

At midyear 2005, Bulgarski Imoti introduced the product "Auto Casco" to the market. This was the first time that a Bulgarian insurer offered motor vehicle own-damage insurance together with liability insurance for travel abroad (Green Card) in a combined product. This product is distinguished by comprehensive insurance protection all over Europe combined with outstanding and need-based service for customers.

Investment in KFS

Through its investment in Kardan Financial Services (KFS) the Vienna Insurance Group is co-owner of the Bulgarian insurance company Bulstrad. With a premium volume of approximately EUR 76 million, the composite company Bulstrad is the third largest insurance company in Bulgaria. Overall, the Vienna Insurance Group advances to second place in the market after the take-over.

Outlook

2006 began with great success for the Bulgarski Imoti companies. An advertising campaign early in the year sharply increased the number of motor vehicle policies issued despite the stiff competition. As a result, premium volume was 80% higher than in the year before.

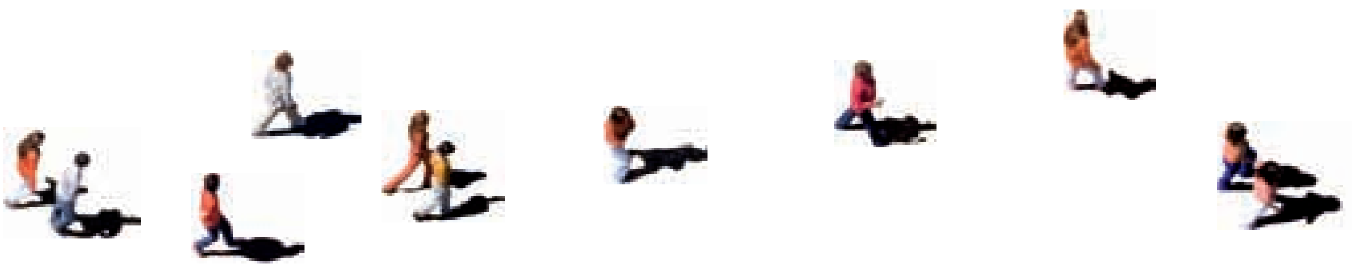
The goal for 2006 is a systematic expansion of business. Prerequisites for this include innovative products, service quality and the achievement of premium growth exceeding the market. A significant focus in 2006 will be stepped-up sales of traditional life insurance to increase the market share in life insurance. This sales target is coupled with increased marketing efficiency, optimised administration in the sales offices, improved customer support and the development of innovative insurance products.

Name	**Bulgarski Imoti Non-life**
Proportion held	98,36%
Year founded	1994

Name	**Bulgarski Imoti Life**
Proportion held	98,35%
Year founded	1994

Contact	Bulgarski Imoti Balsha-Street Nr. 8 BG-1408 Sofia Tel.: +359 (2) 915 87 87 Fax: +359 (2) 915 87 98 office@bulgarskiimoti.bg www.bulgarskiimoti.bg

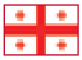
BULGARSKI IMOTI INSURANCE COMPANY



GEORGIA

Economy

The major branches of the Georgian economy are agriculture and the service industry. Each employs about 40% of the country's working population. Georgia is also an important transit country for energy supplies. In 2005 it enjoyed a powerful GDP growth of about 10.0%. The boost to the labour market delivered by the strong economic activity should in the medium term have a positive effect on the still high unemployment rate of approximately 17%. To promote the Georgian economy and attract new businesses, it was made easier to start companies, and administration fees and taxes were reduced or eliminated. In fact, a September 2005 report by the World Bank ranked Georgia second world-wide in terms of the success of its economic reforms.



Area	69,700 km^2
Population	4.7 million
Capital	Tbilisi
Currency	Lari (GEL)
Exchange rate	1 Euro = GEL 2,2
Per capita GDP	EUR 2,814
Real change in GDP versus 2004	approximately 10.0 %
Inflation	5.5 %
Insurance density (2004)	USD 6 per capita
Insurance penetration (2004)	0.46 %
Growth in the insurance market	17.4 % (2004)

In 2004 the Georgian market grew 17.4 % in terms of insurance premiums.

A burgeoning insurance market in transition

The legal foundations for a stable insurance market in Georgia were created very soon after the country's independence in 1991. To coordinate and regulate the market, a dedicated supervisory authority was established that is also linked with international networks. The life insurance sector in particular is the subject of close attention. When Georgia joined the World Trade Organization (WTO) in 1998, the restrictions on foreign ownership in the domestic insurance market were lifted, thus invigorating the industry substantially.

The Georgian insurance market and the number of insurance companies working in the country have grown tremendously in recent years. The market's premium growth of 17.4% in 2004 was more than twice the rate of GDP expansion. The Georgian market derives its stability mainly from an effective reinsurance system and the population's growing awareness of the importance of insurance cover. In total, the quality of service in the insurance market has been sharply rising.

Today, numerous insurers are active in all classes of business in Georgia. Nevertheless, the five largest companies currently have a combined market share of more than 80%. On the other hand, this fact must be seen in the context of the still very low insurance density of USD 6 per capita and insurance penetration of just 0.46%. These two measures clearly show the enormous potential residing in the region. As the demand for insurance services is apt to keep soaring amid further macroeconomic growth in the years ahead, Georgia offers an abundance of opportunity.

Georgia and the EU

By virtue of its position as a transit country for fuels and its proximity to Russia, Georgia has great significance for the European Union. While the Georgian government seeks convergence with the EU, Brussels thus far has not held out the prospect of accession talks. However, by its inclusion in the European Neighbourhood Policy, Georgia is being eased into the EU's political and economic processes in a number of areas. Since 1999 there is also a Partnership and Cooperation Agreement between Georgia and the EU, which among other things has led to a liberalisation of trade between the two partners. Georgia itself aims to bring its existing legal environment into line with European law. The insurance industry and insurance legislation are a central focus of this ambition.

Vienna Insurance Group in Georgia

In the next several years, Georgia is likely to see further liberalisation of its economy. This entails vast growth opportunities for the Georgian market. In the insurance business, the present low insurance density in particular highlights the region's extremely large potential. With economic expansion and growing wealth there inevitably comes an increase in demand for insurance products.

Vienna Insurance Group plans to use this opportunity in Georgia to the fullest through its stake in Kardan Financial Services (KFS). KFS holds approximately 30% of the country's third largest insurance company, Georgian Pension and Insurance Holding (GPIH). In 2004, with a market share of about 14%, this firm generated premium volume of around EUR 2.5 million.

CROATIA

Continuation of growth dynamics

The Croatian economy recorded a 4.0% growth in GDP at the end of 2005. The determining growth factor here was the increase in domestic demand. The recovery of gross fixed asset investment continued, supported by more favourable financing terms and public infrastructure expansion. Reforms to bring the country into closer harmony with the EU have improved the business environment, and Croatia is attracting increasingly more foreign investors. Private consumption suffered a small loss of momentum, with growth being limited by the weak increase in real wages of just over one percent.

> The growth in premiums in the Croatian insurance market was 12.2% in 2005.

Insurance law: Harmonization with EU standards

The new Insurance Act, the Law on Mandatory Insurance on Public Roadways, the Financial Services Supervisory Authority Act (governing the supervision of insurance companies, brokers, agents, securities companies and pension funds) and the Law of Obligations (with provisions relating to insurance policies as well as common provisions for non-life and personal insurance) entered into force on 1 January 2006. All four laws represent greater harmonization with EU requirements and/or an improvement of existing regulations.

Insurance market: Fastest growing economic sector

A strong concentration of the Croatian insurance market, one of the fastest growing sectors in the Croatian economy, took place over the last few years. The five largest insurance groups held a market share of 72.5% in the financial year 2005. The growth in premiums in the Croatian insurance market was 12.2% in 2005 (2004: 9.2%). This represented an increase in premium revenues of 9.1% in 2005 (2004: 7.2%) for the non-life insurance area and 22.2% (2004: 16.3%) for the life insurance area.

The Vienna Insurance Group belongs to the top five insurance groups in Croatia

As a result of the mid-2005 purchase of Cosmopolitan Life and the extraordinarily dynamic growth recorded by Kvarner, the Vienna Insurance Group is now one of the five largest insurance groups in the country.

Area	56,542 km^2
Population	4.4 million
Capital	Zagreb
EU accession	Accession negotiations started in October 2005; entry expected in 2009/2010
Currency	Croatian Kuna (HRK)
Exchange rate	1 Euro = HRK 7.3668
Per capita GDP	EUR 6,720
Real change in GDP versus 2004	4.0%
Inflation	3.3%
Insurance density (2004)	USD 248 per capita
Insurance penetration (2004)	3.2%
Growth in the insurance market	12.2%

Vienna Insurance Group in Croatia*

in million EUR	2005	Change versus 2004
Premiums written	39.76	+41.2%
Life	20.15	+45.9%
Non-life	19.61	+36.7%
Result before taxes	0.02	–

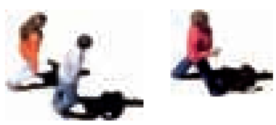
* without Cosmopolitan Life

Kvarner Wiener Städtische continues to outpace the market in 2005

The Vienna Insurance Group has operated successfully in Croatia since 1999 with the Kvarner Wiener Städtische insurance company, which operates in both the life and non-life insurance areas. At the end of 2004, the Vienna Insurance Group expanded its involvement in Croatia by acquiring the Croatian life and non-life insurance company Aurum, which is headquartered in Zagreb. In order to take advantage of synergies, Aurum was merged with Kvarner in 2005. Kvarner is once again one of the fastest growing insurance companies in the Croatian market. Total premium volume increased by 41.2% in 2005 to EUR 39.76 million.

Proven cooperative distribution arrangements

Kvarner has a distribution network of more than 90 branch offices managed by seven main offices in Zagreb, Rijeka, Split, Osijek, Pula, Dubrovnik and Varazdin, to provide comprehensive coverage throughout Croatia. Kvarner continued to have very



good results with its proven distribution channels in 2005, namely its own strong sales network, agencies and distribution through banks.

Cosmopolitan Life –
Majority interest in a successful life insurance company

In 2005, the Vienna Insurance Group acquired 73% of the shares of Cosmopolitan Life, a life insurance company headquartered in Zagreb which was founded in 1998. With 159 employees and 19 branch offices, this insurance company primarily distributes a life insurance product that is unique in Croatia and is modelled on the American insurance system. It is a combination of a life insurance policy with regular premium payments and a high insurance sum as well as an investment component.

Cosmopolitan Life's target group primarily includes young families with average income and high insurance needs. The average Cosmopolitan Life customer is 32 years old and pays an average annual premium of EUR 436, corresponding to 6% of average net annual earnings. The average amount of coverage is EUR 22,250. This customer base promises excellent future prospects, since the average premium will grow along with the expected growth in income of the Croatian population. Cosmopolitan Life currently holds a 2.2% share in the Croatian life insurance market. The company was able to achieve a growth rate of approximately 18% in premiums last year and to increase its customer base by almost 17%.

Investment in KFS
The investment in Kardan Financial Services also gives the Vienna Insurance Group an indirect equity interest in the Helios insurance company, which holds a market share of 1.6% in Croatia. Helios, which generates 46.4% of its premiums in the life insurance business, has around 150 employees and has been active in the Croatian insurance market since 1991. In 2005, Helios generated a premium volume of approximately EUR 15.9 million. This investment makes the Vienna Insurance Group to one of the three largest life insurers in Croatia.

Outlook for 2006
In 2006, Kvarner plans to call even more attention to its financial stability and the security that this implies in order to continue building confidence in the company among the population. This also includes increased mention of its first-class service and its fast, fair and efficient claims handling. The company aims to use new innovative products and concentrate on further employee training for all of its employees in order to reach its 2006 target of increasing market share. The cooperation with the Erste Bank will be further extended in the non-life business.

As was true in the past, Cosmopolitan Life also continues to aim for long-term sustainable growth in all areas in 2006. This is to be achieved primarily by expanding the existing range of products, additional advanced training of field sales staff and expanding distribution with new field sales staff and new business locations.

Vienna Insurance Group belongs to the top five insurance groups in Croatia.

Name	**Kvarner Wiener Städtische osiguranje d.d.**
Proportion held	98.21 %
Year founded	1999
Contact	Kvarner Wiener Städtische osiguranje d.d. Osječka 46 HR-51000 Rijeka Tel.: +385 (51) 22 78 96 Fax: +385 (51) 22 79 71 kontakt@kvarner-wiener.hr www.kvarner-wiener.com

Name	**Cosmopolitan Life d.d.**
Proportion held	73.00 %
Year founded	1998
Contact	Cosmopolitan Life d.d. Jurisiceva 9 HR-10000 Zagreb Tel.: +385 (1) 489 98 99 Fax: +385 (1) 489 98 90 uprava@cosmopolitanlife.hr www.cosmopolitanlife.hr

POLAND

Economy

Poland's population of over 38 million and favourable geographic location make it highly attractive to foreign investors. After completion of the planned expansion of its infrastructure, Poland will become an even more attractive location for investment. Rising wages are stimulating domestic demand and creating new production and sales opportunities for investors. The EU development measures planned for the period from 2007 to 2013 will result in Poland receiving an average of approximately EUR 13 billion in development funds per year. The Polish economy grew by 3.2% last year. The 2005 inflation rate of 2.2% was significantly less than the previous year (3.5%). An even smaller increase in consumer prices is expected for 2006.

The Vienna Insurance Group is represented by six insurance companies in Poland.

Insurance industry

In 2005, more than 60 insurance companies were operating in Poland, generating a total premium volume of EUR 7.7 billion, which corresponds to a growth rate of 12.1% in the Polish insurance market. Premium revenues increased by 5.1% in the non-life area and 20.4% in the life area. The primary factor driving growth was life insurance, especially single-premium policies, as well as increased sales of insurance products through banks. Despite these premium increases, it was not possible to fully achieve 2005 growth targets. The reason for this is the drop in new car sales, which had an effect on profit in the motor own-damage insurance class. This decline was only partially compensated for by increased used car imports and the associated double-digit growth in the number of motor vehicle liability insurance policies sold.

Vienna Insurance Group in Poland*

in million EUR	2005	Change versus 2004
Premiums written	74.07	+34.6%
Life	23.69	+23.9%
Non-life	50.38	+40.2%
Result before taxes	1.50	–

* Compensa Life – whole year 2005, Compensa Non-life – 50% from January to September and 100% from October to December. Without Benefia, Royal Polska and Cigna.

Area	312,685 km^2
Population	38.2 million
Capital	Warsaw
EU accession	2004
Currency	Zloty (PLN)
Exchange rate	1 Euro = PLN 4.0219
Per capita GDP	EUR 6,250
Real change in GDP versus 2004	3.2%
Inflation	2.2%
Insurance density (2004)	USD 193 per capita
Insurance penetration (2004)	3.1%
Growth in the insurance market	12.1 %

Strong market position created by six Polish companies

The Vienna Insurance Group is represented by six insurance companies in Poland. Since summer 2001, the Vienna Insurance Group has had an equity interest in the two Polish insurance companies Compensa. By taking over the shares of the HUK-Coburg in 2005, the Vienna Insurance Group now owns 99.86% of Compensa Non-life and 100% of Compensa Life. In 2005, the Vienna Insurance Group's market position in Poland was further extended by acquisition of Benefia Non-life and Benefia Life, Royal Polska and Cigna (closing in March 2006).

As part of a multi-brand strategy, these six companies will continue to operate independently in the market, with, however, increased cooperation in the back office area.

In 2005, the Vienna Insurance Group generated a consolidated premium volume of EUR 74.07 million in Poland, an increase of 34.6% over the previous year. These figures include both Compensa companies. The purchases made in 2005 (Royal Polska and the two Benefia companies) will not be included in the financial statements until the 31 December 2005 reporting date.

Compensa

Compensa Non-life and Compensa Life have a well-developed nationwide sales network with approximately 2,600 agents and over 150 branch offices. Compensa Non-life, which has been operating since 1990, offers insurance solutions for private and corporate customers of small and medium-size companies. Although the majority of the company's portfolio consists of motor products, promotion of the rest of the non-life insurance area is planned to better balance the portfolio in the future. Modernisation and reorganisation of the IT environment led to further improvements in customer service. The collaboration with mBank, the largest Internet bank in Poland, made it possible for Compensa Non-life to become the first insurance company in Poland to offer its motor insurance products over the Internet. The customer is able to use the network to put together its own insurance package, calculate premiums and immediately transfer funds and receives a 10% discount for doing so. The cooperative arrangement with mBank has been further strengthened by a joint credit card. Customers are not the only ones who profit from the IT modernisation, however. The work of agents has also been made significantly easier by providing them with their own Internet portal. Agents can log into the Compensa database and quickly access their customers' data.

Compensa Life specialises in products having regular premium payments. The company is planning, however, to enter the strongly growing market of single-premium products. Compensa Life also intends to expand its life insurance business through increased collaboration with banks.

At the XIth Capital and Financial Forum Twoje Pieniadze Compensa Life was awarded a second prize concerning highest standards and highest quality of services for individual clients.

Compensa is an official sponsor of the Polish national soccer team and expects increased presence in the media from these sponsoring activities.

In mid-2005, the Vienna Insurance Group acquired 95% of Royal Polska, a life insurance company in Poland.

Benefia

The Polish Benefia Group consists of a life insurance company and a non-life insurance company, both of which have been fully owned by the Vienna Insurance Group since 2005. The two companies work closely together to take advantage of synergy effects (cross-selling, use of shared business units), thereby making their operations cost-effective and profitable.

Founded in 1999, Benefia Non-life operates primarily in the motor insurance class, where it works closely with the Fiat group, which has production facilities in Poland. Product bundles designed by the company for new Fiat models all include at least motor vehicle liability, own-damage and casualty insurance and are very popular with customers (private customers as well as small and medium-size businesses).

Benefia Non-life's main focus is motor own-damage insurance, with the majority of premiums being generated through cooperative arrangements with car dealers. In 2005, premium volume was EUR 24.95 million.

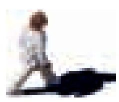
In 2005, the Benefia Life insurance company was chosen as "Company of the Year for 2004" by the "Business Club of Poland". Benefia Life increased its premiums written by approximately 6% to EUR 3.61 million. As a result of its successful collaboration with car dealers, it is often possible to sell motor insurance from Benefia Non-life in combination with life insurance products from Benefia Life. For example, the life insurance product "Life Plus", which was awarded a prize by the "Polish Business Center Club", includes casualty insurance and is often marketed as part of a bundle with motor own-damage and motor vehicle liability insurance.

Royal Polska

In mid-2005, the Vienna Insurance Group acquired 95.0% of Royal Polska, a Polish life insurance company founded in 1996.

This is a small, but well-positioned life insurance company with around 50 employees that is headquartered in Warsaw. In 2005 Royal Polska stepped up its distribution of insurance products through well known banks. Royal Polska also distributes its products through its own marketing company, which is owned by the Vienna Insurance Group and operates with 300 agents throughout Poland.

A premium volume of EUR 14.37 million was generated in fiscal year 2005, representing an increase of 14% over the previous year. In addition to classic life insurance products, the company



The company Cigna wrote premiums of approximately EUR 94 million in the year 2005.

also offers unit-linked life insurance to its customers. The increasing volume of premiums and the company's many awards prove the popularity of Royal Polska's life insurance products. Two examples are the award given by the "Academy of Economics in Poznan" to the company's "Colours of Life" unit-linked insurance and the prize awarded to the "Life Plus" product by the financial magazine "Gazeta Finansowa".

Cigna

At the end of 2005, the Vienna Insurance Group acquired 63.09% of Cigna, a non-life insurance company founded in 1993 and headquartered in Warsaw. Official approvals for the investment were granted in march 2006. Cigna is one of the largest non-life companies in Poland, ranking sixth in the non-life insurance area with a market share of 2.4 %.

The company wrote premiums of approximately EUR 94 million in fiscal year 2005, representing an increase of 38.3% over 2004. Cigna's growth is significantly higher than the market average, which is partially due to the excellent positioning of its distribution network. With 24 branch offices, approximately 400 of its own agents and around triple that number of non-exclusive agents, Cigna is able to cover the entire Polish market.

Outlook

The plans for 2006 include the founding of an infrastructure management company. This infrastructure management company would be responsible for coordinating the activities of Vienna Insurance Group companies in Poland. This is intended to ensure that Vienna Insurance Group´s multi-brand strategy is also implemented efficiently in Poland, thereby retaining the greatest possible flexibility for the individual companies. In a model such as this, the individual distribution structures are retained, while allowing synergy effects to be exploited in the back office area.

The new call centre for the two Compensa insurance companies started operations in 2005 and is to be expanded in 2006 to offer services to the other companies in the Polish group.

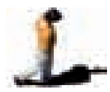
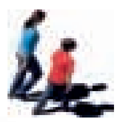
Name	**Towarzystwo Ubezpieczeń na Życie Compensa S.A. (Compensa Life)**
Proportion held	100%
Year founded	1990
Name	**Towarzystwo Ubezpieczeń Compensa S.A. (Compensa Non-life)**
Proportion held	99.86%
Year founded	1990
Contact	Towarzystwo Ubezpieczeń na Życie Compensa S.A. Towarzystwo Ubezpieczeń Compensa S.A. Al. Jerozolimskie 162 PL-02-342 Warszawa Tel.: +48 (22) 501 6000 Fax: +48 (22) 501 6001
Compensa Life:	centrala@compensazycie.com.pl
Compensa Non-life:	centrala@compensa.com.pl
COMPENSA	www.compensa.pl

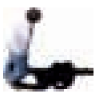
Name	**Royal Polska Towarzystwo Ubezpieczeń na Życie S.A.**
Proportion held	95.00 %
Year founded	1996
Contact	Royal Polska Towarzystwo Ubezpieczeń na Życie SA ul. Rydygiera 21 PL-01-793 Warszawa Tel.: +48 (22) 525 11 11 Fax: +48 (22) 525 11 00 biuro@royalpolska.com www.royalpolska.com

ROYAL Polska
Ubezpieczenia na Życie

Name	**Benefia Towarzystwo Ubezpieczeń Majatkowych S.A. (Benefia Non-life)**
Proportion held	100%
Year founded	1999
Name	**Benefia Towarzystwo Ubezpieczeń na Życie S.A. (Benefia Life)**
Proportion held	100%
Year founded	1992
Contact	Benefia Towarzystwo Ubezpieczeń Majatkowych S.A. dawniej Fiat Ubezpieczenia Majatkowe S.A. ul. Pulawska 405 PL-02-801 Warszawa Tel.: +48 (22) 544 14-70/71 Fax: +48 (22) 544 14 74 centrala@benefia.pl
BENEFIA	www.benefia.pl

Name	**Towarzystwo Ubezpieczeń i Reasekuracji Cigna STU S.A.**
Proportion held	63.09 %
Year founded	1993
Contact	Towarzystwo Ubezpieczeń i Reasekuracji Cigna STU S.A. Biuro Zarzadu ul. Noakowskiego 22 PL-00-668 Warszawa Tel.: +48 (22) 53 76 800 Fax: +48 (22) 53 76 804 sekretariat@cignastu.com.pl
CIGNA®	www.cignastu.com.pl




ROMANIA

Successful fiscal year 2005

The Romanian economy can look back on an eventful year. Some of the highlights of the past year are the signing of the EU accession treaty, currency reform, partial liberalisation of capital flows and the introduction of a flat tax of 16%. The year 2006 will also be characterised by further economic and structural reforms needed to meet the scheduled date of 1 January 2007 for EU accession.

In spite of the serious nationwide flooding in mid-2005, the economy experienced good growth, recording an increase of 3.7% in GDP. This growth rate is expected to increase in 2006. The most important growth factors in 2005 were strong private consumption due to increases in real wages and decreasing unemployment. The trend of declining inflation continued, so that consumer prices which had increased 11.9% in 2004 only increased an additional 9.0% in 2005. The signing of the EU accession treaty led to an increase in foreign (in this case primarily Austrian) direct investment in Romania in 2005. An investment of around EUR 7 billion makes Austria by far one of Romania's most important investors and one of its most important trading partners.

Area	238,391 km^2
Population	21.7 million
Capital	Bucharest
EU accession	planned for 1 January 2007
Currency	Leu (RON)
Exchange rate	1 Euro = RON 3.6241
Per capita GDP	EUR 3,440
Real change in GDP versus 2004	3.7%
Inflation	9.0%
Insurance density (2004)	USD 48 per capita
Insurance penetration (2004)	1.5%
Growth in the insurance market	41.7%

In Romania the life insurance area grew 37.3% in 2005.

Significant increase in premiums in the Romanian insurance market

The 37 insurance companies (more than half with foreign interests) in the Romanian market generated a premium volume of EUR 1,228.21 million (+26.6%) in 2005. Premium revenues in the non-life area grew 23.7% over the 2004 value to reach EUR 940.45 million and 37.3% in the life insurance area to reach EUR 287.76 million. Despite increased growth in the life insurance area in previous years, the non-life area continues to dominate, generating approximately three-quarters of premiums written.

The reform of motor vehicle liability insurance was started in 2005. The options for designing motor vehicle liability insurance were made significantly more flexible at the beginning of 2006. It is now also possible to enter into a single-year insurance policy during the calendar year. This harmonization with European standards allows companies to calculate premiums more efficiently and according to demand. All Romanian insurance companies will have to modify their motor vehicle liability insurance products due to a statutory change which allows motor vehicle liability insurance to be offered only in combination with out-of-country insurance coverage (Green Card) starting in 2007.

Vienna Insurance Group in Romania*

in million EUR	2005	Change versus 2004
Premiums written	136.17	+159.0%
Life	9.45	+184.3%
Non-life	126.72	+157.3%
Result before taxes	0.54	–

* Omniasig Life and Non-life: both companies 100% consolidated since 1 August 2005.

The Vienna Insurance Group – Strengthening its market position in Romania

The Vienna Insurance Group is represented by four companies in Romania: Omniasig Non-life, Omniasig Life, Unita and Agras. In 2005, the Vienna Insurance Group wrote premiums of EUR 136.17 million in Romania, an increase of 159% over the previous year. 93.1% of these premiums result from the non-life area and 6.9% from the life area. The result before taxes for 2005 was EUR 0.54 million.

Acquisition of the Omniasig Group

In 2005, the Vienna Insurance Group greatly strengthened its position in the Romanian insurance market by acquiring an interest in the third-largest insurance group in Romania, the Omniasig Group. The Omniasig Group includes Omniasig Non-life and its subsidiary Omniasig Life: The Vienna Insurance Group's investment in Omniasig Non-life represented 70.6% of the company's share capital, which was raised to 72.5% at the beginning of 2006 by the acquisition of more shares. Another key shareholder in Omniasig Non-life is the Banca Comerciala Romana (BCR), which belongs to the Erste Bank Group and holds an interest of 21.5%. In April 2006 the Vienna Insurance Group made the agreement about the acquirement of this share. Omniasig Non-life holds 50% of Omniasig Life, and a further 49.98% is held by TBIH, which holds a broad portfolio of investments in financial services companies in Central and Eastern Europe. The Vienna Insurance Group holds an interest in TBIH through Kardan Financial Services (KFS).

Omniasig Group is one of the most important insurance groups in Romania.

The Omniasig Group has a well functioning and highly developed distribution network with more than 200 sales outlets and approximately 1,500 employees. Two other important distribution channels are the sale of insurance products through agencies and banks.

The Omniasig Group wrote premiums of EUR 133.44 million in 2005. EUR 17.11 million (+13.2%) of these premiums came from Omniasig Life and EUR 116.34 million (+9.5%) from Omniasig Non-life. The key growth factors were motor vehicle own-damage insurance, with an proportion of 32.5% and the motor vehicle liability insurance, which had a share of 21.0%. On 1 november 2005 the two non-life insurance companies Omniasig AGI and Omniasig Asirag were merged with Omniasig Non-life. These two companies recorded a premium volume of approximately EUR 24.00 million during the first ten months, wich is not included in the premium volume of Omniasig Non-life in 2005.

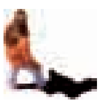
In the last 10 years since its founding, Omniasig has developed into one of the most important insurance companies in Romania and has been able to achieve an increase in customers, premium volume and higher profits every year. This success has been underlined by many awards, such as "Insurance Company of the Year for 2005" awarded by the Romanian financial magazine "Piata Financiara" and "Outstanding and Stable Growth in the 2005 insurance market" award by the financial magazine "Financial Press".

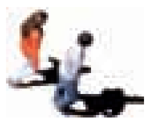
Unita – Premiums outpace the market

Unita was founded in 1990 as the first private insurance company in Romania. The company has belonged to the Vienna Insurance Group since 2001. In October 2002, Unita acquired a majority interest in Agras of approximately 74.5%. Based on premiums written, the two companies had a market share of approximately 6.0 % in 2005. This places them in seventh position in the market. In February 2005, the corporate headquarters of Unita and Agras were moved to the same building and all back-office departments were combined in order to improve administrative efficiency. As another step of the reorganisation, in December 2005, the company's life insurance portfolio was transferred to Omniasig Life.

Unita's product portfolio covers the needs of private and corporate customers in the non-life area. Products are distributed through the company's own sales network, which includes over 186 branch offices and around 6,000 agents and through cooperative arrangements with brokers and banks.

In 2005, Unita was able to significantly outpace the market, by increasing its premium volume by 62.9% to EUR 71.90 million. Particular strength was shown in the motor vehicle own-damage class, which achieved premium growth of more than 80%. The company also placed particular emphasis on promoting household insurance, causing the policy portfolio to more than double in 2005.





Agras – Market leader in agricultural insurance

Founded in 1992, Agras has belonged to the Vienna Insurance Group through Unita since 2002. Agras is the market leader in the area of agricultural insurance, with a market share significantly higher than 50%. In 2005, Agras was able to increase its premium revenues by 19.4% to EUR 10.09 million, with an especially pleasing increase in premium volume (+45%) being achieved for livestock insurance.

After last year's restructuring Agras now offers only agricultural insurance products. As a result of cooperation agreements with Unita and Omniasig, Agras' insurance products are distributed through the nationwide distribution networks of both companies.

The Romanian agricultural sector is facing radical change as a result of the country's upcoming entry into the EU. The ability to take advantage of EU development programs will create a massive wave of investment in the agricultural and agriculture-related sectors. In 2005, extensive efforts were focused, in particular, on harmonizing local agriculture and the processing sectors with EU standards. This also creates new business opportunities for the agricultural insurance sector, in both the farm land and livestock insurance classes.

Outlook

Highly dynamic growth is expected to continue in the entire insurance market in 2006. The goal of the Vienna Insurance Group in Romania is to increase market share in order to further solidify its market position.

Omniasig plans to gain market share with both private and corporate customers. Private customers are to be offered new products and services, which will be supported by expanding existing distribution channels. For corporate customers, it is expected that the wide range of products and the good reputation enjoyed by the Vienna Insurance Group will lead to an increase in new business.

Highly dynamic growth is expected to continue in the entire insurance market in 2006.

Unita will concentrate on fire and household insurance in 2006. New products in both classes are intended to contribute to the growth in premiums. In addition, the motor vehicle damage area is being extensively reorganised. Implementation of the following measures has started as part of this reorganisation: Modification of own-damage insurance, introduction of the "Eurotax" EDP program, which can be used to more quickly and precisely determine the fair value of a motor vehicle, thorough training of employees and an intensification of measures to combat fraud.

Once the reorganisation has been completed, Agras' goal for 2006 is to further strengthen its market share in agricultural insurance.

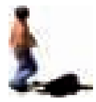
Name	**S.C. Omniasig S.A. (Non-life)**
Proportion held	70.56%
Year founded	1995
Contact	S.C. Omniasig S.A. B-dul Aviatorilor, Nr. 28 RO-010413 Bucuresti Tel.: +40 (21) 231 50 40 Fax: +40 (21) 231 50 29 secretary@omniasig.ro www.omniasig.ro

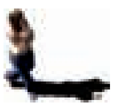
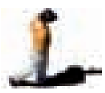
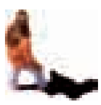
Name	**S.C. Omniasig Asigurari de Viata (Life)**
Proportion held	35.28%
Year founded	1997
Contact	Omniasig Asigurari de Viata Aleea Alexandru, Nr. 48, Sector 1 RO-010 413 Bucuresti Tel.: +40 (21) 230 36 30 Fax: +40 (21) 230 47 34 office@omniasiglife.ro www.omniasiglife.ro

Name	**S.C. Unita S.A.**
Proportion held	100%
Year founded	1990
Contact	S.C. Unita S.A. Bd. Dacia 30, Sector 1 RO-010 413 Bucuresti Tel.:+40 (21) 2120 882 Fax: +40 (21) 2120 843 unita@unita.ro www.unita.ro

Name	**S.C. Agras – Grupul Wiener Städtische S.A.**
Proportion held	74.25%
Year founded	1992
Contact	S.C. Agras – Grupul Wiener Städtische S.A. Bd. Dacia 30, Sector 1 RO-010 413 Bucuresti Tel.:+40 (21) 2120 162 Fax: +40 (21) 2120 165 agras@agras.biz www.agras.biz





RUSSIA

Area	17 million km^2
Population	145 million
Capital	Moscow
Currency	Rouble (RUB)
Exchange rate	1 Euro = RUB 34.607
Per capita GDP	EUR 4,180
Real change in GDP versus 2004	6.4 %
Inflation	10.9 %
Insurance density (2004)	USD 114 per capita
Insurance penetration (2004)	2.8 %
Growth in the insurance market	4.0 %

The Russian growth market
Russia is the largest European domestic market in terms of area and is one of the most important growth markets in the world. In 2005, the Russian economy continued to show the dynamic it displayed in previous years, achieving economic growth of 6.4% together with a decline in unemployment from 8.3% to 7.3%. This trend is expected to continue during the current fiscal year.

This positive economic trend has led to an increase in real wages, which in turn leads to increased consumption. Since increasing income is accompanied by a desire for increased risk coverage, which it is then also possible to finance, this also results in benefits for the insurance sector.

> With 145 million inhabitants Russia is the largest European domestic market.

