GROUP ANNUAL REPORT 2006

VIENNA INSURANCE GROUP

The growing family of success.

WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP

KEY FIGURES FOR VIENNA INSURANCE GROUP (IFRS)

		2006	2005	Change versus 2005
Income statement				
Premiums written	EUR millions	**5,881.51**	**5,007.84**	**+17.4%**
Property/Casualty	EUR millions	3,067.15	2,563.32	+19.7%
Life	EUR millions	2,516.46	2,156.43	+16.7%
Health	EUR millions	297.90	288.09	+3.4%
Investment income	EUR millions	**716.45**	**605.43**	**+19.8%**
Profit before taxes	EUR millions	**320.97**	**240.34**	**+33.5%**
Property/Casualty	EUR millions	175.69	145.47	+20.8%
Life	EUR millions	132.47	73.41	+80.5%
Health	EUR millions	12.81	21.45	–40.3%
Net profit for the period after taxes and minority interest	EUR millions	**264.32**	**198.74**	**+33.0%**
Combined ratio	%	**96.9**	**94.3**	–
Balance sheet				
Investments	EUR millions	**19,600.95**	**16,924.74**	**+15.8%**
Shareholders' equity	EUR millions	**2,283.21**	**2,059.33**	**+10.9%**
Underwriting provisions	EUR millions	**14,628.42**	**13,086.29**	**+11.8%**
Total assets	EUR millions	**22,483.45**	**19,441.45**	**+15.6%**
Share information				
Number of shares	Shares	**105,000,000**	**105,000,000**	–
Market capitalisation	EUR millions	**5,586.00**	**5,234.25**	**+6.7%**
Average number of shares traded per day	Shares	**about 107,000**	**about 32,600**	**+228.2%**
Price on 31 December	EUR	**53.20**	**49.85**	–
High	EUR	**54.27**	**52.20**	–
Low	EUR	**41.26**	**24.65**	–
Share performance for the year (excluding dividends)	%	**6.72**	**105.10**	–
Dividend per share	EUR	**0.82**	**0.66**	**+24.2%**
Dividend yield	EUR	**1.54**	**1.32**	**+16.7%**
Earnings per share	EUR	**2.48**	**2.27**	**+9.3%**
Price-earnings ratio on 31 December		**21.45**	**21.96**	–
Number of employees				
Total		**18,587**	**16,346**	**+13.7%**
Austria		5,747	5,366	+7.1%
Outside Austria		12,840	10,980	+16.9%

Calculation differences may arise when rounded amounts and percentages are summed automatically.

AUSTRIA
- WIENER STÄDTISCHE – Vienna Insurance Group
- Donau – Vienna Insurance Group
- Bank Austria Creditanstalt Versicherung – Vienna Insurance Group

CROATIA
- KVARNER – Vienna Insurance Group (in redesign)
- Life – Vienna Insurance Group
- Osiguranje HELIOS (in redesign)

CZECH REPUBLIC
- Kooperativa – Vienna Insurance Group
- ČPP – Vienna Insurance Group

ITALY BRANCH
- WIENER STÄDTISCHE – Vienna Insurance Group

LIECHTENSTEIN
- VIENNA LIFE – Vienna Insurance Group

ROMANIA
- OMNIASIG – Vienna Insurance Group
- OMNIASIG Asigurari de Viata – Vienna Insurance Group
- UNITA – Vienna Insurance Group
- AGRAS – Vienna Insurance Group

SLOVAKIA
- Kooperativa – Vienna Insurance Group
- KOMUNÁLNA poisťovňa – Vienna Insurance Group
- KONTINUITA – Vienna Insurance Group

BELARUS
- КУПАЛА – Vienna Insurance Group
- Victoria – Vienna Insurance Group

SLOVENIA BRANCH
- WIENER STÄDTISCHE – Vienna Insurance Group

POLAND
- COMPENSA – Vienna Insurance Group
- BENEFIA – Vienna Insurance Group
- ROYAL Polska – Vienna Insurance Group
- CIGNA

BULGARIA
- TBIH Group TBI BULSTRAD Insurance & Reinsurance PLC (in redesign)
- TBIH Group TBI BULSTRAD Life Insurance Joint Stock Company (in redesign)
- BULGARSKI IMOTI – Vienna Insurance Group (in redesign)

GEORGIA
- GPI Holding (in redesign)
- IRAO International Insurance Company (in redesign)

GERMANY
- InterRisk – Vienna Insurance Group

HUNGARY
- UNION Biztosító – Vienna Insurance Group

RUSSIA
- Страховая компания МСК-Лайф – Vienna Insurance Group

SERBIA
- WIENER STÄDTISCHE – Vienna Insurance Group

UKRAINE
- КНЯЖА – Vienna Insurance Group
- ГЛОБУС – Vienna Insurance Group
- ЮПІТЕР – Vienna Insurance Group

March 2007

2006 ANNUAL REPORT

Consolidated financial statements of
WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP

CONTENTS

Where success is already in the genes.

Dear Shareholders,
Dear Madam/Sir!

The fiscal year just ended was a very special year for Wiener Städtische Group ("Vienna Insurance Group"), which saw the birth of the Vienna Insurance Group umbrella brand for an insurance family that had its origins in Austria and has been growing steadily in the Central and Eastern European region since 1990. Many of the members of the family are now market leaders and act as trendsetters and innovators in their markets. This is the result of our unwavering pursuit of a clear strategy of value-oriented growth based on our own resources and selected acquisitions in Central and Eastern Europe.

Dr. Günter Geyer, General Manager

Number 1 in Austria

Along the way, we managed to reach an important milestone in our development and implement a number of key measures during the previous fiscal year. Our position in Austria was further strengthened. The Vienna Insurance Group is now the number 1 in Austria. The market share of our Austrian companies of Vienna Insurance Group has increased in all classes. We grew more strongly than most of our competitors because we relied on our traditional strengths and in terms of the multi-channel distribution proposal developed our own field sales force as well as the distribution partnerships with brokers, agents and banks. We also designed a range of products that was highly appealing to our customers.

The outstanding market share of approximately 23% now held by our Group in Austria is the result of decades of steady growth based on our own resources and the integration of corporate acquisitions. As a result of these measures, we have acquired a wealth of expertise that we are also now applying with great success in the CEE region.

Acquisitions strengthen distribution

We acquired several new companies in this region, which we consider our natural market, during the previous fiscal year, thereby further strengthening our already excellent market position. Our position in Poland in particular, was expanded by our acquisition of Cigna, making us one of the larger insurance companies in the country. As a result, the important milestone of becoming one of the top 5 insurers in this core market has already been reached in the non-life insurance class. The Polish market is a clear example of what we see in the Other CEE segment. Immediately after an acquisition, we intervene in the new company to make it even more powerful, increasing its internal efficiency and sales capacity. We are already looking for this kind of potential when we evaluate target acquisitions. When looking at a potential purchase in CEE, we pay attention to the profitability and particular to the possibility of adding new, sustainable distribution channels to supplement existing channels and allow us to gain new customer groups. That is, the new companies we are looking for offer not only an acceptable volume of existing business, but also access to future premiums.

Romania is another important CEE market for the Vienna Insurance Group. As a result of the convergence potential, the enormous economic momentum this country has achieved on its way to becoming a member of the EU should be maintained for many more years in comparison to more mature markets. Even if insurance penetration in Romania only approached that of the Czech Republic, for example, insurance premiums would, according to estimates, still increase by 7 or 8 times, representing several hundred millions in additional premiums for the Vienna Insurance Group in this market of 22 million inhabitants alone.

Poland and Romania are excellent examples of the potential future development of the insurance business in the CEE region and of how we are raising the efficiency of our Group companies.

As far as possible, we combine support departments such as accounting, IT and procurement in countries where more than one company is active. Distribution-related departments remain independent and are continuously strengthened. This also lays the foundation for the proven multi-brand policy that we continue to follow in all CEE countries and Austria and which offers significant advantages. After an acquisition, for example, the development of existing customer relationships can be continued smoothly. At the same time, our distribution employees and business partners can continue to operate under their well-established brand names, without the need for a costly marketing campaign to introduce a new brand.

Vienna Insurance Group – the CEE family

The shared identity of our corporate family is now also more visible to the outside market. In addition, the new Vienna Insurance Group umbrella brand introduced last year is now part of the logo of our Group companies, showing membership in a financially strong international Group whose excellent rating of "A+" with a stable outlook has been reconfirmed by the international rating agency Standard & Poor's.

Our multi-brand policy also creates an essential foundation for multi-channel distribution, which means that we use all of the distribution channels available to us in each market, provided they are efficient and customer-oriented. These are primarily our own sales employees and exclusive agents. We also have successful partnerships with a number of banks in Austria and the CEE region.

Group result increases strongly

The Vienna Insurance Group's record result for the fiscal year just ended shows the success achieved by consistent adherence to this strategy. Our Group profits before taxes of EUR 321 million represents a one-third increase compared to the year 2005. This outstanding result is due to a 17% expansion of premium volume to EUR 5.9 billion.

The CEE portion once again grew strongly, from 31% in the previous year to 38% this year, and has already reached a level of EUR 2.21 billion, representing an increase of 41.4%. A milestone was passed in the property and casualty area in 2006, when for the first time in our history more than half of our premiums were generated in the CEE region. Life insurance also showed its strength in the CEE region, with the volume of business expanding by 53.2% to reach EUR 612.84 million, representing nearly one-quarter of the Group premiums generated in this class.

These financial figures place us in a unique position worldwide, since no other international insurance company can demonstrate a CEE contribution that is anywhere close and is also rapidly increasing. Only the Vienna Insurance Group is able to profit to such a great extent from the enormous business potential of this region.

As previously mentioned, we were also able to achieve a respectable increase in the more mature Austrian market. Our premiums of EUR 3.43 billion represented an increase of 8.3% over the previous year, with life insurance showing the greatest strength due to government supported pension funds.

Thanks to the commitment of our group employees the result in 2006 represents a one-third increase.

Challenging goals set

Our performance is a source of pride and at the same time motivation for the years ahead. We have set ourselves new challenging goals, including the goal of achieving approximately EUR 370 million in Group profits before taxes in the current fiscal year and a result of approximately EUR 470 million in 2009, representing an annual growth rate of around 15%.

Highly committed employees

We can achieve such results because of the continued high commitment shown by our employees, whose desire to achieve allows them to confidently meet ever greater challenges. My special thanks go to them for their performance.

I would also like to thank our customers and business partners who have accompanied us on our way.

We intend to continue on the successful path we have been following with the same determination we showed in the past so that we can reach our goal of becoming leader at both the large and small ends of the scale, in terms of our financial figures and in terms of the services we provide to our customers.

Sincerely,

Günter Geyer

EXECUTIVE BOARD OF THE GROUP

Members of the Executive Board of the Group (from left to right): General Manager Dr. Günter Geyer, Deputy General Manager Dkfm. Karl Fink, Director on the Managing Board Dr. Rudolf Ertl, Director on the Managing Board Dr. Peter Hagen, Director on the Managing Board Mag. Robert Lasshofer, Director on the Managing Board Dr. Martin Simhandl **...**

EXECUTIVE BOARD OF WIENER STÄDTISCHE VERSICHERUNG AG VIENNA INSURANCE GROUP

Dr. Günter Geyer

General Manager, Chairman of the Managing Board
Member of the Managing Board since 1988

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

Country responsibilities: Czech Republic, Croatia, Hungary, Slovakia

Dkfm. Karl Fink

Deputy General Manager
Member of the Managing Board since 1987

Areas of responsibility: Austria/Central and Eastern Europe reinsurance, sponsoring, non-motor vehicle property insurance excluding liability (corporate business: underwriting/claims, private sector business: underwriting), supervision of companies in which an ownership interest is held through TBIH/KFS

Country responsibilities: Bulgaria, Russia

Dr. Rudolf Ertl

Member of the Managing Board since 2001

Areas of responsibility: information technology and process optimisation in and outside of Austria, legal protection (claims), Austria/Central and Eastern Europe company law, property management, real estate and real estate-related ownership interests

Country responsibilities: Poland, Serbia

Dr. Peter Hagen

Member of the Managing Board since 2004

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

Country responsibilities: Belarus, Romania

Mag. Robert Lasshofer

Member of the Managing Board since 1999

Areas of responsibility: marketing, sales, provincial head offices, advertising, health insurance

Country responsibilities: Italy, Liechtenstein, Slovenia

Dr. Martin Simhandl

Member of the Managing Board since 2004

Areas of responsibility: Austria/Central and Eastern Europe investments, ownership interest management, securities/funds, Austria/Central and Eastern Europe finance and accounting, life and casualty insurance

Country responsibilities: Germany, Ukraine

EXECUTIVE BOARD OF THE GROUP




... and members of the Executive Board of the Group (from left to right):
Ing. Martin Divis, Franz Fuchs, Dr. Judit Havasi, Mag. Peter Höfinger

Ing. Martin Divis
Deputy General Manager of Kooperativa pojišt'ovna, a.s., Czech Republic

Franz Fuchs
General Manager of Compensa, Poland

Dr. Judit Havasi
Member of the Managing Board of Union Biztosító, Hungary

Mag. Peter Höfinger
Member of the Managing Board of Donau Allgemeine Versicherungs-AG, Austria

A list of the members of the Supervisory Board of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP is provided on page 184, the report of the Supervisory Board is on pages 192 and 193.

Our strategy: to be the leader at both and the small ends of the scale.

the large

STRATEGY

Clear orientation

The Vienna Insurance Group has followed a clear strategy of value-oriented growth for many years. Its core competence is the insurance business, which has been continuously developed as such for the long term.

Clear ambition

Management and employees are driven by the goal of being the leader. The Vienna Insurance Group strives to reach a leading position in all of the markets in which it operates, while at the same time tailoring its every action toward achieving leadership in terms of the customer services it provides. The goal of being a leader motivates management and employees, is an orienting principle for success in all their actions, and is intended to ensure that the Vienna Insurance Group will be able to influence the markets and their development.

The following core strategies of the Vienna Insurance Group are derived from this fundamental orientation.

• Leadership position in Austria: The Vienna Insurance Group is in total, as well as in the life and property/casualty areas, number 1 in Austria. This position was strengthened steadily by winning additional market share in recent years. The Company intends to follow the same path in the future. The main approach will be to further strengthen the field sales force, which is the most important distribution channel in Austria, as well as the distribution partnerships with brokers, agents and banks. Strong growth is expected in the life insurance area in particular in future years. Insurance penetration is currently lower in Austria than in Western Europe, and will adjust upwards due to the demand for pension and nursing care products. The Vienna Insurance Group would like to exploit this potential by means of an innovative range of products designed to meet new customer needs.

• The Vienna Insurance Group is following a strategy of selective market entry in the CEE region followed by steady development of market position. The core markets are the Central and Eastern European countries that already exhibit a high level of economic and political stability. The Vienna Insurance Group wants its insurance companies to be one of the top five insurers in the markets in these countries. This will ensure that the high growth potential can be taken advantage of appropriately.

This potential is based on two factors. The CEE economies exhibit long-term economic growth at a rate significantly above that of Western Europe. Furthermore, in our experience, the demand for financial products grows faster than the growth in economic output, which means that per capita insurance premiums can be expected to grow strongly in the CEE region. In its efforts to generate added value, the Vienna Insurance Group generally leaves the profits earned in a CEE country within that country to strengthen the Group companies and permit dynamic expansion.

The three strategic cornerstones of the Vienna Insurance Group: clear orientation, clear ambition, clear management principles.

Clear management principles

The Vienna Insurance Group's core strategies are combined with the following management principles throughout the Group to ensure optimal access to customers, mutual use of synergies and broad risk diversification.

