

**LETTER TO
SHAREHOLDERS**
1ST HALF OF 2005



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**Dear Shareholders,
Ladies and Gentlemen,**

This shareholders' letter offers information about the business developments in Wiener Städtische group in the first half of 2005.

Wiener Städtische Allgemeine Versicherung AG ("Wiener Städtische AG") and its subsidiaries ("Wiener Städtische Group") currently conduct business in the insurance sector in 15 Central and Eastern European countries. Wiener Städtische AG is an incorporated company under Austrian law and acts, on the one hand, as a direct insurer, while on the other hand also functioning as a holding company of Wiener Städtische Group.

Reporting in accordance with IFRS

This half-year interim report brings with it a significant improvement of the reporting system. Up to now, the

results of Wiener Städtische Group have been presented in accordance with the accounting rules of the Austrian Commercial Code. In this half-year interim report, a consolidated presentation of the group in conformity with the valuation regulations of the "International Financial Reporting Standards"* (IFRS) is being published for the first time. For the reader, this means a better presentation of the results of the whole group, in accordance with international standards.

Wiener Städtische Group in the first half of 2005

In the first half of 2005, Wiener Städtische Group was able to generate an excellent result. The group's **gross premiums written** increased by 19.2% compared to the first half of 2004, thereby reaching **EUR 2,635.51 million**. This significant increase in the group's premiums in the first half of 2005, in comparison to the period of the previous year, was primarily due to the booming life

CONSOLIDATED INCOME STATEMENT

IN MILLION EUR, IFRS	1-6/2005	1-6/2004	Change in %
Gross premiums written	2,635.51	2,210.35	19.2%
Property/Casualty	1,419.09	1,263.89	12.3%
Health	146.53	142.10	3.1%
Life	1,069.89	804.36	33.0%
Gross Premiums earned	2,441.02	2,053.64	18.9%
Property/Casualty	1,219.81	1,106.22	10.3%
Health	144.47	140.28	3.0%
Life	1,076.74	807.14	33.4%
Net Premiums earned	2,079.92	1,740.54	19.5%
Property/Casualty	883.07	817.34	8.0%
Health	143.82	137.39	4.7%
Life	1,053.03	785.81	34.0%
Net investment income	305.49	254.76	19.9%
Other income	8.43	6.80	23.9%
Total income	2,393.84	2,002.11	19.6%
Net Insurance benefits (inclusive change of damage provision)	1,107.27	977.72	13.3%
Property/Casualty	561.03	524.50	7.0%
Health	99.01	92.64	6.9%
Life	447.23	360.58	24.0%
Change in the other technical insurance provisions	648.71	482.35	34.5%
Operating expenses	435.18	390.59	11.4%
Other expenses	77.42	81.67	-5.2%
Total expenses	2,268.57	1,932.32	17.4%
Profit on ordinary activities	125.26	69.78	79.5%

* DAC (deferred acquisition costs) were not activated in the Austrian companies

insurance business of the companies both at home and abroad. The continuing strong growth of our companies in Central and Eastern Europe has confirmed our strategy of continuing on an expansion course in this region. It was possible to increase the **profit from ordinary activities** in the first half of the current year by a substantial 79.5%, thereby reaching **EUR 125.26 million**, as compared to the first half of 2004.

The extended **Wiener Städtische Group**, which includes not only the group companies but also additional insurance holdings (above all in Wüstenrot Versicherung and Sparkassen Versicherung), was able to achieve **premiums written** (unconsolidated) amounting to EUR 2,806.67 million (+19.1%) in the reporting period.

The **steps toward expansion** which the group took in 2005 in the Czech Republic (Česká podnikatelská), in Poland (Benefia non-life, Benefia life, Royal Polska, takeover of a controlling interest in Compensa non-life), Romania (Omniasig Group), Croatia (Cosmopolitan Life) and the Ukraine (Globus, Kniazha) **have not yet been taken into account**, neither in the group nor in the extended group.

Financial Result and Combined Ratio

During the first half of 2005, the result from **capital investments** amounted to **EUR 305.49 million**. Included in this sum are about EUR 41 million profits from the sale of our entire investment in Investkredit Bank. In the first half of 2005, the **combined ratio** of the group after reinsurance (without counting capital gains) amounted to around **97%**.