Large growth potential in the Russian insurance market
The Russian insurance market currently consists of more than 1,100 insurance companies. It is expected, however, that this number will decrease significantly in the future. Business is concentrated on about 100 insurers, which generate 80% of all premium income. In contrast to the situation in the majority of other CEE-countries, international insurance groups are still hardly represented in Russia. Only about 5% of all insurance companies operating in Russia are currently foreign owned.

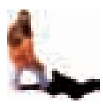
Its population of 145 million makes Russia to one of the major promising markets in the CEE insurance sector, since the Russian insurance market only generates around the same level of premiums as the Austrian insurance market, despite the fact that the Austrian population is many times smaller. This enormous growth potential is clearly illustrated by the country’s insurance density of USD 114 per capita (Austria: USD 2,160, EU-15: USD 2,727, for the year 2004) and insurance penetration of 2.8% (Austria: 6.0%, EU-15: 8.6%, for the year 2004).

The Russian insurance sector was not always viewed with full confidence in the past, undoubtedly due to many years of negative economic performance and the outdated bureaucratic structures existing inside companies. Corresponding to the turnaround of the Russian economy, the Russian insurance market is now undergoing radical change. This is the reason for the Vienna Insurance Group to enter this new, up-and-coming market.

The Russian insurance market generated premium growth of 4.0% in 2005. Although little development has currently taken place in the life insurance area, growth is expected in the next few years due to the generally positive conditions (e.g. increase in the standard of living).

First Mover
In October 2005, Wiener Städtische agreed with the Moscow-based non-life insurance company Moskovskaja Strachovaja Kompanija (MSK), the third-largest non-life insurance company in Russia, to found a joint life insurance company under the name MSK Life. This makes the Vienna Insurance Group the first Austrian insurance group to enter the Russian market.

Vienna Insurance Group will hold a 25.01% interest in this life insurance company and MSK 74.99%. MSK's shareholders are



the City of Moscow, which holds a 51% interest and the Bank of Moscow, one of the five largest banking establishments in Russia, which holds a 49% interest.

Investment in KFS

The investment in Kardan Financial Services (KFS) gives the Vienna Insurance Group equity interests in two other Russian companies, SoVita and Standard Reserve. Official approvals for the investment in KFS were granted in April 2006. SoVita specialises in health insurance, while Standard Reserve covers the non-life insurance area. Together, these two companies generate a premium volume of more than EUR 200 million.

SoVita is one of the leading health insurance companies in Russia, serving around 6 million customers. Its business activities cover the area of mandatory health insurance, which currently still represents by far the largest part of its business volume, as well as the voluntary supplementary health insurance area.

Founded in 1993, Standard Reserve operates in the non-life insurance area, where the good position it holds in the area of motor vehicle own-damage insurance has made it one of the top ten motor own-damage insurers. Standard Reserve was able to achieve a growth rate in premiums of over 90% versus the previous year.

Future outlook

Russian legislation still strongly restricts foreign corporate investment in Russian companies. Russia's harmonization with the WTO allows us to assume that legal barriers for companies based in EU countries will fall and that market liberalisation will continue.

The new life insurance company, MSK Life, is expected to start business in mid-2006. MSK Life's product line will extend to all the life insurance products that are possible in Russia. This includes, in particular, endowment and whole life insurance and annuity insurance specially tailored to the needs of the Russian population. The Vienna Insurance Group brings its expertise in the structuring and distribution of life insurance products and in actuarial matters.

Vienna Insurance Group is the first Austrian insurance group to enter the Russian market.

The new insurance company's products are to be sold through MSK's distribution network and the Bank of Moscow. A wide customer base and more than 135 sales locations throughout Russia are available for this purpose. Additional attention will also be focused on sales through agencies.

The investment in MSK Life offers the Vienna Insurance Group an outstanding opportunity to enter the Russian growth market, where it can participate in the expected positive developments in the overall economy and take advantage of the potential that exists in the Russian insurance market.

Name	**MSK Life**
Proportion held	25.01%
Year founded	2006

SERBIA AND MONTENEGRO

Economic growth of over 5% in Serbia and Montenegro

2005 was characterised by a significant economic boom in Serbia and Montenegro. In the Serbian part of the republic, GDP growth approached 6% in the first three quarters of 2005, before flattening out in the fourth quarter to end slightly over 5%. In contrast to Montenegro, where inflation averaged less than 3% during 2005, prices climbed more than 16% in Serbia due to the introduction of an 18% value-added tax at the beginning of 2005. A 17% value-added tax had already been introduced in Montenegro on 1 April 2003.

Area	102,173 km^2
Population	10.8 million
Capital	Belgrade
EU accession	Paticipant in the EU Stabilisation and Association Process (SAP)
Currency	Serbian Dinar (CSD) Montenegro: Euro (EUR)
Exchange rate	1 Euro = CSD 84.559
Per capita GDP	EUR 2,500
Real change in GDP versus 2004	5.1 %
Inflation	15.2 %
Insurance density (2004)	USD 45 per capita
Insurance penetration (2004)	2.2 %

2005 was marked by a significant economic boom in Serbia and Montenegro.

Improved Standard & Poor's Rating for Serbia and Montenegro

During the course of 2005, Standard & Poor's raised its credit rating for Serbia and Montenegro to "BB-" with a stable outlook, based on an improved financial and political outlook for the country.

The Serbian insurance market

More than 70% of the Serbian insurance market is currently dominated by the two large government insurance companies. The other 16 insurance companies also operating in the Serbian market share the rest. The new requirements on the level of share capital are expected to lead to a reduction in the number of insurance companies operating in Serbia. In addition, the Serbian insurance market is currently marked by the imminent privatisation of the government insurance companies and the withdrawal of licences from several companies, primarily operating in motor vehicle area, due to the violation of statutory provisions relating to the Serbian insurance market. Another improvement is provided by the Serbian Insurance Act, which recently took effect and makes alternative distribution of insurance products possible for the first time. Financial advisors design individual insurance packages for each customer and act as middlemen between the insurance company and customer.

Wiener Städtische Belgrade

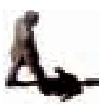
Wiener Städtische Belgrade, which received approval from the responsible Ministry of Finance in February 2003, operates both in the life and non-life areas and, aside from its headquarters, is represented in the Serbian insurance market by 13 branch offices and a nationwide distribution network. The company focuses on the central area of Serbia and does not operate in Kosovo or Montenegro.

Vienna Insurance Group in Serbia und Montenegro

in million EUR	2005	Change versus 2004
Premiums written	18.85	+96.2 %
Life	6.85	+126.8 %
Non-life	12.00	+82.2 %
Result before taxes	0.18	–

In 2005, Wiener Städtische Belgrade was able to more than double not only the number of customers, but also its premium income, with 64% of this premium income coming from the non-life area and 36% from the life area. By offering a comprehensive line of innovative products, Wiener Städtische Belgrade was able to increase premiums in the life insurance class by






126.8% to EUR 6.85 million. By offering highly customer-friendly products in the non-life insurance area, the company was able to score points with customers and achieve premium growth of 82.2% to EUR 12.00 million. The ability to cover multiple insurance risks with a single insurance policy was just as popular as flexible products that could be adjusted to best meet the requirements of customers.

Wiener Städtische Belgrade aims at continuing its success by using innovative products.

The 96.2% overall increase in premiums for fiscal year 2005 shows the continued outstanding development of this Vienna Insurance Group company. Wiener Städtische Belgrade was one of the fastest growing insurance companies in Serbia, both in 2004 and 2005. Using a sales force of approximately 350 employees, the company was able to write premiums of EUR 18.85 million. After only three years of operation, Wiener Städtische Belgrade is already one of the top five companies in the Serbian insurance market.

Outlook

The economy experienced good growth in Serbia and Montenegro during 2005, and further economic growth of around 6% is also expected for 2006.

Wiener Städtische Belgrade plans to continue its dynamic growth by using innovative and modern products. Extensive improvements are planned for 2006 in the most important area of the Serbian insurance market, the motor vehicle insurance area, in order to further increase competitiveness. For example, a new insurance product, which will enable the company to appeal to small and medium-sized businesses as well as private customers, is currently being developed for introduction into the market in 2006.

Name	**Wiener Städtische osiguarnje a.d. Beograd**
Proportion held	100 %
Year founded	2003
Contact	Wiener Städtische osiguranje a.d. Beograd Bulevar Mihaila Pupina 165g/I CS-11070 Beograd Tel.: +381 (11) 2209-901 Fax: +381 (11) 2209-900 office@wiener.co.yu www.wiener.co.yu

UKRAINE

Economic environment

With its size, geographic proximity to the EU single market and enormous economic potential, Ukraine is one of the most significant emerging markets of Eastern Europe. In 2005, economic growth was 2.1%. The reasons for the significant downturn compared to the previous year (2004: +12.1%) were declining investments and the sharp reduction in foreign trade. These difficulties arose from the conversion to a free market economy and were not an extraordinary development, therefore it is possible to have positive expectations for the future. This is also reflected in the population's confidence in the future; due to increasing real wages (+18%), private consumption in 2005 was up by 12% compared to 2004.

Area	603,700 km^2
Population	47.1 million
Capital	Kiev
Currency	Hryvnia (UAH)
Exchange rate	1 Euro = UAH 6.0887
Per capita GDP	EUR 1,380
Real change in GDP versus 2004	2.1%
Inflation	13.8%
Insurance density (2004)	USD 61 per capita
Insurance penetration (2004)	4.8%

With its enormous economic potential, Ukraine is one of the most significant emerging markets of Eastern Europe.

Growth potential in the Ukrainian insurance market

The Ukrainian insurance market is currently undergoing an intensive reform phase to adapt to international standards. Currently, more than 400 companies, including around 50 life insurance companies, are active in the insurance market. A considerable number of them are "captives", insurance companies owned by industrial enterprises. In comparison to Western standards, the non-life and life insurance segments of the Ukrainian insurance market are still very underdeveloped. If the general economy continues to develop positively, one can anticipate a high growth potential for companies active in this class.

Increased involvement in Ukraine

In late 2004, the Vienna Insurance Group entered the Ukrainian insurance market by holding a stake in the Jupiter life insurance company. The investment in Kniazha and the signing of the preliminary agreement for the acquisition of Globus in 2005 expanded the Vienna Insurance Group's spectrum of services in Ukraine to the non-life segment. The Vienna Insurance Group is also following a multi-brand strategy with its Ukrainian companies, and it has attained a good position for further intensification of its involvement in the Ukrainian insurance market through its most recent acquisitions. The Ukrainian companies were not consolidated in the group in 2005.

Jupiter

Jupiter is a pure life insurance company based in the capital, Kiev and was founded in 1999. It conducts its sales through agents and brokers. The Vienna Insurance Group acquired a stake in the Ukrainian Jupiter insurance company of just under 50% in the course of a capital increase in 2004. In 2005, the Vienna Insurance Group increased its stake to 73% and is now the majority shareholder of Jupiter.

In 2005, Jupiter's premium volume grew to EUR 0.59 million – an approximate increase of 10% over the previous year. Continued high growth rates are expected for the coming years. Due to the Ukrainian population's growing interest in private pensions, the government began to provide favourable tax treatment for life insurance policies in 2005. Every employer can invest as much as 15% of the income of all its employees in life insurance tax-free, if the terms of the insurance policies exceed ten years.

Kniazha

Kniazha is doing business exclusively in the non-life segment – predominantly in motor vehicle liability insurance – and with 28 branch offices is represented in all the large cities of Ukraine.

In the past fiscal year, the company generated total premiums of approximately EUR 5.0 million. The highest share of premiums was generated in the mandatory motor vehicle liability insurance. Of the approximately 2 million insurance policies sold in the total market, about one-tenth were issued by Kniazha. Based on estimates, maximal 30% of all car owners are properly insured at the present time. This number is expected to increase significantly in 2006.

The company's insurance products are sold primarily by 28 branch offices and by 700 agents. The company plans to initiate a new distribution channel in 2006. Mobile sales offices, e.g. mini-offices in vehicles, are intended to increase access to the rural population.

The newspaper "Invest Gaseta" included Kniazha in its group of "Best Companies in the Financial Sector" in 2005. Evaluation criteria included premium volume and share capital.

Kniazha also received first place in the prestigious "Ukrainian Financial Olympics" in the category "Preparation of a model strategy for developing a modern insurance company".

Globus

In 2005, the Vienna Insurance Group signed a preliminary agreement to acquire a majority interest in Globus. The official approvals have not yet been granted; however, they are expected in 2006. Globus is active in the non-life insurance segment, the highest premium income being generated in motor vehicle liability and liability insurance for travel abroad. This insurance protection for accidents abroad (Green Card) has only been offered since 2005. Demand for the product has been high. In its first sales year, it reached a 5% share of the entire Ukrainian insurance market. Overall, premiums of EUR 2.04 million were generated, a 85% increase versus 2004.

Globus has a widespread sales network consists of 40 branch offices. Customers have a free 24-hour hotline available to them for product information, loss reports and assistance.

Perspectives for the future

Ukraine is one of the Central and Eastern European markets in which the Vienna Insurance Group plans to further expand its market position in coming years.

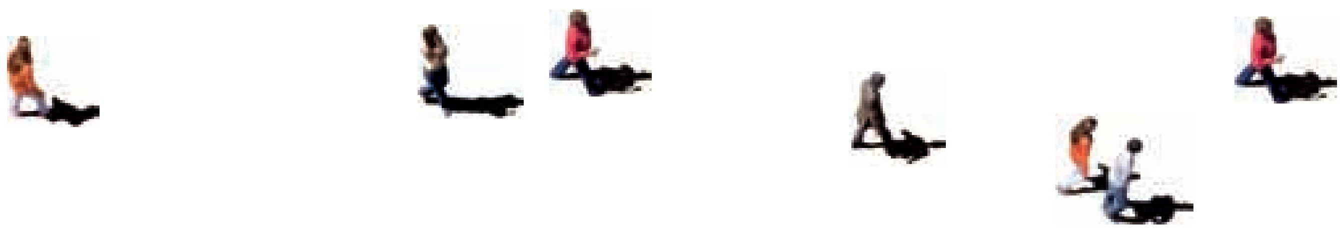
Jupiter life insurance also intends to market its life insurance products through the Kniazha and Globus sales networks in the future. In addition, the possibility of selling life insurance policies through banks is being examined.

For 2006, Kniazha plans to significantly increase its premium volume by using its new "mobile mini-offices" and developing of new insurance products.

Globus is also planning to expand its sales network. Selling through agents is expected to begin in 2006, and an increased media presence is expected to stimulate the process. Advertising will stress the Vienna Insurance Group's success in the CEE-countries and many years of experience.

Name	**Jupiter**
Proportion held	73.00 %
Year founded	1999
Contact	Jupiter Zolotoustivska Str. 10–12A Top 83 UA-01135 Kiev Tel.: +38 (44) 490 01 55 Fax: +38 (44) 494 39 25 jupiter@jupiter.com.ua www.jupiter.com.ua

Name	**Kniazha**
Proportion held	50.01 %
Year founded	1997
Contact	Kniazha Glybotschytsjka Str. 44 UA-04050 Kiev Tel.: +38 (44) 207 72 72 Fax: +38 (44) 207 72 76 insurance@kniazha.com.ua www.kniazha.com.ua



HUNGARY

Economy

In 2004, the Hungarian gross domestic product rose 4.0%, spurred primarily by growth in exports. The positive economic development in several larger EU countries increased demand for Hungarian products considerably. The trend reversal from foreign demand to domestic demand, which started in the last quarter of 2005, will continue to be the engine for growth in 2006. The decline of the value-added tax to 20% at the start of 2006 was a significant stimulus for further growth of private consumption. This change in taxation is expected to cause inflation to drop below 2% in 2006.

> The Hungarian insurance market developed significantly better than the economy in general.

The Hungarian economy must, however, overcome a number of difficulties. One of Hungary's problems continues to be the high budget and balance-of-payments deficit, although a downward trend is noticeable. For that reason, there are concerns whether the introduction of the euro can take place on schedule, after its planned introduction in 2008 has already had to be postponed to 2010.

Vienna Insurance Group in Hungary

in million EUR	2005	Change versus 2004
Premiums written	58.03	+52.1 %
Life	14.19	+5.8 %
Non-life	43.84	+77.2 %
Result before taxes	0.76	–

Area	93,033 km²
Population	10.1 million
Capital	Budapest
EU accession	2004
Currency	Forint (HUF)
Exchange rate	1 Euro = HUF 248.57
Per capita GDP	EUR 8,750
Real change in GDP versus 2004	4.0 %
Inflation	3.6 %
Insurance density (2004)	USD 287 per capita
Insurance penetration (2004)	2.8 %
Growth in the insurance market	14.7 %

Insurance industry

The premium growth in the Hungarian insurance market amounted 14.7% in 2005 with a total premium volume of EUR 2.76 billion. Premiums in the non-life segment rose by approximately 24% and those in the life segment were up by about 8%. As in the previous year, the insurance market developed significantly better than the general economy.

Union Biztosító

The Vienna Insurance Group is active in Hungary through its subsidiary Union Biztosító. Since the complete takeover of the Union by the Vienna Insurance Group in 2000, its product range has been heavily expanded. A large number of products of all insurance classes have been placed on the market during the last six years. Today, Union Biztosító offers an extensive product portfolio to private persons and companies in the life and non-life sectors, its main business being in non-life insurance. After focusing on product development in the non-life segment in recent years, a new life insurance product was introduced in 2005. This "Union-Európai Életút Program" can be adjusted to specific life situations. The savings and risk components and the risk coverage can be individually changed. Furthermore, there is an option of choosing between one euro and ten forint funds.

Union Biztosító recorded total premium growth of 52.1% to EUR 58.03 million, with non-life premiums of EUR 43.84 million (+77.2%) and life insurance premiums of EUR 14.19 million (+5.8%). Accordingly, approximately three-fourths of the premiums currently originate in the non-life business. Union Biztosító thus generated an increase in premiums that clearly exceeded the market and, with a market share of 2.1%, ranks ninth in the Hungarian insurance market.

With the realised result, Union Biztosító has achieved a turn-around in 2006, earlier than planned.

A positive result for the first time

The result before taxes in fiscal year 2005 came to EUR 0.76 million. With this result, Union Biztosító has achieved a turn-around in 2006, earlier than planned. The outstanding result is attributed to cost-conscious management, good investment results and the good loss ratios resulting from tariff rates that adequately account for risk.

Union Biztosító expanded its call centre and enhanced its information system in 2005, making it possible for customers to obtain comprehensive service without contacting headquarters. Customers appreciate efficient and competent service. According to the market research institute Gfk Hungária, Union Biztosító has the most loyal customer base of all the Hungarian insurance companies.

Union Biztosító started to sell household insurance policies through Erste Bank Group in Hungary in the previous fiscal year. It is planned to further intensify this cooperation.

Outlook

After the rapid expansion in 2004 and 2005, Union Biztosító has created a solid basis for cross-selling activities, for the advancement of additional non-life products and for the expansion of cooperative sales agreements. Furthermore, measures to increase performance were initiated, primarily in claims management and general work flow. These steps to increase efficiency will show their first good results in 2006.

Name	**Union Biztosító Rt.**
Proportion held	100 %
Year founded	1992
Contact	Union Biztosító Rt. Baross u. 1 H-1082 Budapest Tel.: +36 (1) 486 42 00 Fax: +36 (1) 486 43 90 info@unionbiztosito.hu www.unionbiztosito.hu

BELARUS

A difficult economic environment

In 2005, economic growth was approximately 9% with an inflation rate of 8%. According to a UN study, Belarus has the highest standard of living in the CIS countries – average monthly income has risen from USD 20 to USD 225 over the last ten years. The official unemployment rate was approximately 2% in 2005. The situation in the Belarusian insurance market nevertheless remains difficult.

23% growth in the insurance market

Initial developments in the Belarusian insurance market were highly promising immediately following independence. Belarus was the first successor republic to the Soviet Union to introduce motor vehicle liability insurance and ensure appropriate implementation. In 2004, however, extensive nationalisation

> The restructuring of Kupala showed its first success in 2005.

and centralisation of the Belarusian insurance market took place. Since that time, motor vehicle liability insurance, for example, can only be underwritten by government insurance companies. Attractive market niches nevertheless remain for private insurers in the area of voluntary personal, property or liability insurance, alongside the dominant government insurance companies which claim 88% of the market. The 2005 premium volume of approximately EUR 190 million, of which EUR 180 million came from the non-life insurance area, represented a growth rate in the Belarusian insurance market of 23% over 2004, whereas the greatest part was earned by government companies.

Area	207,595 km^2
Population	9.8 million
Capital	Minsk
Currency	Belarus Rouble (BYR)
Exchange rate	1 Euro = BYR 2,590.7
Per capita GDP	approximately EUR 2,200
Real change in GDP versus 2004	9.2 %
Inflation	approximately 8 %
Insurance density (2005)	USD 19 per capita
Insurance penetration (2005)	0.75 %
Growth in the insurance market	23 %

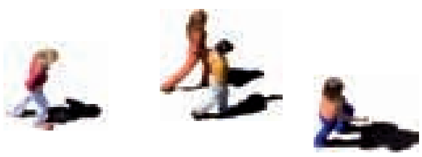
The Vienna Insurance Group in Belarus

The Vienna Insurance Group is the only Western insurance company operating in the Belarusian non-life insurance market. The company distributes special products in the motor vehicle class within the scope of legal possibility. Any additional potential depends on the economic and legal environment. The Belarusian companies were not consolidated with the group in 2005.

Kupala

Successful business area restructuring

The Vienna Insurance Group entered the Belarusian insurance market by making an investment in the Joint Belarusian-Austrian Insurance Company Kupala (Kupala) in 2002. However, nationalisation of motor vehicle liability insurance and the introduction of "Green Card insurance" (international insurance card for motor vehicles) in 2004 required a reorientation of the business and extensive restructuring of the company. This restructuring of Kupala, which now focuses on the area of casualty, personal and motor vehicle own-damage insurance, showed its first success in 2005. These classes recorded a considerable increase in premiums over 2004. The increase in premiums for motor vehicle own-damage insurance was 11% in 2005 and 82% for personal insurance. A new product was introduced in 2005 in order to further strengthen Kupala's posi-



tion in the motor vehicle insurance segment. The new motor vehicle own-damage product "Casco Light" – with a retention for mid-range cars – is currently the most attractive insurance product of this type in the Belarusian insurance market.

The acquisition of the Victoria insurance company further strengthened the Vienna Insurance Group's position.

Victoria

The acquisition of the Victoria insurance company in July 2005 further strengthened the Vienna Insurance Group's position in the Belarusian market. Collaboration with the Prior Bank, a member of the Raiffeisen Group, is planned for the purpose of developing modern products that are optimised for bank distribution and can be sold through Prior Bank's more than 40 branches.

Premium growth exceeding 50%
Despite the difficult circumstances in the Belarusian insurance market, Victoria was able to increase its premiums by more than 50% in comparison to 2004 and earn a profit.

Outlook for 2006
Once Victoria has received official approval for its new household and casualty insurance products at the beginning of 2006, distribution of the products through Prior Bank is intended to start during the course of the year. For the first time since motor vehicle liability insurance was nationalised, Kupala is expected to generate once again an overall increase in premiums in 2006.

Name	**Joint Belarus–Austrian Insurance Company Kupala**
Year founded	1993
Contact	Joint Belarus–Austrian Insurance Company Kupala ul. Nemiga 40 BY-220004 Minsk Tel.: +375 (17) 200 80 71 Fax: +375 (17) 200 80 13 office@kupala.by www.kupala.by

Name	**ZASO Victoria**
Year founded	1993
Contact	ZASO Victoria ul. Temerjazjewa 65-A BY-220035 Minsk Tel.: +375 (17) 289 92 57 Fax: +375 (17) 289 92 58 victoria@priorbank.by

OTHER MARKETS

GERMANY

Economic environment
Germany's gross domestic product increased by 0.9% in 2005, with 0.7 percentage points of this figure attributable to a further increase in the export surplus alone. Due to decreasing unit labour costs, German exports were once again more competitive. Almost half of the 2.0% increase in consumer prices was the result of increased energy costs. An upturn in the economy is generally expected in 2006.

Area	357,031 km^2
Population	82.0 million
Capital	Berlin
EU accession	1952
Currency	Euro (EUR)
Per capita GDP	EUR 27,230
Real change in GDP versus 2004	0.9%
Inflation	2.0%
Insurance density (2004)	USD 2,287 per capita
Insurance penetration (2004)	7.0%
Growth in the insurance market	3.4%

German insurance market
Unlike the insurance markets in the CEE-countries, the German insurance market is relatively saturated. In spite of this, premiums written in 2005 increased by approximately 3.4% over the previous year to EUR 155.2 billion. Due to a change in the law which made benefit payments from life insurance policies written after 1 January 2005, taxable, there was a boom in life insurance at the end of 2004. With an increase of 6.1% due to accumulated demand, the life insurance area was the primary engine of growth in the German insurance sector in 2005. Private health insurance also showed noticeable growth with a 3.4% increase. In contrast, in the property and casualty area, increased price competition for motor vehicle and industrial insurance led to a decrease of 0.2%.

Both InterRisk companies grew faster than the German market in 2005.

InterRisk premium growth outpaces the market

The Vienna Insurance Group is represented by two companies in the German insurance market. These are InterRisk Versicherungs-AG, a wholly owned subsidiary of Wiener Städtische AG specialising primarily in casualty insurance and selected property insurance products and InterRisk Lebensversicherungs-AG, a subsidiary of InterRisk Versicherungs-AG. Both of these companies are headquartered in Wiesbaden and can look back on another highly successful fiscal year. Supported by distribution through independent brokers and non-exclusive agents, premiums written increased by 6.4% to EUR 109.48 million. The success of the two InterRisk companies is also clearly shown in the record EUR 8.4 million result before taxes.

Numerous awards for InterRisk Non-life
With an increase of 5.9% to EUR 58.59 million in premiums written, InterRisk Versicherungs-AG once again stands apart from the rest of the German non-life insurance market, which recorded a drop of 0.2%.

The company's clear strategic orientation toward market-leading quality in products and services continued to show success. As an example, the most significant independent broker survey, the "CHARTA Quality Barometer 2005", ranked the company in first place among property and casualty insurers. InterRisk gained another first place in the German Institute of Insurance Brokers (Institut der Versicherungsmakler – ivm) survey on the quality of household insurers preferred by brokers.

Vienna Insurance Group in Germany

in million EUR	2005	Change versus 2004
Premiums written	109.48	+6.4%
Life	50.89	+7.0%
Non-life	58.59	+5.9%
Result before taxes	8.40	–

The company's highly acclaimed model policy conditions make it especially successful in competing for new customers. InterRisk has also been successful with its unique household insurance policy, which uses a microgeographic database to calculate a premium tailored to the customer's individual risk. The company also holds a good position in residential building insurance, using a tariff system based primarily on the risk of pipe water leakage as a function of building age.

InterRisk Life growth outpaces the market

Premiums written by InterRisk Life increased 7.0% to EUR 50.89 million, again outpacing the German insurance market in 2005. The majority of new business consisted of risk life insurance. InterRisk stands apart from the market primarily due to its product solutions, which can be adjusted to meet a wide variety of customer needs. This includes joint life insurance, where two people are jointly insured under one policy and benefits are paid to the surviving partner or upon expiry of the contract.

InterRisk holds an excellent position in the occupational disability area due to its "TopLine" product, which regularly receives top marks from the rating agencies Morgen & Morgen and Franke and Bornberg, both of which specialise in this area.

The year 2006

As many of its competitors were forced to make drastic premium increases, InterRisk Versicherungs-AG expects significant growth to take place in 2006, particularly in the main class of casualty insurance. InterRisk's competitive prices and the outstanding quality of its insurance products should, therefore, allow the company to further improve its market position in 2006.

InterRisk Versicherungs-AG plans to extend its area of operations to France in 2006, where it initially intends to offer casualty insurance under the EC Treaty's freedom to provide services. The focus in France will also be placed on distribution through independent brokers.

Premiums written by InterRisk Life increased 7.0%

InterRisk Lebensversicherungs-AG plans to introduce a new inventory management system for its new business before the end of the current year. The new inventory management system will permit additional increases in efficiency and significantly greater flexibility in the introduction of new products, with InterRisk Lebensversicherungs-AG seeing particularly great potential in the area of unit-linked life insurance.

Name	**InterRisk Versicherungs-AG** **InterRisk Lebensversicherungs-AG**
Proportion held	100 %
Year founded	1990
Contact	InterRisk Versicherungen Karl-Bosch-Straße 5 D-65203 Wiesbaden Tel.: +49 (611) 2787-0 Fax: +49 (611) 2787-222 info@interrisk.de www.interrisk.de

InterRisk VERSICHERUNGEN

LIECHTENSTEIN

Economic trend

Two of the world's foremost rating agencies, Moody's and Standard & Poor's, give Liechtenstein their respective top rating of Aaa and AAA. The reasons are the country's excellent finances, the population's high level of wealth, the diversified and export-oriented economy and the currency union with another triple-A country, Switzerland.

Liechtenstein's diversified strategy for attracting companies rests on the pillars of industry, commerce and trade, financial services, general services, agriculture and consumers. In 2005 Liechtenstein achieved economic growth of about 4%, driven both by good manufacturing exports and the healthy performance of banks. The traditionally low unemployment rate was 2.4% in December 2005.

Premium volume of Vienna Life tripled over 2004.

Growth in the insurance market

The insurance market in Liechtenstein grew very rapidly last year – not just the premium volume (which was up approximately 70%), but also of the number of insurance companies active in the country. In 2005 nine insurers began operation, bringing the total at the end of the year to 31 insurance firms. The reason is almost certainly that innovative products can be launched very quickly thanks to the small and efficient administrative structures. Liechtenstein's insurance industry consists largely of life insurance, which accounts for more than 90% of premium volume. Casualty insurers only occupy specialised niches.

Area	160 km^2
Population	34,294
Capital	Vaduz
EU accession	Not planned; EEA member
Currency	Swiss franc (CHF)
Exchange rate	1 Euro = CHF 1.5478
Real change in GDP versus 2004	approximately 4 %
Inflation	0.8 %
Growth in the insurance market	approximately 70 %

Vienna Insurance Group in Liechtenstein

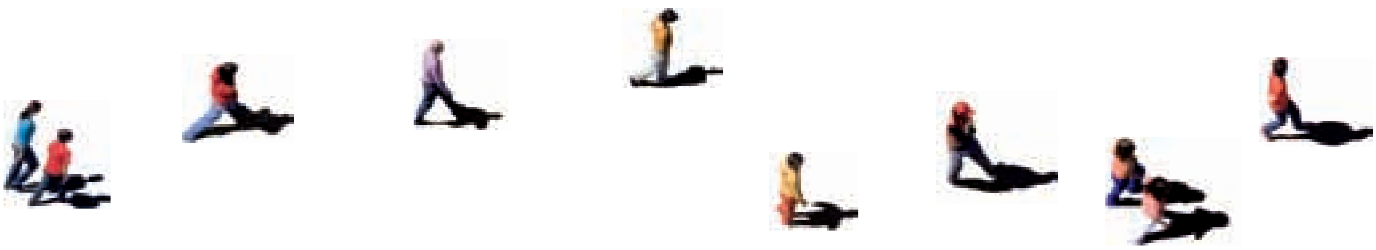
in million EUR	2005	Change versus 2004
Premiums written	167.66	+203.4 %
Life	167.66	+203.4 %
Result before taxes*	0.05	–

* according to local law

Thanks to its membership in the European Economic Area (EEA), the insurance treaty with Switzerland and the updating of insurance supervision laws in early 2005, Liechtenstein has excellent prospects of continuing to grow as an insurance location.

Premium volume tripled

Vienna Life Lebensversicherung Aktiengesellschaft, owned by Vienna Insurance Group and based in Schaan, opened for busi-



ness in 2000. Vienna Life is engaged only in life insurance, with a focus on unit-linked products. It emphasises policies tailored to the particular needs of the individual client. Since 2003 the company has been offering regular premium products in addition to its single premium contracts. In 2005 the company's popular product range remained almost unchanged from 2004.

In its fifth financial year as well, Vienna Life continued the preceding years' superb sales trend. Premium volume tripled from 2004, to EUR 167.66 million, with both regular and single premium income rising markedly. The clear growth driver was the segment of high-net-worth private clients.

2006 – expansion of broker distribution
Next to the further optimisation of business processes and administrative workflows, Vienna Life plans to continue to expand its distribution capacity in 2006. The close cooperation with brokers is again to be intensified this year in all three core markets of Vienna Life: Liechtenstein, Germany and Austria.

Name	**Vienna Life Lebensversicherung AG**
Proportion held	100 %
Year founded	2000
Contact	Vienna Life Lebensversicherung AG Industriestraße 2 LI-9487 Bendern Tel.: +423 235 06 60 Fax: +423 235 06 69 office@vienna-life.li www.vienna-life.li

VIENNA LIFE

Just about to break a record.

In fiscal year 2005, the Vienna Insurance Group produced an outstanding result.

CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of the Vienna Insurance Group were prepared in accordance with the International Financial Reporting Standards (IFRS).

Profit before taxes up 54.2%

In fiscal year 2005, the Vienna Insurance Group produced an outstanding result. Profit before taxes came to EUR 240.34 million, reflecting an increase of 54.2% compared to the previous year.

All three lines of business of the Group (property and casualty insurance, life insurance and health insurance) made a positive contribution to this result. A positive contribution to the result was also made in each of the five geographic segments of the consolidated financial statement (Austria, Czech Republic, Slovakia, Remaining CEE-markets, Other markets).

Premium income exceeds the EUR 5 billion mark

The total gross premiums written for all lines of business exceeded the EUR 5 billion mark for the first time in 2005. The yearly total of EUR 5,007.84 million exceeded the previous year's figure of EUR 4,101.38 million by 22.1%. In 2005, gross earned premiums came to EUR 4,951.95 million, reflecting a 21.0% increase. Net earned premiums amounted to EUR 4,240.87 million, 23.0% higher than in 2004.