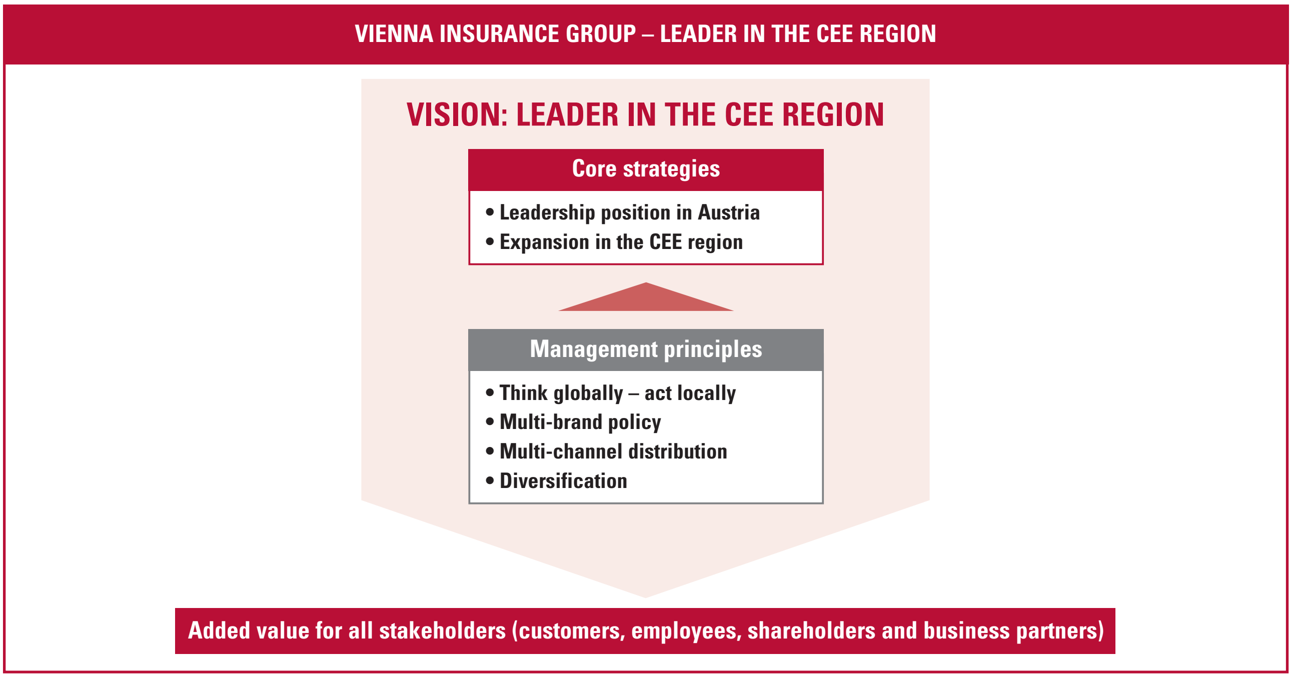
• Think globally – act locally: The Vienna Insurance Group has set a goal of promoting the mutual exchange of know-how between all Group companies. This is intended to allow the experience and ideas of employees in individual markets to be used throughout the Group, and also applies in a unique way to the management of Vienna Insurance Group. Each member of the Managing Board is also responsible for specific countries in the CEE region and is a member of the supervisory boards of the corresponding Group companies. Intensive discussion of Group issues also takes place within the newly established Executive Board of the Group, which consists of the Managing Board of Wiener Städtische AG and selected members from the Group company Managing Boards. This executive body is intended to contribute to a future strengthening of Group identity and the implementation of decisions applying Group-wide. In addition, vehicles for sharing knowledge have been created in a number of functional areas in the Vienna Insurance Group. The heads of these functional areas in the Group companies take advantage of the opportunity to discuss innovative ideas and outline solutions to problems during these events.

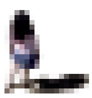
• Multi-brand policy: Under the Vienna Insurance Group's stated multi-brand policy, newly acquired companies generally keep their previous brand names. These names have been ideally introduced in local markets and are well anchored in customer awareness. This policy also helps to maintain the loyalty of sales employees and distribution partners and allows existing distribution relationships to be developed further. Local Group company management, which has the special market knowledge needed, also assumes responsibility for sales. This ensures that customer relationships can be maintained and greatly expanded. The multi-brand policy is rounded out and supported by the Vienna Insurance Group umbrella brand. Each Group company bears its own local brand as its given name and the umbrella brand as its family name, thereby displaying its twofold strength to the outside world.

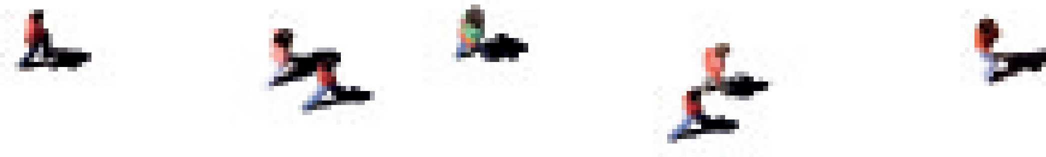
• Multi-channel distribution: The Vienna Insurance Group strives to use a broad selection of distribution channels in all markets to obtain the best possible access to customers and fully exploit its business potential. Creating an effective field sales force is viewed as a foundation for an optimal distribution organisation. In addition, depending on availability and efficiency, partnerships with exclusive and non-exclusive agents, multi-level sales organisations and banks are also desirable. When acquiring new insurance companies, particular attention is paid to the existence of new distribution channels that can be expanded, thereby ensuring that the Vienna Insurance Group's sustainable value-oriented growth strategy can be realised. Multi-channel distribution is closely related to the Vienna Insurance Group's multi-brand policy in this respect.

• Diversification: The Vienna Insurance Group's goal is to use broad diversification to keep risks low in all areas. This is ensured by geographic diversification and the use of a wide variety of different distribution channels. As a result, the potential deterioration of the insurance field in one market has only a limited effect on the Group as a whole. In addition, attention is also paid to quality and risk diversification for investments and reinsurance, particularly in product policies.

The clear orientation, clear ambition on the part of management and employees, and core strategies implemented in the Group using management principles that are actually put into practice are all intended to ensure that the Vienna Insurance Group continues to exist long-term as a successful independent company, for only this independence can create prospective sustained added value for all stakeholders, in particular our customers, employees, shareholders and business partners.







What our investors want: We have heard them.

INVESTOR RELATIONS

International equity market performance

International equity markets continued to show strong performance in 2006. Supported by solid corporate earnings, a high level of liquidity and lively merger and acquisition activity, the basic optimistic sentiment of 2005 carried forward into the first four months of 2006. Strongly increasing energy and commodity prices led to fears of inflation that were followed, particularly in May and June, by a price correction in international equity markets. In the second half of 2006, the market benefited not only from the end of the US Federal Reserve's interest rate increase programme, but also from the favourable trend in corporate earnings and the renewed downward trend in energy and crude oil prices. This resulted in a general upsurge in prices, enabling international markets to record double-digit price performance.

The New York Dow Jones Industrial Stock Index increased by 16.3% in 2006. The 15.1% increase recorded by the European EuroSTOXX 50 stock index was almost at the level of the Dow Jones Industrial. The Japanese Nikkei 225 index rose 6.9% over the whole of 2006.

The emerging markets, including stock markets in the CEE countries, were affected particularly strongly by the market correction in the second quarter. However, thanks to an especially strong fourth quarter, the Euro-based CECE index (special index for Eastern Europe) was able to possess an increase of 14.7% over the whole of 2006.

In an international comparison of index values for recent years, the ATX has shown impressive performance since 2000:

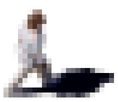
Leading index	End of 2000	End of 2006	Performance
ATX (Austria)	**1,073.30**	**4,463.47**	**+315.9%**
DJIA (USA)	10,868.76	12,463.15	+14.7%
FTSE (England)	6,223.20	6,220.80	0.0%
CAC 40 (France)	5,920.60	5,541.76	–6.4%
DAX (Germany)	6,371.64	6,596.92	+3.5%
SMI (Switzerland)	8,135.40	8,785.74	+8.0%
BUX (Hungary)	7,795.46	24,844.32	+218.7%
Wiener Städtische AG	**EUR 16.29**	**EUR 53.20**	**+226.6%**

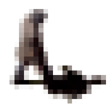
The ATX (Austrian Traded Index) also continued its successful trend of previous successes in 2006.

ATX reaches an all-time high at the end of 2006

2006 was an excellent year for the Viennese financial market. The ATX (Austrian Traded Index) continued its series of past successes in 2006. On the final trading day of 2006, the ATX closed at a level of 4,463.47 points. Although not at the level of the years before (2003: 34.4%; 2004: 57.4%; 2005: 50.8%), the ATX's increase of 21.7% was still excellent in terms of an international comparison. This performance is primarily due to the surge in corporate earnings due to involvement in the CEE region, and the good economic situation in Austria.

Initial public offerings (IPOs) and capital increases brought the Vienna Stock Exchange a record inflow of EUR 11.9 billion in new capital in 2006. This increased corporate interest in capital market financing was met with an equal increase on the part of domestic and foreign investors for shares listed in Vienna. Six new international trading members with direct trading privileges were added to the Vienna Stock Exchange, including well-known names such as the investment house Goldman Sachs. This makes a total of 33 international investment banks permitted to trade on the Vienna Stock Exchange. Foreign market participants already account for more than half (approximately 56%) of the trading volume on the Vienna Stock Exchange. Average monthly spot market trading volume rose over EUR 10 billion for the first time ever in 2006. Market capitalisation climbed by 36% in 2006 to reach a historical high of EUR 145.8 billion.





SHARE INFORMATION

Key figures for the share in 2006

Earnings (undiluted)	EUR 2.48
Proposed dividend	EUR 0.82
Highest price (21 December 2006)	EUR 54.27
Lowest price (13 June 2006)	EUR 41.26
Year-end price	EUR 53.20
Average daily trading volume	EUR 5.4 million*
Performance for the year	6.7 %

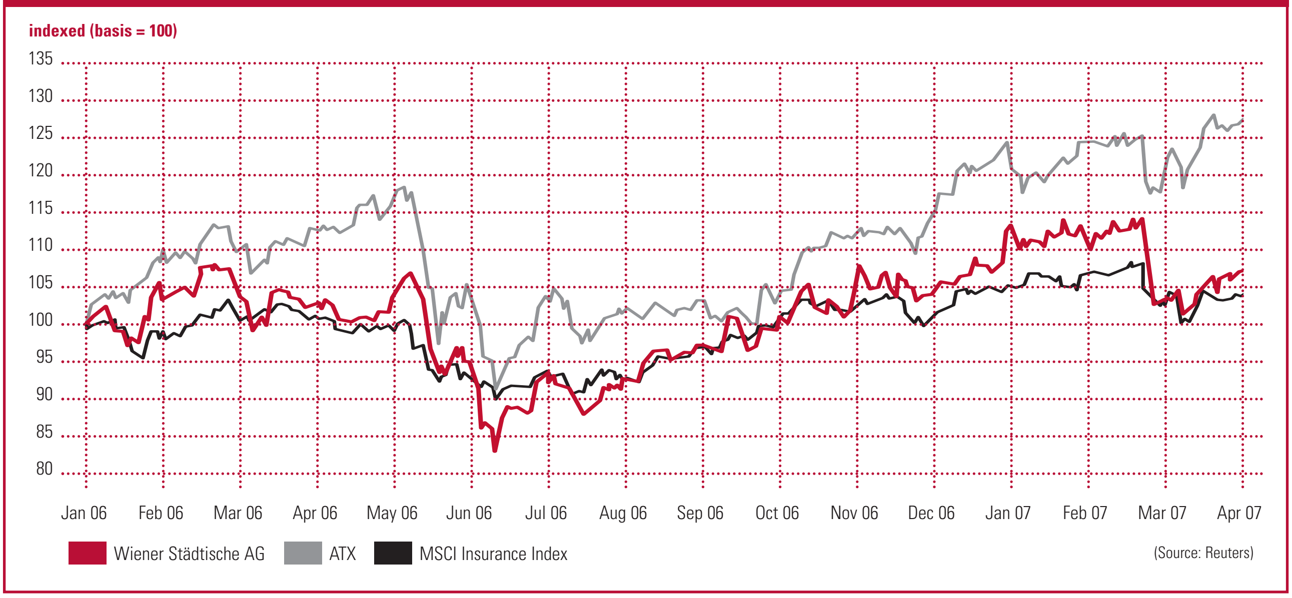
* using single counting

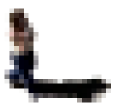
New all-time high of Wiener Städtische share of EUR 57.00 on 26 February 2007.

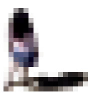
Good performance on the Vienna Stock Exchange

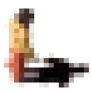
2006 was a good year for WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP shareholders. The value of the shares increased by 6.7% which, although not matching the extraordinarily high price gains achieved in 2005 (+105.1%) and 2004 (+24.3%), nevertheless showed a positive continuation of the past growth trend. After somewhat volatile movement in the first four months of 2006, due to temporary investor nervousness about shares having their main focus in the CEE region, Wiener Städtische shares were also unable to withstand the turbulence in international markets. Benefiting from the positive international stock exchange environment and excellent corporate performance, the share then achieved a significant increase in value in the second half of the year 2006. The performance of close to +29% since 13 June 2006 reflected increased investor confidence and the positive economic trend in the business environment, which allowed the value of the share to rise to EUR 53.20 at the end of 2006.

WIENER STÄDTISCHE AG COMPARED TO THE ATX AND TO THE MSCI INSURANCE INDEX (IN EUR)
1 JANUARY 2006 – 31 MARCH 2007







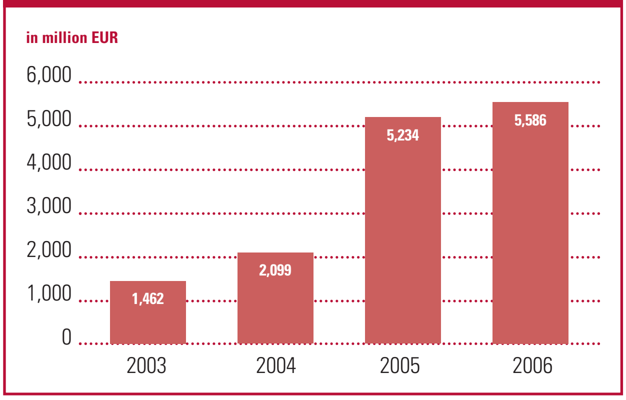


Long-time performance

The satisfying long-term performance of Wiener Städtische shares was also highlighted in "The State of the Financial Services Industry," a study released this year by Mercer Oliver Wyman, a renowned international management consultant. One of the areas addressed by this study was the relative mid-term performance of the world's top 400 listed financial service providers. The study identified Wiener Städtische as a premier performer that consistently provided better performance than the market over the years. This made Wiener Städtische one of the top 20 mid caps (companies with a market capitalisation below USD 10 billion) over the full ten years of data collected, allowing the Company to create significant added value for its shareholders.

Investors value the strategy followed by the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP. The market capitalisation reached by the end of 2006 EUR 5.59 billion.

MARKET CAPITALISATION OF THE VIENNA INSURANCE GROUP



A good start for 2007

The Wiener Städtische share recorded a significant price increase in the first three months of 2007, reaching a new all-time high of EUR 57.00 on 26 February 2007. The share price reaching a value of EUR 53.10 on 30 March 2007.

The Wiener Städtische share is traded in the Prime Market segment of the Vienna Stock Exchange and is included in the ATX leading index. Trading in Wiener Städtische shares averaged about 107,000 shares per day in 2006, which corresponds to an average daily trading volume of EUR 5.4 million.