In the following paragraphs, the two business lines property/casualty and health insurance are shown together as non-life insurance. Within the group, the health insurance business is conducted extensively only by Wiener Städtische AG.

During the reporting period, it was possible to raise Wiener Städtische Group's **consolidated gross premiums earned** by 18.9% to **EUR 2,441.02 million** in comparison to that period in the previous year. The companies outside Austria contributed to this with an outstanding growth of 28.8%, reaching EUR 863.92 million in premium revenues. The foreign companies' portion of the premium revenue thus amounts to over 35%. But the Austrian group companies, too, showed a remarkable upward swing with their two-figure increase of 14.0% to reach EUR 1,577.10 million.

From January to June 2005, it was possible to record an above-average premium increase in the **life insurance business**, with gross premiums earned amounting to EUR 1,076.74 million; this corresponds to a growth of 33.4% as compared to the period of the previous year. The discussions concerning the state pension systems which have been taking place in almost every country in the Central and Eastern European region have led to an increased demand for private pension plan products. The growth of the group companies abroad was thereby exceptionally strong, with an increase of 64.8% to EUR 308.20 million. In Austria, too, we were able to achieve a two-figure increase of 23.9% to EUR 768.54 million. In addition to Wiener Städtische, Union Versicherung and BA-CA Versicherung also made a

CONSOLIDATED GROSS PREMIUMS EARNED BY COUNTRY

IN MILLION EUR	1-6/2005	1-6/2004	Change in %	Proportion in % (2005)
Austria	1,577.10	1,383.12	14.0%	64.6%
Bulgaria	3.99	3.14	27.0%	0.2%
Germany	53.59	49.52	8.2%	2.2%
Croatia	23.98	11.18	114.5%	1.0%
Liechtenstein	88.45	12.93	584.1%	3.6%
Poland	31.80	26.28	21.0%	1.3%
Romania	32.99	20.33	62.3%	1.4%
Serbia & Montenegro	6.17	1.98	211.4%	0.3%
Slovak Republic	194.47	175.89	10.6%	8.0%
Czech Republic	400.71	351.57	14.0%	16.4%
Hungary	27.78	17.71	56.9%	1.1%
	2,441.02	2,053.65	18.9%	100.0%

significant contribution, with high two-figure growth rates. In Liechtenstein, Vienna Life managed to very markedly increase its premiums in comparison to the same period in the previous year.

In the area of **non-life insurance**, Wiener Städtische Group achieved a premium increase of 9.5% with gross premiums earned amounting to EUR 1,364.28 million. Abroad, premiums amounted to EUR 555.72 million. This corresponds to a growth of 14.9% in comparison to the period of the previous year. In Austria, growth in this area, with EUR 808.56 million, was 6.0%.

The table of premiums by country shows that premiums in all countries, with the exception of the saturated German market, grew by two-figure percentages. It must also be mentioned that the 8.2% growth shown by the German company InterRisk Versicherung lies far above the German market.

It must furthermore be noted that the new acquisitions of the current year have not yet all been included in the consolidation. All increases in premiums have been achieved through the organic growth of the companies; only in Croatia have the premiums of Aurum Versicherung, which was acquired at the end of 2004, already been taken into account in 2005. Without counting Aurum, the figure for growth in Croatia would have been about 55%.

In Serbia & Montenegro, Wiener Städtische Belgrad, which was only founded in 2003, continues to grow extremely rapidly and has been able to roughly triple its premiums in the areas of life and also non-life insurance. Also remarkable is the two-figure percentage growth of the companies in the two most important foreign markets of the group, namely Slovakia and the Czech Republic. In the Slovakian Republic, the companies of the group were able to increase premiums by over 10%, despite a difficult market environment. In the Czech Republic, too, Kooperativa Prag achieved a premium growth which, at +14%, lay markedly above the market.

Outlook for the whole year

In view of the excellent development of the group in the first half year, we are expecting an **increase of the group profit** for the whole year 2005 **to around EUR 200 million**, as compared to the forecast up to now of EUR 175 million.