Development of premium volume (total)

in million EUR	2005	2004	Change versus 2004
Gross premiums written	5,007.84	4,101.38	+22.1%
Gross earned premiums	4,951.95	4,093.59	+21.0%
Net earned premiums	4,240.87	3,447.33	+23.0%

Development of the lines of business

Life insurance as a growth engine

The highest premium growth in 2005 was generated in the life insurance segment, where premiums written rose by 31.3% year-on-year to EUR 2,156.43 million. In property and casualty insurance, the premiums written came to EUR 2,563.32 million, thus exceeding the figure for 2004 by 17.6%. Gross premiums written of EUR 288.09 million in health insurance also exceeded the previous year's figure by 2.9%.

Gross premiums written by class

in million EUR	2005	2004	Change versus 2004	Share (2005)
Property/Casualty	2,563.32	2,179.08	+17.6%	51%
Life	2,156.43	1,642.38	+31.3%	43%
Health	288.09	279.91	+2.9%	6%
Total	**5,007.84**	**4,101.38**	**+22.1%**	**100%**

Gross earned premiums by class

in million EUR	2005	2004	Change versus 2004	Share (2005)
Property/Casualty	2,509.79	2,175.51	+15.4%	51%
Life	2,154.28	1,638.37	+31.5%	43%
Health	287.88	279.71	+2.9%	6%
Total	**4,951.95**	**4,093.59**	**+21.0%**	**100%**

Highest contribution to result from property and casualty insurance

All three lines of business contributed to the Group's profit before taxes of EUR 240.34 million. At EUR 145.47 million, the property and casualty class clearly made the highest contribution to the result, reflecting an increase of 132.6% compared to the previous year. The reason for this impressive improvement in the result was premium income that significantly exceeded benefits and costs. This was made possible by the Group-wide continuation of the strategy of charging premiums that adequately account for risk and utilising synergy effects to reduce costs as well as the excellent claims rate. At approximately 27% of earned premiums, the ceded share in 2005 was roughly at the level of the previous year.

Stable result in life insurance

Life insurance contributed to the consolidated results with profit before taxes of EUR 73.41 million. This reflected a slight decline compared with the previous year's result of EUR 76.62 million.

While commission payments (EUR 184.40 million) stayed at a consistently high level due to the strong new business, conversion to new annuity tables in Austria and the resulting need for additional funding of EUR 76.1 million also put pressure on the result for 2005. In health insurance, the result for 2005 was higher than in 2004 by EUR 4.71 million. This is primarily due to the financial result for health insurance, which improved by EUR 5.14 million. Profit before taxes was EUR 21.45 million in the health insurance segment (2004: EUR 16.74 million).

Profit before taxes by class

in million EUR	2005	2004	Change versus 2004	Share (2005)
Property/Casualty	145.47	62.55	+132.6 %	60 %
Life	73.41	76.62	−4.8 %	31 %
Health	21.45	16.74	+28.2 %	9 %
Total	**240.34**	**155.91**	**+54.2 %**	**100 %**

Dynamic premium growth in Central and Eastern Europe

With premiums of EUR 3,170.97 million, the Austrian geographic segment made the greatest contribution to the Group's premiums written of EUR 5,007.84. The 14.7% double-digit growth over the previous year was primarily attributable to the high 24.8% growth in life insurance. The greatest premium increase was generated in the geographic segment "Remaining CEE-markets". The segment "Remaining CEE-markets" includes the countries of Bulgaria, Croatia, Poland, Romania, Serbia and Montenegro as well as Hungary. The Group's consolidated financial statements do not include the companies in Ukraine and Belarus. Premiums written of EUR 337.28 million reflect a 77.0% increase compared to the previous year. It should be noted that the premiums in the life insurance class were increased by 41.1% to EUR 75.79 million. However, premiums in property and casualty were almost doubled with a gain of 91.1% to EUR 261.48 million. In addition to the high organic growth of the companies, the initial consolidation of the Omniasig Group contributed to this result.

In the Czech Republic, premiums written were increased by 27.0% to EUR 891.51 million. In addition to the good development at Kooperativa Prague, the first-time recognition of ČPP, which was newly acquired in 2005, also contributed to this result.

In Slovakia, the 28.4% increase in life insurance to EUR 105.27 million was extremely gratifying; however, the 10.4% growth to EUR 225.68 million in the property and casualty class reflected a loss of momentum compared to previous

The highest premium growth in 2005 was generated in the life insurance segment.

years. The reason for this slowed growth was the strong competition in the motor vehicle market in particular.

The very positive premium development in the segment "Other markets" (Germany and Liechtenstein) should also be noted. In this segment, premiums were up by 75.3% compared to the previous year to EUR 277.14 million. In addition to the premium increase by the German InterRisk Versicherungen, which is significantly higher than the German market, the tripling of the premium volume of Vienna Life in Liechtenstein contributed primarily to this outcome. Vienna Life, which is only active in the life insurance business, recorded premiums written of EUR 167.66 million, reflecting an increase of 203.4% compared to the previous year.

Gross premiums written by region

in million EUR	2005	2004	Change versus 2004	Share (2005)
Austria	3,170.97	2,764.39	+14.7%	63%
Czech Republic	891.51	702.00	+27.0%	18%
Slovakia	330.94	286.30	+15.6%	7%
Remaining CEE-markets	337.28	190.57	+77.0%	7%
Other markets	277.14	158.13	+75.3%	5%
Total	**5,007.84**	**4,101.38**	**+22.1%**	**100%**

Gross earned premiums by region

in million EUR	2005	2004	Change versus 2004	Share (2005)
Austria	3,150.85	2,757.76	+14.3 %	63%
Czech Republic	887.26	719.93	+23.2 %	18%
Slovakia	317.99	281.35	+13.0 %	7%
Remaining CEE-markets	319.57	178.71	+78.8 %	7%
Other markets	276.27	155.83	+77.3%	5%
Total	**4,951.95**	**4,093.59**	**+21.0 %**	**100%**

Positive in all segments

The year 2005 was the first time that all geographic segments produced a positive contribution to the result. 60% of the consolidated profit before taxes of EUR 240.34 million was generated in Austria. With profit before taxes of EUR 60.09 million in the

Czech Republic and EUR 24.98 million in Slovakia, these two countries alone contributed more than 35% to the consolidated result. It is also gratifying that the "Remaining CEE-markets" segment, which consistently includes dynamically growing companies, generated a profit of EUR 3.21 million in 2005 after a loss of EUR 8.96 million in 2004.

Profit before taxes by region

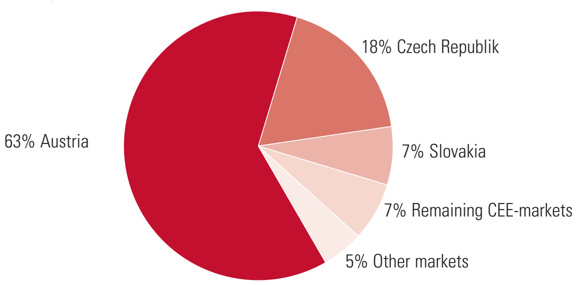
in million EUR	2005	2004	Change versus 2004	Share (2005)
Austria	144.52	108.80	+32.8%	60%
Czech Republic	60.09	39.74	+51.2%	25%
Slovakia	24.98	20.07	+24.5%	11%
Remaining CEE-markets	3.21	–8.96		1%
Other markets	7.54	–3.75		3%
Total	**240.34**	**155.91**	**+54.2%**	**100%**

Increased significance of premiums generated outside Austria

The share of gross premiums written generated outside Austria in 2005 was 36.7%; the premium share generated in the CEE-countries was 31.1%. In 2004, the percentage of premiums written generated outside of Austria was still 32.6% (28.7% for the CEE-countries). The significance of the consolidated subsidiaries outside of Austria is particularly noteworthy in the property and casualty class, where 47.5% of gross premiums written were generated outside of Austria in 2005 (45.2% of them in the CEE-countries).

PREMIUMS BY REGIONS

Gross premiums written 2005



The expenses for insurance claims, less the reinsurance component, rose last year by EUR 740.17 million or 25.7%, to EUR 3,618.41 million. This increase is due primarily to the expansion of the Group's scope of consolidation.

Operating expenses, primarily contracting and management costs, increased by only 15.6% from EUR 771.53 million in the previous year to EUR 891.79 million, reflecting an extremely moderate increase compared to premium growth.

The combined ratio (after reinsurance and without taking financial income into account) – a key indicator of the trend in the property and casualty insurance business – amounted to 94.3% in 2005 and was thus further improved as compared to the previous year (2004: 97.0%).

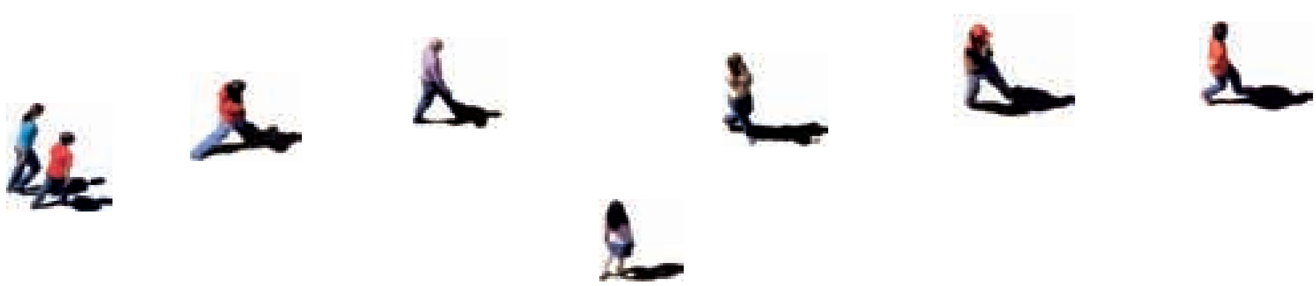
The Group's financial result improved from EUR 446.2 million to EUR 593.86 million, reflecting 33.0% growth.

The Group's financial result improved to EUR 593.86 million.

Capital assets

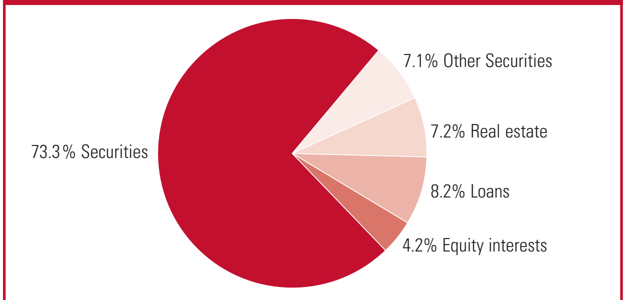
The Group's capital assets (without taking unit- and index-linked life insurance capital assets into account), which amounted to EUR 12,368.14 million in 2004, increased by 22.6% to EUR 15,162.67 million. The capital assets of unit- and index-linked life insurance rose by 57.4% from EUR 1,119.63 million to EUR 1,762.07 million. In addition to the strong new business, the reason for this also included the positive performance of the underlying securities.

Compared to the previous year, the capital assets in property and casualty insurance increased by EUR 607.91 million or 24.9% to



EUR 3,045.49 million. In life insurance, capital assets rose by EUR 2,067.81 million or 22.5% to EUR 11,273.60 million. An increase of EUR 118.81 million to EUR 843.58 million was also recorded in health insurance.

CAPITAL ASSETS



Shareholders' equity

In 2005, the Group's capital base was significantly strengthened from EUR 913.78 million to EUR 2,059.33 million (+125.4%). This rise resulted primarily from the capital increase of the Wiener Städtische AG implemented in December 2005, which generated proceeds of EUR 910 million.

The **return on equity (RoE)** for the Vienna Insurance Group was 21.8% for 2005. In comparison, the return on equity for 2004 was 19.5%.

Material events after the balance sheet date

Official approvals for the acquisition of a 63.09% interest in the Polish insurance company Cigna and a 40% interest in Kardan Financial Services (KFS) were issued during the period from 31 December 2005 to 7 April 2006. KFS holds equity interests in numerous insurance and financial services companies in Central and Eastern Europe. In April 2006 it was further agreed that the Vienna Insurance Group would acquire the 21.5% stake in Omniasig Non-life held by the Romanian BCR Bank.

Embedded value

On 4 May 2006, the Vienna Insurance Group is going to announce the results of its calculation of the Group's embedded value. Large international insurance groups use the embedded value approach to better take into account the long-term nature of the insurance business in determining the economic value of the enterprise. In doing so, the future

In 2005, the Group's capital base was significantly strengthened by the capital increase which generated proceeds of EUR 910 million.

anticipated profit of the insurance company over the entire remaining term of its portfolio of insurance policies is considered. The value of the insurance policies in force is made up of the two components: "net asset value" for life, health and property/casualty insurance and "discounted income" from the insurance business for life and health insurance alone (value of in-force business).

The positive economic outlook for the CEE-region is reflected in an increasing share of international trade.

2006 – OUTLOOK AND OBJECTIVES

Expected economic trends in 2006

Austria

The Austrian Institute of Economic Research (Österreichisches Institut für Wirtschaftsforschung - WIFO) is projecting real economic growth of 2.4%. Exports and investment are the key drivers of this economic upswing. The role of private consumption continues to be viewed as minor. However, inflation is expected to slow to 1.9% in 2006, leading to an increase in the population's real income. Since 2000, private consumption has only increased at half the rate of the long-term average due to the small increase in real wages and the higher saving rate, which represented 9.4% of disposable income in 2005. The number of people employed is expected to rise by 34,000 in 2006. Higher employment figures are expected in the service sector and in part-time positions, in particular. The number of women employed is also expected to rise. Expenditures are being increased, especially for active labour market policy measures, which are being increased by a third, in order to stabilise unemployment at a rate of 5.2% (Eurostat) in 2006. However, this can also be expected to increase the budget deficit, which will probably remain below 2% of GDP. Fluctuations in oil prices and the US dollar-Euro exchange rate will create short-term risks. In addition, pull-forward effects from Germany due to an increase in the value-added tax, and Austria taking the EU chair in the first half of 2006 should stimulate the Austrian economy in 2006.

CEE

The positive economic outlook for the CEE-region is reflected in rising investment and an increasing share of international trade. Continuing structural reforms implemented by the Central and Eastern European countries are also contributing to the economic success of the region. GDP is expected to grow by an average of 5% in Eastern Europe. Unemployment will continue to be high, at around 11%, with large differences among the individual countries of the region and is expected to decrease over the medium term. Investments by foreign companies are a significant engine of economic growth in the CEE-countries. Continued large-scale growth in investment is expected, particularly in the production sector, such as the automobile industry.

Outlook: The 2006 insurance market

Austria

Based on an analysis by the Austrian Association of Insurance Companies (Verband der Versicherungsunternehmen Österreichs - VVO), the Austrian insurance sector can expect a total increase in premiums of around 4.1% in 2006. Although the growth dynamic in the non-life insurance area will likely decline in 2006 as compared to the previous year, it is anticipated that this will be compensated for by the life insurance area. Based on the increasing importance of life insurance, a growth rate of 4.7% is expected for 2006, with total premiums from single-premium policies expected to increase by 0.3% and from policies with regular premium payments by 6.7%.

Growth in the non-life classes is expected to be generally lower in 2006 than in 2005. In Austria, premium growth of 2.2% is expected for motor vehicle liability insurance in 2006. Premiums written for own-damage insurance and passenger accident insurance are also expected to increase by 4.4% and 1.9%, respectively. Premiums for property and casualty insurance are expected to grow by a total of 3.7%, with premium growth in the non-motor vehicle classes being around 4.4%.

In 2004, for the first time since 1991, the health insurance portfolio once again recorded growth throughout Austria. Further upward movement of premium revenues is expected for 2006 as a continuation of the positive premium growth in 2005. Premiums written for health insurance are forecast to grow by 3.1% in 2006.

The CEE growth market

The insurance business in Central and Eastern Europe will continue to profit from generally favourable economic conditions with high growth rates, growth in private assets, numerous investments in infrastructure and a high savings rate. In 2004, the CEE-countries had a relatively low insurance density of USD 151 (EU-15: USD 2,727). Experience has shown that these factors also lead to a significant increase in the demand for insurance. On this basis, the Vienna Insurance Group feels the potential for growth in insurance services is very high in the entire region.

> In 2005, the Vienna Insurance Group was the first Austrian insurance company, which committed in the Russian market.

Motor vehicle liability insurance, which is currently the most important insurance class in the CEE-markets, is considered to be one of the greatest engines of growth. Motor vehicles are becoming increasingly affordable due to the rising standard of living in the region and falling prices resulting from new automobile production facilities being set up in Central and Eastern Europe (e.g. in Košice or Žilina). In addition, checks for mandatory motor vehicle liability insurance are becoming increasingly strict, which should lead to an increased demand for motor vehicle insurance products. It is likely that the other liability classes will also gain in importance in the future.

Starting from a significantly lower level, projected growth rates for life insurance are even higher than those projected for motor vehicle insurance. Real growth of 8% per year is projected for the life insurance area and 5% per year for the non-life insurance area until 2010.

2006: Good prospects for the Vienna Insurance Group

In accordance with the fundamental principles of "value-based management", the Vienna Insurance Group's goal for 2006 is to "create value" for its shareholders. For 2006 and beyond, the Vienna Insurance Group's efforts will be directed at achieving further growth in premiums, increased profitability and expansion of the market positions held by its companies. Improvements in distribution, in particular, will continue to be targeted in 2006 in order to strengthen market positions.

Capital increase: Expansion into Central and Eastern Europe

The capital increase carried out in 2005 laid the foundation for further successful expansion of the Group into Central and Eastern Europe. The Vienna Insurance Group intends to use the proceeds from the capital increase to finance further growth of the Group, particularly in the CEE-region. The greater part of the proceeds is allocated for acquisitions, including obligations under agreements previously concluded with Kardan Financial Services, taking over a majority interest in Cigna and acquiring interests in Compensa Life and Non-life. The remaining funds are intended primarily to provide support for the expected organic growth of the existing CEE-business, to strengthen equity for potential future increases in solvency requirements (Solvency II) and for the general financing requirements of the Vienna Insurance Group. The Vienna Insurance Group regularly examines possible acquisition targets. If new acquisition opportunities should arise, further purchases could be made at any time.

Expansion into Russia

In 2005, the Vienna Insurance Group became the first Austrian insurance group to lay the foundation for investment in Russia. Arrangements were made to found a life insurance company in cooperation with the Russian non-life insurance company MSK. The company is scheduled to begin operations in mid-2006. A strong distribution network is already available for the new life insurance company through the Vienna Insurance Group's Russian partner and the Bank of Moscow (which is the majority shareholder in MSK), so that the huge growth potential of the Russian market can be optimally exploited in the coming years.

Expansion of health insurance

Private health insurance is still in the expansion phase in the CEE-region, so that the great majority of the Vienna Insurance Group's health insurance business is currently limited to Austria. Based on its many years of experience, the opportunities for private health insurance are now also being investigated in the CEE-region and the first steps are being taken to enable a larger volume of health insurance services to be offered in this region also.

> The Vienna Insurance Group was able to achieve a profit before taxes of EUR 240 million in 2005.

Financial goals of the Vienna Insurance Group for 2006

As a result of its previous successful expansion, the Vienna Insurance Group is in an excellent position to participate in the economic growth of the CEE-region, so that premium growth between 10% and 20% can also be expected in most countries of the dynamically growing CEE-region in 2006. In Austria, the Vienna Insurance Group expects premium growth in all classes to be approximately the same or above the growth in the Austrian insurance market. In total, the Vienna Insurance Group expects gross premiums written for the Group – without adjusting for currency effects – in the approximate magnitude of EUR 5.8 billion. This corresponds to a growth rate of approximately 15%. The competitive advantage of the Vienna Insurance Group is its strong market position in CEE, which is based on organic growth, a successful acquisition strategy and consistent, targeted use of all available distribution channels. The Group has a solid financial foundation, which forms a basis for further profitable development in future years.

The Vienna Insurance Group was able to achieve higher than expected profit before taxes of EUR 240.34 million in 2005. The Vienna Insurance Group has set an ambitious goal of increasing 2006 profit before taxes by approximately 20% into the range of between EUR 270 and 290 million. The pre-tax rate of return on equity should lie around 16% (taking the capital increase into account), with the combined ratio remaining well below 100%.

The figures relating to the Vienna Insurance Group that are mentioned in this section are financial goals, not forecasts, predictions or guarantees.

RISK MANAGEMENT

The Vienna Insurance Group's core competence is dealing professionally with risk. The Group's primary business is assuming risk from its customers using of a variety of insurance packages. The insurance business consists of deliberately assuming diverse risks and managing them profitably – something the group did outstandingly well in 2005, as its profit before taxes of EUR 240,34 million show to good effect.

As well as the intrinsic underwriting risks in its policy portfolio, the Group is also exposed to a number of other risks, and it has developed and implemented effective risk management systems to identify, manage and control them.

> The Vienna Insurance Group's core competence is dealing professionally and profitably with risk.

The overall risk of the Group can be divided into individual risk categories, as follows:

- **Underwriting risks:** These result from the Group's commitments to pay future benefits, whose size must be calculated in advance.
- **Credit risk:** This is an estimate of the potential losses that could arise if a contract partner's situation deteriorates.
- **Market risk:** Market risk is taken to mean the risk of investments changing in value as a result of unforeseen fluctuations in interest rate curves, stock prices and currency rates and the risks arising out of real property and equity holdings changing their market value.
- **Strategic risks:** These can arise as a result of changes in the economic environment, case law and the regulatory environment.
- **Operational risks:** These result from deficiencies or errors in business processes, controls and projects resulting from technology, staff, organisations and external factors.
- **Liquidity risk:** Liquidity risk depends on the goodness of fit between the capital investment portfolio and insurance commitments.

As a rule, the local companies in the Vienna Insurance Group are responsible for managing their own risks, while at the same time strict requirements are set in terms of investments and capital assets, as well as for reinsurance.

The Vienna Insurance Group manages these risks via a number of internal guidelines. **Underwriting risks** in property and casualty insurance are managed mainly via actuarial models for setting tariffs and monitoring claims experience and guidelines on assuming insurance risks. The most important underwriting risks in life and health insurance are primarily biometric ones, such as life expectancy, occupational disability, illness and the need for care. To manage these underwriting risks, Wiener Städtische has formed reserves for making future insurance payments.

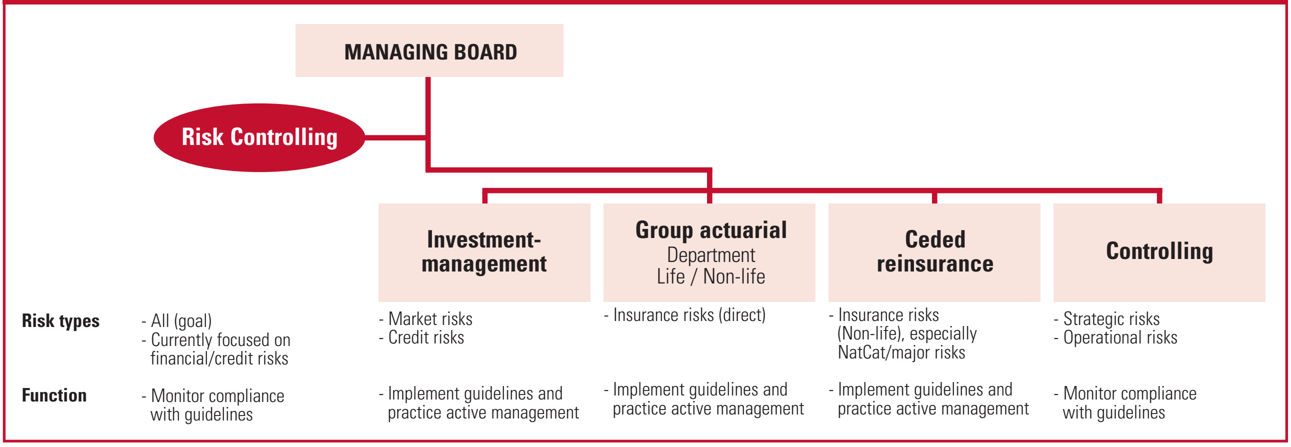
The Vienna Insurance Group limits its potential liability from insurance business by offloading some of the risks it assumes on the international reinsurance market. It spreads this reinsurance coverage over a large number of international reinsurance companies which Vienna Insurance Group believes have an adequate degree of creditworthiness, in order to minimise the risk (credit risk) due to the insolvency of a reinsurer.

The Vienna Insurance Group monitors the various **market risks** in its security portfolio using fair value valuations, value-at-risk (VaR), sensitivity analyses and stress tests.

Liquidity risk is limited by matching the capital asset portfolio to insurance commitments. **Operational and strategic risks** caused by deficiencies or errors in business processes, controls and projects and changes in the business environment are also monitored continuously.




AREAS INVOLVED IN RISK MONITORING AND CONTROL



• **Investment management:** Investments are managed by two committees, the strategic investment and risk committee (securities) and tactical investment committee.
• **Group actuarial department:** Underwriting risks are managed by the Group actuarial department. This department subjects all insurance solutions to in-depth actuarial analysis covering all classes of insurance business (life, health, property and casualty).
• **Reinsurance:** The reinsurance business of all Group companies is managed by the central reinsurance department set up by Wiener Städtische AG.
• **Risk Controlling:** The risk controlling department assists the Managing Board of Wiener Städtische AG in managing market risk. As an independent organisational unit, its primary task is to gather and analyse information on market risk from across the Group and to review Group-wide implementation of security investment guidelines and perform stress tests.
• **Controlling:** The controlling department monitors operational developments at domestic and foreign insurance companies. This is accomplished by means of monthly reports submitted to the controlling department by the companies and the analysis of plan and forecast figures.
• **Audits:** The audit department monitors operating and business processes and the functionality and adequacy of risk management.

An overview of the primary risks and uncertainties affecting the Vienna Insurance Group is presented below:

RISK FACTORS

Business risks

The Vienna Insurance Group calculates its underwriting reserves using recognised actuarial methods and assumptions. These assumptions include estimates of long-term interest rate changes, returns on capital investments, the allocation of capital

The Vienna Insurance Group calculates its underwriting reserves using recognised actuarial methods.

investments between equities, interest rate instruments and other categories, net income participations, mortality and morbidity rates, cancellation rates and future costs. The Group monitors actual experience relating to these assumptions and adjusts its long-term assumptions where changes are fairly long-term by nature.

Guaranteed minimum interest rates

The Vienna Insurance Group also has a considerable portfolio of policies with guaranteed minimum interest rates, including annuity and endowment insurance. On existing policies, Wiener Städtische guarantees a minimum interest rate of just over 3% p.a. If interest rates fall below the guaranteed average minimum rate for any length of time, the Vienna Insurance Group could find itself forced to use its equity to subsidise reserves for these products.

Growing internalisation increases diversification.

Claims reserves

In accordance with normal industry practice and accounting and supervisory requirements, Wiener Städtische AG and the individual group companies work together with the Group actuarial department to independently form reserves for claims and claims handling expenses arising from property and casualty insurance business. The reserves are based on estimates of the payments that will be made for these claims and related claims handling expenses. These estimates are made both on a case by case basis in the light of the facts and circumstances available at the time the reserves are formed, as well as for losses that have already occurred but which have not yet been reported to Wiener Städtische ("IBNR"). These reserves represent the expected costs required for final settlement of all known pending claims and IBNR losses.

Claims reserves, including IBNR reserves may vary in line with a number of variables that affect the total costs of a claim, such as changes in the law, the outcome of court cases, changes in processing costs, repair costs, loss frequency, claim size and other factors such as inflation and interest rates.

Interest rate fluctuations

The Vienna Insurance Group is exposed to market risk: that is, the risk of suffering losses as a result of changes to market parameters. Interest rates are the primary parameters relevant to the Vienna Insurance Group's market risk. Ignoring capital reserves held for the account of and at the risk of policyholders, the Vienna Insurance Group's capital reserves consist largely of fixed-interest-rate securities. Most of these securities are denominated in euro. As a result, interest rate fluctuations in the euro zone have a significant effect on the value of financial assets.

Market risks

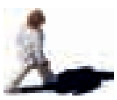
The Vienna Insurance Group has an equity portfolio which, even including shares held in funds, constitutes less than 10% of capital assets. Among other things, the Vienna Insurance Group equity investments include interests in a number of Austrian companies and positions in other companies whose shares are traded mainly on the Vienna Stock Exchange or stock exchanges in the Central and Eastern Europe region. Values might have to be adjusted if stock markets fall.

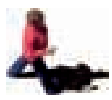
Tax law requirements

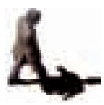
Changes in tax law may reduce the attractiveness of certain Vienna Insurance Group products that currently enjoy tax advantages. The introduction of laws reducing the tax advantages for the Group's old-age retirement products or other life insurance products could considerably reduce the attractiveness of old-age retirement products and other life insurance policies.

Developments in Central and Eastern Europe

The expansion and development of business operations in the countries of Central and Eastern Europe that are not yet EU member states is a key element of the Vienna Insurance Group's







strategy. The Vienna Insurance Group's goal is to have an even stronger presence in these target markets. The Vienna Insurance Group has made acquisitions and founded companies as part of the strategy followed in this region. Political, economic and social conditions in these countries have changed rapidly in recent years. Far-reaching political and economic reforms have led to a situation where political and economic changes could arise during establishment of the new democratic and market-based systems.

Acquisitions
The Vienna Insurance Group has acquired a number of companies, or interests in them, in Central and Eastern Europe to date.

Acquisitions often bring challenges in terms of corporate management and financing, such as:

- The need to integrate the infrastructure of the acquired company, including management information systems, risk management and controlling systems;
- Handling unsettled matters of a legal, supervisory, contractual or labour law nature resulting from the acquisition;
- Integrating marketing, customer support and product lines; and
- Integrating different corporate and management cultures.

Cross-border acquisitions in Central and Eastern Europe can present a major challenge, due to differences in national cultures, business practices and legal systems.

Climate change
The environmental catastrophes that have been becoming increasingly common in recent years, such as floods, mud slides, earthquakes, storms, etc., may be the result of general climate change. The possibility of the number of claims caused in this manner continuing to rise in the future cannot be ruled out.

Reinsurance
The Vienna Insurance Group follows a policy of ceding a portion of assumed risks that management feels is adequate to reinsurance companies. This transfer of risk to reinsurers does not, however, relieve Wiener Städtische AG and its Group companies of their obligations to policyholders. As a result, the Vienna Insurance Group is exposed to the risk of insolvency on the part of the reinsurer.

Currency risks
As a result of the increasingly international nature of the Vienna Insurance Group's business activity, in particular its companies in Central and Eastern Europe and the capital assets for euro policies that are denominated in non-euro country currencies, changes in exchange rates can lead to foreign exchange losses.

Reinsurance minimizes the risks for the Vienna Insurance Group.

Supervisory requirements
Wiener Städtische AG and its principal Group companies are insurance companies and as such are subject to (insurance) supervisory regulations in Austria and abroad. These regulations cover matters such as:

- Equity capital endowment of insurance companies and groups;
- Admissibility of capital assets to provide cover for underwriting reserves;
- Concessions for the various group companies in the Vienna Insurance Group;
- Marketing activities and the sale of insurance policies; and
- Policyholders' cancellation rights.

Changes to the law could necessitate restructuring, thereby resulting in increased costs.

A powerful increase.

The figures speak for themselves.