Information on Wiener Städtische shares

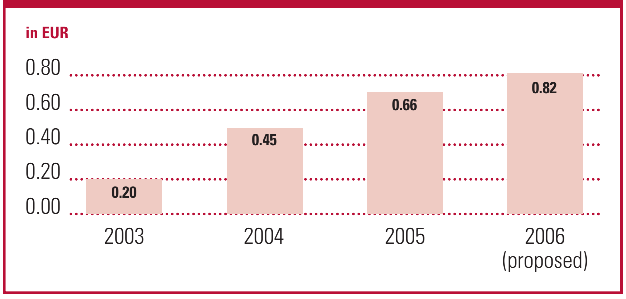
Initial quotation	17 October 1994
Market capitalisation (as of 31 December 2006)	EUR 5,586,000,000
Free Float	28.7%
Share capital	EUR 109,009,251.26
Number of shares	105 million
ISIN	AT0000908504
Ticker symbol	WST
Bloomberg	WST AV
Reuters	WISV.VI
Stock exchange listing	Vienna

Dividend policy

All shareholders should receive a fair share of the Company's earnings. Wiener Städtische AG therefore attempts to distribute at least 30% of consolidated net income each year, while taking into account the needs of a strongly expanding company.

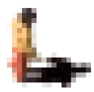
The Managing Board of the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP plans to propose a dividend of EUR 0.82 per share for the fiscal year 2006 at the Annual General Meeting on May 25, 2007. This equals an increase of EUR 0.16 or about 25% over the previous year.

DIVIDEND PER ORDINARY SHARE





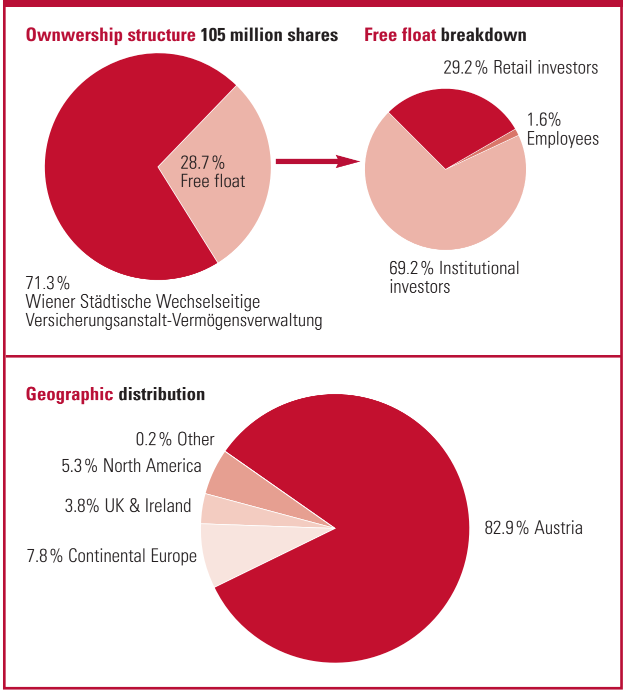




Shareholder structure

Approximately 71% of the shares are held by Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung, the main shareholder of the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP. The current free float of the share is approximately 29%. Approximately 69% of these shares are held by institutional investors. Retail investors, who were especially addressed by the capital increase, hold approximately 29% of the shares. 1.6% of the free float in the shareholder structure results from the lively interest employees showed in the employee programme that was offered at the time of the 2005 Second Public Offering (SPO), when 50% of employees subscribed new shares.

SHAREHOLDER STRUCTURE



Retail investors represent about 30% of Wiener Städtische's free float.

Investor Relations in 2006

The Vienna Insurance Group took part in eleven international banking conferences and four roadshows organized by the Vienna Stock Exchange in 2006. The lively interest in the Vienna Insurance Group was reflected in the large number of one-on-one meetings that the management of the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP conducted during these events. The performance and strategy of the Vienna Insurance Group and current trends in Central and Eastern Europe and Austria were discussed in detail during these meetings.

The number of investment banks performing a regular analysis of Wiener Städtische shares rose to nine in 2006.

The following investment banks publish an analysis of Wiener Städtische shares*:

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

* This list includes all analyses known to Wiener Städtische AG at the editorial deadline.

The rating “A+” of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP was reconfirmed by Standard & Poor’s.

New Internet presence of Vienna Insurance Group
An expanded range of information is also offered on the Investor Relations pages forming part of the new website available at www.wienerstaedtische.com since 8 November 2006. For the first time, an interactive price chart is available that can be custom configured to show the performance of Wiener Städtische shares. A variety of different chart types and time periods can be selected, ranging from intraday to a 10-year period. The comparative performance of Wiener Städtische AG can also be shown, using the ATX or EuroSTOXX index as a benchmark. Moving averages, a selection of various indicators and the possibility of downloading past prices in Excel format round off the expanded range of information available.

A list of the dividends paid out since 1994 is also available under “Share Information” on the menu. As a special feature, an application form has been included under the “Services” menu item which can be used to subscribe to an emailing list for Investor Relations news or annual and interim reports. Banking conference and roadshow dates have been added to the financial calendar and downloads have been expanded to include key presentations.

Standard & Poor’s reconfirms “A+” rating with stable outlook
In September 2006, the internationally renowned rating agency Standard & Poor’s reconfirmed the excellent rating of the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP. Wiener Städtische AG was again awarded an “A+” with continued stable outlook. The deciding factors for this outstanding rating were the good competitive position of the Group, strong operating performance in core markets, excellent financial strength, and overall conservative risk management, including in new markets.

In its rating report, S&P underscored the Group’s strong position in Austria due to a well-established sales organisation and balanced diversification of business areas, and the strong growth potential associated with the early, but risk-conscious entry into the CEE markets. The rating agency also mentioned the high profitability and market position in the Czech Republic and Slovakia, as well as recent systematic expansion of market positions in Other CEE segment.

The financial calendar of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP

Results for the 1st quarter of 2007	14 May 2007
2007 Annual General Meeting	25 May 2007
Ex-dividend day	4 June 2007
Dividend paxment date	4 June 2007
Results for the 1st half of 2007*	21 August 2007
Results for the first three quarters of 2007*	14 November 2007

* preliminary schedule

Investor Relations
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CORPORATE GOVERNANCE

Corporate Governance stands for corporate management and control aimed at responsible, long-term creation of value, with a goal of creating maximum transparency for all stakeholders in order to promote the confidence of capital market participants.

The Austrian Code of Corporate Governance, which was first presented for this purpose by the Austrian Working Group for Corporate Governance in October 2002, was updated in January 2006 to take into account the 2005 amending law to the Austrian Companies Act.

The total of 80 rules in the Austrian Code of Corporate Governance are divided into three categories:

- Rules based on mandatory legal requirements (legal requirement)
- Rules based on standard international requirements. Non-compliance with these rules must be declared and justified in order to attain conduct in compliance with the Code (comply or explain)
- Rules of a purely recommended nature. Non-compliance with these rules does not have to be disclosed or justified (recommendation)

The Austrian Code of Corporate Governance is a self-imposed obligation that is taken on voluntarily by a company and requires an annual public declaration of compliance with these rules.

Corporate Governance in the Vienna Insurance Group

The WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP adheres to the Austrian Code of Corporate Governance. For years, the Company has followed a clear strategy of creating added value for all stakeholders. In this sense, compliance with the rules of the Code to ensure transparency and strengthen investor confidence is an important concern of management.

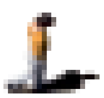
The uniform capital structure created in 2005, when non-voting preferred shares were converted to ordinary shares according to the principle of "one share – one vote", represents a clear step toward equal treatment of all shareholders. In the interests of investors, a 1-to-7 share split was performed in 2004 to make the shares more readily tradable.

The Vienna Insurance Group adheres to the Austrian Code of Corporate Governance.

Complete information on the Group is available to the public on the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP website (www.wienerstaedtische.com), providing shareholders and potential investors quick and easy access to the current financial calendar, expanded information on the Supervisory Board, regular presentations of results, details of the Annual General Meeting, etc.

A new service was offered to shareholders for the first time for the Annual General Meeting in May 2006. An independent proxy from the *Interessenverband für Anleger* (IVA) assisted shareholders who were unable to personally attend the Annual General Meeting to exercise their voting rights. WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP is planning to also have this service available to shareholders for the Annual General Meeting on 25 May 2007.

The practical implementation of Corporate Governance is a continuous process, in which management receives support from a number of departments in the Group. All of the activities involved in putting Corporate Governance into actual practice focus on open and transparent communication with all stakeholders, and this is the area where the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP strives to make continuous improvements in its Corporate Governance and welcomes a refinement of existing rules.



Corporate Governance declaration

WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP complies with all "legal requirement" rules in the January 2006 version of the Austrian Code of Corporate Governance as required by law, and only deviates from the Code's recommendations with regard to the three "comply or explain" rules and one "recommendation" rule presented below:

Rules 38 and 57 – Comply or explain

Rule 38: *The supervisory board shall define a requirements profile for managing board members that takes into account the enterprise's business focus and its situation, and shall use this profile to appoint managing board members in line with a predefined appointment procedure. Furthermore, the supervisory board shall also give due consideration to the issue of successor planning. Nomination to the managing board shall no longer be possible after the age limit defined in the bylaws or articles of association has been reached.*

Rule 57: *A person holding a position on the managing board of a listed company may not hold more than four positions (the position of chairperson counts as two positions) on the supervisory boards of stock corporations not belonging to the group. Companies in which a major interest is held are not considered non-group companies. Appointment to the supervisory board shall no longer be possible after the age limit defined in the bylaws or articles of association has been reached.*

Declaration: In the opinion of the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP, age cannot be used on its own to justify a general exclusion from holding managing or supervisory board positions. In view of the fact that experience is a highly valuable qualification and age a very individual measure, it does not appear reasonable to set such an age limit. Therefore, no upper age limit has been set for the appointment of members to WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP's Managing Board or Supervisory Board. When selecting Managing Board and Supervisory Board members, the greatest value is placed on selecting the individual with the best possible personal and professional qualifications.

Rule 41 – Comply or explain

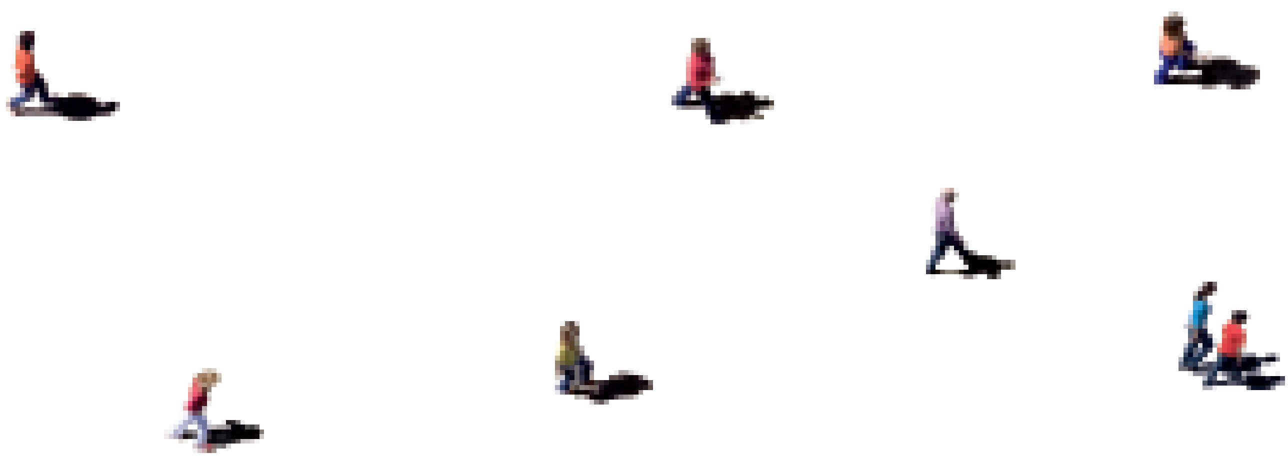
The supervisory board shall set up a nominating committee. In the case of supervisory boards with 6 or fewer members (including employee representatives), this function may be performed by the supervisory board as a whole. The nominating committee submits proposals to the supervisory board for filling managing board positions that are being vacated and deals with issues of successor planning.

Declaration: Because of its extreme importance, the issue of successor planning is handled by the Supervisory Board as a whole. The WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP Supervisory Board has therefore not established a nominating committee.

Rule 31 – Recommendation

The fixed and performance-linked compensation components of each member of the managing board are to be disclosed individually in the annual report.

Declaration: The principles governing the compensation paid to the Managing Board and the total compensation paid to the Managing Board are published. Detailed information on the individual compensation received by Managing Board members would have relatively little informational value to investors and is not published in the annual report in the interests of respecting Managing Board members' rights to privacy.



CORPORATE SOCIAL RESPONSIBILITY

Manage successfully – act responsibly

More than ever before, companies are expected to be not only commercially successful, but also socially and environmentally responsible. The Vienna Insurance Group stresses its social responsibility by providing transparency and a readiness for dialogue. Intensive dialogue with all interest groups, i.e. shareholders, customers, employees, business partners, the capital market and the public, increases confidence in the Company. Working together as partners also increases employee motivation and loyalty.

> The Vienna Insurance Group stresses its social responsibility by providing transparency and a readiness for dialogue.

In autumn 2006, the Centre of Corporate Citizenship Austria repeated its ranking of the largest Austrian companies. Awards were given to companies whose environmental, employee and social commitment extended beyond the legal requirements. The WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP moved up ten places in its ranking compared to the previous year, and now ranks as the best insurance company among the Top-20 Austrian companies in view of social responsibility.

The shares of the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP are also listed on VÖNIX. The VÖNIX Sustainability Index created by the VBV Austrian Pension Fund is a stock index of Austrian listed companies oriented towards sustainability. The index selects 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 18,587 employees in the Group, including the 12,840 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 in the countries where the Group is active receive training together in a Group-wide management course. The international nature of the Group also allows qualified employees to take part in an international training programme where they are stationed in a variety of companies in the Group. During this programme, 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 programmes, knowledge and expertise are also exchanged during regular international Group

conferences at the expert level. These specialized vehicles provide experts from a wide range of specialties and countries with an opportunity to develop concepts for Group-wide problem solutions and innovations through presentations and follow-up discussions.

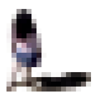
The Group's own human resources company, Horizont GmbH, also ensures competence and continuous further training of employees. Each year, Horizont conducts more than 800 training events with more than 25,000 participant-days for the Group. These events combine e-learning and traditional forms of training 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 programme 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 *Bildungsakademie 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 our 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" are designed to further increase customer satisfaction and apply to all employees in the Vienna Insurance Group, including both field and office employees.

> **Attention to the customer needs means offering a first-class, demand-based product line at fair terms and prices.**

In 2006, Vienna Insurance Group showed how reliable a partner it was, particularly in emergency situations (e.g. snow pressure and flood), by providing especially fast claims processing. In this way, at least the financial aspects of the often very difficult situations occurring in catastrophes could be handled quickly and without too made red tape. It was also possible to report claims via the Internet (www.wienerstaedtische.at). A "storm banner" on our home page provided customers with helpful tips.

The Service line offered by Wiener Städtische and Donau Versicherung is an important component of customer service in Austria. Around 70 employees are available by telephone in the Call Centre at 050 350 350 or 050 330 330 to answer questions from existing or 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.

Centralized complaint management allows the Company to handle in a service-oriented manner to customer concerns. Complaint management ensures that complaints are investigated quickly by the departments concerned and brought to a conclusion that satisfies all parties involved. Central complaint management is seen as an important quality assurance instrument.

Environmental responsibility ...

The effect of an insurance group on the environment would seem relatively small compared to an industrial company. Therefore we make the effort to take the environmental aspect into our consideration when we design a new product.

... by offering products promoting environmental protection

Customers of the Vienna Insurance Group 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.