Current news

Standard & Poor's (S&P) improve the rating for Wiener Städtische to 'A+' with a "stable" outlook

The leading international rating agency Standard & Poor's (S&P) has improved Wiener Städtische AG's rating from "A" to "A+". This makes Wiener Städtische currently the only Austrian insurance company with this excellent rating. The outlook has been evaluated as "stable". This outstanding rating is a confirmation of Wiener Städtische's strategy of long-term revenue-oriented growth at home and abroad.

The factors decisive for S&P's improvement of the rating were our steadily improving operative performance, the conservative capital investment strategy, the process optimization at home as well as the risk-conscious development of the group's commercial presence in the new markets of Central and Eastern Europe. The group's outstanding marketing organisation and the strong market position in its core markets were evaluated as further strengths of Wiener Städtische. Also emphasised were the group's great capital power, which has been further expanded through the supplementary capital bond placed at the end of 2004.

S&P bases its assessment of the outlook as stable on the long-term strong operative performance of the company in its core markets. In this connection, other reasons given were the increasing proportion of premium income being generated by life insurance, further cost reductions and also process optimisation measures in the next few years.

Wiener Städtische takes over HUK-COBURG holdings in Polish and Bulgarian insurance companies

Wiener Städtische has acquired the shares held by the German insurance company HUK-COBURG in the two Polish Compensa companies and the Bulgarian Bulgarski Imoti companies. The four companies are therefore, subject to the permits which must still be issued by the authorities, almost completely owned by Wiener Städtische.

Expansion of the group in Poland

Wiener Städtische Group has markedly strengthened its market position in Poland. Besides the complete acquisition of the two Compensa companies, it has also purchased three further companies.

In June 2005, 100% of both Benefia non-life and Benefia life were purchased from the Italian insurance group TORO Assicurazioni. These two insurance companies, both based in Warsaw, were able to record a volume of premiums earned amounting to a total EUR 30 million in the financial year 2004. Both companies, with a total of about 60 employees, are strongly anchored in the Polish insurance market and have at their disposal a well-developed, complete-coverage marketing network extending throughout Poland.

In July 2005, the group acquired a controlling interest in the life insurance company Royal Polska from the Polish investment group TRIGON. This life insurance company is small but excellently positioned, and is based in Warsaw. With about 50 employees, it succeeded in generating a volume of premiums earned amounting to a total of about EUR 12.5 million in the financial year 2004, which represents a growth in premiums of about 40% as compared to 2003. Royal Polska has, among other connections, a marketing relationship with the Polish bank BPH, a subsidiary of Bank Austria Creditanstalt (BA-CA). Royal Polska also conducts its marketing through its own marketing company which has over 300 agents and carried out complete-coverage marketing throughout Poland.

Both transactions have been finalised, subject to the approval of the antimonopoly and supervisory authorities.

Thanks to its expansion in Poland, Wiener Städtische Group has consolidated its position in the promising Polish market and will be able to participate more intensively in the dynamic growth of the market in the future. Over the past five years, the Polish insurance market has grown annually by about 10% on average. In 2004, the insurance density (premium per inhabitant per year) in Poland was USD 192.7. In comparison, the insurance density in Western Europe was about USD 2,359.5. The insurance market in Poland therefore offers a great potential for growth, a fact which is also reinforced by the country's above-average economic development (growth of the real gross domestic product in 2004: 5.4%).

Additional purchase in Croatia

Following the acquisition of Aurum Versicherung, which already took place at the end of 2004, Wiener Städtische Group purchased the life insurance company Cosmopolitan Life in the middle of 2005. Last year the company, which was founded in 1998, achieved a volume of premiums earned amounting to about EUR 4.5 million. The share of the market held by Wiener Städtische Group in Croatia thus increased to nearly 8%. The group now holds the fifth place on the Croatian insurance market.

In the first half of 2005, the group's biggest Croatian insurance company, Kvarner Wiener Städtische, increased its premiums earned by more than half, reaching about EUR 18 million. The life insurance business saw the biggest growth, with an increase of 82.1%, reaching about EUR 9.7 million.