WIENER STÄDTISCHE ALLGEMEINE VERSICHERUNG AKTIENGESELLSCHAFT

Consolidated financial statements in accordance with International Financial Reporting Standards (IFRS)

31 December 2005

Reporting period	**1.1.2005–31.12.2005**
Balance sheet comparison date	**31.12.2004**
Income statement comparison period	**1.1.2004–31.12.2004**
Currency	**EUR**

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2005

ASSETS	Note	31.12.2005	31.12.2004
in EUR '000			
A. Intangible assets	**1**		
I. Goodwill		200,259	27,377
II. Present value of business in force		44,625	31,872
III. Other intangible assets		72,018	56,293
Total intangible assets		**316,902**	**115,542**
B. Capital assets			
I. Land and buildings	**2**	1,085,882	1,131,494
II. Shares in affiliated and associated companies	**3 + 4**	636,048	626,669
III. Financial instruments		13,440,739	10,609,979
a) Loans and other capital assets	**5**	2,322,678	2,062,307
b) Other securities	**6**	11,118,061	8,547,672
Financial instruments held to maturity		246,510	173,799
Financial instruments available for sale		10,306,549	8,049,194
Financial instruments held for trading*		565,002	324,679
Total capital assets		**15,162,669**	**12,368,142**
C. Capital assets of unit- and index-linked life insurance	**7**	**1,762,071**	**1,119,628**
D. Reinsurers' share of underwriting provisions	**8**	**840,060**	**679,870**
E. Receivables	**9**	**856,853**	**716,246**
F. Deferred tax assets	**11**	**11,838**	**7,411**
G. Other assets	**12**	**200,706**	**230,647**
H. Cash and cash equivalents	**10**	**290,347**	**193,421**
Total ASSETS		**19,441,446**	**15,430,907**

* Includes financial assets recognized as income at fair value through value and loss

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2005

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.12.2005	31.12.2004
in EUR '000			
A. Shareholders' equity*	**13**		
I. Share capital		109,009	89,655
II. Capital reserves		1,035,029	150,000
III. Retained earnings		446,790	323,614
IV. Other reserves		410,664	285,459
V. Minority interests		57,840	65,050
Total shareholders' equity		**2,059,332**	**913,778**
B. Subordinated liabilities	**14**	**413,200**	**113,200**
C. Underwriting provisions			
I. Unearned premiums	**15**	627,653	442,929
II. Actuarial reserve	**16**	9,391,517	8,404,484
III. Reserve for outstanding claims	**17**	2,307,272	1,933,455
IV. Reserve for profit-independent premium refunds	**18**	30,950	31,949
V. Reserve for profit-dependent premium refunds	**18**	713,661	464,827
VI. Other underwriting provisions	**19**	15,239	12,727
Total underwriting provisions		**13,086,292**	**11,290,371**
D. Underwriting provisions of unit- and index-linked life insurance	**20**	**1,729,868**	**1,119,220**
E. Non-underwriting provisions			
I. Provisions for pensions and similar obligations	**21**	582,702	624,471
II. Tax provisions		68,779	90,080
III. Other provisions	**22**	219,905	171,570
Total non-underwriting provisions		**871,386**	**886,121**
F. Liabilities	**23**	**1,074,731**	**939,156**
G. Deferred tax liabilities	**11**	**123,944**	**109,511**
H. Other liabilities	**24**	**82,693**	**59,550**
Total LIABILITIES AND SHAREHOLDERS' EQUITY		**19,441,446**	**15,430,907**

* The change in Group shareholders' equity is presented in Note 13 of the Notes on the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY 2005 TO 31 DECEMBER 2005

	Notes	1.1.–31.12.2005	1.1.–31.12.2004
in EUR '000			
Premiums	**26**		
Premiums written – Total		**5,007,835**	**4,101,378**
Premiums written – Reinsurers' share		–732,199	–646,811
Premiums written – Retention		**4,275,636**	**3,454,567**
Change due to provisions for premiums – Total		–55,881	–7,789
Change due to provisions for premiums – Reinsurers' share		21,117	556
Earned premiums		**4,240,872**	**3,447,334**
Financial result	**28**		
Income from capital assets		828,147	685,333
Expenses for capital assets and interest		–234,287	–238,910
Total financial result		**593,860**	**446,423**
Other income	**29**	**46,264**	**34,349**
Expenses for insurance claims	**30**		
Expenses for insurance claims – Total		–3,986,792	–3,191,205
Expenses for insurance claims – Reinsurers' share		368,380	312,959
Total expenses for insurance claims		**–3,618,412**	**–2,878,246**
Operating expenses	**31**		
Acquisition costs		–798,575	–689,871
Other operating expenses		–266,682	–235,665
Reinsurance commissions		173,467	154,004
Total operating expenses		**–891,790**	**–771,532**
Other expenses	**32**	**–142,025**	**–124,860**
Income from shares in associated and affiliated companies	**27**	**11,567**	**2,440**
Profit before taxes		**240,336**	**155,908**
Tax expense	**33**	**–41,599**	**–34,356**
Net income for the period		**198,737**	**121,552**
Attributable to Wiener Städtische shareholders		196,977	120,952
Minority interests in net income for the period		1,760	600
Earnings per share	**13**		
basic = diluted earnings per share (in EUR)		2.27	1.41

CONSOLIDATED CASH FLOW STATEMENT FROM 1 JANUARY 2005 TO 31 DECEMBER 2005

	2005	2004
in EUR '000		
Net income for the period less minority interest	196,977	120,952
Minority interest	1,760	600
Net income for the period before minority interest	**198,737**	**121,552**
Net change in other underwriting provisions	1,597,345	1,073,187
Changes in deposits on assumed and ceded reinsurance business, and receivables and payables from reinsurance business	14,521	–8,564
Changes in other receivables and payables	30,022	–76,257
Changes in securities in the trading portfolio	–219,691	–102,070
Realised gains and losses of capital assets	–99,721	–44,921
Write up/down of all other capital assets	105,529	123,563
Changes in pension, post-employment benefit, and other personnel reserves	–41,813	–4,047
Changes in deferred tax assets/liabilities, not incl. tax provisions	–5,526	–41,596
Changes in other balance sheet items	19,554	42,676
Changes in goodwill and intangible assets	5,577	–2,235
Other income and expenses affecting cash flow, and adjustments to net income for the period	–66,797	–25,234
Cash flow from operating activities	**1,537,737**	**1,056,054**
Cash proceeds from the realisation of affiliated and associated companies	8,256	950
Payments for the acquisition of affiliated and associated companies	–262,222	–112,420
Cash proceeds from the realisation of other ownership interests	56,002	29,625
Payments for the acquisition of other ownership interests	–31,746	–9,705
Cash proceeds from available-for-sale securities	2,548,784	2,629,737
Payments for available-for-sale securities	–4,299,813	–3,773,057
Cash proceeds for securities held to maturity	25,273	40,085
Payments for securities held to maturity	–52,366	–88,013
Cash proceeds from the realisation of land and buildings	99,751	73,337
Payments for the acquisition of land and buildings	–62,479	–20,790
Changes in unit- and index-linked life insurance items	–463,126	–234,291
Changes from other capital assets	–155,149	166,356
Cash flow from investing activities	**–2,588,835**	**–1,298,186**
Capital increase	904,383	0
Minority interest in capital increase	3,481	11,944
Increase in subordinated liabilities	300,000	100,999
Dividend payments	–42,863	–23,286
Cash proceeds from and payments for other financing activities	–17,821	–7,276
Cash flow from financing activities	**1,147,180**	**82,381**
Net change in cash and cash equivalents	**96,082**	**–159,751**
Cash and cash equivalents at beginning of period	**193,421**	**349,764**
Cash and cash equivalents at end of period	**290,347**	**193,421**
Foreign exchange differences in cash and cash equivalents	**844**	**3,408**

SEGMENT REPORTING

CONSOLIDATED BALANCE SHEET BY PRIMARY SEGMENTS (LINES OF BUSINESS)

ASSETS	Property/Casualty		Life		Health		Total	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005	31.12.2004
in EUR '000								
A. Intangible assets	284,376	111,549	26,077	3,993	6,449	0	316,902	115,542
B. Capital assets	3,045,486	2,437,581	11,273,603	9,205,792	843,580	724,769	15,162,669	12,368,142
C. Capital assets of unit- and index-linked life insurance	0	0	1,762,071	1,119,628	0	0	1,762,071	1,119,628
D. Reinsurers' share of underwriting provisions	734,291	585,066	103,916	92,652	1,853	2,152	840,060	679,870
E. Receivables	580,435	405,931	259,847	292,343	16,571	17,972	856,853	716,246
G. Other assets	161,266	189,268	38,878	41,379	562	0	200,706	230,647
H. Cash and cash equivalents	216,153	120,362	72,410	72,050	1,784	1,009	290,347	193,421
Subtotal	**5,022,007**	**3,849,757**	**13,536,802**	**10,827,837**	**870,799**	**745,902**	**19,429,608**	**15,423,496**
Group deferred tax assets							11,838	7,411
Total ASSETS							**19,441,446**	**15,430,907**

LIABILITIES AND SHAREHOLDERS' EQUITY	Property/Casualty		Life		Health		Total	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005	31.12.2004
in EUR '000								
B. Subordinated liabilities	182,500	32,500	230,700	80,700	0	0	413,200	113,200
C. Underwriting provisions	2,712,944	2,189,297	9,702,877	8,473,801	670,471	627,273	13,086,292	11,290,371
D. Underwriting provisions of unit- and index-linked life insurance	0	0	1,729,868	1,119,220	0	0	1,729,868	1,119,220
E. Non-underwriting provisions	571,659	554,198	216,952	240,411	82,775	91,512	871,386	886,121
F. Liabilities	526,794	440,574	326,944	347,458	220,993	151,124	1,074,731	939,156
H. Other liabilities	67,614	48,950	14,989	10,564	90	36	82,693	59,550
Subtotal	**4,061,511**	**3,265,519**	**12,222,330**	**10,272,154**	**974,329**	**869,945**	**17,258,170**	**14,407,618**
Group deferred tax liabilities							123,944	109,511
Group shareholders' equity							2,059,332	913,778
Total LIABILITIES AND SHAREHOLDERS' EQUITY							**19,441,446**	**15,430,907**

The amounts indicated for each business segment have been adjusted for internal segment transactions. As a result, the asset and liability balances cannot be used to infer the shareholders' equity allocated to each area of operations.

SEGMENT REPORTING

INCOME STATEMENT BY SEGMENT

LINES OF BUSINESS	Property/Casualty		Life		Health		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
in EUR '000								
Premiums written – Total	2,563,320	2,179,081	2,156,429	1,642,383	288,086	279,914	**5,007,835**	**4,101,378**
Earned premiums	1,834,834	1,570,158	2,119,027	1,603,240	287,011	273,936	**4,240,872**	**3,447,334**
Financial result, not incl. associated and affiliated companies	36,521	14,300	533,797	413,723	23,542	18,400	**593,860**	**446,423**
Other income	32,118	26,213	14,109	8,083	37	53	**46,264**	**34,349**
Expenses for insurance claims	–1,179,062	–1,034,502	–2,186,489	–1,604,519	–252,861	–239,225	**–3,618,412**	**–2,878,246**
Operating expenses	–481,009	–430,204	–375,702	–306,253	–35,079	–35,075	**–891,790**	**–771,532**
Other expenses	–104,831	–85,621	–36,213	–37,658	–981	–1,581	**–142,025**	**–124,860**
Income from interests in associated and affiliated companies	6,903	2,207	4,880	0	–216	233	**11,567**	**2,440**
Profit before taxes	145,474	62,551	73,409	76,616	21,453	16,741	**240,336**	**155,908**

REGIONS	Austria		Czech Republic		Slovakia	
	2005	2004	2005	2004	2005	2004
in EUR '000						
Premiums written – Total	3,170,967	2,764,385	891,507	702,002	330,941	286,298
Earned premiums	2,838,748	2,449,274	695,337	549,754	228,997	190,341
Financial result, not incl. associated and affiliated companies	514,774	396,887	28,008	17,543	16,382	13,798
Other income	15,816	12,767	10,887	7,978	8,478	5,454
Expenses for insurance claims	–2,657,618	–2,218,183	–470,140	–351,960	–136,669	–123,090
Operating expenses	–541,325	–499,983	–159,050	–133,260	–60,149	–50,483
Other expenses	–32,180	–34,406	–50,275	–50,311	–32,058	–15,950
Income from interests in associated and affiliated companies	6,300	2,440	5,320	0	–3	0
Profit before taxes	144,515	108,796	60,087	39,744	24,978	20,070

	Remaining CEE-markets		Other markets		Total	
	2005	2004	2005	2004	2005	2004
in EUR '000						
Premiums written – Total	337,277	190,565	277,143	158,128	**5,007,835**	**4,101,378**
Earned premiums	227,683	126,721	250,107	131,244	**4,240,872**	**3,447,334**
Financial result, not incl. associated and affiliated companies	19,381	10,266	15,315	7,929	**593,860**	**446,423**
Other income	6,468	5,002	4,615	3,148	**46,264**	**34,349**
Expenses for insurance claims	–142,296	–80,588	–211,689	–104,425	**–3,618,412**	**–2,878,246**
Operating expenses	–98,347	–62,604	–32,919	–25,202	**–891,790**	**–771,532**
Other expenses	–9,625	–7,752	–17,887	–16,441	**–142,025**	**–124,860**
Income from interests in associated and affiliated companies	–50	0	0	0	**11,567**	**2,440**
Profit before taxes	3,214	–8,955	7,542	–3,747	**240,336**	**155,908**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies

The consolidated financial statements as of 31 December 2005 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), including the applicable interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). For the first time these consolidated financial statements mentioned in accordance with the above standards, and in accordance of IFRS 1 "First-time adoption of International Financial Reporting Standards". The consolidated financial statements were prepared based on the published IFRS as adopted by EU regulation, which became mandatory on 31 December 2005. Since 2002, the designation IFRS refers to the overall framework of all standards adopted by the IASB. Previously adopted standards continue to be referred to as International Accounting Standards (IAS).

The consolidated financial statements are prepared in terms of thousands of Euro ("EUR '000", using commercial rounding). As a rule, the consolidated financial statements are prepared using the historical cost system, with the exception of the following assets and liability items, which are carried at fair value:

1. Financial instruments available for sale
2. Financial instruments held for trading purposes, including financial assets recognized as income at fair value
3. Capital assets of unit- and index-linked life insurance and underwriting provisions of unit- and index-linked life insurance

Preparation of the IFRS consolidated financial statements led to changes in accounting policies compared to those used in the previous consolidated financial statements as of 31 December 2004, which were prepared in accordance with the Austrian commercial code and insurance supervisory authority regulations. The accounting policies described below have been applied uniformly during the entire consolidated financial statement reporting period. They were also used in the preparation of the IFRS opening balance sheet as of 1 January 2004. Information on the effects of conversion from the Austrian commercial code (HGB) to IFRS is provided in the section entitled "Explanation of the effects of conversion to IFRS".

With the exception of insurance policy valuation (see the "Classification of insurance policies" section for information on this), the accounting policies were applied uniformly to all companies fully consolidated in the consolidated financial statements.

Scope and methods of consolidation

The parent company of the Wiener Städtische Group is WIENER STÄDTISCHE ALLGEMEINE VERSICHERUNG AKTIENGESELLSCHAFT, Vienna. All companies that are under the control ("control principle") of Wiener Städtische AG ("subsidiaries") are fully consolidated in the consolidated financial statements. A control exists when Wiener Städtische is in a position to directly or indirectly determine the financial and operating policies of a subsidiary. Consolidation of a subsidiary starts when a control is gained and ends when this influence no longer exists. The consolidated financial statements include a total of 22 domestic and 38 foreign companies. Subsidiaries that were unimportant for a fair presentation of the net worth, financial position and earnings of the Group were not included in the scope of consolidation. In total 24 domestic and 7 foreign subsidiaries were excluded for this reason.

Companies that are managed as a joint venture with other companies ("joint venture companies") are included using the proportional consolidation method (recognition of a proportionate share of the assets, liabilities, income and expenses). During the reporting period, one company was included in the consolidated financial statements using proportional consolidation.

In accordance with the requirements of IAS 27 and IAS 31, two companies that were only included at equity in the financial statements prepared according to the Austrian commercial code were fully consolidated in the IFRS consolidated financial statements, and one company which was not consolidated in the financial statements prepared according to the Austrian commercial code was consolidated at equity. Since the goodwill from acquisition of the companies in question had already been reduced in value in the previous year, the differences arising from capital consolidation were applied against Group reserves at 1 January 2004.

Associated companies are companies over which Wiener Städtische has a significant influence, but does not exercise control. These companies are accounted for using the equity method. The consolidated financial statements include 5 domestic and 3 foreign companies accounted for at equity. In addition, 8 affiliated companies that are of less importance for the financial performance of the Group were also accounted for at equity. Due to their minor importance, in accordance with the requirements of IAS 39 "Financial instruments", 31 companies were treated as available-for-sale securities and carried accordingly at fair value. Wiener Städtische owns 31.6% of the shares of Wüstenrot Versicherungs-Aktiengesellschaft, Salzburg. In spite of the fact that the ownership interest is greater than 20%, no significant influence exists for the purposes of IAS 28, since Wüstenrot Versicherungs-Aktiengesellschaft did not convert its accounting to IFRS at the same time as the Wiener Städtische Group.

Fully controlled investment funds ("special funds") were fully consolidated in accordance with the requirements of Standards Interpretations Committee (now the International Financial Reporting Interpretations Committee) No. 12 (SIC 12). Mutual funds in which the Wiener Städtische Group holds the majority of units were not fully consolidated, since Wiener Städtische has no control over such mutual funds.

In a number of cases, the Group holds a majority of the shares of an Austrian non-profit housing development company. These housing development companies are governed by a specific legal framework of requirements relating, in particular, to their accounting and annual financial statements. As a result, it was not possible to convert to IFRS accounting provisions within the time available. Full consolidation of these companies in the consolidated financial statements is planned for 2006. On the basis of various calculations, Wiener Städtische is confident that a consolidation of these two companies would have no material effect on the overall picture of the financial position and results of operations of the Group as of the 31 December 2005 and 31 December 2004 reporting dates. These interests are classified as financial instruments available-for-sale and carried at fair value. Fair value was determined on the basis of a report from an independent expert. The fair value corresponds to a pro-rated share of the shareholders' equity of the companies.

First-time inclusion of a subsidiary is effectuated in accordance with the purchase method of accounting by allocating the cost of acquisition to the identifiable assets and liabilities of the acquired company. The amount by which the cost of acquisition of the subsidiary exceeds the fair value of these net assets is recognised as goodwill. If the fair value of the net assets acquired exceeds the cost of acquisition (positive differences from capital consolidation), after a second critical appraisal of the recognition and measurement of the assets and liabilities acquired, Wiener Städtische recognises this excess amount as income on the income statement.

With respect to the subsidiaries, joint ventures, and associated companies acquired before 1 January 2004, the previous inclusion or valuation rules are used on the IFRS opening balance sheet. In the consolidated financial statements up until 31 December 2004, prepared in accordance with the Austrian commercial code and insurance supervisory authority regulations, asset-side differences from capital consolidation of acquired insurance companies were applied against Group reserves instead of being recognised as goodwill. Therefore, in accordance with IFRS 1, the revaluations related to these companies from the conversion to IFRS were also applied against Group shareholders' equity.

Inter-company transactions, receivables, payables, and significant unrealised profits (inter-company profits) were eliminated. Unrealised losses are only eliminated if the unrealised loss is not the result of a reduction in value.

During the reporting period from 1 January 2005 to 31 December 2005, Wiener Städtische acquired control over the following subsidiaries:

Subsidiary acquired	Interest acquired, in %	Date of first consolidation	Goodwill (million EUR)	Assets acquired	Liabilities acquired	Net income
Česka podnikatelska pojišťovna a.s., Prague	100.00	01.07.2005	81.5	205.6	181.5	2.3
Omniasig (subgroup), Bucharest	72.83	01.08.2005	53.1	155.5	144.4	2.5
Hotel Andel Praha a.s., Prague	100.00	01.10.2005	0	38.6	36.7	0.9
Andel Investment Praha s.r.o., Prague	100.00	01.10.2005	0	25.5	25.3	–0.1
Benefia Towarzystwo Ubezpieczen Majatkowych Spolka Akcyjna, Warsaw	100.00	31.12.2005	1.2	46.2	32.5	0
Benefia Towarzystwo Ubezpieczen na Życie Spolka Akcyjna, Warsaw	100.00	31.12.2005	0	11.9	5.9	0
Royal Polska Towarzystwo Ubezpieczen na Życie S.A., Warsaw	95.00	31.12.2005	1.2	23.4	20.6	0
Cosmopolitan Life dionicko drustvo za osiguranje, Zagreb	73.00	31.12.2005	3.0	12.9	11.3	0
Towarzystwo Ubezpieczen "Compensa" Spolka Akcyjna, Warsaw*	49.86		6.4	138.8	116.1	0.1

* The company was proportionally consolidated in fiscal year 2004. An additional 49.86% of the shares was acquired in the 4th quarter of 2005. Therefore, "Compensa" is fully consolidated as of the 4th quarter.

In fiscal year 2005, Aurum osiguravujce drustvo d.d., Zagreb, was acquired and merged into Kvarner Wiener Städtische osiguranje d.d., Rijeka, resulting in goodwill of EUR 25.2 million.

The financial statements of the companies listed in the table above-mentioned are prepared according to IFRS. Since the capital assets of these companies are carried at fair value, no adjustments were necessary to the assets and liabilities already recognised in the annual financial statements of the acquired companies. It should be noted that the purchase price allocations of the newly consolidated companies is still provisional.

Information on the companies consolidated fully, proportionally, and at equity in the consolidated financial statements at 31 December 2005 is provided in Note 4 "Ownership interests" in the Notes on the consolidated financial statements.

As of 1 January 2005, foreign associated and affiliated companies of insignificant size were included at equity.

Company founded	Interest	Date founded
Benefita, a.s., Prague	100.00	3.3.2005
Global Expert, s.r.o., Pardubice	100.00	1.4.2005

Expansion of the scope of consolidation	Interest	Date of first consolidation
Sanatorium Astoria, a.s., Karlovy Vary	75.06	1.1.2005
Kámen Ostromer, s.r.o., Ostromer	100.00	1.1.2005
Unigeo, a.s., Ostrava-Hrabova	90.92	1.1.2005
KIP, a.s., Prague	86.43	1.1.2005
SHD-Komes, a.s., Most	36.22	1.1.2005
SURPMO a.s., Prague	98.54	1.1.2005
Ceská Kooperativa Londýn Ltd., London	100.00	1.1.2005

Classification of insurance policies

Contracts under which a group company assumes a significant insurance risk from another party (the policyholder), by stipulating that the policyholder receives compensation if a specified uncertain future event (the insured event) negatively affects the policyholder are treated as insurance policies for the purposes of IFRS. A distinction is made between insurance risk and financial risk. Financial risk is the risk of a possible future change in one or more specific interest rates, securities prices, price indices, interest rate indices, credit ratings, or credit indices, or another variable, provided that, in the case of a non-financial variable, the variable is not specific to one contracting party. In many cases, in the life insurance area in particular, insurance policies as defined under IFRS also transfer financial risk.

Contracts under which only an insignificant insurance risk is transferred from the policyholder to the Group company are treated as financial instruments ("financial insurance contracts") for the purposes of IFRS. Such contracts exist only to a minor extent in the personal insurance area.

Both insurance contracts and financial insurance contracts can have contract terms that qualify a discretionary participation in net income ("profit participation", "profit-dependent premium refund"). Contractual rights under which, in addition to guaranteed benefits, the policyholder also receives additional payments which are likely to represent a significant portion of the total payment under the contract, and whose amounts or due dates are subject to the insurance company's discretion and are contractually based on:

a) the profit from a certain portfolio of contracts or a certain type of contract, or
b) the realised and/or unrealised investment income from a certain portfolio of assets held by the insurance company, or
c) the profit or loss of the company, the investment fund, or business unit (e.g. balance sheet unit), holding the contract

Contracts with discretionary net income participation features exist in all markets in the Wiener Städtische Group, primarily in the life insurance area, and to a secondary extent also in the property and casualty, and health insurance areas.

The net income participation in life insurance exists essentially in the form of participation in the net income of the company in question ("unadjusted net income") calculated according to national accounting requirements. Net income or profit participation amounts that have already been allocated or committed to policyholders are reported in the actuarial reserve. Amounts reported in the local annual financial statements which have been committed or allocated to policyholders in the form of future net income participation are reported on the balance sheet in the reserve for profit-dependent premium refunds. In addition, by analogy to the treatment of deferred taxes under IAS 12, the discretionary portion resulting from application of IFRS versus local valuation requirements ("deferred profit participation") is reported in the reserve for profit-dependent premium refunds. The rate used in Austria for calculating deferred profit participation is 80% of the difference between the value recognised in the local financial statements and the value recognised in the IFRS financial statements. The funding of the reserve for deferred profit participations is also presented by analogy to IAS 12, with the "shadow accounting" rules of IFRS 4 being applied. As a result, amounts for deferred profit participation relating to transactions that are recognised directly in equity, are also recognised directly in equity.

Recognition and accounting methods for insurance contracts

Wiener Städtische fully applies the rules of IFRS 4 relating to the valuation of insurance contracts. Accordingly, the values recognised in the consolidated financial statements prepared in accordance with applicable national accounting and insurance supervisory requirements were carried over to the IFRS consolidated financial statements. Equalisation and catastrophe provisions are not recognised. There were no changes in accounting rules as compared to the corresponding national accounting requirements. In individual cases, the reserves formed locally by an insurance company for outstanding insurance claims are increased in the consolidated financial statements based on appropriate analysis.

Detailed information on the valuation of underwriting items is available in the remarks for each item.

Adequacy test for liabilities arising from insurance contracts

Liabilities from insurance contracts and financial insurance contracts are tested at each reporting date for adequacy of the insurance liabilities recognised in the financial statements. During this process, up-to-date estimates of current valuation parameters are examined, taking into account all future cash flows associated with the insurance contracts, to determine whether the recognised liabilities are adequate. If these tests determine that the book value of the insurance liabilities is negative, taking into account capitalised acquisition costs and/or capitalised values of contract holdings, the entire shortfall is immediately reversed and recognised in profit or loss.

In 2005, new mortality tables for annuity tariffs (AVÖ 2004) were published by the Actuarial Association of Austria. The increases in actuarial reserves for contract benefits resulting from the use of these mortality tables were recognised in full in profit or loss as an increase in actuarial reserves in the consolidated financial statements.

Foreign currency translation

Transactions in foreign currency

The individual Group companies recognise transactions in foreign currency using the mean rate of exchange on the date of each transaction. Monetary assets and liabilities in foreign currency existing on the balance sheet reporting date are translated to EUR using the mean rate of exchange on the balance sheet reporting date. Any resulting foreign currency gains and losses are recognised with no effect on the income statement.

Foreign currency translation of individual financial statements

For purposes of the IFRS, the functional currency of Wiener Städtische subsidiaries located outside of the Euro zone is the currency of the country where they are located. All assets and liabilities reported in the individual financial statements are translated to EUR using the mean rate of exchange on the balance sheet reporting date. Items in the income statement are translated using the average month-end mean rate of exchange during the reporting period. Foreign exchange gains and losses incurred since 1 January 2004, are recognised in equity under "Differences arising from foreign exchange translation" with no effect on the income statement.

Impairment

Assets are tested each balance sheet reporting date for indications of impairment. Goodwill and intangible assets with an indefinite useful life are tested shortly before each balance sheet reporting date even if there are no indications of impairment. Such a test was performed at the time that the first IFRS consolidated financial statements were prepared on 1 January 2004.

Information on the impairment test of financial assets is provided in the section entitled "General information on the accounting and valuation of capital assets".

Estimates

The preparation of the IFRS consolidated financial statements requires that management make discretionary assessments and specify assumptions concerning future developments which could have significant effects on the recognition and value of assets and liabilities, the disclosure of other obligations on the balance sheet reporting date, and the reporting of income and expenses during the fiscal year.

There is a material risk that the following items could lead to a significant adjustment of assets and liabilities in the next fiscal year:

- Underwriting provisions
- Pension reserves and similar obligations
- Other non-underwriting provisions
- Fair values of capital assets not based on stock market prices or other market prices
- Goodwill
- Valuation adjustments for receivables and other (accumulated) impairment losses
- Deferred tax assets from the capitalisation of tax loss carry-forwards

Accounting policies for specific items in the annual financial statements

Intangible assets

Goodwill

The goodwill shown in the balance sheet is essentially the result of applying the purchase method of accounting for companies acquired since 1 January 2004 (date that financial reporting was converted to IFRS). For companies acquired before 1 January 2004, the difference between the cost of acquisition and the value of the net assets acquired is deducted directly from equity. In accordance to IFRS 1 no adjustments were made.

Goodwill is valued at the cost of acquisition less accumulated impairment losses. In the case of ownership interests in associated companies, goodwill is included in the adjusted book value of the ownership interest. If goodwill due to reorganisations was recognised in the consolidated financial statements of previous years, the book values of these goodwill items were carried over into the IFRS accounting in accordance with IFRS 1.

Present value of insurance in force
Present value of insurance in force relate, in particular, to the values of contract holdings recognised as a result of acquisitions following 1 January 2004, using purchase price allocation under the election provided in IFRS 4.31. The values recognised correspond to the differences between fair value and book value of the underwriting assets and liabilities. Depending on the value of the underwriting reserves, amortisation of these items is performed using the declining-balance or straight-line method for a maximum of 10 years.

In addition, the value arising from the acquisition of an insurance portfolio before conversion of the accounting to IFRS is also reported in this item. It was possible to carry the portfolio value over to the IFRS financial statements without change. Linear amortisation is being performed over a maximum of 10 years.

Other intangible assets
Intangible assets acquired for consideration are recognised in the balance sheet at the cost of acquisition less accumulated scheduled amortisation and impairment losses.

No intangible assets were created by the Group companies themselves.

All intangible assets have a definite useful economic life. Scheduled amortisation of the immaterial asset is therefore performed over its period of use. The useful economic lives of significant immaterial assets are as follows:

	Useful economic life in years	
	from	**to**
Software	3	15
Customer base (value of new business)	5	10

Software is amortised by using the straight-line method. Amortisation of the customer base ("value of new business") recognised as an intangible asset arising from corporate acquisitions is also performed using the straight-line method.

Capital assets

General information on the accounting and valuation of capital assets
In accordance with associated IFRS requirements, some Group assets and liabilities are carried at fair value in the accounts for the consolidated financial statements. This applies in particular to a significant portion of the capital assets. The determination of fair value for financial assets and liabilities is generally based on an established market value or a price offered by brokers and dealers. If a price cannot be readily determined, fair value is determined either by the use of an internal valuation model or by an assessment by management as to what amounts could be realised by an orderly sale at current market conditions. The fair value of certain financial instruments, particularly unlisted derivative financial instruments, is determined using pricing models which take into account factors including contract and market prices, and their relation to one another, current value, counterparty creditworthiness, yield curve volatility, and early repayment of the underlying instrument. The use of different pricing models and assumptions can lead to differing results for fair value. Changes in the estimates and assumptions used to determine the fair value of assets in cases where no market price quotations are available may necessitate a write-up or write-down of the book value of the assets in question and recognition of a corresponding income or expense in the income statement.

Real estate appraisals of land and buildings are performed at regular intervals – for the most part by experts – in order to determine fair value. If the fair value is below book value (cost of acquisition less cumulative scheduled depreciation and write-downs), the asset is impaired. Consequently, the book value is written down to the lower fair value and the change recognized in profit or loss.

Financial assets shown as capital assets are regularly tested for impairment. If impairments to fair value are necessary, these are recognized in profit or loss if the reduction in value is permanent, and the corresponding capital asset item would not have been reported at the fair value anyway with recognition of the unrealised profits and losses (financial instruments and capital assets of unit- and index-linked life insurance). The assessment as to whether a reduction in value is permanent is based on an evaluation of market conditions, the issuer's financial position, and other factors. In the case of equity instruments, the Group (normally) assumes permanent impairment if a reduction of 20% in the (adjusted) cost of acquisition is observed over a period of more than six consecutive months. Permanent impairment is also assumed if a reduction of more than 40% has existed, even for a short time, as of the valuation date.

Land and buildings
Both owner-occupied and third party-leased real estate are reported in land and buildings. Owner-occupied and third party-occupied real estate is carried at cost of acquisition or construction less accumulated scheduled depreciation and impairment losses. The costs of acquisition or construction comprise all costs incurred in bringing the asset to its present location and condition.

For owner-occupied real estate, imputed rental income equal to what a third-party would normally pay is recorded as income from the capital asset; rental expenses equal to the same amount are recorded as operating expenses.

Costs incurred in later periods are only capitalised if they lead to a significant increase in future opportunities for use of the building (e.g. through building expansion or new building construction).

Buildings are depreciated using the straight-line method over the expected useful economic life of the asset. The following useful lives are assumed when determining depreciation rates:

	Useful life in years	
	from	**to**
Buildings	20	50

Shares in affiliated and associated companies
Significant holdings of shares in associated companies are valued using the equity method in accordance with IAS 28 "Investments in associates". The annual financial statements of the companies valued at equity were prepared in accordance with IFRS requirements.

Shares in affiliated companies which are not important for a fair presentation of the financial position and financial performance of the Group are therefore not consolidated but also reported in this item. In addition, shares in non-profit housing development companies are also reported in this item. These shares are valued by analogy to the valuation of financial instruments available for sale. These valuation policies are also applied to shares in associated companies which were not deemed to be significant enough to be valued at equity. The shares in Wüstenrot Versicherungs-Aktiengesellschaft are also reported here due to the fact that this company does not prepare IFRS financial statements. Information on the valuation of financial instruments available for sale is provided in the notes below on the accounting and valuation of financial instruments.

Financial instruments
Financial instruments reported as capital assets are divided into the following categories in accordance with the requirements of IAS 39:

- Loans and other receivables
- Financial instruments held to maturity
- Financial instruments available for sale
- Trading securities including financial assets at fair value through profit or loss

The corresponding capital assets are valued for initial recognition at the cost of acquisition, which equals fair value at the time of acquisition. Significant transaction costs are capitalised.

Two valuation measures can be applied to financial instruments for subsequent valuation.

Adjusted cost of acquisition is used for subsequent valuation of loans and other receivables. The adjusted cost of acquisition is determined using the effective interest rate of the loan in question. In the case of permanent impairment, a write-down is recognized in profit or loss.

Adjusted cost of acquisition is used for subsequent valuation of financial instruments held to maturity. The adjusted cost of acquisition is determined using the effective interest rate of the financial instrument in question. In the case of permanent impairment, a write-down is recognized in profit or loss.

Financial instruments available-for-sale and trading securities are recognised at fair value on the balance sheet. If available-for-sale financial instruments are sold, the difference between the cost of acquisition carried forward and fair value is recognised in other reserves ("unrealised gains and losses"). No separate calculation of cost of acquisition carried forward is performed for trading securities, changes in fair value are recognised as profit or loss on the income statement. The trading securities are predominantly structured investments ("hybrid financial instruments") which Wiener Städtische has elected, under the "fair value option", to assign to the category of "financial assets at fair value through profit or loss". For clarity, however, this item is referred to as "Trading securities" on the balance sheet. Structured investments are assigned to this category if the derivatives embedded in the host contract (as a rule securities or loans) are not closely related to the host contract so that the requirement under IAS 39 of isolating them from the host contract and valuing them separately at fair value does not apply.

De-recognition of financial instruments is performed when the Group's contractual rights to cash flows from the financial instruments expire.

Information on the recognition of impairment losses is provided in the section entitled "General information on the accounting and valuation of capital assets".

Capital assets of unit- and index-linked life insurance

The capital assets of unit- and index-linked life insurance provide cover for the underwriting provisions of unit- and index-linked life insurance. The survival and surrender payments from these policies are linked to the performance of the associated capital assets of unit- and index-linked life insurance, with the income from these capital assets are fully credited to policyholders. As a result, policyholders bear the risk associated with the performance of the capital assets of unit- and index-linked life insurance.

These capital assets are held in separate cover funds, and managed separately from the other capital assets of the Group. Since the changes in value of the unit- and index-linked life insurance capital assets are equal to the changes in value of the underwriting provisions, these capital assets are also valued using the "fair value option" of IAS 39. Capital assets of unit- and index-linked life insurance are therefore valued at fair value, and changes in value are recognised in the profit and loss statement.

Reinsurers' share of underwriting provisions

The reinsurers' share of the underwriting provisions is valued according to the terms of the contracts.

The creditworthiness of each contracting party is taken into account when the reinsurers' share is valued. The creditworthiness of the Group's reinsurers was such that no valuation adjustments on the reinsurers' share were necessary on the reporting dates of 31 December 2004 and 2005.