The Vienna Insurance Group offers equal opportunities to all its employees.

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 cooperation across borders and cultural groups above all else, making a contribution in this way to mutual understanding and tolerance.

Sexual equality in particular is not just a catchword, but a part of everyday reality in the Vienna Insurance Group. Equal opportunity means not only the availability of family-friendly facilities such as a company kindergarten for 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 given to sex. As a result, the high proportion of female employees leads automatically to a high proportion of female managers.

The Vienna Insurance Group is strongly involved in providing support to numerous projects carried out by a variety of relief organisations.

... by providing support to relief organisations
The Wiener Städtische is particularly heavily involved in social sponsorship. The Wiener Städtische has been a supporting partner in numerous projects and initiatives carried out by a variety of relief organisations such as Caritas, Volkshilfe and Hilfswerk.

... by means of selected public works
The Wiener Städtische supports numerous projects in 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.

The WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP has been awarded the Maecenas art sponsoring prize several times already. The last time Wiener Städtische received the Maecenas was for its overall sponsoring concept for the 2006 Mozart anniversary, which integrated a number of national and international projects. As part of the Vienna Mozart Film Festival, recordings of great Mozart performances were shown in a number of Central and Eastern European cities, similar to the world's largest film festival in the Vienna city hall square.

Christian Ludwig Attersee's monumental "Don Giovanni" wrapping of the Ringturm was also a part of this project. The headquarters of the Vienna Insurance Group became the world's largest artistic monument for seven weeks. Wiener Städtische realised this project with the Austrian painter Christian Ludwig Attersee, who wrapped the Ringturm in a self-created Don Giovanni subject on 4,300 square meters of foil mesh.

The former cash hall of the Ringturm (headquarters of the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP in Vienna), 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:
- Moscow – Melnikow: The architecture and city planning of Konstantin Melnikow 1921–1937 (from 16 February to 13 April 2006)
- Europe's best buildings; Mies van der Rohe Award 2005 – European Union Prize for Contemporary Architecture (from 27 April to 9 June 2006)
- Josef Plecnik, Architect in Ljubljana, Vienna and Prague 1872–1957 (from 28 June to 8 September 2006)
- Boundless – Timeless, Abbeys in the heart of Europe (from 20 October 2006 to 13 April 2007)

Since 2006, the Vienna Insurance Group has been a partner in the Thyssen-Bornemisza Art Contemporary (T-B A21), a foundation established by Francesca von Habsburg. T-B A21 promotes and presents contemporary art according to a conceptual ideal that the members of the Vienna Insurance Group support. In the spring of 2006, the Vienna Insurance Group took part as a sponsor in an art journey along the Danube river. This project was an attempt to establish contact on an artistic level with the complex challenges presented by recent sociopolitical developments in Europe. From May to June 2006, the film installation Küba by Turkish artist Kutlug Ataman sailed up the Danube on board the freighter Nigrelli from Bulgaria, passing through Serbia, Croatia, Hungary and Slovakia to its final destination in Vienna.

The Vienna Insurance Group is participating with six other major companies in the "edge of your plate" initiative.

The "edge of your plate" initiative brought change to the climate of public opinion in 2006. Wiener Städtische is participating with six other major Austrian companies in the "edge of your plate" initiative. Using a red-white-red edged plate as a logo, Austrians were invited to look beyond the edge of their own plate and act in support of a large common Europe. The "edge of your plate" initiative is intended to inform Austrians of the benefits of EU expansion, thereby helping to guarantee progress, well-being and a future for the country. The heart of the initiative, the www.tellerrand.at Internet platform, invites individuals to personally take a position for more economic growth, more jobs, more exports, more educational opportunities, and more cultural exchange.

... under the cooperative arrangement with "Die Zweite Sparkasse" savings bank

Wiener Städtische is the first insurance company in Austria and in the European Union to address the issue of microinsurance and bring insurance products to the market that provide coverage against special risks that could threaten the establishment of a livelihood. The recent cooperative arrangement with "Die Zweite Sparkasse" bank incorporates the core competencies of insurance to assist socially disadvantaged groups in Austria.

At the initiative of Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung, the major shareholder of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP, Wiener Städtische is offering insurance packages adapted to the needs of the customers of "Die Zweite Sparkasse". "Die Zweite Sparkasse" account holders enjoy free insurance protection. A legal consultation at no cost once per quarter and free casualty insurance are also included. The option of purchasing household insurance for a monthly premium of only 3 Euros is also offered. The cooperative arrangement between "Die Zweite Sparkasse" and Wiener Städtische is conducted in partnership with Caritas Austria and Austrian debt counseling organisations.

Our customer's confidence is
And so we are growing too.

growing.

MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

VIENNA INSURANCE GROUP

Umbrella brand Vienna Insurance Group
Starting in early 2006, the Wiener Städtische Group introduced the umbrella brand Vienna Insurance Group. In May 2006 it was decided to change the company name from Wiener Städtische AG to WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP. The new umbrella brand is intended to demonstrate the cohesion of the insurance companies in the Group, which will continue to operate under the names and brands they have established in their local markets as part of the Group's successful multi-brand strategy. The Vienna Insurance Group is a big family, in which each Group company bears its own brand as a given name and the Group brand Vienna Insurance Group as a family name.

Vienna Insurance Group – leading in Central and Eastern Europe
With a premium volume of approximately EUR 5.9 billion, the Vienna Insurance Group is the leading Austrian insurance group in the CEE region, occupying an outstanding number 2 ranking in comparison with international insurance groups. The insurance companies in the Vienna Insurance Group offer high-quality insurance services in both the life and non-life segments. The key objective is to deliver innovative local insurance solutions for all areas of life with optimal customer service.

Presence in 20 countries*
The employees of the Vienna Insurance Group are working to ensure the optimum insurance coverage of its customers in 20 countries* of Central and Eastern Europe. Outside its Austrian home market, the Vienna Insurance Group operates (through subsidiaries) in Albania*, Belarus, Bulgaria, Croatia, the Czech Republic, Georgia, Germany, Hungary, Liechtenstein, Macedonia*, Poland, Romania, Russia, Serbia, Slovakia, Turkey* and Ukraine. Branch offices are maintained in Italy and Slovenia.

* subject to a due dilligence review and the approval by the authorities

Pure play in CEE
The Vienna Insurance Group is in the best possible position to participate in the rising standard of living in the CEE countries and the increased need for insurance that goes with it. The share of CEE companies' premiums is already close to 40% of the total Group premiums. In the Property/Casualty segment, the CEE share is more than half of Group premiums. No other international listed insurance group generates such a large percentage of its premiums in the CEE region.

Standard & Poor's "A+"-rating
The excellent financial strength of the Vienna Insurance Group was reconfirmed in 2006 by the international rating agency Standard & Poor's which has again given the Group a rating of "A+" with a stable outlook. For this reason the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP maintained its status in 2006 as the best rated of all Austrian insurance groups. S&P emphasised the favourable competitive position of the Group, its strong operating performance in the core markets, its outstanding financial strength, and overall conservative risk management, including in the new markets, as the deciding factors for this attractive rating.

Traded on the Vienna Stock Exchange
The stock of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP is listed on the Vienna Stock Exchange, where it is one of the most actively traded and highly capitalised shares. The share is also represented in the ATX (Austrian Traded Index), the blue-chip index of the Vienna Stock Exchange.

VIENNA INSURANCE GROUP

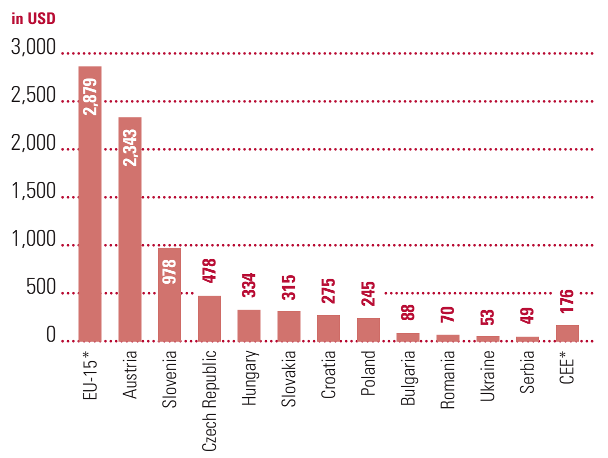
CEE – home and growth market of Vienna Insurance Group.

CEE – The growth market

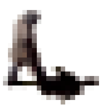
The CEE region offers highly attractive growth prospects for the insurance sector. The Vienna Insurance Group's expansion into the CEE countries pursues business potential that is essentially based on two factors. Insurance density in the CEE region (premiums per capita) is only a fraction of the level in Western Europe and further exhibits above-average annual growth rates. 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 to protect this standard of living. The economic convergence process taking place in the region is expected to continue over the long term. In a dynamically changing economy, the insurance market normally grows at a significantly faster rate than the overall economy. These are factors that make Central and Eastern Europe very attractive for the Vienna Insurance Group.

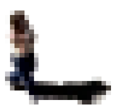
The long-term convergence potential of the CEE region can be illustrated by using the example of insurance density. In the CEE region, this indicator is only 1/16 of the Western European level. In 2005, insurance density for the CEE countries was USD 176 (excluding Russia and Belarus) versus USD 2,879 for the EU-15 countries on average.

2005 INSURANCE DENSITY



* Weighted average value for the CEE-area,excluding Russia and Belarus
(Source: Swiss Re, Sigma Nr. 5/2006)





Summary of the most important events affecting the VIENNA INSURANCE GROUP in 2006

The Vienna Insurance Group: "Best Insurance House" in the CEE region

In January 2007, Finance New Europe, the international magazine for finance, announced the winners of its 2006 Achievement Awards. The Vienna Insurance Group was named the "Best Insurance House 2006" for its operations in Central and Eastern Europe. The Achievement Awards are given to the top companies – that is, the best, most innovative companies – in the financial services area in Central and Eastern Europe. This was the first time that the "Best Insurance House" award was given.

> The Vienna Insurance Group was the "king of growth" in a ranking of companies in the Prime Market of the Vienna Stock Exchange.

Finance New Europe emphasised that the Vienna Insurance Group was the largest Austrian insurance group in the CEE region that had steadily expanded its operations through organic growth and acquisitions in this area since 1990, generating approximately 30% of its premiums in this region. It also mentioned as another factor that the Vienna Insurance Group – in contrast to the single-brand strategy of other market participants – relied successfully on a strong local market presence of the regional Group companies. The Group companies maintain a market presence based on their locally established name together with the common international umbrella brand name of the Vienna Insurance Group.

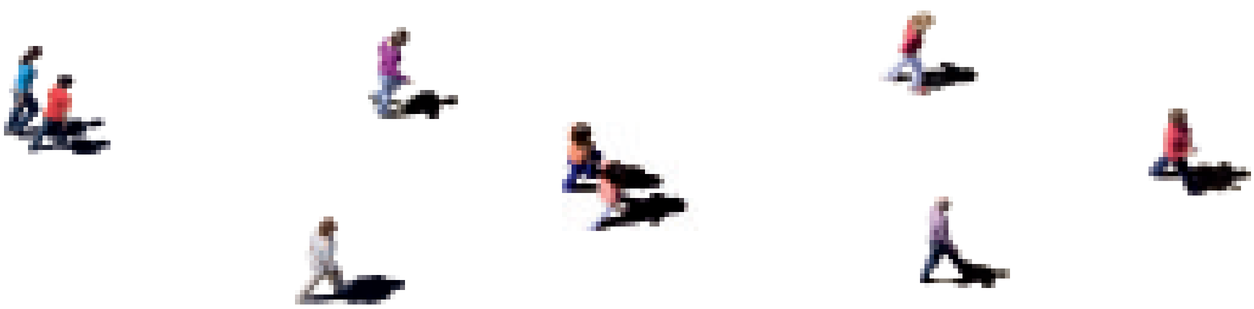
Standard & Poor's reconfirms "A+" rating with stable outlook

The internationally renowned rating agency Standard & Poor's (S&P) reconfirmed the excellent rating awarded to WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP. Wiener Städtische again received an "A+" rating with continued stable outlook. As deciding factors for this outstanding rating, S&P stressed the Group's good competitive position, strong operating performance in core markets, excellent financial strength, and overall conservative risk management, including in new markets.

In its rating, S&P underscored the Group's strong position in Austria with a well-established sales organisation and balanced diversification of business areas, and the strong growth potential associated with its early, but risk-conscious entry into the CEE markets. The rating agency also emphasised the high profitability and market position in the Czech Republic and Slovakia, as well as recent systematic expansion of market positions in Other CEE. S&P maintained a stable outlook for the Group based on sustained strong operating results in core markets and successful development of the insurance business in Other CEE.

The Vienna Insurance Group is the "king of growth" in the Prime Market of the Vienna Stock Exchange

A ranking undertaken by Wirtschaftsblatt, one of the principal Austrian business dailies, selected the Vienna Insurance Group as the "king of growth" among all companies listed in the ATX Prime Market of the Vienna Stock Exchange and/or Austrian companies listed on foreign stock exchanges. The ranking compared selected average annual growth rates for the last five years (2000–2005). Wiener Städtische achieved first place with an average growth of 12.6% in premium revenue, 48.7% in profit before taxes, and 33.0% in the number of employees. This demonstrates the success of the growth strategy followed by the Company to date.



The Vienna Insurance Group increases its stake in TBIH to 60% via restructuring

The Vienna Insurance Group converted its previous 40% interest in Kardan Financial Services B.V. (KFS) into a direct interest in TBIH Financial Services Group N.V. (TBIH) and now holds a stake of more than 60% in this company (subject to official approval). TBIH is a financial services group specialising in Central and Eastern Europe. At the time of the transaction, TBIH was valued at approximately EUR 270 million. The remaining shares in TBIH are held by the previous majority owner KFS.

In the course of this transaction it was agreed that in the future TBIH would concentrate exclusively on the insurance and pension fund business in the Central and Eastern European markets. Ownership interests related to leasing, asset management and banking services operations areas were, in turn, spun off from TBIH and assigned to KFS. This restructuring makes it possible for the Vienna Insurance Group to focus exclusively on its core business.

Through TBIH, the Vienna Insurance Group holds ownership interests mainly in the following insurance companies: the Bulstrad Group in Bulgaria, Helios in Croatia, GPIH in Georgia and Omniasig Life in Romania. Omniasig Life is a member of the Omniasig Group, in which the Vienna Insurance Group also has a direct ownership interest. The ownership interest in TBIH further allows the Vienna Insurance Group to open up new business areas in the pension fund segment in Bulgaria, Georgia, Croatia and Ukraine. After completion and official approval of recent acquisitions, the Vienna Insurance Group will also be represented through TBIH in Albania, Macedonia and Turkey.

Czech Republic: Kooperativa Prague is one of the top three companies

According to a survey, Kooperativa pojišťovna a.s., the largest company in the Vienna Insurance Group outside of Austria and the second largest insurance company in the Czech Republic, is one of the top 3 companies in the Czech Republic. The country's top 100 companies were chosen by a survey of 25,000 managers from industry and commerce.

Kooperativa Prague is one of the top 3 companies in the Czech Republic.

Poland: Cigna

In March 2006, the necessary official approvals were granted for the acquisition – agreed in late 2005 – of a 63.09% ownership interest in Cigna, a company established in 1993 and headquartered in Warsaw. In the course of 2006, WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP increased its majority interest in this non-life insurance company to 93%. This allowed the Vienna Insurance Group, which was already previously represented by Compensa Life and Non-Life, Benefia Life and Non-Life, and Royal Polska, to further expand its position in its core market of Poland and it now already ranks fifth in the market for non-life insurance companies with a current market share of approximately 6%.

Poland: Ownership interest in the insurance company TU Polski Związek Motorowy S.A.