Antimonopoly authority approves purchase in Romania

The acquisition of a controlling interest in the Omniasig Group by Wiener Städtische was approved by the antimonopoly authority in July of this year. With the acquisition of the Omniasig Group, Wiener Städtische Group has acquired a controlling interest in five insurance companies. Three of them conduct business in the p/c insurance area, one in the life and one in the health insurance areas. A merger of the three p/c insurance companies is planned by the end of this year. Together with the two companies already belonging to the group, Unita und Agras, which are both growing in a very dynamic way, Wiener Städtische Group grew to a share of

nearly 20% of the Romanian insurance market. In total, the annual premium volume of all the companies now amounts to about EUR 150 million.

Authorities issue permits for the acquisition of Česká podnikatelská

The acquisition of the Czech company Česká podnikatelská by Wiener Städtische Group, which was already announced in the first quarter, has in the meantime been approved by both the Czech antimonopoly authority and the Czech Ministry of Finance. With Kooperativa Prag and Česká podnikatelská, Wiener Städtische thus has a share in the market of over 26% in the Czech Republic and has significantly built up its position in second place on the market.

In the first half of 2005, Kooperativa Prag, the second-largest insurance company in the Czech Republic, continued to grow with a premium increase of about 14%, which lies markedly above the Czech insurance market. The intensive cooperation with Kooperativa's strategic bank partner, Česká spořitelna, is going outstandingly well.

Market share gain and premium increase in the Republic of Slovakia

In the Republic of Slovakia, Kooperativa Bratislava, together with its two subsidiaries Kontinuita and Komunalna, was able to further increase its share of the market in the second quarter of 2005. Despite the difficult market environment, the companies were able to expand their share of the market with a premium increase, both in the life and the non-life insurance areas, to 27.6% as of the first half of 2005. In total, the gross premiums earned of the three insurance companies already amount to almost EUR 195 million in the first half of 2005. This represents an increase of 10.6% as compared to the first half of 2004.

Dynamic growth in Hungary – premiums increase by 55%

In the first half of 2005, Wiener Städtische Group's Hungarian insurance company, Union Biztosito, likewise managed to maintain its premium growth rates, which lie markedly above the market growth rate. Premiums earned amounted to almost EUR 28 million in the first half of 2005, which is about 55% more than in the same period of the previous year. Over the past five years, Union Biztosito has brought a large number of new products onto the market and expanded its range of products to include new insurance lines, such as car insurance or

travel insurance. From 1999 to 2004, it was possible to achieve a premium growth of almost 550% and to increase the number of insurance contracts five-fold. Thanks to this successful expansion strategy, the company managed to push forward to take the overall eighth place on the market in the first half of 2005. In the car insurance business, Union Biztosito already stands in fourth place in Hungary. About EUR 60 million in premiums earned is planned for the whole year.

Wiener Städtische AG: a new company pension plan

With its new company pension plan, "Betriebliche Kollektivversicherung" (BKV), (company group insurance), Wiener Städtische has further developed the second "pillar" for old-age provisions. It is thereby acting in conformity with the "Pension Fund Directive" which will come into force on 23rd September 2005, and which provides for a new form of company old-age pension plan. Any company can provide a company collective insurance for its employees. The BKV is available with Wiener Städtische in two forms: an old-age and a survivors insurance, and optionally also occupational disability and invalidity insurance for new starters, or in the form of special purpose investment for capital which is already saved in a pension fund.

The advantages: Wiener Städtische guarantees a minimum rate of interest. In addition, the beneficiary employees benefit from the additional participation in profits. They therefore have a guarantee that the guaranteed pensions paid out will rise annually. With the BKV, a company can outsource the risk of pension obligations and offer security to its employees and their relatives. The contributions are only due for as long as the employee works in the company. Both the limitation of the premium payment period and the suspension of premium payments for economic reasons can be arranged. Should the employee resign or give notice, then the money saved, plus the interest, will remain guaranteed until the end of the term of the policy and will be paid out as a monthly pension from the time the employee goes into retirement. The contributions are free of any salary add-on costs, and the insurance tax only amounts to 2.5%. The younger the beneficiary is when the policy is taken out, the more he or she gains.