Receivables

The receivables shown in the balance sheet relate in particular to the following receivables:

- Receivables from direct insurance business
  - with policyholders
  - with insurance brokers
  - with insurance companies
- Receivables from reinsurance business
- Other receivables

Aside from the receivables from policyholders, receivables are reported at cost of acquisition less impairment losses for expected uncollectible amounts. Receivables from policyholders are valued at the cost of acquisition. Impairment losses from expected uncollectible premium receivables are shown on the liabilities side of the balance sheet in other underwriting reserves (cancellation reserves).

Other assets

Other assets are valued at cost of acquisition less impairment losses.

Taxes

The income tax expense comprises actual taxes and deferred taxes. The income tax associated with transactions recognised directly in equity (unrealised gains and losses from financial instruments that are available for sale) is also recognised in equity with no effect on the income statement.

The actual taxes for the individual companies of the Wiener Städtische Group are calculated using the company's taxable income and the tax rate applying in the country of domicile.

Deferred taxes are calculated using the balance sheet liability method for all temporary differences between values recognised for assets and liabilities in the IFRS consolidated financial statements and the individual company's tax bases for these assets and liabilities. The expected realisable tax benefit from existing carried-forward losses is also included in the calculation. Differences arising from goodwill that is not deductible for tax purposes and quasi-permanent differences related to ownership interests are not included in the deferral calculation. Deferred tax assets are not recognised unless it is probable that the tax benefit can be realised. Deferred taxes are calculated using the following tax rates:

	Tax rate in %	
	31.12.2005	**31.12.2004**
Austria	25	34
Czech Republic	24	26
Slovakia	19	19
Poland	19	19
Romania	16	16
Germany	40	40
Liechtenstein	20	15
Croatia	20	20
Bulgaria	15	15
Serbia	10	14
Hungary	16	16

Underwriting provisions

Unearned premiums
According to the current revision of IFRS 4, figures included in annual financial statements prepared in accordance with national requirements may be used in the presentation of figures relating to insurance contracts in the consolidated financial statements. In Austria, a cost discount of 15% is used when calculating unearned premiums in the property and accident insurance area (10% for motor vehicle liability insurance), corresponding to EUR 28.256 million (EUR 25.139 million). No acquisition costs in excess of this figure are capitalised. For foreign companies, a portion of acquisition costs calculated according to the ratio of earned premiums to written premiums is recognised in the property/casualty insurance area. To ensure uniform presentation within the Group, these capitalised acquisition costs are also shown in the consolidated financial statements as a reduction in unearned premiums. In the life insurance area, acquisition costs are calculated using the rates set out in the business plans and included by zillmerisation when calculating the actuarial reserve. Negative actuarial reserves are set to zero for Austrian companies. For foreign companies, negative actuarial reserves are included and netted with actuarial reserves. No additional acquisition costs are capitalised. In general, no capitalisation of acquisition costs is performed for health insurance.

Actuarial reserve
Actuarial reserves in the life insurance business segment are calculated using the prospective method as the actuarial present value of the obligations (including declared and allocated profit shares and an administrative cost reserve) less the present value of all future premiums received. The calculation is based on factors such as expected mortality, costs, and the discount rate. As a rule, the actuarial reserve and related tariff are calculated using the same basis, which is applied uniformly for the entire tariff and during the entire term of the policy. An annual adequacy test of the calculation basis is performed in accordance with IFRS 4 and applicable national accounting requirements (see section titled "Adequacy test for liabilities arising from insurance contracts"). As a rule, the official mortality tables of each country are used. If current mortality expectations differ to the benefit of policyholders from the calculation used for the tariff, leading to an insufficient actuarial reserve, the reserve is increased as part of the insurance liability adequacy test of insurance liabilities.

In life insurance, acquisition costs are included by zillmerisation as a reduction of actuarial reserves. In accordance with national requirements, negative actuarial reserves resulting from zillmerisation are set to zero for Austrian insurance companies. Negative actuarial reserves are not set to zero for Group subsidiaries domiciled outside of Austria. These negative actuarial reserves are recognised in the actuarial reserve item in the consolidated financial statements. The following average discount rates are used to calculate actuarial reserves:

as of 31.12.2005: 3.27%
as of 31.12.2004: 3.26%

In health insurance, actuarial reserves are also calculated according to the prospective method as the difference between the actuarial present value of future policy payments less the present value of future premiums. The loss frequencies used to calculate the actuarial reserve derive primarily from analyses conducted on the Group's own insurance portfolio. As a rule, the mortality tables used correspond to published mortality tables.

The following discount rates are used for the great majority of transactions when calculating actuarial reserves:

as of 31.12.2005: 3%
as of 31.12.2004: 3%

Reserve for outstanding claims
According to national insurance law and regulations (the Austrian Commercial Code and Insurance Supervision Act (VAG)), Wiener Städtische AG and its operating subsidiaries are required to form reserves for outstanding insurance claims for each business segment. These reserves are calculated for payment obligations from insurance claims which have occurred up to the balance sheet reporting date but whose basis or size has not yet been established, as well as all related claims handling costs expected to be incurred after the balance sheet reporting date, and as a rule are formed at the individual policy level. These policy-level reserves are marked up by a flat-rate allowance for unexpected additional losses. Except for the reserves for pension obligations, no discounting is performed. Insurance losses that have occurred up to the balance sheet reporting date but were not known at the time that the balance sheet was prepared are included in the reserve (incurred but not reported reserves, "IBNR"). Separate reserves for claims handling expenses are formed for internally incurred costs attributable to claims handling. Collectible recourse claims are deducted

from the reserve. Where necessary, actuarial estimation methods are used to calculate the reserves. The methods are applied consistently, with both the methods and calculation parameters tested continually for adequacy and adjusted if necessary. The reserves are affected by economic factors, such as the inflation rate, and by legal and regulatory developments which are subject to change over time. The current revision of IFRS 4 provides for reserves formed in accordance with applicable national requirements to be carried over into the consolidated financial statements.

Reserve for profit-independent premium refunds

The reserves for profit-independent premium refunds relate in particular to the "property and casualty insurance" and "health insurance" segments, and pertain to premium refunds in certain insurance classes that are contractually guaranteed to policyholders in the event that there are no claims or a low level of claims. These reserves are formed at the individual policy level with no discounting.

Reserve for profit-dependent premium refunds

Profit shares that are guaranteed to policyholders in local policies based on the business plans but have not been allocated or committed to policyholders as of the balance sheet reporting date are shown in the reserve for results-related premium refunds ("discretionary net income participation").

The reserve for deferred profit participation, which is recognised by analogous application of the provisions for deferred taxes, is also shown in this item. Please see the section titled "Classification of insurance contracts".

Other underwriting reserves

The other underwriting reserves item primarily shows cancellation reserves. Cancellation reserves are formed for the cancellation of premiums that are already billed, but not yet paid by the policyholder, and therefore represent a liabilities-side value adjustment on receivables from policyholders. These reserves are formed based on the application of certain percentage rates to overdue premium receivables.

Underwriting provisions of unit- and index-linked life insurance

Underwriting provisions of unit- and index-linked life insurance represent obligations to policyholders that are linked to the performance and income of the associated capital assets. The valuation of these provisions corresponds to the valuation of the capital assets of unit- and index-linked life insurance, and is based on the fair value of the investment fund or index serving as a reference value.

Reserve for pensions and similar obligations

Pension obligations

Pension obligations are based on individual contractual obligations and collective agreements. The obligations are defined benefit obligations uncovered by plan assets.

These obligations are recognised in accordance with IAS 19, by determining the present value of the defined benefit obligation (DBO). Calculation of the DBO is performed using the projected unit credit method. In this method, future payments, calculated based on realistic assumptions, are collected linearly over the period in which the beneficiary acquires these claims. Actuarial reports, which are available for both 31 December 2004 and 31 December 2005, are used to calculate the necessary reserve amount for each balance sheet reporting date.

Any difference between the reserve amount calculated in advance based on assumptions and the value which actually occurs ("actuarial profit/loss") is not recognised as part of the reserve while it remains within 10% of the actual value. When the 10% limit is exceeded, the excess amount which falls outside the limit is recognised, distributed over the average remaining working lives of all employees ("corridor method").

The calculations for 31 December 2005 and 31 December 2004 are based on the following assumptions:

	2005	**2004**
Interest rate	4.5 %	4.5 %
Pension and salary increases	2.5%	2.0%
Labour turnover rate	age-dependent 0 %–7 %	age-dependent 0 %–7 %
Retirement age, Women	62+ transitional arrangement	62+ transitional arrangement
Retirement age, Men	62+ transitional arrangement	62+ transitional arrangement
Life expectancy	according to AVÖ 1999-P for employees	according to AVÖ 1999-P for employees

A portion of the direct pension obligations are administered as an occupational group insurance plan following conclusion of an insurance contract in accordance with § 18 f to 18 j VAG.

Post-employment obligations
Wiener Städtische is required according to the law, supplemented by collective agreements, to make a post-employment benefit payment to all employees in Austria whose contracts are terminated by their employer or begin retirement, and whose employment started before 1 January 2003. The size of this payment depends on the number of years of service and earnings at the time employment ends, and is equal to between 2 and 18 months' earnings. A reserve has been set up for this obligation.

The reserve is calculated using the projected unit credit method. Under this method, the sum of the present values of future payments is calculated up to the point in time when the claims reach their highest value (to a maximum of 25 years). The calculation for the balance sheet reporting date in question is based on an actuarial report.

Any difference between the reserve amount which is calculated in advance based on assumptions and the value which actually occurs ("actuarial gain/loss") is not recognised as part of the reserve while it remains within 10% of the actual value. When the 10% limit is exceeded, the excess amount which falls outside the limit is recognised, distributed over the average remaining working lives of all employees ("corridor method").

The calculations for 31 December 2005 and 31 December 2004 are based on the following assumptions:

	2005	2004
Interest rate	4.5 %	4.5 %
Salary increases	2.5%	2.0%
Labour turnover rate	age-dependent 0 %–7 %	age-dependent 0 %–7 %
Retirement age, Women	62+ transitional arrangement	62+ transitional arrangement
Retirement age, Men	62+ transitional arrangement	62+ transitional arrangement
Life expectancy	according to AVÖ 1999-P for employees	according to AVÖ 1999-P for employees

For all employment relationships in Austria which began after 31 December 2002, Wiener Städtische pays 1.53% of earnings into an occupational employee pension fund, where the contributions are invested in an employee account and paid out or passed on to the employee as a claim when employment ends. Wiener Städtische's obligation is strictly limited to payment of these amounts. As a result, no provision needs to be set up for this defined contribution plan.

Other non-underwriting reserves
Other non-underwriting reserves are recognised if Wiener Städtische has a present legal or constructive obligation to a third party resulting from a past event, it is probable that this obligation will lead to an outflow of resources, and a reliable estimate can be made of the amount of the obligation.

The reserves are recognised at the value representing the best possible estimate of the expenditure needed to fulfil the obligation. If the present value of the reserve calculated using a commercial rate of interest differs significantly from the nominal value, the present value of the obligation is recognised.

The other non-underwriting reserves item also includes personnel reserves other than the reserves for pensions and similar obligations. These relate primarily to reserves for unused vacation and anniversary bonus obligations. Anniversary bonus obligations are valued using the calculation method described for post-employment benefit obligations and the same calculation parameters. The corridor method is not used.

(Subordinated) liabilities

As a rule, liabilities are valued at amortised cost of acquisition. This also applies to liabilities arising from financial insurance contracts.

Earned premiums

As a rule, deferred premiums (unearned premiums) are determined on a pro rata temporis basis. No deferral of unit- and index-linked life insurance premiums is performed, since the full amount of the premiums written in the reporting period is included in the calculation of the unit- and index-linked life insurance underwriting reserve. The change in the cancellation reserve is also recognised in earned premiums.

Expenses for insurance claims

All payments to policyholders arising from loss events, direct claims handling expenses, and internal costs attributable to claims handling are recognised in expenses for insurance claims. Expenses for loss prevention are also recognised in this item. Expenses for insurance claims are reduced by the income gained from using existing contractual and statutory avenues of recourse (this applies in particular to property and accident insurance). Changes in underwriting reserves, except for the change in the cancellation reserve, are also recognised in the expenses for insurance claims item.

Operating expenses

Group personnel and materials expenditures are assigned to the following items, depending on the nature of the expenditures:

- Expenses for insurance claims (claims handling expenses)
- Expenses arising from capital assets (expenses for asset investment)
- Operating expenses

RISK REPORT

Capital assets

The Group's capital asset investments are made in fixed-interest securities (bonds, loans/credits), shares, real estate, ownership interests, and structured investment products, taking into consideration the overall risk position of the Group and the investment strategy provided for this purpose. The risk inherent in the specified categories and the market risk are of fundamental importance when determining exposure volumes and limits. The capital investment strategy is laid down in the form of investment guidelines, which are continuously monitored for compliance by the central risk controlling and internal audit departments. Investment guidelines are laid down by the central company, with a distinction made between the capital investment strategies for Austria, the CEE region and Germany, and are mandatory for all group companies.

The capital investment strategy for Austria can be summarised as follows:

- Wiener Städtische follows a conservative investment policy with long-term investments.
- Wiener Städtische focuses on its asset mix as a way to ensure that cash flows match its long-term liability profile and to create sustainable increases in value by making use of correlation and diversification effects for the individual asset classes.
- Investment management depends on the asset class in question or on the objective within asset classes, and is performed internally or by an outside manager. Decisions in this regard are made by a committee set up for this purpose.
- Security market-risk management is aimed at providing a transparent view of the risk exposure arising from price, interest-rate, and currency fluctuations as they affect profitability and the value of security investments, and at limiting these risks. Risks are limited by setting position limits and by means of a two-level limit system for risk exposure.
- Market trends are monitored continuously and the allocation of portfolio assets managed actively.

In accordance with the Group's conservative investment policy, Wiener Städtische's investment portfolio contains direct holdings of fixed-interest securities and loans of approximately 59%. In contrast, equities generally represent less than 10% of the investment portfolio (legal upper limit is 40%), and real estate less than 10% (legal upper limit is 30%), based in all cases on the total book value of the investment portfolio.

The table below shows the breakdown of the Wiener Städtische Group investment portfolio as of 31 December 2005 and 31 December 2004, broken down in EUR millions according to the property and casualty, health, and life insurance segments:

	31 December 2005			31 Dezember 2004		
	Property/ Casualty	Health	Life	Property/ Casualty	Health	Life
in EUR million						
Land and buildings	430.9	71.2	583.8	628.6	73.4	429.5
Holdings in affiliated companies and ownership interests	333.3	107.1	195.7	325.9	25.5	275.3
Loans	161.4	135.5	950.5	165.1	151.2	1,189.8
Other securities	1,467.4	512.0	9,138.7	965.7	455.5	7,126.4
held to maturity	55.2	0.0	191.4	15.4	0.0	158.4
available for sale	1,303.2	469.9	8,533.5	892.9	455.5	6,700.9
trading securities	109.0	42.1	413.9	57.4	0.1	266.8
Other capital assets	652.5	17.8	404.9	352.3	19.1	184.8
Total capital assets	**3,045.5**	**843.6**	**11,273.6**	**2,437.6**	**724.8**	**9,205.8**

On 31 December 2005, the other securities account was comprised of holdings of approx. 8% in shares, approx. 69% in bonds, 4% in miscellaneous securities, and 19% in investment funds. This breakdown has changed slightly from that of 31 December 2004, due primarily to the capital increase (additional bank deposits and money market funds). This cash component is to be converted in timely fashion to more profitable, longer-term investments.

The other capital assets item consists of holdings of 92% in bank deposits and approx. 7% in deposits on ceded reinsurance business (1% other).

Other securities

Financial instruments held-to-maturity have the following maturity structure:

Maturity structure (financial instruments held-to-maturity)	**Amortised cost of acquisition**		**Fair value**	
	31.12.2005	**31.12.2004**	**31.12.2005**	**31.12.2004**
in EUR '000				
up to one year	13,005	4,639	12,829	4,920
from one to five years	31,514	31,771	26,546	33,693
from five to ten years	133,772	53,920	148,538	57,183
more than ten years	68,219	83,469	77,003	88,519
Total	**246,510**	**173,799**	**264,916**	**184,315**

The following tables show the maturity structure and rating structure of financial instruments that are available for sale:

Maturity structure (financial instruments available-for-sale)	**Fair value**	
	31.12.2005	**31.12.2004**
in EUR '000		
up to one year	337,920	175,904
from one to five years	1,335,983	434,531
from five to ten years	2,095,245	1,359,456
more than ten years	3,563,448	2,754,357
no maturity	2,973,953	3,324,946
Total	**10,306,549**	**8,049,194**

Rating categories (Standard & Poor's) (financial instruments available-for-sale)	**Fair value**	
	31.12.2005	**31.12.2004**
in EUR '000		
fixed-interest		
AAA	1,822,159	1,546,602
AA	2,049,391	1,330,122
A	3,508,353	2,139,761
BBB	696,261	520,482
BB and below	132,534	14,845
no rating (e.g. shares, investment funds)	2,097,851	2,497,382
Total	**10,306,549**	**8,049,194**

The balance-sheet value of financial instruments that are available for sale is equal to their fair value.

The following table shows the maturity structure of the assets valued using the "fair value option":

Maturity structure ("fair value option")	**Fair value**
	31.12.2005
in EUR '000	
no maturity	8,089
up to one year	23,354
from one to five years	9,089
from five to ten years	15,407
more than ten years	17,316
Total	**73,255**

Bonds

Bonds represented approximately 50% of total capital assets in the Wiener Städtische Group securities portfolio on 31 December 2005. When investment fund bond holdings are included, bonds represent approximately 60% of total capital assets. Wiener Städtische actively manages its bond portfolio using estimates of changes in interest rates, spreads, and creditworthiness, taking into account limits on investments related to individual issuers, creditworthiness, maturity, countries, currencies and issue volume. Investments in fixed-interest securities are almost always currency congruent, that is, they are made in the same currency as the obligations to policyholders. Wiener Städtische is currently not planning any investment strategy changes related to its bond portfolio.

According to the Group's investment guidelines for Austria, bond investments are made almost exclusively in investment grade bonds with a Standard & Poor's rating of AAA to BBB. Investments in non-investment grade bonds are only made in individual cases and in accordance with decisions to this effect by the Management Board. The goal is to achieve the greatest possible diversification among individual issuers, to avoid accumulation risks, to ensure good average creditworthiness, to control foreign currency effects, and to make the majority of investments in middle to long-term maturities.

Equities

The Wiener Städtische Group portfolio of directly held equities had a book value of EUR 943 million on 31 December 2005, and a book value of EUR 824 million on 31 December 2004. On 31 December 2005, Wiener Städtische's direct equity investments represented approximately 6% of the book value of the total investment portfolio, with total equity investment equal to approximately 8% if indirect equity investments through funds are included. In accordance with the investment guidelines for Austria, management is performed using the "top-down" approach, subject to the constraint that diversification is used to minimize the market price risk of the equities. Diversification ratios are used for markets or regions, sectors or industries, capitalisation (large, medium and small caps), cycle (value, growth), and valuation allocations (fundamental or quantitative models). The total equity component is very small in Group companies in the CEE-countries. To date, equities have not represented a strategic asset class in this region. Equity investments in the CEE-region are primarily made through investment funds managed by third-parties.

Risk diversification within the Wiener Städtische Group equity portfolio is achieved by geographic diversification. In addition to investments in solid international blue-chip securities, the portfolio also contains a variety of liquid share packets of listed Austrian companies, such as AT&S, Boehler-Uddeholm, OMV, Voest Alpine and Wienerberger. The subsidiaries in the CEE-region are constrained by very restrictive investment rules, so that equities play no – or just a secondary – role in their portfolios.

Loans/Lendings

Wiener Städtische Group loans had a book value of EUR 1,247.4 million on 31 December 2005, and a book value of EUR 1,506.1 million on 31 December 2004. Investments in loans and credits used to create long-term positions for the insurance business are made only in mortgage loans and instruments of first-class credit quality, particularly those from public institutions and non-profit housing development companies, and in mortgage loans. Investments in loans and credits have much less importance in the CEE region. Loans in this region are made almost exclusively to the Group's own real estate subsidiaries. The loan portfolio is declining in overall importance compared to Wiener Städtische's total investment portfolio. This is due to the fact that loan bid invitations have become less important to the Austrian federal government and local authorities. Public institutions are instead increasingly using bond issues to raise needed financing. A further reason for the decline in the loan portfolio is the continual drop in money market rates in recent years. Due to low interest rates, borrowers have preferred issuing money market products over traditional loans.

A portfolio analysis and analysis of residual maturity for the Wiener Städtische Group loan portfolio are provided in note 5, "Loans and other capital assets", in the appendix.

Land and buildings

The Wiener Städtische Group real estate portfolio had a book value of EUR 1,085.9 million on 31 December 2005 (market value of EUR 1,337.0 million), and a book value of EUR 1,131.5 million on 31 December 2004 (market value of EUR 1,355.1 million).

The real estate portfolio is used primarily to create highly inflation-resistant long-term positions for the insurance business, and to create silent reserves. The real estate portfolio has historically represented approximately 10% of the total investment portfolio of the Wiener Städtische Group. To date, real estate has not represented a strategic asset class for companies in the CEE countries. The share of capital assets represented by the total real estate portfolio is to be reduced in the future.

The following table shows Wiener Städtische Group real estate investments as of 31 December 2005 and 31 December 2004, broken down according to location and type of use of the various real estate holdings:

Type of real estate use	31.12.2005	31.12.2004
	% of the real estate portfolio	% of the real estate portfolio
Austria	**86**	**83**
Used by the Group	8	7
Used by outside parties	78	76
Other countries	**14**	**17**
Used by the Group	10	13
Used by outside parties	4	4

Ownership interests

The Wiener Städtische Group portfolio of ownership interests had a book value of EUR 636.1 million on 31 December 2005, and a book value of EUR 626.7 million on 31 December 2004. The ratio of ownership interests to the book value of the total investment portfolio was therefore approx. 4% on 31 December 2005.

The Wiener Städtische Group focuses primarily on long-term interests in insurance companies, or in companies whose activities are closely related to the insurance field. Reflecting greater concentration on the core business, the tendency over the last few years has been towards a reduction of purely financial interests outside of the insurance portfolio. To date, the Wiener Städtische Group has held only a few financial interests in the CEE-region, primarily serving to support insurance business operations.

Market risk

The Wiener Städtische Group subdivides market risk into interest rate, equity, currency, real estate, and ownership interest risks. The interest rate and equity parameters are of primary relevance to the Wiener Städtische Group in terms of market risk. Currency prices are less important at present. The Wiener Städtische Group uses fair value assessments, value-at-risk ("VaR"), sensitivity analyses, and stress tests to monitor market risks.

The composition of capital assets is aimed at providing cover for insured risks appropriate for the insurance business and the durations of the liabilities of the Wiener Städtische Group.

Interest-rate and equity risk

In the Wiener Städtische Group's investment concept, the bond segment serves primarily to ensure stable earnings over the long term. Derivatives are used to reduce investment risk. Appropriate investment guidelines govern the use of derivatives for bonds that are managed by third parties, for example investment funds.

The equity segment serves to increase earnings over the long term, provides diversification and compensates for long-term erosion in value due to inflation. The Wiener Städtische Group assesses stock risk by considering diversification within the overall portfolio and the correlation to other securities with downside risk.

The market price risk affecting results is controlled by calculating at regular intervals the Value-at-Risk ("VaR") based on the "Investment and Risk Strategy – Securities" guidelines for price-sensitive securities and by squaring it with the limit relative to the risk budget. The VaR is determined based on a daily variance/co-variance calculation. The Wiener Städtische Group statistically estimates the variances and co-variances from market data over a 12-month period.

The Wiener Städtische Group uses 99% as a confidence level. The holding period is between 20 and 60 days. Each stock's average risk contribution is somewhat smaller than its risk yield contribution. The foreign-currency risk contribution is within a few percentage points of the overall risk.
The following table shows the Austrian group's Value-at-Risk of the securities available for sale:

Value-at-Risk – Austrian group companies (in millions EUR)	31.12.2005
20-day holding period	182
60-day holding period	257
Risk budget	553
Utilisation of the risk budget, based on 60 days	46%
Total risk capacity	759
60-day VaR as % of risk capacity	34%

Capital market scenario analysis for life insurance

The analysis is carried out annually for all Austrian group companies involved in life insurance in order to check the risk capacity of the investments. The following table shows the "stress parameters" and the coverage of the solvency requirement for each scenario for 31 December 2005:

Reduction in market value	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6
of stocks	–35%	–35%	–20%	–20%	0%	0%
of bonds	–10%	0%	–5%	0%	–10%	–5%
of real estate	–10%	–10%	–10%	–10%	–10%	–10%
Market value of assets minus liabilities (not including equity) minus solvency requirement (EUR millions)	744	1,030	1,074	1,217	1,179	1,322
Solvency requirement coverage	8%	11%	11%	13%	13%	14%

In Scenario 1, the market value of all asset classes drops significantly at the same time. The likelihood of such an extreme scenario happening is very low. Even so, the coverage of solvency requirements is very positive even in this scenario. The scenario analysis shows that the Wiener Städtische Group in Austria significantly exceeds the statutory solvency requirements even in the event of a considerable and simultaneous decline in securities and real-estate market values.

Life insurance

The following table shows the development of endowment (excluding risk insurance), risk, pension, and fund and index-related insurance, and of the premium-supported future provision and the total.

Development	Endowment (excluding risk insurance)		Risk insurance		Pension insurance		Fund and index-related insurance		Premium-supported future provision		Total	
	No. contracts	Ins. sum	No. contracts	Ins. sum	No. contracts	Ins. sum	No. contracts	Ins. sum	No. contracts	Ins. sum	No. contracts	Ins. sum
No. of contracts / Insured sum in EUR '000												
As of 1.1.2005	2,525,337	10,209,266	609,538	2,604,772	456,110	752,585	136,065	1,103,482	95,334	44,881	3,822,384	14,714,986
2005 additions												
New business	256,594	1,476,933	123,182	1,384,067	94,486	190,068	34,575	365,576	42,268	1,605	551,105	3,418,249
Premium increases	1,345	42,028	30	3,377	0	14,631	70	4,771	0	66	1,445	64,873
Total additions	**257,939**	**1,518,961**	**123,212**	**1,387,444**	**94,486**	**204,699**	**34,645**	**370,347**	**42,268**	**1,671**	**552,550**	**3,483,122**
2005 changes												
Changes in additions	32,513	316,568	19,633	2,223	7,191	4,155	16,641	1,685	2,672	38	78,650	324,669
Changes in reductions	–29,213	–9,362	–20,458	–2,618	–5,235	–1,890	–16,745	–1,478	–3,010	–40	–74,661	–15,388
Total changes	**3,300**	**307,206**	**–825**	**–395**	**1,956**	**2,265**	**–104**	**207**	**–338**	**–2**	**3,989**	**309,281**
Reductions due to maturity												
because of contract expiration	–55,952	–24,316	–58,912	–570,109	–4,975	–9,463	–210	–1,441	0	0	–120,049	–605,329
because of death	–16,697	–5,244	–621	–2,214	–1,159	–1,842	–264	–546	–62	–1	–18,803	–9,847
Total reductions due to maturity	**–72,649**	**–29,560**	**–59,533**	**–572,323**	**–6,134**	**–11,305**	**–474**	**–1,987**	**–62**	**–1**	**–138,852**	**–615,176**
Premature reductions												
because of non-redemption	–17,770	–130,793	–5,892	–25,055	–1,968	–9,618	–1,414	–5,184	–1,600	–29	–28,644	–170,679
because of cancellation without performance	–43,421	–216,787	–28,994	–120,695	–28,416	–31,133	–4,031	–51,211	–88	–357	–104,950	–420,183
because of redemption	–94,329	–394,912	–12,019	–30,299	–12,627	–18,208	–5,439	–35,074	–79	–1	–124,493	–478,494
because of premium release	–1,236	–25,143	–7	–13,132	–193	–4,189	–1,246	–6,933	–832	–1,113	–3,514	–50,510
Total premature reductions	**–156,756**	**–767,635**	**–46,912**	**–189,181**	**–43,204**	**–63,148**	**–12,130**	**–98,402**	**–2,599**	**–1,500**	**–261,601**	**–1,119,866**
As of 31.12.2005	**2,557,171**	**11,238,238**	**625,480**	**3,230,317**	**503,214**	**885,096**	**158,002**	**1,373,647**	**134,603**	**45,049**	**3,978,470**	**16,772,347**

Embedded value sensitivity analysis for the life and health insurance business*

The embedded value analysis is a cash-flow analysis of life and health insurance.

The embedded value consists of two components: the adjusted net assets at market value and the value of the insurance portfolio, which equals the cash value of the after-tax profit eligible for distribution minus the capital commitment cost to the solvency capital. Thus, embedded value is an actuarial quantification of the company value, assuming the continuition of current business activities (going concern), but which explicitly excludes the value of future business activities. In addition to the embedded value the increase in value induced by the new business recorded during the reporting period is calculated.

* The embedded value calculation was checked by Tillinghast.

The estimated trend of future profits is based on "best estimate" assumptions, e.g. a realistic appraisal of economic and operational conditions based on future expectations and historical data, whereby future risk is taken into account by the use of the risk discount rate and an explicit calculation of capital commitment costs.

In order to calculate the embedded value, numerous assumptions are made about future business, operational and economic conditions, as well as other factors, some of which lie outside of the control of the Wiener Städtische Group. Although the Wiener Städtische Group considers these assumptions reasonable, future developments may differ from expectations. Thus, the publication of the embedded value is no guarantee that the expected future profits underlying this value will be realised.

Based on historical and current practice, the shareholder margin from the net interest profit is set at 0.5% of the mathematical after-tax reserve (plus all risk gains), minus current profit sharing and all cost gains. There are still explicit restrictions on profit sharing in effect for certain small, mainly regulated, parts of the portfolio; these restrictions are taken into account when calculating shareholder earnings. Based on current practice, no profit sharing is assumed for the Austrian health insurance business that exceeds the amount of premium reimbursement when the obligation to perform is released. For the other sectors and markets, the amount of profit sharing assumed is based on local practice and the regulatory rules in each instance.

The projections of future profits are based on realistic assumptions for proceeds from capital, inflation, costs, taxes, cancellations, mortality, illness and other key figures, such as the development of health-care costs and future increases in contributions.

The proper risk discount rate of an investor or shareholder depends on their individual requirements, tax situation and an appraisal of the risks involved in realising future gains. In order to make a statement on the impact of alternative risk discount rates, the embedded value as of 30 September 2005 was calculated as well as the increase in value resulting from new business in the first three quarters of 2005 with a risk discount rate increased and reduced in each instance by 1%. The table below shows the sensitivities.

Sensitivities to the Life/Health embedded value as of 30 September 2005	**in % of base value**
Austria/Germany	
Risk discount rate +1%	93%
Risk discount rate –1%	109%
Interest margin +0.1%	104%
Interest margin –0.1%	96%
Interest increase +0.5%	101%
Interest decline –0.5%	99%
Decline in stock price –20%	96%
Solvency capital (100% EU minimum)	101%
Administrative costs +10%	97%
Administrative costs –10%	103%
Cancellations +20%	99%
Cancellations –20%	101%
Mortality/illness +10%	99%
Mortality/illness –10%	101%
Central and Eastern Europe	
Risk discount rate +1%	95%
Risk discount rate –1%	105%
Interest margin +0.1%	n.a.
Interest margin –0.1%	n.a.

Interest increase +0.5%	116%
Interest decline –0.5%	83%
Decline in stock price –20%	96%
Solvency capital (100% EU minimum)	100%
Administrative costs +10%	94%
Administrative costs –10%	106%
Cancellations +20%	99%
Cancellations –20%	101%
Mortality/illness +10%	96%
Mortality/illness –10%	104%

Property and casualty insurance provisions

General information

If claims of or against insurance holders are made, all amounts that a company in the Wiener Städtische Group's property and casualty segment pays or expects to have to pay to the claimant are termed losses and the costs of investigating, adjusting and processing these insurance claims are called "claim expenses". Within the framework of its property and casualty insurance policies, Wiener Städtische has formed provisions according to segment, extent of cover and year for each Group company to pay for losses and claim expenses due to insurance claims.

In accordance with HGB and IFRS rules, no specific provisions are formed for losses and claim expenses before the event causing a loss takes place. Losses and claim expenses can be divided into two categories: provisions for known but not yet processed insurance claims and provisions for insurance claims that have occurred but have not yet been reported ("IBNR").

Provisions for insurance claims that still have to be processed are based on estimates of future payments, including the claim expenses of these insurance claims. These estimates are made on individual bases, according to recognisable facts and circumstances at the time the provision is made. The estimates reflect the well founded judgement of the Group adjuster based on general practices for forming insurance provisions and knowledge of the nature and value of each type of claim. These provisions are adjusted regularly during normal processing and represent the expected eventual costs necessary to finally settle all pending reported insurance claims, taking into account inflation and other company and economic factors that could affect the amount of provisions that are required. Historical developments in the distribution model and claims payments, the level of reported and not yet processed insurance claims and the nature of the extent of cover are also taken into account. In addition, court decisions and economic conditions can also affect the estimate of provisions and the eventual level of claims.

IBNR provisions are formed to offset the expected costs of losses that have already occurred but have not yet been reported. These provisions, exactly like the provisions for reported insurance claims, are formed to offset the expected costs (including the claim expenses) that are necessary to finally settle these claims. Because at the time the provisions were formed the losses by definition are as yet unknown, the Group calculates the IBNR liabilities based on historical claims experience, adjusted by current developments in terms of claims-related factors. These provisions are based on estimates that were made using actuarial and statistical forecasts of the expected costs to finally settle these insurance claims. The analyses are based on the facts and circumstances known at the time and on expectations of the trend of legal and/or economic factors affecting the level of loss, such as case law, the rate of inflation and labour costs. These provisions are regularly reviewed and revised as soon as additional information is known and insurance claims are actually reported.