The Vienna Insurance Company intends to further expand its distribution in the Polish market through an ownership interest in the non-life insurance company TU Polski Związek Motorowy S.A. WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP will acquire 75% of the Polish insurer by way of a capital increase. With this transaction the Vienna Insurance Group will gain an extremely attractive sales part-

ner, namely the Polish Automobile Association (PZM), which currently holds 100% of the shares of the insurance company. Wiener Städtische's planned share acquisition will reduce the ownership interest of the Polish Automobile Association in TU PZM to 25%. The Polish Automobile Association is represented throughout Poland.

In Poland, the Vienna Insurance Group already ranks fifth in the non-life insurance market.

Romania: Omniasig Non-Life

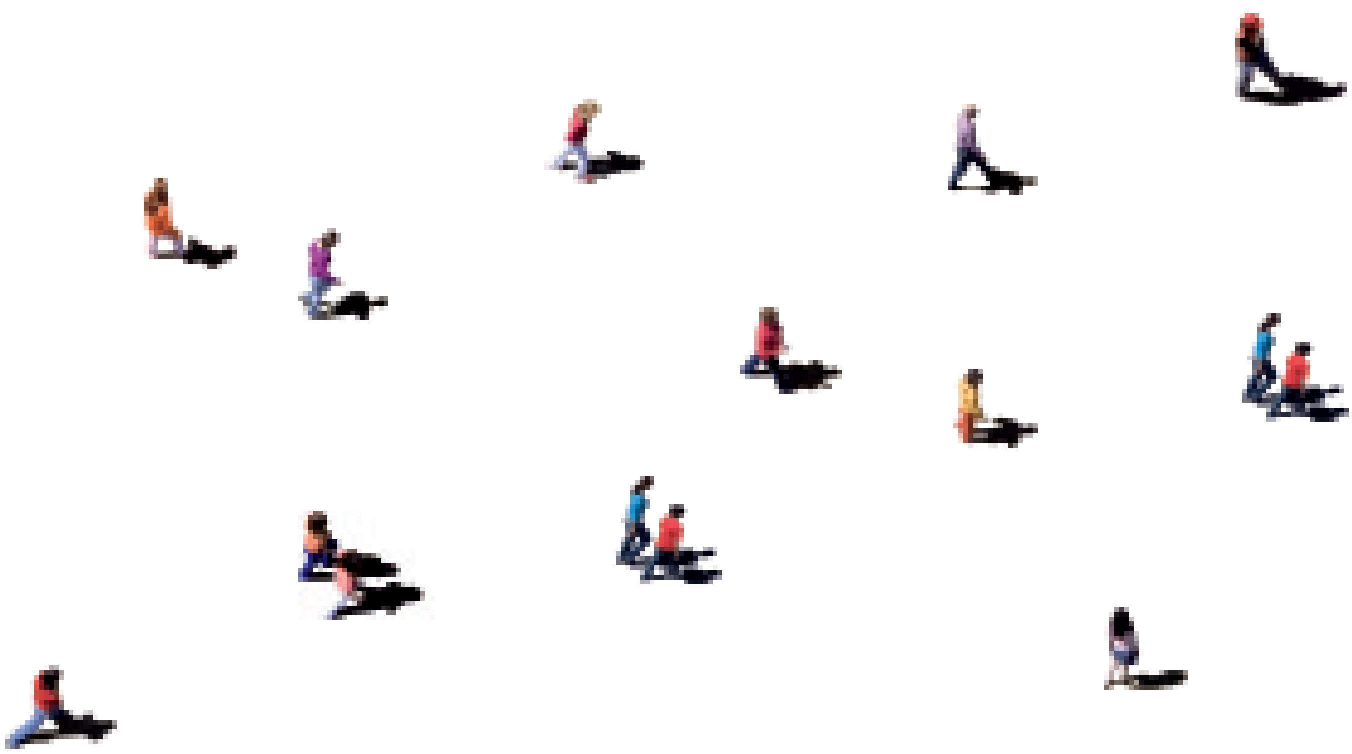
In April 2006, the Vienna Insurance Group acquired 21.16% of the shares of the Romanian insurer Omniasig Non-Life from the Romanian company Banca Comerciala Romana (BCR), a member of the Erste Bank Group. This acquisition increased the Vienna Insurance Group's stake in Omniasig Non-Life to more than 90%.

Ukraine: Globus

In addition to the Kniazha insurance company, which operates primarily in the motor vehicle liability insurance segment, and the Jupiter life insurance company, which was already acquired in 2004, the Vienna Insurance Group was also able, in 2006, to formally complete its acquisition of a majority interest in the Ukrainian insurance company Globus when the official approval became available. An agreement for the purchase of a 51% stake in this non-life insurance company had already been signed in late 2005. Globus was founded in 1994.

Russia: MSK-Life operating from Kaliningrad to Vladivostok

In early August of 2006, MSK-Life, which was created from a joint venture between MSK/Moscow Insurance and the Vienna Insurance Group, was granted a license to commence business operations in the life and health insurance segments within the Russian Federation. MSK-Life started business operations in Russia in November 2006 and offers a broad range of life insurance products, old-age pension insurance, endowment insurance for children, as well as casualty and health coverage. The insurance products are sold through the distribution networks of MSK as well as the Bank of Moscow, present with more than 120 sales offices in Russia from Kaliningrad to Vladivostok. Approximately 10,000 policies were already sold in the first few months.



Market position in the growth markets of Central and Eastern Europe is being steadily expanded.

General information on the management report

Reporting according to IFRS

The following pages first present a detailed description of the development of business and results of operations for the Vienna Insurance Group. This is followed by an overview of the countries in which the Vienna Insurance Group operates as well as the individual Group companies. The order of the individual countries generally follows the geographical segment reporting in the IFRS consolidated financial statements. The individual segments are Austria (including the two branch offices in Italy and Slovenia), the Czech Republic, Slovakia, "Other CEE" (Bulgaria, Croatia, Poland, Romania, Serbia and Hungary), and "Other markets" (Germany and Liechtenstein). Georgia, Russia, Ukraine and Belarus are also described in this section, even though the companies in these countries have not yet been included in the scope of consolidation of the Group. There are no descriptions for the countries (Albania and Turkey) in which the most recently agreed acquisitions have been made.

Comments on the key figures shown for countries and individual insurance companies

The tables showing key figures for the Vienna Insurance Group in each country only include information from Vienna Insurance Group companies that are included in the consolidated financial statements as of 31 December 2006. The annual financial statements of the Group do not include the companies in Georgia, Russia, Ukraine and Belarus, as well as the recently agreed purchases in Albania and Turkey (Scope and methods of consolidation, in the notes to the consolidated financial statements, p. 114). For the same reason, there is no table showing key figures for the Vienna Insurance Group in these countries. No tables are provided for Italy and Slovenia, because Wiener Städtische operates in these two countries by means of branch offices and their results are therefore included in the figures shown for Wiener Städtische AG (Austria segment). For enhanced readability, all absolute figures for 2006 have been converted to Euros using the same average 2006 exchange rate that was used to prepare the IFRS financial statements. As a general rule, the figures shown in the narrative sections for the individual companies are those that were used in the IFRS financial statements. The figures for companies that are not included in the consolidated financial statements were taken from individual regional financial statements, unadjusted for ownership interests or consolidation entries.

Overview of currencies and average exchange rates for 2006

Country	Currency	Name	Average 2006 exchange rate
			1 EUR ≙
Belarus	BYR	Belarus Rouble	2,698.5700
Bulgaria	BGN	Bulgarian Lew	1.9558
Czech Republic	CZK	Czech Koruna	28.3420
Croatia	HRK	Croatian Kuna	7.3247
Georgia	GEL	Georgian Lari	2.2332
Hungary	HUF	Hungarian Forint	264.2600
Liechtenstein	CHF	Swiss Franc	1.5729
Poland	PLN	Polish Zloty	3.8959
Romania	RON	Romanian Leu	3.5258
Russia	RUB	Russian Rouble	34.1120
Serbia	RSD	Serbian Dinar	83.9585
Slovakia	SKK	Slovak Koruna	37.2340
Slovenia	SIT	Slovenian Tolar	239.6000
Ukraine	UAH	Ukrainian Hryvnia	6.3569

Country	Company	Core business	Share of capital
Austria			
	WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP	Life/Non-Life	
	Donau Allgemeine Versicherungs-AG	Life/Non-Life	89.47 %
	Bank Austria Creditanstalt Versicherung AG	Life	90.00 %
	UNION Versicherungs-AG	Life	45.00 %
Czech Republic			
	Kooperativa pojišt'ovna a.s.	Life/Non-Life	87.67 %
	Česká podnikatelská pojišt'ovna a.s.	Life/Non-Life	87.67%
Slovakia			
	Kooperativa poist'ovňa a.s.	Life/Non-Life	100.00 %
	Komunálna poist'ovňa a.s.	Life/Non-Life	95.06%
	Kontinuita poist'ovňa a.s.	Life	100.00 %
Other CEE			
Bulgaria	Bulstrad Insurance & Reinsurance Plc.*	Non-Life	
	Bulstrad Life Insurance Joint-Stock Company*	Life	
	Bulgarski Imoti Non-Life Plc.	Non-Life	98.36%
	Bulgarski Imoti Life Plc.	Life	98.35 %
Georgia	Georgian Pension and Insurance Holding JSC*	Life/Non-Life	
	IRAO*	Non-Life	
Croatia	Kvarner Wiener Städtische osiguranje d.d.	Life/Non-Life	98.75 %
	Cosmopolitan Life d.d. za osiguranje	Life	73.00 %
	HELIOS Osiguranje d.d.*	Life/Non-Life	
Poland	TU Compensa S.A.	Non-Life	99.87 %
	TU na Życie Compensa S.A.	Life	100.00 %
	TUiR CIGNA STU S.A.	Non-Life	92.77 %
	Royal Polska TU na Życie S.A.	Life	95.44 %
	BENEFIA TU Majątkowych S.A.	Non-Life	100.00%
	BENEFIA TU na Życie S.A.	Life	100.00%
Romania	Omniasig S.A.	Non-Life	98.17 %
	Omniasig Asigurari de Viata S.A.	Life	69.98 %
	Unita S.A.	Non-Life	100.00 %
	Agras Asigurare Reasigurare S.A.	Non-Life	88.68%
Russia	MSK-Life	Life	25.01 %
Serbia	Wiener Städtische osiguranje a.d.o. Beograd	Life/Non-Life	100.00 %
Ukraine	UIC Kniazha	Non-Life	50.01 %
	IC Globus	Non-Life	51.00%
	CJSC Jupiter	Life	73.00 %
Hungary	UNION Biztosító Zrt.	Life/Non-Life	100.00 %
Belarus	SBA ZASO Kupala	Non-Life	94.50 %
	ZASO Victoria	Non-Life	100.00 %
Other markets			
Germany	InterRisk Versicherungs-AG	Non-Life	100.00 %
	InterRisk Lebensversicherungs-AG	Life	100.00 %
Liechtenstein	Vienna Life Lebensversicherung AG	Life	100.00 %
Branches			
Italy	Wiener Städtische Versicherung AG Italia	Life/Non-Life	–
Slovenia	Wiener Städtische Zavarovalnica, Podružnica v Ljubljani	Life/Non-Life	–

* These insurance participations are held via Kardan Financial Services. WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP owns 40% of Kardan Financial Services B.V as of 31 December 2006. Detailed information about the participations of the Wiener Städtische is available in the consolidated financial statements of the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP.

BUSINESS DEVELOPMENT AND RESULTS OF OPERATIONS

Consolidated financial statements

The consolidated financial statements of the Vienna Insurance Group were prepared in accordance with the International Financial Reporting Standards ("IFRS"). They cover fiscal year 2006 (1 January 2006 to 31 December 2006) and provide a comparison with fiscal year 2005.

The following insurance companies were added to the Vienna Insurance Group's scope of consolidation in 2005:

- Česká podnikatelská pojišťovna a.s., Prague (1 July 2005)
- Omniasig (subgroup), Bucharest (1 August 2005)
- BENEFIA TU Majątkowych S.A., Warsaw (31 December 2005)
- BENEFIA TU na Życie S.A., Warsaw (31 December 2005)
- Royal Polska TU na Życie S.A., Warsaw (31 December 2005)
- Cosmopolitan Life d.d. za osiguranje, Zagreb (31 December 2005)
- TU Compensa S.A., Warsaw [1)]

The following insurance companies were added to the Vienna Insurance Group's scope of consolidation in 2006:

- TUiR Cigna STU S.A., Warsaw (1 April 2006)
- HELIOS Osiguranje d.d., Zagreb (1 April 2006) [2)]
- Bulstrad Life Insurance Joint-Stock Company, Sofia (1 April 2006) [2)]
- Bulstrad Insurance & Reinsurance Plc., Sofia (1 April 2006) [2)]

Moreover, the following three non-profit housing development companies were also added to the Vienna Insurance Group's scope of consolidation:

- "Neue Heimat" Gemeinnützige Wohnungs- und Siedlungsgesellschaft in Oberösterreich GesmbH, Linz (1 January 2006)
- Alpenländische Heimstätte Gemeinnützige Wohnungsbau-Siedlungsgesellschaft m.b.H., Innsbruck (1 January 2006)
- Erste gemeinnützige Wohnungsgesellschaft "Heimstätte GmbH", Vienna (1 January 2006)

In the fiscal year 2006, these companies generated a profit before taxes of EUR 17.26 million. In Austria, the annual profit of non-profit housing development companies is subject to statutory restrictions on distribution, and there is only limited access to the assets of such companies.

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. Accordingly, "Compensa" was fully consolidated as of the 4th quarter of 2005.

2) The company was proportionally consolidated in fiscal year 2006.

Highlights in fiscal year 2006

Profit before taxes up by 33.5%

The Vienna Insurance Group was able to generate an outstanding result in 2006. The record profit for the year was EUR 320.97 million, representing a major increase of 33.5% over the previous year.

All three business areas of the Group (property/casualty insurance, life insurance and health insurance) made positive contributions to this result. Positive contributions were also generated in each of the five geographic segments in the consolidated financial statements (Austria, Czech Republic, Slovakia, Other CEE, and Other markets).

Group premiums increase by close to EUR 900 million to approximately EUR 5.9 billion

Total premiums written in all lines of business equalled EUR 5,881.51 million, which exceeded the value of EUR 5,007.84 million for the previous year by 17.4%. Gross earned premiums totalled EUR 5,821.98 million in 2006, representing an increase of 17.6%. Net earned premiums were equal to EUR 5,038.68 million, a year-on-year increase of 18.8%.

Change in premium volume (total)

in million EUR	2006	2005	Change versus 2005
Gross premiums written	5,881.51	5,007.84	+17.4%
Gross earned premiums	5,821.98	4,951.95	+17.6%
Net earned premiums	5,038.68	4,240.87	+18.8%

Development of business by class

Property and casualty insurance reaches the EUR 3 billion threshold for the first time

The property and casualty area also recorded double-digit premium growth of 19.7%, raising premiums written to a total of EUR 3,067.15 million. In the CEE markets, the increase in property and casualty insurance even reached 37.4% and a premium volume of EUR 1,593.16 million. This impressive performance raised the CEE share of property and casualty premiums to approximately 52%.

Double-digit growth in life insurance premiums

In life insurance, the companies in the Vienna Insurance Group generated a total of EUR 2,516.46 million in premiums written, which corresponds to a 16.7% increase compared to 2005. The Group companies in the CEE region generated EUR 612.84 million of premium revenue – an outstanding increase in premiums of 53.2%. The share of life insurance premiums from insurance companies in the CEE region has thus grown to almost 25%.