The Wiener Städtische AG's share

Inclusion in the "Prime Market" of the Vienna Stock Market
On 20th June 2005, the preference shares were converted into common voting shares, a measure previously

decided upon at the Shareholders' Meeting. The conversion was carried out at the shareholder-friendly ratio of 1:1, and was done automatically and at no cost whatsoever. Wiener Städtische's share capital is now divided exclusively into 86,357,600 common shares, which are all traded in the top market segment of the Vienna Stock Market, the "Prime Market". Wiener Städtische has thereby taken a significant step towards a clear, shareholder-friendly share structure.

Commitment to the Corporate Governance Code

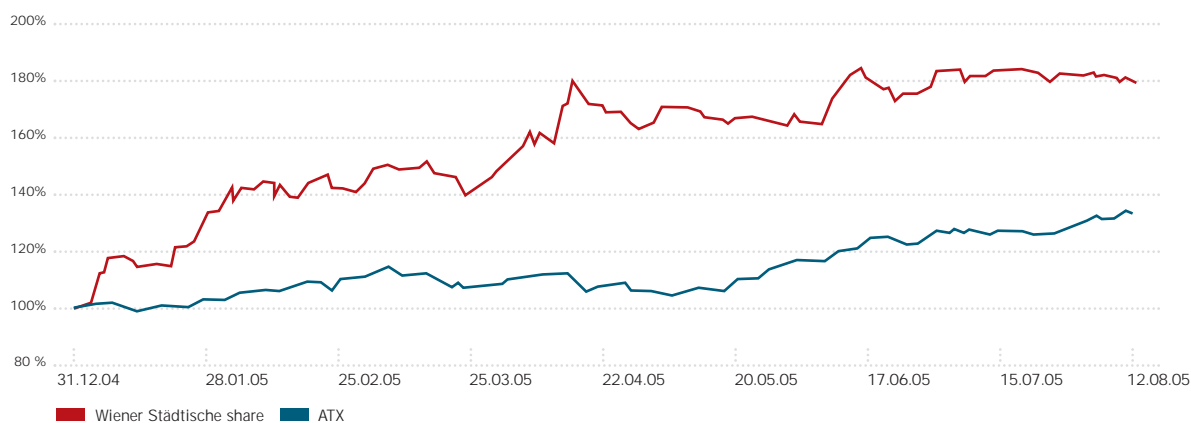
In the course of the last Shareholders' Meeting, Wiener Städtische declared its commitment to the Austrian Corporate Governance Code. Adherence to the rules of the Code safeguards the transparency of the company and is

an essential basis of trust in a company management oriented towards lasting, long-term value creation.

For Wiener Städtische shareholders, 2005 has so far been extremely satisfactory. On 19.7.2005, Wiener Städtische share achieved a new all-time high (based on the closing price), with a closing price of EUR 44.64. On 12.8.2005 it stood at EUR 43.50. Since the beginning of 2005, it has thus seen a value increase of 78.9%. In comparison, the ATX (Austrian Traded Index) rose by 33.1% since the beginning of 2005. The liquidity of our company's share has also increased dramatically in 2005. On average, the number of shares traded daily during the first months of 2005 was more than five times as high as in 2004.

PERFORMANCE OF WIENER STÄDTISCHE SHARE COMPARED TO ATX

1st January 2005 - 12th August 2005



Günter Geyer
Director General

Karl Fink
Deputy Director General

Christian Brandstetter
Member of the Board

Rudolf Ertl
Member of the Board

Peter Hagen
Member of the Board

Robert Lasshofer
Member of the Board

Martin Simhandl
Member of the Board

Vienna, August 2005

INFORMATION ON THE SHARE

First listing	1 st October 1994	Ticker symbol WST
Share capital	EUR 89,655,022	Bloomberg WSV AV
Number of shares	86,357,600	Reuters WISV.VI
ISIN	AT0000908504	Stock exchange listing: Vienna

Investor Relations

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Publisher and media owner:
Wiener Städtische Allgemeine Versicherung Aktiengesellschaft
Trade register no: 75687 f
DVR no: 0016705

Internet: www.wienerstaedtische.at

The shareholders' letter can be downloaded from our Internet page (Investor Relations/Downloads) as a pdf file in both German and English.
Press date: 12th August 2005

Project coordination: Mr Wolfgang Unger
Design: Advertising Department – Wiener Städtische

17PG008/1H05E (05.08)