The time required to learn about these insurance claims and to settle them is an important factor that must be taken into account when forming provisions. Insurance claims that are easy to settle, such as property damage in automobile insurance, are reported within a few days or weeks and are normally settled within a year.

Complicated insurance claims, such as bodily injury in automobile or general liability insurance typically requires longer settlement times (on average four to six years, sometimes significantly longer). Also, difficult insurance claims where settlement regularly depends on the results of often protracted litigation, leads to substantially longer settlement times, especially in the liability, accident, building and professional liability insurance segments. The ultimate costs of the claims and claim expenses depend on a series of variable circumstances. Between the time a claim is reported and final settlement, changing circumstances require that the provisions that were formed be revised upwards or downwards. For example, changes in the law, the outcome of litigation and changes in medical costs, costs for materials for auto and house repair and hourly wage rates can have a substantial effect on the costs of insurance claims. These factors may result in the actual trend differing from expectations – sometimes substantially. The estimates of loss provisions are reviewed and updated using the most recent information available to the management. Any changes to the estimate of provisions are reflected in the operating results. The Wiener Städtische Group's conservative policy toward provisions is documented not least by the fact that the handling of the loss provision has regularly resulted in profits on loss reserves.

Based on the Group's internal procedures, the management comes to the conclusion with the information currently available, that the Group's provisions in the property and casualty division are appropriate. However, forming loss provisions is by nature an uncertain process; therefore, no guarantee can be given that in the end losses will not differ from the Group's initial estimates.

Development of the gross-loss provision

The following table shows the development of the Wiener Städtische Group's loss provision at the end of each year indicated. The provisions reflect the amount of expected losses from the direct business, based on insurance claims that occurred in the current and all previous years of loss occurrence which were not paid as of the reporting date, including the IBNR.

Evaluating the information contained in this table because each amount contains the effects of all changes from the previous periods. The circumstances and trends that in the past affected liability could possibly reoccur in the future and therefore no conclusions can be drawn from the information given in this table.

Reinsurance

The Wiener Städtische Group has limited its liability arising from the insurance business by passing on – to the extent required – some of the assumed risks to the international reinsurance market. Within the Wiener Städtische Group,

	2005	2004	2003	2002	2001	2000
in EUR '000						
Loss provision in the current year	1,831,925.20	1,573,947.34	1,381,109.59	1,474,293.22	1,107,320.61	1,067,420.22
1 year later		973,714.58	838,243.53	773,345.70	654,648.25	600,686.98
2 years later			590,179.53	527,853.22	459,769.72	411,505.89
3 years later				400,567.06	330,233.24	317,869.85
4 years later					263,095.92	239,291.41
5 years later						197,756.49
Claims payments		462,247.56	932,689.91	1,800,806.41	1,629,547.94	1,991,313.63
1 year later		462,247.56	424,872.99	534,128.25	344,648.32	335,038.03
2 years later			507,816.92	614,539.20	403,205.39	391,041.84
3 years later				652,138.96	427,662.21	405,658.19
4 years later					454,032.02	422,796.90
5 years later						436,778.67

only some of the risks of smaller foreign Group companies are reinsured; these risks are in turn passed on at the Group level to reinsurers.

Reinsurance guidelines
The Wiener Städtische Group's reinsurance guidelines are jointly determined each year by the central reinsurance department and the member of the management board responsible for reinsurance during the development of the reinsurance strategy for the next fiscal year.

The reinsurance guidelines require each Group company to provide, in conjunction with the central reinsurance department, reinsurance coverage that is appropriate for its local company. The reinsurance guidelines govern the following issues:

• Reinsurance is a prerequisite for the provision of insurance coverage. Departments may only make a binding commitment to insure a risk if sufficient reinsurance coverage has already been assured by external reinsurers.
• Retention. It is a Group-wide policy that no more than EUR 11 million per natural catastrophe can be placed in risk on a PML (probable maximum loss) basis. The maximum Group-wide retention per individual loss is less than EUR 3 million.
• Selection of reinsurers – diversification. Wiener Städtische AG and its Group companies divide their reinsurance coverage among many different international reinsurance companies having appropriate creditworthiness so as to minimize the growing risk of a reinsurer being unable to pay. In the history of the Wiener Städtische Group, no reinsurer has ever significantly fallen short.
• Selection of reinsurers – rating. For business segments where claims take a long time to be settled, especially for auto liability and general liability, Wiener Städtische uses as reinsurers companies with outstanding ratings (at least Standard & Poor's "A" rating, preferably a rating of "AA" or higher), which in all likelihood will continue to exist over the long term. Even for business segments with claims that are settled quickly (for example, natural catastrophes, fire, technology, transportation, storm, burglary, household, piped water, auto collision), where the number of reinsurers is greater, the preferred rating is Standard & Poor's "A" or higher. Only in a few cases – and for limited periods of time – are reinsurers with lower ratings accepted.
• Design of the reinsurance program. If economically justified, any Group company can purchase reinsurance coverage individually from external reinsurers. If individual reinsurance contracts can only be purchased by a Group company at uneconomical terms, the Wiener Städtische Group will try to jointly place, as far as is possible, reinsurance contracts to cover risks from covering natural catastrophes, property lines, accident, aviation and auto liability pursuant to the Green Card [international motor insurance certificate] agreement. Reinsurance contracts of smaller Group companies, which contain less risk, can be purchased at unfavourable terms in the reinsurance market only if the Wiener Städtische Group itself acts as the reinsurance company. If necessary, these intragroup reinsurance contracts are passed on as retrocession in the reinsurance market for safety reasons. The guidelines for Wiener Städtische AG reinsurance cover are presented below. Retentions for all other Group companies lie below those of Wiener Städtische AG.

Reinsurance cover
• Corporate customer business. In the corporate customer business, predominantly proportional reinsurance contributions are limited to a maximum net loss for Wiener Städtische AG of EUR 1.5 million. This reinsurance structure can insure both the effects of certain major losses, for example as a result of fire, and an increased frequency of claims.
• Private customer activities. Private customer activities consist of essentially stable insurance portfolios having calculable results that are marked, above all, by a stable frequency of claims. Thus, frequent claims are only reinsured by exposed segments, for example storm insurance, with a targeted use of proportional reinsurance to reduce the effects on retention. The effects of fewer than expected major claims on retention are insured by non-proportional reinsurance. Even in this business segment, the maximum net loss of Wiener Städtische AG is between EUR 1.0 and 2.0 million, according to the sector.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. INTANGIBLE ASSETS

The **detail** of intangible assets:

Detail	**31.12.2005**	**31.12.2004**
in EUR '000		
Goodwill	200,259	27,377
Purchased insurance portfolios	44,625	31,872
Other assets	72,018	56,293
Software	35,426	26,449
Other	36,592	29,844
Total	**316,902**	**115,542**

Goodwill developed as follows during the reporting period:

Development of goodwill	**31.12.2005**	**31.12.2004**
in EUR '000		
Acquisition costs	27,583	1,254
Cumulative depreciation 31.12. of the previous year	–206	–207
Book value as of 31.12. of the previous year	**27,377**	**1,047**
Exchange rate	1,291	–6
Book value as of 1.1.	**28,668**	**1,041**
Additions	171,591	26,336
Book value as of 31.12.	**200,259**	**27,377**
Cumulative depreciation 31.12.	307	206
Acquisition costs	**200,566**	**27,583**

The goodwill changes essentially result from the acquisition of subsidiaries described in the section "Scope and methods of consolidation."

Development of the present value of insurance in force	**31.12.2005**	**31.12.2004**
in EUR '000		
Acquisition costs	50,665	14,298
Cumulative depreciation 31.12. of the previous year	–18,793	–3,130
Book value as of 31.12. of the previous year	**31,872**	**11,168**
Exchange rate	1,222	750
Book value as of 1.1.	**33,094**	**11,918**
Additions	25,714	35,617
scheduled depreciations	–14,183	–15,663
Book value as of 31.12.	**44,625**	**31,872**
Cumulative depreciation 31.12.	32,741	18,793
Acquisition costs	**77,366**	**50,665**

The purchased insurance portfolio results from the acquisition of existing portfolios and the securities acquired as part of the acquisition of the insurance companies described in the section "Scope and methods of consolidation."

Acquired software developed as follows in the reported period:

Development of acquired software	31.12.2005	31.12.2004
in EUR '000		
Acquisition costs	61,642	51,496
Cumulative depreciation 31.12. of the previous year	–35,193	–30,058
Book value as of 31.12. of the previous year	**26,449**	**21,438**
Exchange rate	339	1,193
Book value as of 1.1.	**26,788**	**22,631**
Additions	18,609	10,728
Change in scope of consolidation	3,599	0
Reductions	–6,048	–1,775
Scheduled depreciations	–7,522	–5,135
Book value as of 31.12	**35,426**	**26,449**
Cumulative depreciation 31.12.	46,139	35,193
Acquisition costs	**81,565**	**61,642**

2. LAND AND BUILDINGS

Development of real estate	used by third parties 31.12.2005	for own use 31.12.2005	Total 31.12.2005	Total 31.12.2004
in EUR '000				
Acquisition costs	1,253,766	214,946	1,468,712	1,472,200
Cumulative depreciation 31.12. of the previous years	–272,387	–64,831	–337,218	–285,629
Book value as of 31.12. of the previous year	**981,379**	**150,115**	**1,131,494**	**1,186,571**
Exchange rate	–49	5,750	5,701	7,201
Book value as of 1.1.	**981,330**	**155,865**	**1,137,195**	**1,193,772**
Change in scope of consolidation	69,609	18,213	87,822	0
Additions	37,857	26,957	64,814	74,819
Reductions	–87,219	–2,497	–89,716	–85,508
Scheduled depreciations	–26,484	–13,175	–39,659	–38,397
Exceptional depreciation	–74,521	–53	–74,574	–13,192
Book value as of 31.12.	**900,572**	**185,310**	**1,085,882**	**1,131,494**
Cumulative depreciation 31.12.	361,188	76,610	437,798	337,218
Acquisition costs	**1,261,760**	**261,920**	**1,523,680**	**1,468,712**
thereof land	198,648	22,692	221,340	215,910
The real estate's current market value as of 31.12.	1,064,613	272,346	1,336,959	1,335,077

The additions due to changes in the scope of consolidation essentially result from Hotel Andel Praha a.s., Prague (EUR 68.707 million) and OMNIASIG Insurance-Reinsurance Company, Bucharest (EUR 15.203 million).

3. SHARES IN COMPANIES

Development	31.12.2005	31.12.2004
in EUR '000		
Book value as of 1.1.	626,669	588,814
Exchange rate	2,165	1,716
Additions	57,262	72,638
Reductions	–63,725	–62,314
results-independent calculation of unrealised profit	7,819	32,639
Proportional results for the year from companies valued at equity	5,858	3,047
Depreciation	0	–9,871
Book value as of 31.12.	**636,048**	**626,669**

Detail	31.12.2005	31.12.2004
in EUR '000		
Non-consolidated affiliated companies	261,901	276,435
Associated companies valued at equity	44,394	28,301
Other associated companies	329,753	321,933
Total	**636,048**	**626,669**

Non-consolidated affiliated companies and other associated companies are valued the same way as securities available for sale.

Unrealised profits and losses are as follows:

	Acquisition costs	Unrealised profit/losses	Acquisition costs	Unrealised profit/losses
	31.12.2005	31.12.2005	31.12.2004	31.12.2004
in EUR '000				
Non-consolidated affiliated companies	66,378	195,523	79,627	196,808
Other associated companies	217,457	112,296	215,390	106,543
Total	**283,835**	**307,819**	**295,017**	**303,351**

4. PARTICIPATIONS

On 31 December 2005 there were participations in the following companies:

Affiliated companies and participations Wiener Städtische AG	**Country**	**Share of capital (%)**	**Equity (EUR '000)**	**Most recent annual financial statements**
Fully consolidated companies				
"Grüner Baum" Errichtungs- und Verwaltungsges. m.b.H., Innsbruck	Austria	100.00	–7	2005
"WIENER STÄDTISCHE OSIGURANJE" akcionarsko drustvo za osiguranje, Belgrade	Serbia and Montenegro	100.00	10,989	2005
AGRAS – Grupul Wiener Städtische S.A., Bucharest	Romania	74,45	4,729	2005
Altstadt Hotelbetriebs GmbH, Vienna	Austria	100.00	2,923	2005
Andel Investment Praha s.r.o., Prague	Czech Republic	100.00	–117	2005
ARITHMETICA Versicherungs- und Finanzmathematische Beratungs-Gesellschaft m.b.H., Vienna	Austria	100.00	399	2005
Bank Austria Creditanstalt Versicherung AG, Vienna	Austria	90.00	30,220	2005
BENEFIA Towarzystwo Ubezpieczen Majatkowych Spolka Akcyjna, Warsaw	Poland	100.00	16,167	2005
BENEFIA Towarzystwo Ubezpieczen na Życie Spolka Akcyjna, Warsaw	Poland	100.00	5,977	2005
BML Versicherungsmakler GmbH, Vienna	Austria	100.00	230,682	2005
BULGARSKI IMOTI LIFE AG Insurance Company, Sofia	Bulgaria	98.35	3,709	2005
Bulgarski Imoti Non-Life AG Insurance Company, Sofia	Bulgaria	98.36	5,247	2005
Business Insurance Application Consulting GmbH, Vienna	Austria	100.00	1,937	2005
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100.00	2,128	2005
CAPITOL, a.s., Bratislava	Slovakia	100.00	3,084	2005
Celetná 25, s.r.o., Prague	Czech Republic	100.00	9,529	2005
CENTER Hotelbetriebs GmbH, Vienna	Austria	82.66	80	2005
Česká podnikatelská pojišt'ovna, a.s., Prague	Czech Republic	87.67	28,468	2005
COMPENSA Holding GmbH, Coburg	Germany	100.00	20,389	2005
Cosmopolitan Life dionicko drustvo za osiguranje, Zagreb	Croatia	73.00	3,403	2005
DBR Friedrichscarré GmbH & Co KG, Stuttgart	Germany	100.00	15,973	2005
DBR Friedrichscarré Liegenschaften-Verwaltungs GmbH, Stuttgart	Germany	100.00	25	2005
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100.00	16,069	2005
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	100.00	24	2005
DONAU Allgemeine Versicherungs-Aktiengesellschaft, Vienna	Austria	89.47	90,545	2005
DVS Donau-Versicherung Vermittlungs- und Service-Gesellschaft m.b.H., Vienna	Austria	100.00	25,910	2005
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	Austria	100.00	24,427	2005
Hotel Andel Praha a.s., Prague	Czech Republic	100.00	1,931	2005
InterRisk Lebensverxiherungs-Aktiengesellschaft, Wiesbaden	Germany	100.00	14,038	2005
InterRisk Versicherungs-Aktiengesellschaft, Wiesbaden	Germany	100.00	25,960	2005
I.V., s.r.o., Bratislava	Slovakia	100.00	628	2005
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest	Hungary	100.00	1,455	2005
Kapitol pojist'ovací a financní poradenství, a.s., Brno	Czech Republic	100.00	6,630	2005
Komunálna poist'ovňa, a.s., Bratislava	Slovakia	95.14	11,186	2005
KONTINUITA poist'ovňa, a.s., Bratislava	Slovakia	100.00	8,297	2005
KOOPERATIVA poist'ovňa, a.s., Bratislava	Slovakia	100.00	65,938	2005
Kooperativa pojišt'ovna, a.s., Prague	Czech Republic	87.67	243,743	2005
Kvarner Wiener Städtische osiguranje d.d., Rijeka	Croatia	98.21	18,151	2005

Affiliated companies and participations Wiener Städtische AG	**Country**	**Share of capital (%)**	**Equity (EUR '000)**	**Most recent annual financial statements**
LVP Holding GmbH, Vienna	Austria	100.00	107,653	2005
Neue Heimat Oberösterreich Holding GmbH, Vienna	Austria	100.00	19,802	2005
Omniasig Insurance-Reinsurance Company, Bucharest	Romania	70.56	6,310	2005
Omniasig Life Insurance, Bucharest	Romania	35.28	2,745	2005
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	85.13	83,439	2005
PROGRESS Beteiligungsges.m.b.H., Vienna	Austria	60.00	8,330	2005
Projektbau GesmbH, Vienna	Austria	89.50	311	2005
Royal Polska Towarzystwo Ubezpiencen na Zycie S.A., Warsaw	Poland	95.00	2,787	2005
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100.00	3,927	2005
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	100.00	–3,856	2005
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.70	11,771	2005
St. Magdalen Projektentwicklungs- und Verwertungsgesellschaft m.b.H., Vienna	Austria	89.00	5,133	2005
Towarzystwo Ubezpieczen "Compensa" Spolka Akcyjna, Warsaw	Poland	99.86	31,826	2005
Towarzystwo Ubezpieczen Na Zycie Compensa Spolka Akcyjna, Warsaw	Poland	100.00	20,105	2005
UNION Biztositó Rt., Budapest	Hungary	100.00	20,549	2005
UNITA S.A., Bucharest	Romania	100.00	14,041	2005
Vienna-Life Lebensversicherung Aktiengesellschaft, Schaan	Liechtenstein	100.00	9,620	2005
VLTAVA majetkovosprání a podílová spol.s.r.o., Prague	Czech Republic	100.00	2,659	2005
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	Austria	100.00	258,546	2005
WIENER STÄDTISCHE Finazierungsdienstleistungs GmbH, Vienna	Austria	100.00	254,990	2005
Wiener Verein Bestattungs- und Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	100.00	1,490	2005
Proportional consolidated companies				
Union Versicherungs-Aktiengesellschaft, Vienna	Austria	45.00	74,812	2005
Equity consolidated companies				
Benefita, a.s., Prague	Czech Republic	100.00	–119	2005
Ceská Kooperativa Londýn Ltd., London	Great Britain	100.00	589	2005
COUNTRY INN VIC Hotelerrichtungs- und Betriebsgesellschaft m.b.H, Vienna	Austria	50.00	–3,504	2005
CROWN-WSF spol. s.r.o., Prague	Czech Republic	30.00	6,210	2005
Gewista-Werbegesellschaft m.b.H., Vienna	Austria	33.00	27,218	2005
Global Expert, s.r.o., Pardubice	Czech Republic	100.00	86	2005
IMPERIAL-Székesfehérvár Ingatlankezelési Kft., Budapest	Hungary	25.00	11,237	2005
Kámen Ostromer, s.r.o., Ostromer	Czech Republic	100.00	186	2005
KIP, a.s., Prague	Czech Republic	86.43	3,687	2005
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	Austria	29.63	22,104	2005
PKB Privatkliniken Beteiligungs-GmbH (consolidated financial statements), Vienna	Austria	25.00	19,305	2005
Sanatorium Astoria, a.s., Karlovy Vary	Czech Republic	86.32	2,308	2005
SHD Komes, a.s., Most	Czech Republic	46.33	15,111	2005
SURPMO a.s., Prague	Czech Republic	98.54	220	2005
TECH GATE VIENNA Wissenschafts- und Technologiepart GmbH, Vienna	Austria	60.00	36,358	2005
Unigeo, a.s., Ostrava-Hrabova	Czech Republic	90.92	5,348	2005

Affiliated companies and participations Wiener Städtische AG	**Country**	**Share of capital (%)**	**Equity (EUR '000)**	**Most recent annual financial statements**
Non-consolidated companies				
"Heimstätte Gesellschaft m.b.H." (first non-profit housing company), Vienna	Austria	99.45	62,849	2004
"Neue Heimat", Gemeinnützige Wohnungs-und Siedlungsgesellschaft in Oberösterreich GmbH, Linz	Austria	99.81	65,056	2004
Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.00	82,629	2004
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	50.00	Founded 2005	
CAPITOL Spolka z o.o., Warsaw	Poland	100.00	–32	2004
Close Joint Company Ukrainian Insurance Company "Kniazha", Kiev	Ukraine	50.01	1,743	2004
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	100.00	192	2005
Eurocenter-Immorent d.o.o., Zagreb	Croatia	100.00	0	2004
EXPERTA Schadenregulierungs- Gesellschaft m.b.H., Vienna	Austria	100.00	649	2005
FUTURELAB Holding GmbH (consolidated balance sheet), Vienna	Austria	50.00	3,895	2004
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100.00	153	2005
HUMANOCARE gemeinnützige Betriebsgesellschaft für Betreuungseinrichtungen GmbH, Vienna	Austria	100.00	38	2004
HUMANOCARE Management-Consult GmbH, Vienna	Austria	75.00	201	2004
Humanomed Krankenhaus Management Gesellschaft m.b.H., Vienna	Austria	25.00	678	2004
Insurance Company Globus, Kiev	Ukraine	51.00	1,303	2004
Insurance Financial Services GmbH, Vienna	Austria	49.00	263	2004
Joint Belarus-Austrian Insurance Company Kupala, Minsk	Belarus	90.97	536	2004
Joint Stock Company Insurance Company "JUPITER", Kiev	Ukraine	73.00	1,852	2004
Neutorgasse 2–8 Projektverwertungs GmbH, Vienna	Austria	90.00	–187	2004
ÖBV-DIREKT Versicherungsservice GmbH in Liqu., Vienna	Austria	33.33	450	2004
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	31.58	96,804	2004
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	76.93	41	2005
Privatklinik Villach Gesellschaft m.b.H. & Co.KG, Klagenfurt	Austria	23.29	1,871	2004
Realitätenverwaltungs- und Restaurantbetriebs-Gesellschaft m.b.H., Vienna	Austria	100.00	419	2005
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	67.00	6,093	2005
Ringturm Kapitalanlagegesellschaft m.b.H., Vienna	Austria	91.00	3,016	2005
RISK CONSULT Sicherheits- und Risiko- Managementberatung Gesellschaft m.b.H., Vienna	Austria	51.00	272	2004
Ruster Hotel Bau- und Betriebsgesellschaft m.b.H. & Co KG, Vienna	Austria	47.86	–3,171	2004
VBV-Pensionskasse Aktiengesellschaft, Vienna	Austria	20.96	46,265	2004
Wüstenrot Versicherungs-Aktiengesellschaft, Salzburg	Austria	31.60	162,305	2005
ZASO Victoria Non-Life, Minsk	Belarus	100.00	245	2005

The information required under § 265 (2) (4) of the Austrian Commercial Code is provided in the Participation overview in the individual financial statements.

5. LOANS AND OTHER CAPITAL ASSETS

Loans and other capital assets	31.12.2005	31.12.2004
in EUR '000		
Loans	1,247,366	1,506,091
Other capital assets	1,075,312	556,216
Total	**2,322,678**	**2,062,307**

Changes	31.12.2005	31.12.2004
in EUR '000		
Acquisition costs	2,071,236	2,037,639
Cumulative depreciation as of 31.12 of the previous years	–8,929	–8,929
Book value as of 31.12 of year of the previous year	**2,062,307**	**2,028,710**
Additions	11,762,336	12,695,105
Change in scope of consolidation	12,892	0
Disposals	–11,521,774	–12,671,362
Currency gains and losses recognised as income or expenses	6,917	9,854
Book value as of 31.12	**2,322,678**	**2,062,307**
Cumulative depreciation as of 31.12	8,929	8,929
Acquisition costs	**2,331,607**	**2,071,236**

Detail	Acquisition costs carried forward	
	31.12.2005	31.12.2004
in EUR '000		
Loans to non-consolidated affiliated companies	21,602	26,185
Loans to associated companies	29,073	31,433
Mortgage Loans	247,412	317,271
Policy loans and prepayments	26,283	27,600
Other loans	922,996	1,103,602
to government borrowers	769,301	901,987
to banks	9,223	9,452
to other commercial borrowers	59,768	76,416
to private individuals	6,635	10,291
other	78,069	105,456
Total	**1,247,366**	**1,506,091**
Market value	**1.330,900**	**1,617,213**

The item "Other capital assets" essentially consists of bank deposits in the amount of EUR 985.981 million (EUR 475.819 million) and deposit receivables against reinsurers in the amount of EUR 77.706 million (EUR 74.535 million).

Maturities	Acquistion costs carried forward	
	31.12.2005	31.12.2004
in EUR '000		
Up to one year	109,762	59,600
From one to five years	434,872	569,000
From five to ten years	276,167	377,700
More than ten years	426,565	499,791
Total	**1,247,366**	**1,506,091**
Market value	**1,330,900**	**1,617,213**

6. OTHER SECURITIES

During the reporting period, **financial instruments held as capital assets** were composed as follows:

Detail	Financial instruments held to maturity		Financial instruments available for sale		Trading portfolio		Fair Value Option	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005	31.12.2004
in EUR '000								
As of 31.12 of preceding year	173,799	128,832	8,049,194	6,699,667	324,679	313,127	0	0
Additions	89,434	95,018	4,347,597	3,772,455	192,544	173,374	128,444	0
Disposals	–25,264	–66,251	–2,530,274	–2,774,623	–58,401	–178,306	–56,234	0
Currency gains and losses recognised as income and expenses	4,771	9,449	37,579	25,920	4,884	3,455	–355	0
Change in valuation recognised as income	3,770	6,768	0	0	28,041	13,029	1,400	0
Change in valuation not affecting income	0	0	405,178	336,948	0	0	0	0
Impairment	0	–17	–2,725	–11,173	0	0	0	0
Status as of 31.12.	**246,510**	**173,799**	**10,306,549**	**8,049,194**	**491,747**	**324,679**	**73,255**	**0**

The Group received a total of EUR 2,592.855 million from the sale of available-for-sale financial instruments in 2005, realising a gain of EUR 85.151 million and a loss of EUR 22.570 million. Sales from the trading portfolio resulted in realised gains of EUR 40.173 million and realised losses of EUR 3.080 million in 2005.

Financial instruments held to maturity may be shown as follows:

Held to Maturity	Acquisition Costs Carried Forward		Fair Value	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
in EUR '000				
Government loans	143,973	103,410	155,202	108,562
Loans to business	102,537	70,389	109,714	75,753
Total	**246,510**	**173,799**	**264,916**	**184,315**

Financial instruments available for sale may be shown as follows:

Available for Sale	Amortized acquisition costs		Unrealised gains		Unrealised losses		Fair Value	
	31.12.05	31.12.04	31.12.05	31.12.04	31.12.05	31.12.04	31.12.05	31.12.04
in EUR '000								
Non fixed-income	3,048,018	2,063,616	362,804	263,580	–5,806	–61,139	3,405.016	2,266,057
Shares	671,680	635,001	270,713	207,669	–2,487	–22,104	939,906	820,566
Unit funds	1,987,688	1,137,792	68,222	40,145	–2,830	–39,035	2,053,080	1,138,902
Other	388,650	290,823	23,869	15,766	–489	0	412,030	306,589
Fixed income	6,544,854	5,624,170	378,877	163,859	–22,198	–4,892	6,901,533	5,783,137
Bonds and other securities of affiliated companies	29,135	22,035	0	0	0	0	29,135	22,035
Bonds and other securities of ownership interests	172,828	167,970	17,319	268	–31	0	190,116	168,238
Other fixed-income securities	6,342,891	5,434,165	361,558	163,591	–22,167	–4,892	6,682,282	5,592,864
Total	**9,592,872**	**7,687,786**	**741,681**	**427,439**	**–28,004**	**–66,031**	**10,306,549**	**8,049,194**

For financial instruments available for sale, the balance sheet value corresponds to the fair value. Unrealised profits and losses represent the difference between the acquisition costs being brought forward and the fair values.

The **trading portfolio** consists of the following:

Trading	Fair Value 31.12.2005	Fair Value 31.12.2004
in EUR '000		
Structured bonds	475,791	307,229
Shares	1,289	17,450
Unit funds	1,970	0
Derivatives	–2,879	0
Other	15,576	0
Total	**491,747**	**324,679**

This entirely relates to short-term investments.

Fair values of derivatives (Trading)	Fair Value 31.12.2005
in EUR '000	
Options	–2,813
Futures	–66
Total	**–2,879**

The amount shown under the item "Options" relates to options on shares intended to hedge existing share positions.

Financial instruments for which the Fair Value Option was utilised:

Fair Value Option	Amortized acquisition costs	Fair Value
	31.12.2005	31.12.2005
in EUR '000		
Bonds	38,236	39,791
Structured loans	29,010	29,614
Shares	2,394	1,445
Unit funds	2,357	2,405
Total	**71,997**	**73,255**

7. CAPITAL ASSETS OF UNIT- AND INDEX-LINKED LIFE INSURANCE

Detail	Unit-linked 31.12.2005	Index-linked 31.12.2005	Total 31.12.2005	Total 31.12.2004
in EUR '000				
Unit funds	1,504,895	6,393	1,511,288	980,906
Structured bonds	0	209,064	209,064	114,724
Structured loans	0	2,990	2,990	4,665
Shares	0	21,498	21,498	9,513
Derivatives (Guarantee claim)	4,589	0	4,589	4,694
Bank deposits	3,404	9,238	12,642	5,126
Totals	**1,512,888**	**249,183**	**1,762,071**	**1,119,628**

The balance sheet value corresponds to the fair value.

8. REINSURERS' SHARE OF UNDERWRITING PROVISIONS

in EUR '000	Property/Casualty 31.12.2005	Life 31.12.2005	Health 31.12.2005	Total 31.12.2005	Total 31.12.2004
Unearned premiums	101,830	5,640	0	107,470	63,648
Actuarial reserve	50	92,842	1,710	94,602	89,169
Reserve for outstanding claims	625,203	5,424	143	630,770	519,499
Reserve for profit-independent premium refunds	5,635	0	0	5,635	5,743
Reserve for profit-dependent premium refunds	0	10	0	10	15
Other underwriting provisions	1,573	0	0	1,573	1,796
Total	**734,291**	**103,916**	**1,853**	**840,060**	**679,870**

Changes in EUR '000	Book Value 1.1.2005	Changes in Consol. Scope	Currency differences	Allocation of reserves	Amount used/ released	Book Value 31.12.2005
Actuarial reserve	89,169	993	85	17,909	–13,554	**94,602**
Reserve for outstanding claims	519,499	15,811	12,918	221,513	–138,971	**630,770**
Reserve for profit-independent premium refunds	5,743	0	64	1,765	–1,937	**5,635**
Reserve for profit-dependent premium refunds	15	0	0	0	–5	**10**
Other underwriting provisions	1,796	0	–3	1,394	–1,614	**1,573**

9. RECEIVABLES

Detail	Property/Casualty 31.12.2005	Life 31.12.2005	Health 31.12.2005	Total 31.12.2005	Total 31.12.2004
in EUR '000					
Receivables from the direct insurance business	329,251	70,933	5,136	405,320	290,117
from policyholders	272,565	65,825	4,976	343,366	242,409
from insurance intermediaries	51,860	4,979	0	56,839	40,100
from insurance companies	4,826	129	160	5,115	7,608
Receivables from the reinsurance business	70,707	2,250	0	72,957	81,705
Other receivables	180,477	186,664	11,435	378,576	344,424
Total	**580,435**	**259,847**	**16,571**	**856,853**	**716,246**

Detail other receivables	Property/Casualty 31.12.2005	Life 31.12.2005	Health 31.12.2005	Total 31.12.2005	Total 31.12.2004
in EUR '000					
Proportionate interest and rent	15,299	171,133	6,855	193,287	174,572
Receivables fromTax Office	2,725	5,942	0	8,667	10,423
Receivables from employees	653	174	0	827	0
Receivables from sales of capital assets	67,400	0	0	67,400	60,731
Receivables from property management	10,985	38	24	11,047	10,533
Receivables from third-party damage settlements	6,195	0	0	6,195	3,559
Receivables from loans	2,158	19	0	2,177	6,772
Outstanding loans and rents	1,101	986	410	2,497	2,903
Other receivables	73,961	8,372	4,146	86,479	74,931
Total	**180,477**	**186,664**	**11,435**	**378,576**	**344,424**

All receivables have a maturity date of less than one year.

10. CASH AND CASH EQUIVALENTS

Detail	Property/Casualty 31.12.2005	Life 31.12.2005	Health 31.12.2005	Total 31.12.2005	Total 31.12.2004
in EUR '000					
Current bank deposits	212,854	72,051	1,784	286,689	177,485
Cash and checks	3,299	359	0	3,658	15,936
Total	**216,153**	**72,410**	**1,784**	**290,347**	**193,421**

11. TAX DEFERRALS

The deferred tax credits and liabilities indicated relate to the amounts of temporary differences in balance sheet items listed in the following Table. (The differences were already valued using applicable tax rates.) It should be noted that deferred taxes, as far as allowable, are settled at the taxpayer level, and accordingly differing balances are shown either as assets or liabilities on the balance sheet.