Health insurance achieves premiums gains of 3.4%

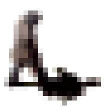
In the health insurance segment, in which only Wiener Städtische AG operates to any significant extent as one of the top health insurers in Austria, Vienna Insurance also recorded 3.4% in premium growth or EUR 297.90 million in premiums written.

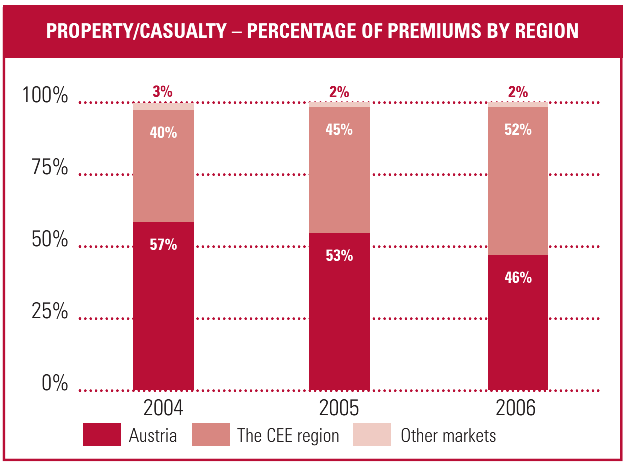
Gross premiums written broken down by class

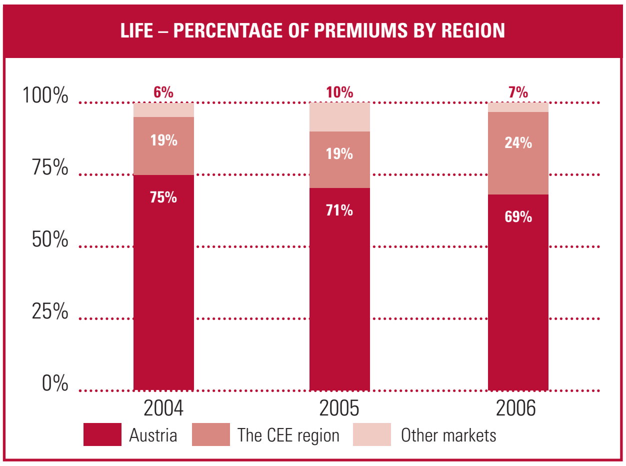
in million EUR	2006	2005	Change versus 2005	Percentage (2006)
Property/Casualty	3,067.15	2,563.32	+19.7%	52%
Life	2,516.46	2,156.43	+16.7%	43%
Health	297.90	288.09	+3.4%	5%
Total	**5,881.51**	**5,007.84**	**+17.4%**	**100%**

Gross earned premiums broken down by class

in million EUR	2006	2005	Change versus 2005	Percentage (2006)
Property/Casualty	3,008.48	2,509.79	+19.9%	52%
Life	2,516.00	2,154.28	+16.8%	43%
Health	297.50	287.88	+3.3%	5%
Total	**5,821.98**	**4,951.95**	**+17.6%**	**100%**





Outstanding profit performance in all classes

All three business areas contributed to the consolidated profit before taxes of EUR 320.97 million. Property and casualty insurance once again made the greatest contribution to profit this year, EUR 175.69 million, which corresponds to an increase of 20.8%.

In the life insurance class, profit before taxes was successfully increased by 80.5% in 2006 to EUR 132.47 million.

In health insurance, profit before taxes was equal to EUR 12.81 million in 2006.

Profit before taxes broken down by class

in million EUR	2006	2005	Change versus 2005	Percentage (2006)
Property/Casualty	175.69	145.47	+20.8%	55%
Life	132.47	73.41	+80.5%	41%
Health	12.81	21.45	–40.3%	4%
Total	**320.97**	**240.34**	**+33.5%**	**100%**

Business development by geographic segments

Austria contributes the greatest share of premiums

The Austria geographic segment currently still originates the largest share – EUR 3,434.73 million – of total premiums written by the Vienna Insurance Group. The Group companies in Austria were able to achieved a satisfying 8.3% year-on-year increase in premiums.

More than EUR 2 billion in premiums generated in the CEE region

The CEE region further increased its importance to the Vienna Insurance Group by contributing premiums written of EUR 2,206.00 million. In 2006, premiums in the CEE markets could be increased by 41.4%.

In the **Czech Republic,** for instance, the one billion Euro threshold was exceeded for the first time in 2006. Total premium revenue was equal to EUR 1,048.00 million, representing a gain of 17.6%. Approximately 18% of Group premiums were generated in the Czech Republic.

A total of EUR 387.68 million in premiums was generated in **Slovakia,** which represented an increase of 17.1% compared to 2005.

In 2006, the largest increase in premiums was again recorded in the Other CEE segment. The **Other CEE** segment includes Bulgaria, Croatia, Poland, Romania, Serbia and Hungary. The Vienna Insurance Group companies in Georgia, Ukraine, Russia and Belarus were not yet consolidated in the Vienna Insurance Group in 2006. The purchases recently

decided upon in Turkey and Albania were not yet considered in the scope of consolidation for 2006. At a premium volume of EUR 770.32 million, the companies in the Other CEE segment were able to more than double premium revenue in comparison to 2005.

Within this segment, the Polish Group companies were able to deliver a remarkable EUR 335.06 million in premiums in 2006 compared to a contribution of EUR 74.07 million in 2005. This was partly due to the fact that the new acquisitions in Poland (Benefia, Royal Polska and Cigna) were included in the Vienna Insurance Group scope of consolidation for the first time in 2006. However, the organic premium growth of approximately 48% generated by the Vienna Insurance Group companies in Poland is also impressive.

In the **Other markets** segment (Liechtenstein and Germany), the Vienna Insurance Group recorded revenue from gross premiums written of EUR 240.78 million. In this context, the Vienna Insurance Group recorded a small decrease of 13.1% attributable to strong volatility in single-premium policies in the life insurance segment.

Gross premiums written by region

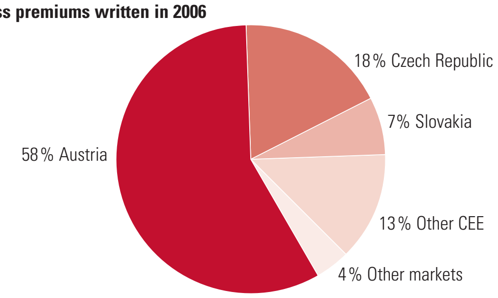
in million EUR	2006	2005	Change versus 2005	Percentage (2006)
Austria	3,434.73	3,170.97	+8.3 %	58 %
Czech Republic	1,048.00	891.51	+17.6 %	18 %
Slovakia	387.68	330.94	+17.1 %	7 %
Other CEE	770.32	337.28	+128.4 %	13 %
Other markets	240.78	277.14	–13.1 %	4 %
Total	**5,881.51**	**5,007.84**	**+17.4 %**	**100 %**

Gross earned premiums by region

in million EUR	2006	2005	Change versus 2005	Percentage (2006)
Austria	3,435.16	3,150.85	+9.0 %	59 %
Czech Republic	1,040.03	887.26	+17.2 %	18 %
Slovakia	363,25	317.99	+14.2 %	6 %
Other CEE	743.94	319.57	+132.8 %	13 %
Other markets	239.61	276.27	–13.3 %	4 %
Total	**5,821.98**	**4,951.95**	**+17.6 %**	**100 %**

BREAKDOWN OF PREMIUMS BY REGION

Gross premiums written in 2006



CEE region generates largest share of premiums among all international insurance groups

The share of gross premiums written outside of Austria reached 41.6% in 2006, an increase of five percent points over 2005. The CEE region generated already 37.5% of premiums, as compared to 31.1% in 2005. The importance of the Group companies in the CEE region is especially evident in the property/casualty insurance segment, where approximately 52% of Group premiums were generated. As before, no other international insurance group generated such a large share of its Group premiums from the CEE region. The Vienna Insurance Group also occupies a clear second place among all international insurance groups in the Eastern European growth markets, and is optimally positioned to expand the position that it has achieved.

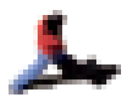
EUR 100 million of profits before taxes already earned in the CEE region

As in 2005, all geographic segments of the Vienna Insurance Group were once again able to generate a positive contribu-

Profit before taxes by region

in million EUR	2006	2005	Change versus 2005	Percentage (2006)
Austria	209.06	144.52	+44.7 %	65 %
Czech Republic	59.12	60.09	–1.6 %	18 %
Slovakia	27.66	24.98	+10.7 %	9 %
Other CEE	13.31	3.21	+314.2 %	4 %
Other markets	11.82	7.54	+56.7 %	4 %
Total	**320.97**	**240.34**	**+33.5 %**	**100 %**



tion to profits in 2006. Austria generated 65% of the consolidated profit before taxes, and the Czech Republic generated 18%, namely, EUR 59.12 million. The slight decrease in profits before taxes from the Czech Republic resulted from higher claims expenses attributable to snow pressure and flood losses. Slovakia contributed a share of EUR 27.66 million, or 8.6%, to the consolidated profit. The remaining 7.9% came from the Other CEE and Other markets segments, with the Other CEE segment more than quadrupling its contribution to profits in 2005.

Expenses for claims incurred, less the portion ceded to reinsurers, rose in the past year by EUR 594.91 million, or 16.4%, to EUR 4,213.32 million. This increase is primarily due to the expansion of the scope of consolidation of the Group, as well as higher snow pressure and flood losses.

Operating expenses, consisting mainly of acquisition costs and administrative expenses, rose from EUR 891.79 million in 2005 to EUR 1,136.40 million.

The Group's **combined ratio** after reinsurance (not including investment income) was held at 96.9% in 2006, which is once again clearly below the 100 percent mark. The combined ratio was 96.1% in Austria, 97.3% in the Czech Republic, and just under 90% in Slovakia. Particularly in view of the increasing number of cases related to natural catastrophes throughout Europe (snow pressure and floods in 2006), the Group-wide development and optimisation of proactive claims management, selective risk underwriting, and consequently group-wide risk management play a critical role in this area.

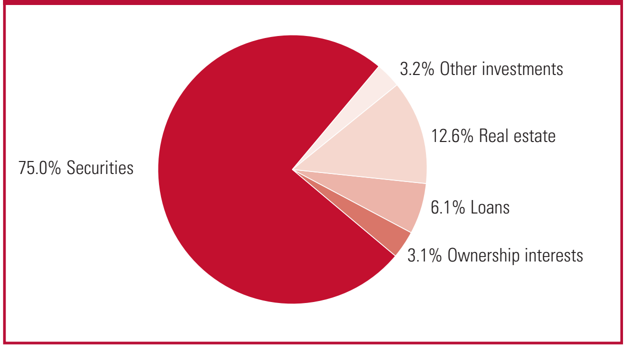
Despite the extremely high level of equity resulting from the capital increase in 2005, Group **RoE** (return on equity) was 14.8%.

The **net investment income** of the Group rose from EUR 605.43 million to EUR 716.45 million, corresponding to an increase of 18.3%.

Investments

Investments held by the Group (not including the investments of unit-linked and index-linked life insurance), which had been equal to EUR 15,162.67 million in 2005, grew by 13.8% to EUR 17,260.37 million. Unit-linked and index-linked life insurance investments rose by 32.8% from EUR 1,762.07 million to EUR 2,340.58 million.

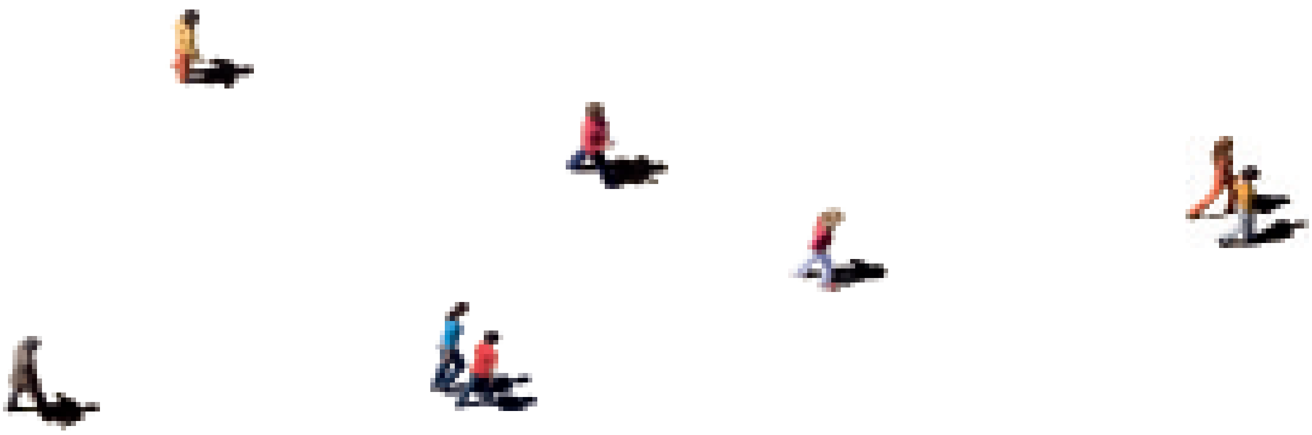
STRUCTURE OF INVESTMENTS



In the property/casualty insurance segment, investments increased year-on-year by EUR 852.35 million or 28.0% to EUR 3,897.85 million. In the life insurance segment, investments rose by EUR 1,124.53 million, or 10.0%, to EUR 12,398.13 million. An increase of EUR 120.80 million to EUR 964.38 million was also recorded in the health insurance segment.

Shareholders' equity

In 2006, the Group's capital base was strengthened by 10.9% to EUR 2,283.21 million.



Significant events after the balance sheet date

The following events occurred during the period of 1 January 2007 to 31 March 2007:

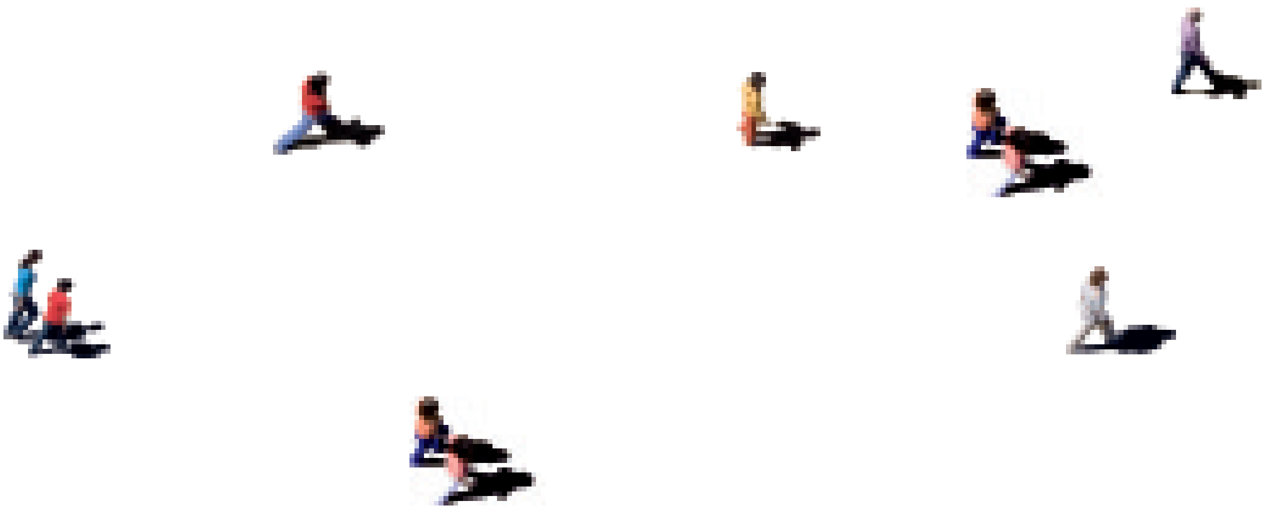
• WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP strengthened its position in the Ukrainian insurance market. By means of a capital increase, the Group increased its interest in Kniazha from just over 50% to a current level of 80%. This company was not included in the consolidated financial statements of the Vienna Insurance Group in 2006.

• WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP has completed its acquisition of a majority interest in TU Polski Związek Motorowy S.A. (TU PZM). WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP subscribed for the shares of this Polish non-life insurance company during a capital increase after receiving approval from the Polish authorities. Registration in the Polish companies register will take place in the next few weeks. WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP holds a 75% interest in this insurance company. The remaining shares are held by the former majority shareholder, the Polish Automobile Association (PZM).

• WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP announced that it was planning to enter the Albanian insurance market. TBIH Financial Services Group N.V. (TBIH), in which WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP holds a majority interest (subject to official approval), signed a memorandum of understanding in this regard for the acquisition of a minimum of 60% of the shares of Sigma Sh.a., which is based in Tirana. Sigma Sh.a. is a non-life insurance company founded in 1998. The company has a subsidiary in Macedonia, a branch office in Kosovo, and currently has a total of approximately 160 employees.

• As shareholders of UNION Versicherungs-AG and Bank Austria Creditanstalt Versicherung AG, ERGO Versicherungsgruppe AG, WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP and Bank Austria Creditanstalt AG have reached mutual agreement to perform a merger of the two companies. WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP will take over management of the future insurance company BA-CA Versicherung. Implementation of this agreement is conditional on receipt of the necessary approvals.

• The Vienna Insurance Group is entering the Turkish insurance market. TBIH Financial Services Group N.V. (TBIH), in which WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP holds a majority interest (subject to official approval), signed a memorandum of understanding in this regard for the acquisition of 58.2% of the shares of Ray Sigorta A.S. The shares will be purchased from the current majority owner, the Turkish company Dogan Sirketler Grubu Holding A.S. (Dogan), for USD 81.5 million (approximately EUR 62 million). Dogan, one of the largest industrial groups in Turkey, will continue to hold approximately 20% of the shares of Ray Sigorta A.S. The remaining shares are in free float.



You can achieve more by working more employees, more success.

together: more market share,

"Ever since the Vienna Insurance Group informed me about nursing care insurance, I worry less about what might happen to me in my old age."*

M. Winkler, Customer of Wiener Städtische AG in Vienna

AUSTRIA

Economic trends in 2006

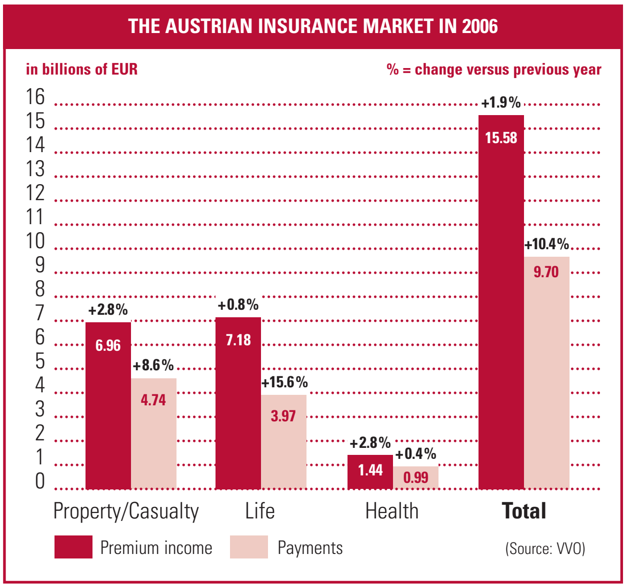
In 2006, the Austrian economy grew at 3.2%, the highest rate of economic growth recorded in recent years. Following growth of 2.0% in 2005, economic growth remained high in the first three quarters, only weakening slightly in the 4th quarter.

> Continued strong premium growth of approximately 36% in government-sponsered future pension plans.

Exports of goods were once again the main drivers of economic growth in Austria, rising by 10.1% in 2006. Capital investments also achieved a significant growth rate of +5.0%, with the principal stimulus coming from the construction industry. The upturn in exports resulted primarily from favourable economic developments world-wide, the upswing in the Euro zone, a moderate wage policy, and the stable EUR/USD exchange rate. Inflation in Austria dropped to 1.5% in 2006, which was the lowest rate since 2003. Rising energy prices were the main drivers of inflation, with leisure, culture, and telecommunications having a moderating effect.

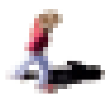
The number of salary/wage earners increased by approximately 1.5% in 2006. Growth was particularly strong in the service sector and in part-time employment. Women, in particular, are joining the labour force in increasing numbers. The unemployment rate, measured according to the EU definition, was 5.0% in 2006, representing a slight reduction from the previous year.

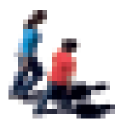
Area	83,871 km^2
Population	8.1 million
Capital	Vienna
EU accession	1995
Currency	Euro (EUR)
Per capita GDP	EUR 29,960
Real change in GDP versus 2005	3.2%
Inflation	1.5%
Insurance density (2005)	USD 2.343 per capita
Insurance penetration (2005)	6.2%
Growth of the insurance market	1.9%



Weaker growth in the Austrian insurance market

Growth in the Austrian insurance market weakened in 2006. Total premium volume increased by 1.9% to EUR 15.58 billion. The slowing of growth was mainly the result of a decrease in single-premium life insurance policies following the record year 2005. Payments increased by 10.4% to EUR 9.70 billion due to snow pressure, flood and storm damage claims.



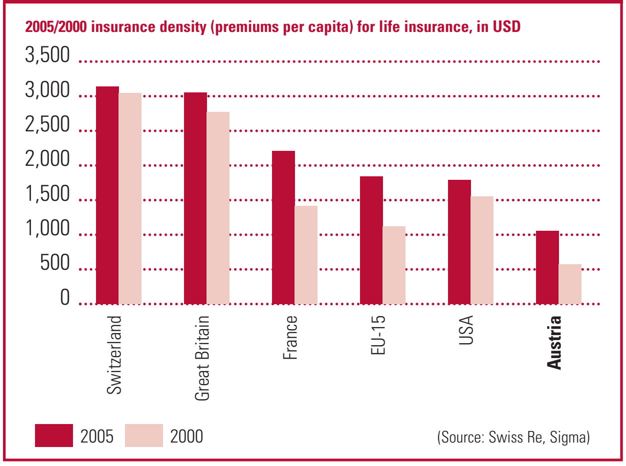


* This and the other customer statements are not part of the Management report.

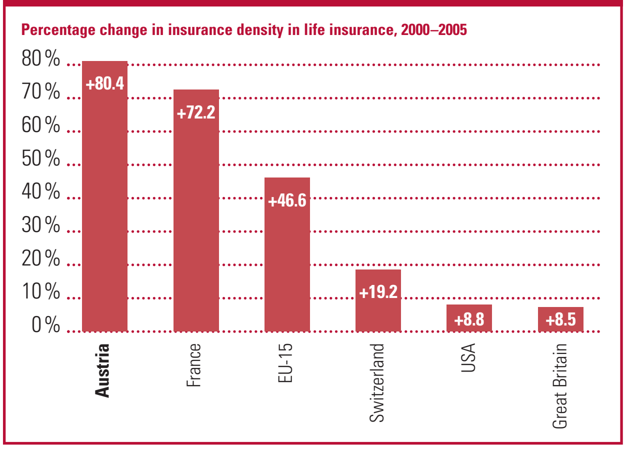
Premium volume in the property/casualty insurance segment grew by 2.8% in 2006. Insurance payments in this class rose 8.6%, due to high snow pressure, flood and storm damage claims.

In the life insurance segment, the Austrian insurance industry recorded a 0.8% increase in premiums, although single-premium policies recorded a drop of more than 12%. This decrease was offset by high growth in government-sponsored future pension plans, where premium volume grew by approximately 36%. Payments in the life insurance class rose by 15.6% in 2006.

LIFE INSURANCE STILL SHOWING HIGH POTENTIAL



AUSTRIA CATCHING UP QUICKLY



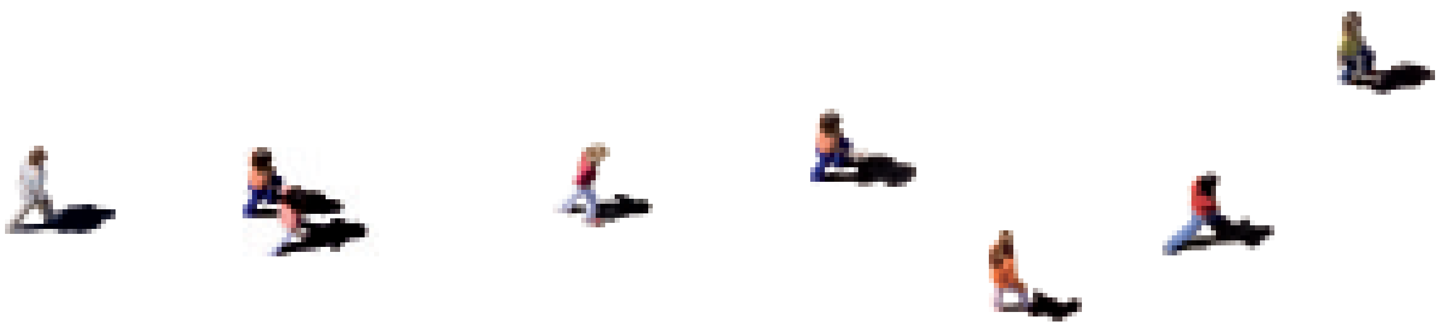
Life insurance continues to show high growth potential over the long term.

Health insurance recorded premium growth of 2.8% in Austria, while payments in this class increased by 0.4% in 2006.

Growth is expected to accelerate again in 2007. Overall growth is forecast to reach 3.9%, with the single-premium life insurance area expected to grow again by 2.3% after recently having suffered a steep decline.

Continued strong potential in life insurance

After strong premium growth of 15.6% in 2005, growth in the life insurance class weakened intermittently in 2006. Life insurance in Austria nevertheless continues to show high growth potential compared to other insurance markets. Insurance density in the life insurance segment is considerably below the average for Western European countries. While the insurance density of the EU-15 is approximately USD 1,793 for life insurance, in Austria it is approximately USD 1,095. Strong growth in life insurance, above the level of overall economic growth, is expected to recur in coming years. Increasing awareness of the need for private pensions will be one of the primary drivers of this growth.



The Vienna Insurance Group is the new Number 1 in Austria.

The Vienna Insurance Group in Austria
In addition to Wiener Städtische AG, the Vienna Insurance Group, in Austria, also includes Donau Versicherung, Bank Austria Creditanstalt Versicherung and UNION Versicherung (recognised at a pro-rata share of 45%). The combination of these companies, together with the ownership interest in Wüstenrot Versicherung, make the Vienna Insurance Group the new Number 1 in the Austrian insurance market.

Vienna Insurance Group in Austria

in million EUR	2006	2005	Change versus 2005
Premiums written	3,434.73	3,170.97	+8.3%
Life	1,725.00	1,537.85	+12.2%
Non-Life	1,709.73	1,633.12	+4.7%
Profit before taxes	209.06	144.52	+44.7%

Wiener Städtische AG functions at the same time as an operating insurance company and group parent of Vienna Insurance Group. It offers products in the property/casualty, life and health insurance classes.

Donau Versicherung, the Group's largest Austrian insurance company holding, is active in both non-life and life insurance.

UNION Versicherung and BA-CA Versicherung are active almost exclusively in the life insurance business, although they also offer casualty insurance to complement their product range. These two companies will be merged in 2007. Wiener Städtische AG will hold a majority interest in the new company emerging from the merger of UNION Versicherung and BA-CA Versicherung. The merged insurance company will be the fifth largest life insurance company in the Austrian market.

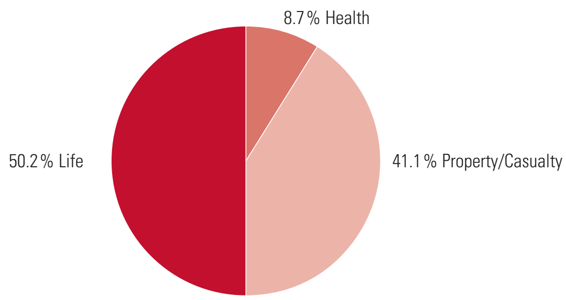
The Vienna Insurance Group holds financial stakes in Wüstenrot Versicherung and Sparkassen Versicherung.

Austria remains the largest market for the Vienna Insurance Group. In the 2006 fiscal year, approximately 60% of the Group's premiums and 65% of the Group's income were generated in Austria.

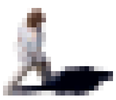
Overall, Vienna Insurance Group generated premium income of EUR 3,434.73 million in Austria in 2006. Property/casualty insurance contributed EUR 1,411.83 million, life insurance EUR 1,725.00 million and health insurance EUR 297.90 million to this result. The chart below shows a breakdown of premiums by class. Profit before taxes rose 44.7% to EUR 209.06 million.

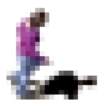
BREAKDOWN OF PREMIUMS IN AUSTRIA

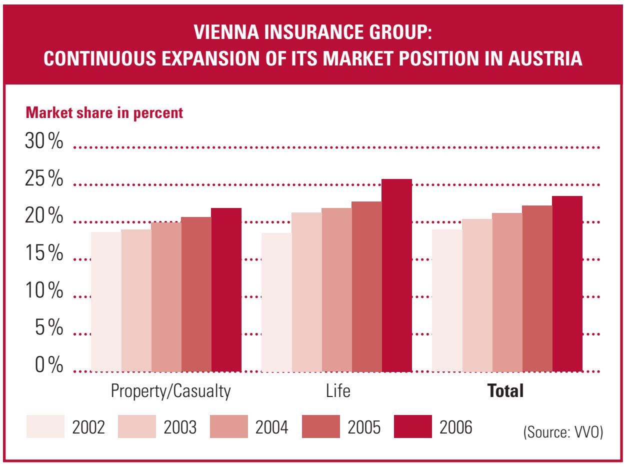
Gross premiums written in 2006



Clear market leadership in Austria
The Vienna Insurance Group's market share of approximately 23% makes it the leader in the Austrian insurance market. At the same time, the Vienna Insurance Group is also the clear number one in both life insurance with a market share of over 25% and in property/casualty insurance with a market share of more than 21%. The market position was securely protected and even extended in both of these classes. In health insurance – which, within the Vienna Insurance Group, is offered almost exclusively by Wiener Städtische AG – the Vienna Insurance Group was the second largest provider in the market.







Wiener Städtische AG is the new Number 1 in life insurance.

Wiener Städtische AG

Wiener Städtische AG is the largest insurance company in Austria, both in the insurance market as a whole and, as of this year, also in life insurance. The company – whose roots go back to 1824 – is active in all segments of the Austrian insurance market nationwide. Wiener Städtische AG is also the parent company of the international Vienna Insurance Group.

Broad area of coverage

The Vienna Insurance Group is represented in all regions of Austria through a close network of offices and customer advisors. Wiener Städtische AG has also established successful branch offices in Italy and Slovenia.

Sales

Vienna Insurance Group products are distributed in Austria and all other countries where the Vienna Insurance Group operates using a multi-brand strategy in order to make use of the brand names that have been established by Group companies. Various distribution channels are used to this end. The field sales force is particularly well developed in Austria. Products are also distributed through brokers, insurance agents, banks, financial advisers and the Internet.