Detail	Deferred tax credits 31.12.2005	Deferred tax liabilities 31.12.2005	Deferred tax credits 31.12.2004	Deferred tax liabilities 31.12.2004
in EUR '000				
Intangible assets	5,120	130	4,041	0
Capital assets	7,399	255,958	6,757	168,987
Receivables	1,425	1,066	593	183
Other assets and adjustment for carried-over losses	4,606	3,689	590	732
Untaxed reserves	0	63,150	0	64,792
Underwriting provisions	128,566	22,531	46,945	11,151
Non underwriting provisions	84,776	14,611	67,827	5,145
Payables	9,205	378	7,784	17
Other liabilities	8,330	20	14,370	0
Total	**249,427**	**361,533**	**148,907**	**251,007**
Balance deferred taxes		**112,106**		**102,100**

12. OTHER ASSETS

Detail	Property/Casualty 31.12.2005	Life 31.12.2005	Health 31.12.2005	Total 31.12.2005	Total 31.12.2004
in EUR '000					
Fixed assets and inventories	43,321	13,154	0	56,475	57,642
Project downpayments	82	21	0	103	55,957
Prepaid taxes	63,824	5,671	0	69,495	53,531
Other assets	7,120	10,109	562	17,791	15,948
Prepaid expenses	46,919	9,923	0	56,842	47,569
Total	**161,266**	**38,878**	**562**	**200,706**	**230,647**

13. CONSOLIDATED SHAREHOLDERS' EQUITY

Transition to Group shareholders' equity in fiscal years 2004 and 2005

in EUR '000	Share Capital	Capital Reserves	Profit Reserves	Unrealised Gains and Losses	Currency Conversion and Other Reserves	Shareholders' Equity before Minority Share Interest	Minority Interests	Shareholders' Equity
Status as of 1 January 2004	**89,655**	**150,000**	**218,656**	**175,290**	**14,297**	**647,898**	**34,407**	**682,305**
Exchange rate	0	0	0	0	3,107	3,107	1,092	4,199
Changes in amount of shareholding	0	0	3,640	0	0	3,640	31,451	35,091
Unrealised gains and losses on financial instruments available for sale	0	0	0	92,765	0	92,765	1,153	93,918
Profit for the period	0	0	120,952	0	0	120,952	600	121,552
Dividend payment	0	0	–19,634	0	0	–19,634	–3,653	–23,287
Status as of 31 December 2004	**89,655**	**150,000**	**323,614**	**268,055**	**17,404**	**848,728**	**65,050**	**913,778**

in EUR '000	Share Capital	Capital Reserves	Profit Reserves	Unrealised Gains and Losses	Currency Conversion and Other Reserves	Shareholders' Equity before Minority Share Interest	Minority Interests	Shareholders' Equity
Status as of 1 January 2005	**89,655**	**150,000**	**323,614**	**268,055**	**17,404**	**848,728**	**65,050**	**913,778**
Exchange rate	0	0	0	0	7,348	7,348	1,099	8,447
Changes in amount of shareholding	0	0	–33,995	0	0	–33,995	–10,606	–44,601
Capital Increase	19,354	885,029	0	0	0	904,383	0	904,383
Unrealised gains and losses on financial instruments available for sale	0	0	0	117,857	0	117,857	3,595	121,452
Profit for the period	0	0	196,977	0	0	196,977	1,760	198,737
Dividend payment	0	0	–39,806	0	0	–39,806	–3,058	–42,864
Status as of 31. Dezember 2005	**109,009**	**1,035,029**	**446,790**	**385,912**	**24,752**	**2,001,492**	**57,840**	**2,059,332**

Unrealized gains and losses as of 31 December 2005 are equal to a gross amount of EUR 1,021.496 million less deferred taxes in the amount of EUR 123.898 million, less deferred profit participation of EUR 506.767 million, less minority interests in the amount of EUR 4.919 million.

Minority Interests

in EUR '000	31.12.2005	31.12.2004
Unrealised gains and losses	4,919	1,153
Share of profit for the year	1,760	600
Other	51,161	63,297
Total	**57,840**	**65,050**

Earnings per Share

At the beginning of the reporting period, there was a total of 86,357,600 shares outstanding of which 9,450,000 were preference shares with no voting rights and 76,907,000 were ordinary shares. By resolution of the General Shareholders' Meeting on 24.5.2005, the preference shares were converted into ordinary shares. The conversion was retroactively taken into account, under IAS 33.64, in the reporting period and in the comparable period of the prior year. Consequent upon the capital increase on December 2005, the number of shares was increased by 18,642,400 to 105,000,000..

	1.1.–31.12.2005	1.1.–31.12.2004
Profit for the year	EUR 198,737,000	EUR 121,552,000
Number of shares	105,000,000	86,357,600
Before capital increase	86,357,600	
Capital increase	18,642,400	
Earnings per share	**EUR 2.27**	**EUR 1.41**

Since there were no potential ordinary shares either in 2004 nor in the current reporting period, the undiluted earnings per share correspond to the diluted earnings per share.

Consolidated shareholders' equity

A capital increase in the share capital of Wiener Städtische AG took place during the reporting period, with 18,642,400 new shares issued at a subscription and offer price of EUR 49.00 per new share. This capital increase, which made use of authorised capital, resulted in 18,642,400 shares being issued, which increased the company's previous share capital of EUR 89,655,022.06 by EUR 19,354,229.20. The capital increase was entered in the commercial register on 20 December 2005, thereby becoming effective on this date. According to the commercial register entry, the share capital of Wiener Städtische Allgemeine Versicherung AG is equal to EUR 109,009,251.26. It is divided into 105,000,000 no-par value ordinary bearer shares with voting rights, each share representing an equal portion of share capital. The Board of Management is authorized until 23 May 2010 at the latest, to increase the capital stock of the company – in several tranches if need be – by a nominal amount of EUR 16,982,187.89 by issuing 16,357,600 no-par value ordinary bearer or registered shares against cash contributions or contributions in kind. The content of the share rights as well as the other terms and conditions of the share issue shall be decided by the Board of Management with approval of the Supervisory Board. Preferred shares without voting rights that have equivalent rights to already existing preferred shares may be issued in this process. The issue prices of ordinary and preferred shares may differ.

By resolution of the General Shareholders' Meeting of 24.05.2005, the following dividend distributions took place:

Distribution	**Per Share** 1.1.–31.12.2005	**Total** 1.1.–31.12.2005
in EUR		
Ordinary shares	0.45	34,608,150
Preference shares	0.55	5,197,500
Total	–	**39,805,650**

Proposed Allocation of Profits

Wiener Städtische Allgemeine Versicherung Aktiengesellschaft concluded fiscal year 2005, under Austrian accounting rules, with a balance sheet profit of EUR 135,997,562.33. The following allocation of profits has been proposed in connection with the General Shareholders' Meeting: The 105 million shares are to receive a dividend of EUR 0.66 per share. A total of EUR 69,300,000 is to be distributed. The balance-sheet profit for the 2005 fiscal year remaining after distribution of dividends, in the amount of EUR 66,697,562.33, is to be carried forward to the next accounting period.

14. SUBORDINATED LIABILITIES

Subordinated liabilities involve supplementary capital loans of the following companies in the Group:

Issuing Company	Date Issued	Outstanding Volume (in EUR '000)	Maturity in Years	Interest Rate in %	Fair Value
Wiener Städtische Allgemeine Versicherung AG	12.1.2005	180,000	17	First 12 years: 4.625% p.a.; then variabel	180,360
Wiener Städtische Allgemeine Versicherung AG	12.1.2005	120,000	unlimited[1]	First year 4.25% p.a.; then variabel	116,700
Donau Allgemeine Versicherungsaktiengesellschaft	10.5.2004	50,000	unlimited[2]	4.95% p.a.	50,000
Donau Allgemeine Versicherungsaktiengesellschaft	15.4.+21.5.2004	11,500	unlimited[3]	4.95% p.a.	11,500
Donau Allgemeine Versicherungsaktiengesellschaft	1.7.1999	3,500	unlimited[4]	4.95% p.a.	3,500
Union Versicherungsaktiengesellschaft	2.1.2004	11,250	10	4.95% p.a.	11,250
Union Versicherungsaktiengesellschaft	21.12.2001	2,700	unlimited[5]	First 10 years: 6% p.a.; then variabel	2,700
Union Versicherungsaktiengesellschaft	18.12.1998	2,616	unlimited[5]	variabel	2,616
Bank Austria Creditanstalt Versicherung AG	2.1.2004	25,000	10	4.95% p.a.	25,000
Bank Austria Creditanstalt Versicherung AG	21.12.2001	3,000	unlimited[5]	First 10 years: 6% p.a.; then variabel	3,000
Bank Austria Creditanstalt Versicherung AG	23.4.1998	3,634	unlimited[5]	variabel	3,634
Total		**413,200**			**410,260**

[1] The right to ordinary and extraordinary cancellation by the holder is excluded. Regular cancellation by the issuer is first allowed effective 12 January 2017.
[2] This may be cancelled, in whole or in part, both by the holders as well as by Donau, not sooner than 10 May 2014, upon giving 5 years' notice and as of 10 May of each subsequent year.
[3] This may be cancelled, in whole or in part, both by the holders as well as by Donau, not sooner than 31 December 2009, upon giving 5 years' notice and as of 31 December of each subsequent year.
[4]) This may be cancelled, in whole or in part, both by the holders as well as by Donau, not sooner than 1 July 2002, upon giving 5 years' notice and as of 1 July of each subsequent year.
[5]) This can only be terminated subject to not less than five years' notice, unless the Austrian insurance regulatory authorities agree to redemption being made prematurely.

The amounts for Union Versicherungsaktiengesellschaft are shown proportionate.

Interest on supplementary capital loans may be employed for disbursements only insofar as the interest is covered by the company's domestic profit for the year.

15. PROVISIONS OF UNEARNED PREMIUMS

	31.12.2005	31.12.2004
in EUR '000		
Property/Casualty insurance	491,414	323,624
Life insurance	134,870	118,094
Health insurance	1,369	1,211
Total	**627,653**	**442,929**

16. ACTUARIAL RESERVE

Detail	31.12.2005	31.12.2004
in EUR '000		
Property/Casualty insurance	185	64
Life insurance		
for guaranteed policy payments	7,573,975	6,760,096
for allocated and promised profit sharing	1,208,104	1,078,295
Health insurance	609,253	566,029
Total	**9,391,517**	**8,404,484**

The **average interest rate** on the actuarial reserve for life and health insurance may be seen as follows:

Interest rates	31.12.2005	31.12.2004
in %		
Life insurance	3.27	3.26
Health insurance	3	3

Actuarial Reserve Life Insurance	31.12.2005	31.12.2004
in EUR '000		
Direct business		
Policy payments	7,455,970	6,642,520
Allocated profit sharing	1,181,963	1,054,963
Promised profit sharing	26,141	23,332
Indirect business		
Policy payments	118,005	117,576
Total	**8,782,079**	**7,838,391**

Health Insurance Actuarial Reserve	31.12.2005	31.12.2004
in EUR '000		
Direct business		
Individual insurance	492,417	458,484
Group insurance	115,958	106,979
Indirect business	878	566
Total	**609,253**	**566,029**

17. RESERVE FOR OUTSTANDING CLAIMS

Detail	31.12.2005	31.12.2004
in EUR '000		
Property/Casualty insurance	2,192,231	1,837,657
Life insurance	73,319	54,165
Health insurance	41,722	41,633
Total	**2,307,272**	**1,933,455**

Changes to Reserve for outstanding claims in Property/Casualty Insurance	31.12.2005	31.12.2004
in EUR '000		
Book value as of 31 Dec. of preceding year	1,837,657	1,755,341
Claim expenses	1,686,628	1,292,594
Loss payments and claim processing expenses	–1,344,293	–1,210,446
Currency conversion	306	168
Other changes	11,933	0
Book Value as of 31 Dec. 2005	**2,192,231**	**1,837,657**

A detailed presentation of the gross loss reserve is to be found in the section "Risk Overview," under the heading with the same name.

18. RESERVE FOR REFUND OF PREMIUMS

Detail	31.12.2005	31.12.2004
in EUR '000		
Property/Casualty insurance	17,104	18,103
Life insurance	709,976	460,827
Health insurance	17,531	17,846
Total	**744,611**	**496,776**
including accrued profit sharing: Life insurance	497,092	285,543

Changes (Life Insurance)	31.12.2005	31.12.2004
in EUR '000		
Reserve for return of premiums – Status as of 1.1.	175,284	176,634
Rate difference	625	576
Amounts added / released	113,416	75,489
Transfer to actuarial reserve	–76,441	–77,415
Total	**212,884**	**175,284**
Deferred profit sharing – Status as of 1.1.	285,543	57,015
Rate difference	480	328
Unrealised gains/losses from securities available for sale	203,922	209,201
Revaluations recognised as income or expenses	7,147	18,999
Book Value 31.12.	**709,976**	**460,827**

19. OTHER UNDERWRITING PROVISIONS

Detail	31.12.2005	31.12.2004
in EUR '000		
Property/Casualty insurance	12,009	9,850
Life insurance	2,633	2,323
Health insurance	597	554
Total	**15,239**	**12,727**

Other underwriting provisions relate chiefly to provision for anticipated lapses.

20. UNDERWRITING PROVISIONS OF UNIT-LINKED AND INDEX-LINKED LIFE INSURANCE

Detail	31.12.2005	31.12.2004
in EUR '000		
Unit-linked life insurance policies	1,515,223	968,531
Index-linked life insurance policies	214,645	150,689
Total	**1,729,868**	**1,119,220**

21. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Detail	31.12.2005	31.12.2004
in EUR '000		
Provisions for pension	466,353	509,102
Provisions for post-employment benefit	116,349	115,369
Total	**582,702**	**624,471**

Development of pension liabilities	31.12.2005	31.12.2004
in EUR '000		
Present value of the liability (DBO) 1.1.	520,144	506,160
Unrealised profits / losses	–11,042	0
Provision as of 1.1.	**509,102**	**506,160**
Withdrawal for pension payments	–25,768	–26,118
Expenses	29,189	29,060
Decrease of obligation	–46,170	0
Provision as of 31.12.	**466,353**	**509,102**
Accumulated unrealised profits / losses	39,333	11,042
Present value of the liability (DBO) as of 31.12.	**505,686**	**520,144**

Development of post-employment benefit liabilities	31.12.2005	31.12.2004
in EUR '000		
Book value as of 1.1.	115,369	124,225
Change in scope of consolidation	26	0
Withdrawal for post-employment benefit payments	–10,409	–19,880
Allocation to the provision	11,363	11,024
Book value as of 31.12.	**116,349**	**115,369**

The following amounts are included in the income statements for the period under review and the comparative period from the previous year:

Detail of pension expense	1.1.–31.12.2005	1.1.–31.12.2004
in EUR '000		
Current service cost	7,065	6,884
Interest expense	22,811	22,176
Realised underwriting gains (-) or losses (+)	–687	0
Total	**29,189**	**29,060**

Detail of post-employment benefit expense	1.1.–31.12.2005	1.1.–31.12.2004
in EUR '000		
Current service cost	5,900	5,607
Interest expense	5,463	5,417
Total	**11,363**	**11,024**

The current service cost is recognized in the income statement by analogy to the current personnel expense from salaries. The interest expense is shown in the expenses for capital assets.

22. OTHER PROVISIONS

Detail	Property/Casualty 31.12.2005	Life 31.12.2005	Health 31.12.2005	Total 31.12.2005	Total 31.12.2004
in EUR '000					
Provision for vacation balances	26,294	1,110	0	27,404	25,389
Provision for anniversary payments	8,500	4,523	925	13,948	13,618
Other personnel provisions	1,568	192	0	1,760	296
Provisions for customer support and marketing	25,834	484	0	26,318	2,193
Provision for variable salary components	4,503	1,607	0	6,110	11,105
Provision for legal and consulting fees	1,508	223	0	1,731	1,479
Provision for premium adjustment from reinsurance contracts	241	0	0	241	2,419
Provision for portfolio maintenance commission	0	568	0	568	0
Provision for open purchase invoices	1,524	11,604	0	13,128	9,199
Other provisions	106,227	22,470	0	128,697	105,872
Total	**176,199**	**42,781**	**925**	**219,905**	**171,570**

Development	Book value 1.1.	Change in scope of consoli-dation	Change from F/X	Use	Release	Reclassi-fications	Allo-cations	Book value 31.12.
in EUR '000								
Provision for vacation balances	25,389	64	61	–25,124	–49	0	27,063	27,404
Provision for anniversary payments	13,618	0	0	–930	0	0	1,260	13,948
Other personnel provisions	296	0	31	–101	–105	0	1,639	1,760
Provisions for customer support and marketing	2,193	104	0	–1,182	–506	21,542	4,167	26,318
Provision for variable salary components	11,105	246	0	–5,720	0	0	479	6,110
Provision for legal and consulting fees	1,479	0	0	–1,621	–322	2	2,193	1,731
Provision for premium adjustment from reinsurance contracts	2,419	0	0	0	–2,191	0	13	241
Provision for portfolio maintenance commissions	0	418	0	0	–34	0	184	568
Provision for open purchase invoices from real estate	9,199	0	49	–3,255	–4	0	7,139	13,128
Other provisions	105,872	136	3,351	–16,711	–9,063	–21,544	66,656	128,697
Total	**171,570**	**968**	**3,492**	**–54,644**	**–12,274**	**0**	**110,793**	**219,905**

Maturity	31.12.2005	31.12.2004
in EUR '000		
Up to one year	207,653	170,091
More than one year	12,252	1,479
Total	**219,905**	**171,570**

23. LIABILITIES

Detail	Property/Casualty 31.12.2005	Life 31.12.2005	Health 31.12.2005	Total 31.12.2005	Total 31.12.2004
in EUR '000					
Liabilities from direct business					
to policyholders	201,228	88,514	4,639	294,381	272,779
to insurance brokers	67,658	13,281	0	80,939	56,806
to insurance companies	8,660	70	252	8,982	6,143
from finance insurance agreements	0	50,947	0	50,947	84,643
Accounts payable on reinsurance business	77,091	6,443	0	83,534	81,243
Deposit receivables from business ceded to reinsurance	803	96,559	961	98,323	90,581
Liabilities to banks	47,118	6,964	89,816	143,898	149,940
Other liabilities	124,236	64,166	125,325	313,727	197,021
Total	**526,794**	**326,944**	**220,993**	**1,074,731**	**939,156**

Detail: Other liabilities	31.12.2005	31.12.2004
in EUR '000		
Tax liabilities	37,926	73,651
Liabilities for social security	10,316	9,393
Liabilities to property managers	276	17,265
Liabilities to employees	12,584	6,068
Bond liabilities	5,867	46,154
Other liabilities	246,758	44,490
Total	**313,727**	**197,021**

Maturity	31.12.2005	31.12.2004
in EUR '000		
Up to one year	795,953	613,992
Between one and five years	149,270	175,224
More than five years	129,508	149,940
Total	**1,074,731**	**939,156**

Other liabilities primarily comprise liabilities from purchases of assets (EUR 59.000 million), cash pooling in the Group (EUR 21.222 million), liabilities to affiliated, non-consolidated companies (EUR 38.157 million) and interest on supplemental capital.

24. OTHER LIABILITIES

Detail	Property/Casualty 31.12.2005	Life 31.12.2005	Health 31.12.2005	Total 31.12.2005	Total 31.12.2004
in EUR '000					
Deferred income	63,270	14,924	90	78,284	51,745
Other liabilities	4,344	65	0	4,409	7,805
Total	**67,614**	**14,989**	**90**	**82,693**	**59,550**

25. CONTINGENT LIABILITIES AND RECEIVABLES

Ligitation

Litigation regarding coverage

In their capacity as insurance companies, the companies of the Wiener Städtische Group are involved in a number of court proceedings as defendants or have been threatened with ligitation. In addition, there are proceedings in which the companies of the Wiener Städtische Group are not involved as parties; however, they may be affected by the outcome of such lawsuits due to agreements with other insurers concerning participation in claims. In the opinion of Wiener Städtische, provisions in proportion to the amount in dispute have been established for all claims. In none of the proceedings does the retention after reinsurance amount to more than EUR 150,000.

Other threatened and pending court and arbitration proceedings

Legal action by the Association for Consumer Information (Verein für Konsumenteninformation, VKI)

In a class action suit, the Association for Consumer Information has objected to some of the clauses contained in Wiener Städtische AG's standard contract terms (AVB) for traditional life insurance due to a violation of transparency requirements and has demanded that Wiener Städtische AG waive these clauses in the future. In the meantime, the suit has also been extended to Wiener Städtische AG's standard contract terms for unit-linked life insurance.

Not only Wiener Städtische AG but also other Austrian corporate Groups and most other large Austrian insurance companies use comparable clauses in their standard contract terms. VKI has also filed suits with similar content against UNION and other Austrian insurance companies. Wiener Städtische AG contests VKI's standing to bring the lawsuit. Moreover, it considers the content of the suit to be unfounded, particularly in view of the fact that the contract clauses criticised by VKI as non-transparent or contrary to law are either made more specific by individual agreements or reflect provisions of law. No reliable information can be provided at the present time concerning the possible outcome of these proceedings.

Kärntner Belegärzteverein – anti-trust proceedings

The Kärntner Belegärzteverein (BAV) has filed an action with the Vienna Higher Regional Court (as anti-trust court) against Wiener Städtische AG and other Austrian insurance companies and various private clinics for alleged abuse of their dominant positions in the market and has petitioned that they be enjoined from certain actions and that they be found to have formed a prohibited cartel.

Wiener Städtische AG considers BAV's suit to be unfounded because the procedures under objection are common practice throughout the Austrian market and, therefore, there is no abuse. At the present time, it is not possible to provide any reliable information concerning the possible outcome of the proceedings.

Guarantees

The following explanatory notes are provided concerning the contingent liabilities not shown on the balance sheet: Letters of comfort exist for Businesspark Brunn Entwicklungs GmbH in the amount of EUR 799 thousand in favour of Marktgemeinde Brunn am Gebirge relating to assumption of the costs for construction of an expressway junction and the development of the property. Furthermore, a written guarantee exists in favour of APC Geschäftscenter Betriebsges. m.b.H. in the amount of EUR 209 thousand as well as joint and several guarantee for loans taken out by COUNTRY INN VIC Hotelerrichtungs- und Betriebsgesellschaft m.b.H. up to a total amount of EUR 10.850 million. The company has also provided guarantees for employee loan repayments to the employees' savings and loan fund of "Wiener Städtische Allgemeine Versicherung Aktiengesellschaft" reg.Gen.m.b.H. in the amount of EUR 161 thousand. There is a letter of comfort in the amount of EUR 7.410 million in favour of Central Point IT-Solutions GmbH.

26. EARNED PREMIUMS

The premiums written and earned in the reporting period of 2005 and in the comparable period of 2004 are broken down by segments as follows:

Premiums written	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
in EUR '000				
TOTAL ACCOUNT				
Direct business				
Austria	1,337,220	1,525,888	287,832	3,150,940
Czech Republic	669,420	218,963	0	888,383
Slovakia	225,675	105,266	0	330,941
Remaining CEE-markets	259,690	75,795	0	335,485
Other markets	58,589	218,553	0	277,142
Indirect business	12,725	11,964	255	24,944
Premiums written	2,563,319	2,156,429	288,087	5,007,835
REINSURERS' SHARE	–696,397	–34,929	–873	–732,199
Premiums written, retention	**1,866,922**	**2,121,500**	**287,214**	**4,275,636**

Earned premiums	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
in EUR '000				
TOTAL ACCOUNT				
Direct business	2,498,110	2,142,631	287,628	4,928,369
Indirect business	11,679	11,651	255	23,585
Earned premiums	2,509,789	2,154,282	287,883	4,951,954
REINSURERS' SHARE	–674,955	–35,255	–873	–711,083
Earned premiums, retention	**1,834,834**	**2,119,027**	**287,010**	**4,240,871**

Premiums written	Property/Casualty 2004	Life 2004	Health 2004	Total 2004
in EUR '000				
TOTAL ACCOUNT				
Direct business				
Austria	1,234,342	1,219,670	279,327	2,733,339
Czech Republic	530,759	171,241	0	702,000
Slovakia	204,338	81,960	0	286,298
Remaining CEE-markets	136,859	53,703	0	190,562
Other markets	55,303	102,824	0	158,127
Indirect business	17,477	12,987	588	31,052
Premiums written	2,179,078	1,642,385	279,915	4,101,378
REINSURERS' SHARE	–605,600	–35,437	–5,774	–646,811
Premiums written, retention	**1,573,478**	**1,606,948**	**274,141**	**3,454,567**

Earned premiums	Property/Casualty 2004	Life 2004	Health 2004	Total 2004
in EUR '000				
TOTAL ACCOUNT				
Direct business	2,158,056	1,625,419	279,122	4,062,597
Indirect business	17,449	12,955	588	30,992
Earned premiums	2,175,505	1,638,374	279,710	4,093,589
REINSURERS' SHARE	–605,347	–35,134	–5,774	–646,255
Earned premiums, retention	**1,570,158**	**1,603,240**	**273,936**	**3,447,334**

Premiums written, total account Property/Casualty insurance	Total account 2005	Reinsurers' share 2005	Retention 2005	Total account 2004
in EUR '000				
Direct business				
Fire and business interruption due to fire	339,467	–235,322	104,145	284,449
Household insurance	147,217	–16,286	130,931	131,007
Other non-life insurance	257,731	–99,305	158,426	281,784
Motor vehicle liability insurance	750,528	–168,234	582,294	621,928
Other motor vehicle insurance	481,621	–59,163	422,458	365,979
Casualty insurance	190,751	–33,734	157,017	134,126
Liability insurance	186,018	–23,988	162,030	162,895
Legal expenses insurance	39,957	–98	39,859	38,777
Marine, aviation and transit insurance	38,323	–21,525	16,798	36,711
Credit and guarantee insurance	11,440	–5,543	5,897	154
Other insurances	107,541	–19,999	87,542	103,791
Subtotal	2,550,594	–683,197	1,867,397	2,161,601
Indirect business				
Marine, aviation and transit insurance	463	0	463	613
Other insurance	12,262	–13,200	–938	16,864
Subtotal	12,725	–13,200	–475	17,477
Total	**2,563,319**	**–696,397**	**1,866,922**	**2,179,078**

Premiums written – direct business, life insurance	2005	2004
in EUR '000		
thereof		
Individual insurance policies	2,034,293	1,565,823
Group insurance policies	110,172	63,575
thereof		
Policies with a single premium	847,231	521,915
Policies with regular premiums	1,297,234	1,107,483
thereof		
Policies with profit participation	1,477,766	1,169,189
Policies without profit participation	136,805	65,597
Unit-linked life insurance policies	486,106	354,483
Index-linked life insurance policies	43,788	40,129

Premiums written – total account, health insurance	2005	2004
in EUR '000		
Direct business		
Individual insurance policies	201,299	194,430
Group insurance policies	86,533	84,897
Indirect business		
Group insurance	255	588

27. INCOME FROM CAPITAL ASSETS OF AFFILIATED COMPANIES AND ASSOCIATES

Detail – income	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
in EUR '000				
Current income	2,909	4,883	–216	7,576
Other	4,668	0	0	4,668
Total	**7,577**	**4,883**	**–216**	**12,244**

Detail – income	Property/Casualty 2004	Life 2004	Health 2004	Total 2004
in EUR '000				
Current income	2,675	0	235	2,910
Total	**2,675**	**0**	**235**	**2,910**

Detail – expenses	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
in EUR '000				
Depreciation of capital assets	8	0	0	8
Loss from the disposal of capital assets	666	3	0	669
Total	**674**	**3**	**0**	**677**

Detail – expenses	Property/Casualty 2004	Life 2004	Health 2004	Total 2004
in EUR '000				
Loss from the disposal of capital assets	417	0	0	417
Other expenses	53	0	0	53
Total	**470**	**0**	**0**	**470**

28. INCOME FROM OTHER CAPITAL ASSETS

Detail – income	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
in EUR '000				
Current income	96,149	502,407	32,400	630,956
Income from write-ups	4,885	27,429	223	32,537
Income from the disposal of capital assets	50,043	108,778	5,833	164,654
Total	**151,077**	**638,614**	**38,456**	**828,147**

Detail – income	Property/Casualty 2004	Life 2004	Health 2004	Total 2004
in EUR '000				
Current income	114,112	442,755	35,954	592,821
Income from write-ups	5,131	12,647	0	17,778
Income from the disposal of capital assets	20,406	50,363	3,965	74,734
Total	**139,649**	**505,765**	**39,919**	**685,333**

Detail – expenses	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
in EUR '000				
Depreciation of capital assets	76,677	39,468	4,803	120,948
Exchange rate differences	–181	947	52	818
Realised capital losses	5,593	18,471	3,001	27,065
Interest expenses	24,980	26,437	5,098	56,515
Personnel provision	13,991	11,615	2,668	28,274
Interest on borrowed capital	10,989	14,822	2,430	28,241
Other expenses	7,488	19,495	1,958	28,941
Total	**114,557**	**104,818**	**14,912**	**234,287**

Detail – expenses	Property/Casualty 2004	Life 2004	Health 2004	Total 2004
in EUR '000				
Depreciation of capital assets	61,285	34,238	9,442	104,965
Realised capital losses	28,436	22,130	3,096	53,662
Interest expenses	19,948	17,149	6,671	43,768
Personnel provision	15,953	8,877	3,551	28,381
Interest on borrowed capital	3,995	8,272	3,120	15,387
Other expenses	15,680	18,525	2,310	36,515
Total	**125,349**	**92,042**	**21,519**	**238,910**

29. OTHER INCOME

Detail	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
in EUR '000				
Other underwriting income	17,166	6,754	34	23,954
Other non-underwriting income	14,952	7,355	3	22,310
Total	**32,118**	**14,109**	**37**	**46,264**

Other income amounting to EUR 9.899 million results primarily from current non-underwriting income of fully consolidated non-insurance companies. Additionally EUR 6.948 million result from cleared receivables written off in prior periods.

Detail	Property/Casualty 2004	Life 2004	Health 2004	Total 2004
in EUR '000				
Other underwriting income	17,012	3,483	28	20,523
Other non-underwriting income	9,201	4,600	25	13,826
Total	**26,213**	**8,083**	**53**	**34,349**

30. INSURANCE BENEFITS

Detail	Total Account 2005	Reinsurers' Share 2005	Retention 2005
in EUR '000			
Property/Casualty Insurance			
Expenditures for claims			
Payments for claims	1,344,293	–290,414	1,053,879
Provisions for outstanding insurance claims	175,448	–58,703	116,745
TOTAL	**1,519,741**	**–349,117**	**1,170,624**
Change in actuarial reserve	–57	41	–16
Change in other underwriting provisions	943	433	1,376
Expenditures for return of premiums, both related and unrelated to results	8,617	–1,539	7,078
TOTAL AMOUNT OF BENEFITS	**1,529,244**	**–350,182**	**1,179,062**
Life Insurance			
Expenditures for claims			
Payments for claims	913,694	–16,975	896,719
Provisions for outstanding insurance claims	14,077	–761	13,316
TOTAL	**927,771**	**–17,736**	**910,035**
Change in actuarial reserve	1,160,860	209	1,161,069
Change in other underwriting provisions	8,188	0	8,188
Expenditures for return of premiums, both related and unrelated to results	107,207	–10	107,197
TOTAL AMOUNT OF BENEFITS	**2,204,026**	**–17,537**	**2,186,489**
Health Insurance			
Expenditures for claims			
Payments for claims	198,952	–530	198,422
Provisions for outstanding insurance claims	82	104	186
TOTAL	**199,034**	**–426**	**198,608**
Change in actuarial reserve	43,531	–235	43,296
Expenditures for return of premiums, both related and unrelated to results	10,956	0	10,956
TOTAL AMOUNT OF BENEFITS	**253,521**	**–661**	**252,860**
TOTAL	**3,986,791**	**–368,380**	**3,618,411**

Detail	Total Account 2004	Reinsurers' Share 2004	Retention 2004
in EUR '000			
Property/Casualty Insurance			
Expenditures for claims			
Payments for claims	1,210,446	–277,366	933,080
Provisions for outstanding insurance claims	82,316	46	82,362
TOTAL	**1,292,762**	**–277,320**	**1,015,442**
Change in actuarial reserve	53	0	53
Change in other underwriting provisions	3,344	–460	2,884
Expenditures for return of premiums, both related and unrelated to results	18,062	–1,941	16,121
TOTAL AMOUNT OF BENEFITS	**1,314,221**	**–279,721**	**1,034,500**
Life Insurance			
Expenditures for claims			
Payments for claims	753,491	–13,141	740,350
Provisions for outstanding insurance claims	7,660	1,097	8,757
TOTAL	**761,151**	**–12,044**	**749,107**
Change in actuarial reserve	766,677	–9,656	757,021
Change in other underwriting provisions	6,242	0	6,242
Expenditures for return of premiums, both related and unrelated to results	92,165	–15	92,150
TOTAL AMOUNT OF BENEFITS	**1,626,235**	**–21,715**	**1,604,520**
Health Insurance			
Expenditures for claims			
Payments for claims	198,553	–11,252	187,301
Provisions for outstanding insurance claims	463	–43	420
TOTAL	**199,016**	**–11,295**	**187,721**
Change in actuarial reserve	40,723	–229	40,494
Expenditures for return of premiums, both related and unrelated to results	11,010	0	11,010
TOTAL AMOUNT OF BENEFITS	**250,749**	**–11,524**	**239,225**
TOTAL	**3,191,205**	**–312,960**	**2,878,245**

31. OPERATING EXPENSES

Detail	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
in EUR '000				
Acquisition costs				
Commissions expenditures	299,567	184,403	5,726	489,696
Proportional personnel costs	98,896	47,873	9,680	156,449
Proportional material costs	69,098	76,083	7,249	152,430
SUB TOTAL	**467,561**	**308,359**	**22,655**	**798,575**
Operating expenses				
Proportional personnel costs	100,352	49,259	7,384	156,995
Proportional material costs	70,112	34,416	5,159	109,687
SUB TOTAL	**170,464**	**83,675**	**12,543**	**266,682**
Received reinsurance commissions	–157,016	–16,332	–119	–173,467
Total	**481,009**	**375,702**	**35,079**	**891,790**

Detail	Property/Casualty 2004	Life 2004	Health 2004	Total 2004
in EUR '000				
Acquisition costs				
Indirect commissions expenditures	264,376	159,198	5,798	429,372
Proportional personnel costs	83,567	57,914	9,766	151,247
Proportional material costs	60,571	41,656	7,025	109,252
SUB TOTAL	**408,514**	**258,768**	**22,589**	**689,871**
Operating expenses				
Proportional personnel costs	87,056	40,046	7,228	134,330
Proportional material costs	65,674	30,209	5,452	101,335
SUB TOTAL	**152,730**	**70,255**	**12,680**	**235,665**
Received reinsurance commissions	–131,040	–22,770	–194	–154,004
Total	**430,204**	**306,253**	**35,075**	**771,532**

32. OTHER EXPENSES

Detail	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
in EUR '000				
Other underwriting expenditures	87,737	29,462	981	118,180
Other non-underwriting expenditures	17,094	6,751	0	23,845
Total	**104,831**	**36,213**	**981**	**142,025**

The other expenditures essentially stem from other underwriting amounts and fees totalling EUR 47.623 million, adjustments of value (excluding investments) totalling EUR 35.762 million and current non-underwriting operating expenditures totalling EUR 25.091 million.

Detail	Property/Casualty 2004	Life 2004	Health 2004	Total 2004
in EUR '000				
Other underwriting expenditures	76,026	32,037	1,582	109,645
Other non-underwriting expenditures	9,595	5,620	0	15,215
Total	**85,621**	**37,657**	**1,582**	**124,860**

33. TAX EXPENSES

Tax Expenses - Detail	2005	2004
in EUR '000		
Accrued taxes	67,105	34,969
Accrued taxes relating to other periods	–4,740	1,480
TOTAL ACCRUED TAXES	**62,365**	**36,449**
Deferred taxes	–20,765	–2,093
Total	**41,599**	**34,356**

Carry-Over Calculation	2005	2004
in EUR '000		
Expected tax expenses in %	25%	34%
Profit before taxes	240,336	155,908
EXPECTED TAX EXPENSES	**60,084**	**53,009**
Tax expenses adjusted for:		
Tax-free investment profits	–29,637	–26,931
Non-deductible expenses	25,544	25,912
Other tax-free profits	–19,266	–20,625
Taxes from previous years	–4,740	1,480
Changes in tax rates	1,532	–1,333
Adjustment for carried-over losses and other taxation effects	8,082	2,844
EFFECTIVE INCOME TAX EXPENSES	**41,599**	**34,356**
Effective tax rate %	**17%**	**22%**

The (Austrian) income tax rate of parent company Wiener Städtische Allgemeine Versicherung AG is used as the company tax rate. This expected company tax rate changed due to an income tax rate reduction in 2005 from 34% to 25%. Since the change to the Austrian corporate income tax had already been adopted by 31 December 2004, the deferred taxes of the Austrian Group companies had already been calculated up to 31 December 2004 using the reduced tax rate of 25%.

Likewise, a change in the tax rate from 26% to 24% also occurred in the Czech Republic as of 1 January 2006. Therefore the deferred taxes were already evaluated with the new income tax rate.

34. OTHER INFORMATION

Employee Statistics	31.12.2005	31.12.2004
Austria	5,366	5,534
Sales representatives	2,725	2,692
Office employees	2,641	2,842
Outside Austria	10,980	7,692
Sales representatives	4,982	3,007
Office employees	5,998	4,685
Total	**16,346**	**13,226**

Personnel Costs	2005	2004
in EUR '000		
Wages and salaries	263,600	252,418
Expenditures for post-employment benefits	5,881	9,484
Expenditures for pensions and payments to occupational employee pension funds	9,837	10,054
Mandatory social security contributions and expenditures	84,783	82,169
Other social security expenditures	4,000	3,799
Total	**368,101**	**357,924**
thereof sales representatives	171,760	151,516
thereof office employees	196,341	206,408
Expenditures for post-employment benefit payments and pensions for:		
board members and senior management	2,732	3,126
remaining employees	12,986	16,412

Salaries of the Managing Board and Supervisory Board	2005	2004
in EUR '000		
Management board salaries	5,036	4,155
Remuneration to supervisory board members	133	87
Remuneration to former members of the management board and supervisory board	1,016	2,055
Pension expenditures for		
management board members	1,347	5,133
former management board members	810	2,011

In the **fully consolidated enterprises** the average number of employees (including cleaning personnel) amounted to 16,230 (12,356). Of this figure, 7,690 (5,682) were in sales operations resulting in personnel costs of EUR 171.401 million (EUR 151.226 million) and 8,540 (6,674) were active in operations resulting in personnel costs of EUR 193.964 million (EUR 199.406 million).

In the **proportional-consolidated enterprises** the average number of the employees (including cleaning personnel) was 116 (870). Of this 17 (17) were active in sales resulting in personnel costs of EUR 359 thousand (EUR 290 thousand) and 99 (853) were in operations resulting in personnel costs of EUR 2.377 million (EUR 7.002 million).

35. OTHER INFORMATION

The Supervisory Board is comprised of the following individuals:

Members elected by the General Shareholders' Meeting:
(The years in brackets indicate the year that the individual was first appointed and the end of the current appointment)

President Komm.-Rat Dkfm. Klaus **Stadler** (1992/2010)
Chairman

Komm.-Rat Dr. Karl **Skyba** (1992/2010)
Deputy Chairman

Generalabt Propst Bernhard **Backovsky** (2002/2010)
Peter **Haunschmidt** (2002/2010)
Mag. Alois **Hochegger** (starting 24 May 2005/2010)
Dipl.-Ing. Guido **Klestil** (1992/2010)
Dkfm. Helmut **Mayr** (until 24 May 2005)
Prof. Komm.-Rat Walter **Nettig** (1992/2010)
Hofrat Dkfm. Heinz **Öhler** (2002/2010)
Komm.-Rat Wolfgang **Radlegger** (until 24 May 2005)
Dr. Johann **Sereinig** (1992/2010)
Mag. Dr. Friedrich **Stara** (2002/2010)

Employee representatives:
Peter **Grimm**
Dietfried **Kreiner** (until 24 May 2005)
Heinz **Neuhauser**
Franz **Urban**
Gerd **Wiehart**
Peter **Winkler** (starting 24 May 2005)
Fritz **Zickbauer** (until 24 May 2005)

All members of the Supervisory Board elected by the General Shareholders' Meeting declare that they are to be considered independent according to the criteria laid down by the Supervisory Board. No member of the Supervisory Board is a shareholder with an ownership interest greater than 10% or represents the interests of such a shareholder.

No agreements were concluded with members of the Supervisory Board in 2005 which would have required approval from the Supervisory Board.

Compensation plan for members of the Supervisory Board:

In accordance with resolutions passed by the 14th ordinary General Shareholders' Meeting of 24 May 2005, the members of the Supervisory Board elected by the General Shareholders' Meeting receive their compensation in the form of monthly payments paid in advance. Members of the Supervisory Board who withdraw during the course of a month receive full compensation for the month in question. In addition to this compensation, Supervisory Board members receive an attendance allowance for participating in Supervisory Board meetings and Supervisory Board committee meetings (paid after participation in the meeting).

The compensation received by the Supervisory Board members in 2005 for their service to the Company was EUR 133 thousand (2004: EUR 87 thousand).

No loans were granted to Supervisory Board members in 2005.

No guarantees existed for Supervisory Board members on 31 December 2005.

Committee members:

Committee for decisions on urgent issues concerning the Company (Working Committee)

Komm.-Rat Dkfm. Klaus **Stadler**
1st substitute: Dr. Johann **Sereinig**
2nd substitute: Mag. Alois **Hochegger**

Komm.-Rat Dr. Karl **Skyba**
1st substitute: Dipl.-Ing. Guido **Klestil**
2nd substitute: Hofrat Dkfm. Heinz **Öhler**

Franz **Urban**
1st substitute: Heinz **Neuhauser**
2nd substitute: Peter **Grimm**

Auditing Committee (Accounts Committee)

Komm.-Rat Dkfm. Klaus **Stadler**
1st substitute: Dr. Johann **Sereinig**
2nd substitute: Mag. Alois **Hochegger**

Komm.-Rat Dr. Karl **Skyba**
1st substitute: Dipl.-Ing. Guido **Klestil**
2nd substitute: Hofrat Dkfm. Heinz **Öhler**

Franz **Urban**
1st substitute: Heinz **Neuhauser**
2nd substitute: Peter **Grimm**

Strategy Committee

Komm.-Rat Dkfm. Klaus **Stadler**
1st substitute: Dr. Johann **Sereinig**
2nd substitute: Mag. Alois **Hochegger**

Komm.-Rat Dr. Karl **Skyba**
1st substitute Dipl.-Ing. Guido **Klestil**
2nd substitute: Hofrat Dkfm. Heinz **Öhler**

Franz **Urban**
1st substitute Heinz **Neuhauser**
2nd substitute: Peter **Grimm**

Personnel Committee
(Committee for management board issues)

Komm.-Rat Dkfm. Klaus **Stadler**
Komm.-Rat Dr. Karl **Skyba**

The following Supervisory Board members held supervisory board positions or comparable positions in domestic or foreign listed companies in 2005:

Dipl.-Ing. Guido **Klestil**	Austriamicrosystems AG
Prof.Komm.-Rat Walter **Nettig**	Imperial Hotels Austria AG
Hofrat Dkfm. Heinz **Öhler**	Bank für Tirol und Vorarlberg AG
Komm.-Rat Dr. Karl **Skyba**	Flughafen Wien AG

The Management Board is comprised of the following individuals:

Chairman:
Dr. Günter **Geyer**
Managing Director, Chairman of the Management Board
Member of the Management Board since 1988

Members:
Dkfm. Karl **Fink**
Deputy Managing Director
Member of the Management Board since 1987

Mag. Christian **Brandstetter**
Member of the Management Board since 2003

Dr. Rudolf **Ertl**
Member of the Management Board since 2001

Dr. Peter **Hagen**
Member of the Management Board since 2004

Ing. Mag. Robert **Lasshofer**
Member of the Management Board since 1999

Dr. Martin **Simhandl**
Member of the Management Board since 2004

There were no loans outstanding to Management Board members on 31 December 2005.

No guarantees existed for Management Board members on 31 December 2005.

Compensation plan for Management Board members:

The earnings of Management Board members are comprised of a fixed and a variable component. The variable component is exclusively performance-based, and can reach up to around 60% of the fixed component.

Profit participation is essentially measured in terms of the result from ordinary activities, both of the Company and the Group. There is a maximum limit on profit participation. The Management Board does not participate in profits if the result from ordinary operations falls below certain thresholds.

The standard employment agreement of a Wiener Städtische AG Management Board member includes a pension plan obligation which can equal at most 40% of the measurement basis if the member remains in the Management Board until the age of 65 (the measurement basis is essentially equal to the fixed salary). The rules for Management Board members with many years of prior employment differ in part. If a member has many years of prior employment, pension obligations may equal up to at most 55% of the measurement basis. A pension is received only if a Management Board member's position is not extended through no fault of the member, or the Management Board member retires due to illness or age.

The Management Board agreements of Wiener Städtische AG make provision for a post-employment benefit claim, which is essentially structured according to the model of the old post-employment benefit provision in the Austrian Employee Act (Angestelltengesetz) in combination with relevant sector-specific arrangements. Under these provisions, depending on the period of service, Management Board members can receive two to twelve months' compensation, with an increase of 50% if the member retires or withdraws after a long-term illness. A member who withdraws of his or her own volition before retirement is possible, or withdraws due to a fault of his or her own, is not entitled to post-employment benefits.

In 2005, the total expenses for post-employment benefits and pensions of EUR 15.718 million (2004: EUR 19.538 million) included post-employment benefit and pension expenses of EUR 2.732 million (2004: EUR 3.126 million) for Management Board members and executives according to § 80 (1) of the Austrian Stock Corporation Act (AktG).

In 2005, the members of the Management Board received compensation equal to EUR 5.036 million (2004: EUR 4.155 million) for their services. The total earnings paid to former members of the Management Board (including surviving dependents) was EUR 1.016 million in 2005 (2004: EUR 2.055 million).

The following individuals were appointed as trustees during the fiscal year in accordance with § 22 (1) of the Austrian Insurance Supervision Act (VAG):
Robert **Freitag**

Substitute:
Dr. Bernd **Fletzberger** (starting 2 July 2005)
Ernestine **Graßberger** (until 30 June 2005)

36. RELATIONSHIPS WITH ASSOCIATED COMPANIES AND PERSONS

Associated companies and Persons

Associated companies represent on the one hand the related companies, joint ventures listed in point 4 and associated companies. In addition, the executive committees and supervisory boards of Wiener Städtische Allgemeine Versicherung Aktiengesellschaft and those closely linked to them qualify as associates. Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung holds the majority of the voting rights in Wiener Städtische Allgemeine Versicherung Aktiengesellschaft. This controlling stake means that it is also an associated company.

In the reporting periods no loans or guarantees were granted to the members of the management board and the supervisory board. Likewise, no loans or guarantees existed as of 31 December 2005 and 31 December 2004.

Transactions with Associated companies

Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung, on the part of the company, makes available office premises. Other services (e.g. bookkeeping operations) are furnished on the part of the company.

Internal reinsurance relations, to a subordinated extent, as well as financial dealings in the real estate property area and accounting operations (bookkeeping, personnel recruiting, data processing etc.) exist with consolidated companies.

It is mainly financial and accounting operations that exist with non-consolidated connected and associated companies.

Open entries at the end of the period under review	31.12.2005
in EUR '000	
Accounts receivable	
Accounts receivable from insurance operations	1,556
Other accounts receivable	24,582
Sub Total	**26,138**
Accounts payable	
Accounts payable from insurance operations	–3,409
Other accounts payable	–28,849
Sub Total	**–32,258**
Total	**–6,120**
Loans to affiliated companies which are not to be consolidated	63,598
Loans to other associated companies	3,922

EVENTS AFTER THE BALANCE SHEET REPORTING DATE

Receipt of essential official approvals for a 40 percent ownership interest in Kardan Financial Services B.V. (KFS) was the final formality in Wiener Städtische AG's entry into the Dutch financial group. KFS is a holding company with a majority interest in TBIH Financial Services Group NV, which owns financial services companies in Central and Eastern Europe.

This allows the Vienna Insurance Group to further expand its position in the Central and Eastern European insurance markets of Bulgaria, Croatia and the Ukraine, and to actively begin business operations in Russia and Georgia. This ownership interest also opens up new business opportunities in the area of pension funds in Bulgaria, Croatia, Serbia and Montenegro, Russia, the Ukraine and Georgia. In addition, new distribution channels also become available for the Vienna Insurance Group's insurance products, including in the Leasing and Asset Management areas. All in all, this enables the Vienna Insurance Group to establish new customer relationships and expand its insurance business.

Wiener Städtische has received the green light from the Polish supervisory and cartel authorities and the Austrian cartel authority for its acquisition of a majority interest in the Polish company Towarzystwo Ubezpieczén i Reasekuracji CIGNA STU S.A. This finalises Wiener Städtische's acquisition of a total interest of approx. 63 percent in the Warsaw-based non-life insurer.

REPRESENTATION OF THE EFFECTS OF THE CONVERSION TO THE IFRS ACCOUNTING STANDARDS

As concerns principles of company accounting, this consolidated financial statements has been drawn up for the first time according to the principles of the IFRS in order to provide a basis for comparison with the results drawn up for the period ending 31 December 2005, which will appear according to IFRS for the first time. The consolidated financial statements for 31 December 2004 was provided according to Austrian commercial law and insurance law principles.

The stated balance and evaluation principles were used uniformly for the balance-sheet reporting date of 31 December 2004 and for the transition date of the group to IFRS, on 1 January 2004.

The following representations show how the conversion of Austrian commercial law and Insurance law principles to IFRS affected the represented asset -, finance - and earnings status. A representation of the effect on the cash flow is not included as no company capital flow calculation had to be provided according to Austrian standards.

Additionally it is marked by the fact that, according to IFRS, no obligatory classification scheme for the elements of a yearly - or interim statement is given. This concerns in particular the representation of the balance and the profit and loss calculation.

Carry-Over of equity capital

The carry-overs of equity capital on the reporting dates of 31 December 2004 and 1 January 2004 are as follows:

in EUR '000	31.12.2004	1.1.2004
Equity capital in the company report according to Austrian standards	**445,102**	**333,411**
Changes to the scope of consolidation	–4,342	–35,935
Inclusion and valuation of capital investments	668,681	475,584
Benefits for employees	–209,167	–211,998
Underwriting provisions	–63,625	11,939
Deferred taxes	–182,121	–178,492
Tax-free reserves	259,050	276,796
Other changes	200	11,000
Equity capital according to IFRS	**913,778**	**682,305**

Changes to the scope of consolidation

In accordance with the conditions of IAS 27, in an IFRS report, one company was partially-consolidated and two enterprises were fully consolidated. These had been classed only as at equity in the previous reports drawn up according to Austrian standards.

In accordance with the regulation of SIC 12 shares in special funds are to be fully consolidated, if the special fund is controlled by the reporting company, or if it is liable for the majority of the risks and chances of the special fund.

Accordingly, since Wiener Städtische holds the majority stakes in special funds, these special funds have been fully consolidated.

The other changes concern shares held in Wüstenrot Versicherungs- AG, which had previously been classed as at equity, and which in the IFRS report have been classed as securities available for sale. As a result of the changes to the scope of consolidation the following changes of equity capital occurred:

in EUR '000	31.12.2004	1.1.2004
Inclusion of additional subsidiaries	–22,321	–25,710
Consolidation of Special Funds	35,429	6,560
Other Changes	–17,450	–16,785
Equity capital according to IFRS	**–4,342**	**–35,935**

Inclusion and valuation of capital investments
According to Austrian regulations, financial instruments are to be evaluated either by the strict minimum value principle (shares and other non-securities at fixed interest) or by the average minimum value principle (debenture bonds and other securities and lendings at fixed interest). Derivative financial instruments are valued at initial costs. The initial costs then form the value upper limit. A majority of derivative financial instruments were treated according to Austrian regulations as "off balance sheet" transactions (in particular Swaps and Forward rate agreements). According to Austrian regulations, shareholdings are valued at the initial costs or the lower value which can be determined. If the value can be determined in accordance with IAS 39, then this value is used.

According to the principles of the IFRS, active financial instruments (financial assets) can be valued either by the current value or by the updated initial costs.

Benefits for employees
Pension reserves and similar obligations, as well as other long-term obligations to employees are evaluated in the IFRS conclusion according to the regulations of IAS 19. IAS 19 prescribes the use of the Projected Unit Credit Method as well as the application of certain evaluation parameters (calculation of interest, salary and pension increases, number of deaths and fluctuation), including the way these parameters are derived. Statistical profits and losses can be distributed by application of the corridor method.

According to commercial law, a different method can also be used, which was applied in the case of Wiener Städtische. In the consolidated financial statements drawn up according to commercial law, other evaluation parameters (in particular calculation of interest and salary and pension increases) were selected. Statistical profits and losses were fully recorded immediately in the consolidated financial statements subject to commercial law.

	31.12.2004	1.1.2004
in EUR '000		
Pension reserve	176,630	177,653
Post-employment benefits reserve	32,326	33,770
Anniversary pay reserve	211	575
Total	**209,167**	**211,998**

Underwriting reserves
In consolidated financial statements under commercial law, the property/casualty insurance equalisation reserve and catastrophe reserve were included. Under IFRS, these equalisation and catastrophe reserves are not included. In life insurance, deferred profit sharing at a proportion of 80% across the company, is taken into account on all differences in value, as long as the respective company awards insurance contracts with discretionary profit participation clauses.

The adjustments led to the following change in equity capital:

Underwriting reserves	31.12.2004	1.1.2004
in EUR '000		
Equalisation reserve	218,986	148,727
Catastrophe reserve	2,932	419
Reserves for deferred profit-sharing	–285,543	–137,207
Total	**63,625**	**11,939**

Tax-free reserves

In the consolidated financial statements subject to commercial law of 31 December 2004 and of 31 December 2003 tax-free reserves of EUR 259.1 million were posted (31 December 2003: EUR 276.8 million).

These tax-free reserves are classed as equity capital under IFRS. Appropriate reserves for deferred taxes have also been set aside.

Deferred taxes

According to Austrian regulations, deferred taxes are calculated on a fiscal assessment basis on the basis of a comparison of the pre-tax results drawn up according to commercial law. Accordingly, in the event of first-time consolidation, no deferred taxes based on the difference between book value and current value, consolidation are taken into consideration concerning the purchase price allocation. Active deferred taxes on carried-over losses are not included.

According to IFRS, deferred taxes are calculated according to the balance sheet liability method for all temporary differences between the estimated values of net assets and debts in the IFRS company conclusion and the taxable values given by the individual company. In addition, any probable tax benefit that could be realised from existing carried-over losses are included in the calculation. Exceptions to this deferral calculation are non-tax-deductible company assets and any temporary differences linked to shareholdings. Active tax deferrals are not set, if it is not likely that the tax benefits can be realised.

From the different method of calculation of deferred taxes and new valuations as a result of IFRS the following changes of equity capital resulted:

	31.12.2004	1.1.2004
in EUR '000		
Change of active deferred taxes	72,610	50,982
Change of passive deferred taxes	109,511	127,510
Total	**182,121**	**178,492**

Other changes

The other changes concern, in particular according to IAS 37, restructuring items which are not included due to a lack of a relevant obligation in consolidated financial statements according to IFRS.

Carrying-over of the results

Converting the annual surplus of the profit and loss calculation for fiscal year 2004, posted according to commercial law, to a calculation of profit and loss according to IFRS is as follows:

	HGB	IFRS
in EUR '000		
Net earned premiums	3,540,876	3,447,334
Result of capital assets	487,953	446,423
Other income	30,244	34,349
Expenditures for claims	–3,009,383	–2,878,246
Operating expenses	–795,788	–771,532
Other expenditures	–129,995	–124,860
Income from shareholdings in associated companies	2,085	2,440
Pre-tax profit	**125,992**	**155,908**
Taxes	–42,106	–34,356
Post-tax profit	**83,886**	**121,552**

The reasons for the revaluations are, on the one hand, the development of the differences in equity capital; those in the context of the carry-over of equity capital have already been described. This however occurs only to that extent, when the revaluations as a result of IFRS have not had a direct effect on equity capital.

Additionally the following should be considered: The currency conversion takes place according to IFRS in the profit and loss calculation on the basis of the monthly average rate.

In the consolidated financial statements subject to commercial law the reporting date was used.

According to IFRS, premiums and benefits for financial insurance contracts are not taken from the profit and loss calculation. Instead premiums are, independent of results, taken directly from an increase in the appropriate liabilities and benefits as a reduction in liabilities.

The Managing Board:

Dr. Günter Geyer

Dkfm. Karl Fink

Mag. Christian Brandstetter

Dr. Rudolf Ertl

Dr. Peter Hagen

Ing. Mag. Robert Lasshofer

Dr. Martin Simhandl

Vienna, 7 April 2006

AUDITOR'S REPORT

We have audited the consolidated financial statements of

WIENER STÄDTISCHE Allgemeine Versicherung Aktiengesellschaft, Wien,

for the fiscal year from 1 January to 31 December 2005. The Company's management is responsible for the preparation and the content of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and for the preparation of the management report for the group in accordance with Austrian regulations. Our responsibility is to express an opinion on these consoldiated financial statements based on our audit and to state whether the management report for the group is in accordance with the consolidated financial statements.

We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing and International Standards on Auditing (ISAs). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement and whether we can state that the management report for the group is in accordance with the consolidated financial statements. In determining the audit procedures we considered our knowledge of the business, the economic and legal environment of the group as well as the expected occurrence of errors. An audit involves procedures to obtain evidence about amounts and other disclosures in the consolidated financial statements on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements are in accordance with legal requirements [as well as with the articles of association] and present fairly, in all material respects, the financial position of the group as of 31 December 2005. and of the results of its operations and its cash flows for the fiscal year from 1 January to 31 December 2005 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. The management report for the group is in accordance with the consolidated financial statements.

KPMG Wirtschaftsprüfungs- und Steuerberatungs GmbH

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Wirtschaftsprüfer und Steuerberater

Vienna, 7 April 2006

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Actuarial reserve
A reserve calculated according to mathematical principles for future insurance payments in the life and health insurance areas. In the health insurance area, this is also referred to as an ageing reserve.

Annuity tables
Annuity tables are the most important calculation tool used in life and health insurance. The annuity tables used by insurers are based on the mortality tables derived from the population census. These are revised every ten years to take into account changing conditions, such as medical advances, improved living conditions.

Assets under management
Total capital assets that are valued at fair value, under management by the group, and where the group is responsible for asset performance.

Associated companies
The parent company and its subsidiaries are considered to be associated companies if the parent company is able to exert a control over the business policies of the subsidiary. Examples of this are where the parent company directly or indirectly holds more than half of all voting rights, a controlling agreement exists, or it is possible to appoint the majority of the members of the Managing Board or other executive bodies of the subsidiary (§ 244 HGB).

Available-for-sale securities
Available-for-sale securities include securities that were not acquired with the intention of being held-to-maturity, or for short-term trading purposes. These available-for-sale securities are recognised at market value as of the balance sheet reporting date. The difference between market value and amortised cost (unrealised gains and losses) is applied directly to equity.

Cash flow statement
A presentation of the changes in cash and cash equivalents during a fiscal year, broken down into the three areas of ordinary activities, investing activities, and financing activities.

CEE (Central and Eastern Europe)
Central and Eastern Europe. This includes Albania, Bosnia and Herzegovina, Bulgaria, Estonia, Georgia, Croatia, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Russia, Serbia and Montenegro, Slovenia, Slovakia, the Czech Republic, the Ukraine, Hungary, and Belarus.

Ceded reinsurance premiums
Share of the premiums to which the reinsurer is entitled in return for reinsuring certain risks.

Combined ratio (net)
When the total of all items in the income statement that contribute to the result before taxes, except for income from capital assets and the value of gross earned premiums itself, is divided by gross earned premiums, the result is called the combined ratio. If this ratio is less than 100%, the company is earning a profit from the underwriting portion of the business. This ratio is only calculated for property and casualty insurance. Since the reinsurers' share is taken into account in the calculation, the result is a net combined ratio.

Consolidation
The financial assets of the parent company and those of the subsidiaries are combined when the consolidated financial statements are prepared by the parent company. During this process, intercompany capital combinations, profit/loss, payables and receivables, and income and expenses between group companies are eliminated.

Deposits on assumed and ceded reinsurance business
A claim by the reinsuring company against the ceding company for deposits that it retains. When business is assumed, the reinsurer's share of premiums and claims are retained as security by the ceding insurance company. The deposits on ceded reinsurance item is analogous.

Derivative financial instruments (derivatives)
Financial contracts whose value depends on the price of an underlying asset. Derivatives can be classified systematically according to the nature of the underlying asset (interest rates, share prices, currency rates, or commodity prices). Options, futures, forward and swaps are important examples of derivative financial instruments.

Direct business
Insurance business where an immediate legal relationship exists between the insurer and policyholder.

Earned premiums
The portion of premiums written which is allocated to the current fiscal year.

Earnings per share (basic/diluted)
The ratio of consolidated net income divided by the average number of shares outstanding. The diluted earnings per share include convertible securities that have been exercised, or are still available for exercise, in the calculation of the number of shares and net income. The convertible securities consist of convertible bonds and stock options.

Equity method
Shares in non-consolidated affiliated companies and non-profit companies, and shares in associated companies are recognised using this method. As a rule, the value recognised corresponds to the Group's proportional share of the equity in these companies. In the case of shares in companies that prepare their own consolidated financial statements, the consolidated equity is recognised instead. For current valuation, the value recognised is adjusted using a proportional share of changes to equity, with the shares in net income being allocated to consolidated net income and disbursed profit distributions deducted.

Expense ratio
The ratio of premium writing expenses and other operating expenses divided by earned premiums. The expense ratio is therefore made up of a premium writing expense ratio and an administrative expense ratio.

Expenses for insurance claims
These are comprised of the payments for insurance claims, payments for claims investigation, claims settlement, and claims prevention, and from the change in the associated reserves.

Financial result
Income and expenses for capital assets and interest. This includes, for example, income from securities, loans, real estate and equity interests, as well as bank interest, and expenses incurred in the financial area, such as scheduled depreciation on owned real estate, write-downs of securities to listed market prices, bank fees, etc.

Gross domestic product (GDP)
A measure of a country's economic production. All goods and services produced or provided within a country (by citizens or foreigners) during a specified period, valued at current prices (market prices) or constant prices (prices in a certain base year).

Gross/net
In insurance terminology, "gross/net" means before or after reinsurance has been deducted. ("For own account" is also used for "net"). In connection with income from equity interests, the term "net" is used when related expenses have already been deducted from income (e.g., write-offs and losses from sale). Therefore, (net) income from equity interests equals the profit or loss from these interests.

IAS
International Accounting Standards.

IFRS
International Financial Reporting Standards. Since 2002, the designation IFRS has stood for the overall framework of all standards adopted by the International Accounting Standards Board. Previously adopted standards continue to be referred to as International Accounting Standards (IAS).

Income from capital assets and interest income
Income from capital assets and other interest income is comprised of income from equity interests (from associated companies), income from land and buildings, income from other capital assets, income from write-ups, gains from the sale of capital assets, and other income from capital assets and interest income.

Indirect business
Insurance business where the company acts as a reinsurer.

Initial Public Offering (IPO)
Stock exchange listing of a company using an initial public offering.

Insurance density
Annual per capita insurance premiums, used as an indicator for the state of development of a country's insurance sector.

Insurance payments (net)
Expenses (after deducting reinsurance) for insurance claims.

Insurance penetration
Insurance premiums as a percentage of gross domestic product, used as an indicator for the state of development of a country's insurance sector.

Insurance supervisory authority
The Austrian insurance supervisory authority is the Financial Market Authority (FMA), an independent government agency which supervises the operations of all insurance companies, banks, and employee retirement and pension funds in Austria.

Loss ratio
The percentage ratio of expenses for insurance claims divided by gross earned premiums. The calculation is based on the expenses for insurance claims in the income statement less claims handling expenses.

Losses incurred but not reported
Losses that are reported in the current fiscal year but occurred in the previous year. Each year as of the balance sheet reporting date, a reserve (= incurred but not reported reserve, IBNR) is formed for losses that relate to the financial statement year but are not reported until the following year.

Market value
The value of an asset on the balance sheet that can be realised by selling it in the market to a third party.

Minority interest
Shares in the equity of affiliated companies that are not held by Group companies.

Minority interest in net income/loss
The share of net income/loss allocated not to the Group, but to shareholders outside of the Group holding interests in associated companies.

Non-life
Non-life insurance includes the property and casualty insurance and health insurance segments.

Operating expenses
Operating expenses for retained insurance business are broken down into policy writing expenses, and other operating expenses, less reinsurance commissions and profit commissions for reinsurance cessions. Expenses for claims investigation, loss prevention, and claims processing (claims handling expenses) or for making insurance payments (settlement costs) are shown in the expenses for insurance claims item.

Options
Derivative financial instruments which entitle, but do not obligate, the buyer to purchase (call option) or sell (put option) an underlying asset at a future point in time for a specified price. In contrast, the seller of the option is obligated to deliver or purchase the asset and receives a premium for providing the option.

Premium
Agreed fee paid in exchange for assumption of risk by an insurance company.

Premium refund (profit-dependent)
The policyholder's profit participation in the profit of the insurance class in question (life / health / property and casualty).

Premium refund (profit-independent)
Contractually accorded refund of premiums to the policyholder.

Premiums written
Directly premiums written are comprised of set premiums, not including premium or fire service taxes, plus policyholder collateral payments, reduced by premiums cancelled during the fiscal year. In indirect business, the premiums written correspond to the premiums that the ceding insurer has indicated for offset. In co-insurance business, the premiums written by each co-insurer correspond to the share of premiums allotted to it.

Profit participation
See premium refund (profit-dependent).

Real GDP
Real GDP is GDP that has been adjusted to remove inflation. Inflation is removed by using the market prices in a base year to value all goods and services and removing all price increases from the calculations (GDP at constant prices).

Reinsurance
Reinsurance is when an insurance company insures a portion of its risk with another insurance company.

Result from ordinary activities
The result before taxes from activities that a company undertakes as part of its ordinary business. This item does not include extraordinary items, such as income or expenses from events or transactions that clearly differ from the company's ordinary activities and cannot be assumed to recur frequently or regularly.

Retained earnings
Retained earnings are the profits generated by the company that have not been distributed as dividends.

Return on equity (RoE)
Profit before taxes as a percentage of average equity, calculated using values at the beginning and end of the year.

Securities held to maturity
Held-to-maturity securities comprise debt securities that are intended to be held to maturity, and can be held to maturity. They are recognised "at amortised cost".

Segment reporting
Presentation of the consolidated financial statements broken down according to the property and casualty insurance, life insurance, and health insurance areas as primary segments, and according to regions as secondary segments.

Underwriting provisions
These consist of the reserve for outstanding claims, actuarial reserve, unearned premiums, reserves for profit-dependent and profit-independent premium refunds, the equalisation provision, and other underwriting reserves.

Unearned premiums
Premiums written that are to be included in the profit / loss calculation of future fiscal years. As a rule, the calculation is performed to the day for each individual insurance policy.

Unit-linked and index-linked life insurance
Insurance policies where the capital investment is made at the policyholder's risk. The capital assets in this area are valued at fair value, with the underwriting reserves shown at the value of the capital assets.

VAG
The Austrian Insurance Supervision Act (Versicherungsaufsichtsgesetz) includes provisions governing the organisation and supervision of insurance companies.

Vienna Insurance Group (VIG)
Umbrella brand of the Wiener Städtische Group.

Volatility
Fluctuations in security prices, currency rates, and interest rates.

Wiener Städtische AG
A shortened name for Wiener Städtische Allgemeine Versicherung Aktiengesellschaft.

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Notes
This annual report also includes forward-looking statements based on current assumption and estimates that are made by the Management of Wiener Städtische Allgemeine Versicherung Aktiengesellschaft to the best of its knowledge. Information offered using the words "expectation" or "target" or similar formulations indicate such forward-looking statement. The projections that are related to the future development of the company represent estimates that were made on the basis of the information available as of the date on which this annual report went to press. Actual results may differ from the forecast if the assumptions underlying the forecast fail to materialize or if risks arise at a level that was not anticipated.

The annual report was prepared with the greatest possible diligence in order to ensure that the information provided in all parts is correct and complete. Rounding, type-setting and printing errors can nevertheless not be completely ruled out.

Our aim was to keep the Annual Report as easily and fluently readable as possible. To this end, we have dispensed with wordings such as "Clients – he/she" or "Employees – he/she." It should be understood that the text always refers to women and to men equally without any discrimination whatsoever.

In cases of doubt, the German version is authoritative.

Editorial deadline
7 April 2006

General Information:

Editor and media owner:
Wiener Städtische Allgemeine Versicherung Aktiengesellschaft
Company register: 75687 f
DPR Number: 0016705

The annual report is available in the German and in the English language and can also be downloaded in both languages as a pdf file from our website (www.wienerstaedtische.at) under Investor Relations. On the website, you will also find an online version of the annual report specially adapted for the Internet (including a search function).

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Design and Production: Demner, Merlicek & Bergmann
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English translation: Bowne Translation Services

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Excellent prospects for 2006.