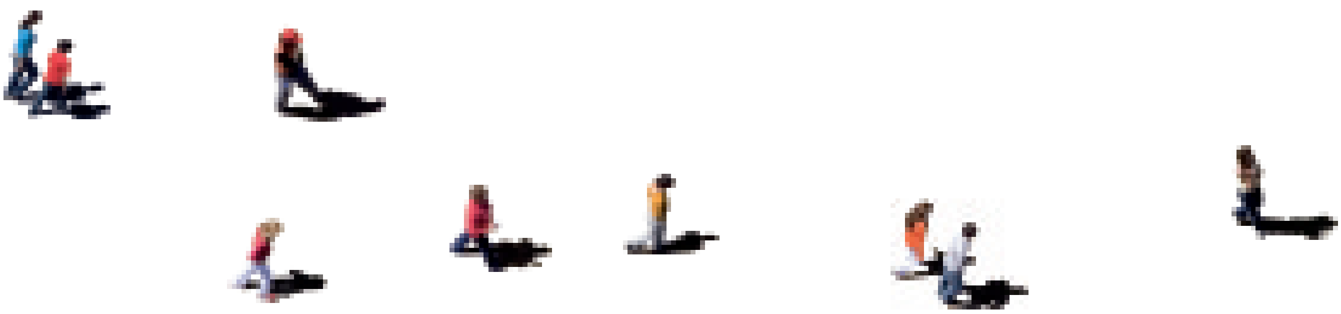
Wiener Städtische AG and Donau Versicherung have a capable field sales force, but also sell a considerable volume of their products through brokers and banks. In contrast, the majority of UNION Versicherung and BA-CA Versicherung insurance policies are sold through Bank Austria Creditanstalt AG. The Vienna Insurance Group has strong sales through banks, due to cooperative agreements with the two largest financial institutions in Austria, Erste Bank Group and Bank Austria Creditanstalt AG.

Outstanding business development in 2006

Gross premiums written in all classes were equal to EUR 2,408.16 million in fiscal year 2006, representing an increase of 11.5% over 2005. As in previous years, this placed Wiener Städtische AG significantly above the 1.9% growth rate of the Austrian insurance market. Gross premiums written by Wiener Städtische AG in 2006 broke down into approximately 40% from property and casualty insurance, 48% from life insurance and 12% from health insurance.

2006 was a very successful year for Wiener Städtische AG in the property/casualty class. Premiums written in 2006 rose by 5.8% year-on-year to EUR 962.64 million, once again positioning Wiener Städtische AG significantly above the market growth rate of 2.8%.

In life insurance, premiums written rose by a gratifying 19.2% versus 2005 to an amount of EUR 1,147.63 million. Wiener Städtische AG's performance therefore also very clearly exceeded the market growth rate of 0.8% in life insurance.



Close customer relations and service quality are the cornerstones of Wiener Städtische AG's sustained positive development.

EUR 297.90 million in health insurance premiums were written in the fiscal year just ended. This represents an increase of 3.4% over 2005, which is also above the market growth rate of 2.8%.

Standard & Poor's reconfirms "A+" rating with stable outlook

In mid-2006, the internationally renowned rating agency Standard & Poor's reconfirmed the excellent rating given to WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP. Wiener Städtische AG again received an "A+" with continued stable outlook.

Local presence, customers and products

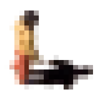
Proximity to the customer and high service quality are important characteristics of Wiener Städtische AG, which uses close to 2,000 advisors in approximately 170 offices to offer its comprehensive insurance solutions throughout Austria. Wiener Städtische AG is the leading company in the Austrian insurance market, both in the corporate customer segment, which in Austria comprises primarily a large number of dynamic small and medium-sized companies, and in the private customer segment. 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 also placed on the rapid development of new insurance product solutions.

Sales

In sales, Wiener Städtische AG follows a consistent multi-channel strategy. The great success of this distribution channel is evidenced by the growth rates for premiums, which have significantly exceeded average market growth rates in recent years.The backbone of sales is the field sales force. In recent years extensive efforts were made to develop the field sales force and raise the qualifications of field sales employees to an above-average level. In addition to the company's own field sales force, brokers, insurance agents and cooperation with banks naturally also play an important role in the distribution strategy. In sales through banks, Erste Bank is a strategic partner of Wiener Städtische AG.

Wiener Städtische celebrates Mozart's anniversary with a monumental wrapping of the Ringturm by Attersee

The Ringturm, headquarters of the Wiener Städtische AG in the centre of Vienna, became the world's largest artistic monument for more than seven weeks (27 September to 17 November 2006). Wiener Städtische realised this project with the Austrian painter Prof. Christian Ludwig Attersee, who wrapped the Ringturm in subjects from Don Giovanni on 4,300 square meters of foil mesh that he created specifically for this purpose. The monumental Mozart-inspired work was symbolically presented as a gift to all Austrians on 27 September 2006 the opening date for the exhibition "Don Giovanni – one of us" by Christian Ludwig Attersee's master class in the Ringturm lobby. Visitors to the exhibition received a replica of the Ringturm covering signed by Christian Ludwig Attersee. The Don Giovanni project continues an old Wiener Städtische tradition: The company was commissioning works of applied arts and graphics for the "common benefit and enjoyment of passers-by" since the very beginning of Wiener Städtische's promotion of the arts in the 1920s.



The "EFFIE" prize in advertising: Gold and platinum for the Wiener Städtische advertising campaign

Top score, gold and platinum: The Wiener Städtische campaign by Demner, Merlicek & Bergmann was honoured a large number of awards at the "EFFIE" Gala on 19 September 2006. The campaign, with the slogan "If we had your worries", was chosen by the Austrian branch of the International Advertising Association (IAA) as the most effective campaign of 2005. The campaign of Wiener Städtische AG received the first top score of 1.0 ever awarded by the jury.

The EFFIE award is one of the most prestigious awards for advertising and marketing. The 2006 call for submissions for the most effective advertising campaign of 2005 was the 22nd time that the IAA held what is likely the most challenging competition in the communications industry. The EFFIE is distinguished from other advertising awards principally by the fact that it recognises only campaigns for which the effectiveness is either proven or measurable.

Donau Versicherung

Donau Versicherung is the largest fully consolidated Austrian insurance affiliate in the Vienna Insurance Group. Wiener Städtische AG holds a stake of approximately 90% in Donau Versicherung. Erste Bank and Sparkassen Versicherung each hold about 5%.

Donau Versicherung is one of the top 10 insurance companies in Austria, and is represented throughout Austria by approximately 60 offices and service centres. The Sparkasse savings banks and Erste Bank are long-term marketing partners of Donau Versicherung in the property insurance segment.

Donau Versicherung increased life insurance premiums by 11.0%.

Increase in total premium volume

New and innovative products contributed to Donau Versicherung's success in 2006, with a growth in premiums written of 5.7% to EUR 667.87 million. The business is traditionally focused on the private and commercial customer segments. Life insurance was once again the growth driver in 2006, with premium volume increasing by 11.0%.

Donau Versicherung's flexible, custom-designed business solutions have made it one of the market leaders in the area of company pension plans.

Premium growth of 3.2% also places Donau Versicherung above the industry average of 2.8% in property/casualty insurance.

Donau Versicherung – as flexible as life itself

Donau Versicherung stands for expertise and experience, and offers security and stability to its 1,300 employees. Donau has intensively developed its market position in recent years, particularly in life insurance, and offers modern innovative products to the market. The cornerstones of Donau Versicherung's customer relations include risk-appropriate coverage, individual retirement insurance options, and flexible service.

Donau Versicherung's "BonusPension" product offers an attractive government-sponsored future pension plan allowing its customers to continue enjoying the standard of living they are accustomed to, even in retirement. The product policy and philosophy of Donau Versicherung is based on a life cycle-oriented view of the customer. Because needs and demands change over the course of a lifetime, Donau Versicherung offers the option to adapt insurance protection to the needs of each particular time of life.

The new "StarKapitalGarant" product was introduced in 2006. "StarKapitalGarant" is a totally innovative insurance product for the Austrian market. It comprises unit-linked life insurance with guaranteed gross premiums and a guaranteed unit value equal to the maximum unit value achieved during the term of the policy.

In 2006, Donau launched "StarBond Competition" as a limited single-premium product. This single-premium insurance offers both capital accumulation and security with three proven investment strategies. Donau's experts selected a conservative, balanced or dynamic mix of European securities, each with different weightings of government bonds, real estate and equities.

In addition to a modern, flexible product range, Donau also places great emphasis on its proven customer service. High quality service is an indispensable complement to innovative products. Fast, unbureaucratic claims handling is essential, especially when it comes to benefit payments.

2006 Austria Insurance Industry Award

In 2006, Donau also successfully defended its placement relative to the Austrian Insurance Industry Award Donau was again honoured by receiving the 2006 Austrian Assekuranz Award with a rating of "very good". The benchmark study of insurance company product and service quality was undertaken for the Austrian Insurance Broker Association (ÖVM) for the second time by the Psychonomics Market Research Institute. The study involved a survey of 330 brokers.

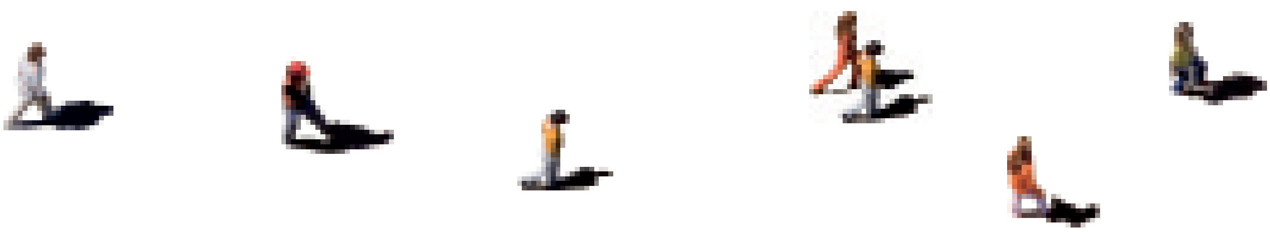
The merger of BA-CA Versicherung and UNION Versicherung will create the fifth-largest life insurance company in Austria.

Bank Austria Creditanstalt Versicherung

BA-CA Versicherung, in which Wiener Städtische AG holds a 90% ownership interest and Bank Austria Creditanstalt AG holds a 10% stake, has operated under combined administration with UNION Versicherung since October 2004. To utilise synergy effects, the back office area was combined and a largely uniform product range was created. 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. In March 2007 the decision was made to merge these two companies as a logical conclusion to this joint administration. The merger will be carried out during the course of the year, and both companies will use the name BA-CA Versicherung in the future. The merger will create the fifth-largest life insurance company in Austria, with the pretensions of further earnings growth, consolidation of its cost leadership position, and the creation of innovative product solutions.

Specialising in unit-linked and index-linked life insurance

Life insurance is the principal pillar of BA-CA Versicherung. BA-CA Versicherung offers a broad spectrum of pension and



investment products. The product range comprises pension plans, education precaution, family protection, capital formation and investment as well as traditional risk coverage. Traditional life insurance products, unit-linked and index-linked life insurance, and guaranteed products are offered in this regard. BA-CA Versicherung's strategy is to extend its lead over the market in terms of cost structure and its competence as a specialist for life, pension and casualty insurance. In addition to its standard range of products, the company also focuses on providing high-quality innovative solutions to its more than 250,000 customers.

In the business products segment, the spectrum includes products to cover pension commitments, provisions for severance pay, and premium-subsidised pension plans.

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.

Innovative product range

"Global IndexGarant 06" is already the third launch in a successful product line for private capital formation in the form of index-linked life insurance. The investor participates in the three most important equity indices in the world - the US Standard & Poor's 500, the European Dow Jones EURO STOXX 50, and the Japanese Nikkei 225. Returns are increased by a "best of" weighting. The region whose index records the greatest average increase during the term of the policy receives the greatest weighting at the time of settlement. "Global IndexGarant 06" also offers a 100% capital guarantee.

A new casualty insurance product was also developed. The new "TopPlus Unfallschutz" product provides basic protection with disability benefits starting at 1% (and increasing progressively starting at 50%, with 300% of the agreed amount in the case of full disability), supplemented with optional "PROTection Existenzschutz" (supplementary insured sum paid out fully at 50% or higher) and a monthly accident benefit for 10 years. Additional supplementary coverage options are also available, such as benefits for accidental death or hospital stays.

Premium growth in regular premium life insurance and casualty insurance

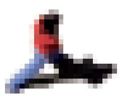
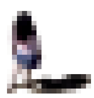
The volume of premiums written by BA-CA Versicherung during the fiscal year reached EUR 189.24 million for 2006. Life insurance provided 99% of total premium income, representing the dominant business segment. EUR 188.01 million could be attributed to this segment. In casualty insurance, premiums increased 6.0% to EUR 1.24 million.

Outstanding Standard & Poor's Rating of "A-" with stable outlook for UNION Versicherung.

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. UNION Versicherung also offers casualty insurance. Wiener Städtische AG and ERGO International AG each hold a 45% ownership interest in UNION Versicherung. Bank Austria Creditanstalt AG holds a 10% ownership interest. Since October 2004, UNION Versicherung has operated under combined administration with BA-CA Versicherung. In March 2007, the decision was made to merge these two companies as a logical conclusion to this joint administration.

UNION Versicherung is a life insurance company specializing in private pension plans, capital formation and risk coverage. Its


core business is life insurance with regular premiums having a provident nature. The government-sponsored future pension plans such as "VorsorgePlus Pension", "RenditePlus Pension" and "Julius'" were especially successful in 2006.

In the single premium segment, unit-linked and index-linked life insurance policies have increasingly gained in importance for UNION Versicherung. The product portfolio of UNION Versicherung, which was simplified in connection with the combined administration with BA-CA Versicherung, includes various niche products that were specially developed for sales through banks in response to the company's close collaboration with Bank Austria Creditanstalt AG.

Like BA-CA Versicherung, UNION Versicherung focuses its business on the private customer segment.

Outstanding rating of "A-" with stable outlook
UNION Versicherung was rated by the international rating agency Standard & Poor's for the first time in 2006. A rating in the "A-" category was achieved right from the start. The key factors stressed by Standard & Poor's for UNION Versicherung's excellent (first) rating were its outstanding operating performance, strong capitalisation, and excellent integration into the Vienna Insurance Group. In its reasons for the rating, Standard & Poor's also stressed the low ratio of administrative expenses and integration into an advantageous ownership structure.

Standard & Poor's further emphasised UNION Versicherung's strong competitive position in the Austrian life insurance market, with premium growth in excess of 10% per annum over a five-year period. The rating agency justified its assessment of a stable outlook for UNION Versicherung by citing sustained strong operating performance, a return on equity far in excess of 15% and expected growth rates above the market average.

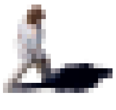
A good year in 2006
In 2006, UNION Versicherung achieved a volume of EUR 349.26 million for premiums written in the life insurance segment. Premium income in the core business, regular premium life insurance, rose by 5.7% to EUR 219.33 million. The premium volume of EUR 5.09 million in the casualty insurance segment was virtually unchanged versus 2005.

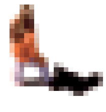
The goal of Vienna Insurance Group is a long-term and continuous increase in earnings and revenues.

Outlook for Austria

The 3.9% growth rate projected by the Austrian Insurance Association for the Austrian insurance market for 2007 represents another significant increase over the growth recorded in 2006. Life insurance is expected to contribute 5.1%, health insurance 2.7% and property and casualty insurance 2.9%. This once again places the projected growth for the insurance industry significantly above the 3.0% growth forecast for the overall economy.

The goal of Vienna Insurance Group is a long-term and continuous increase in earnings and revenues. It also intends to strengthen its position as Number 1 in the Austrian market. The Vienna Insurance Group expects to grow in all classes at a rate that is approximately equal to or above the rate for the Austrian insurance market in 2007. Life insurance is expected to show further significant growth potential in connection with pension plans. If government-sponsored nursing care insurance is implemented, increased demand can also be expected in this area.





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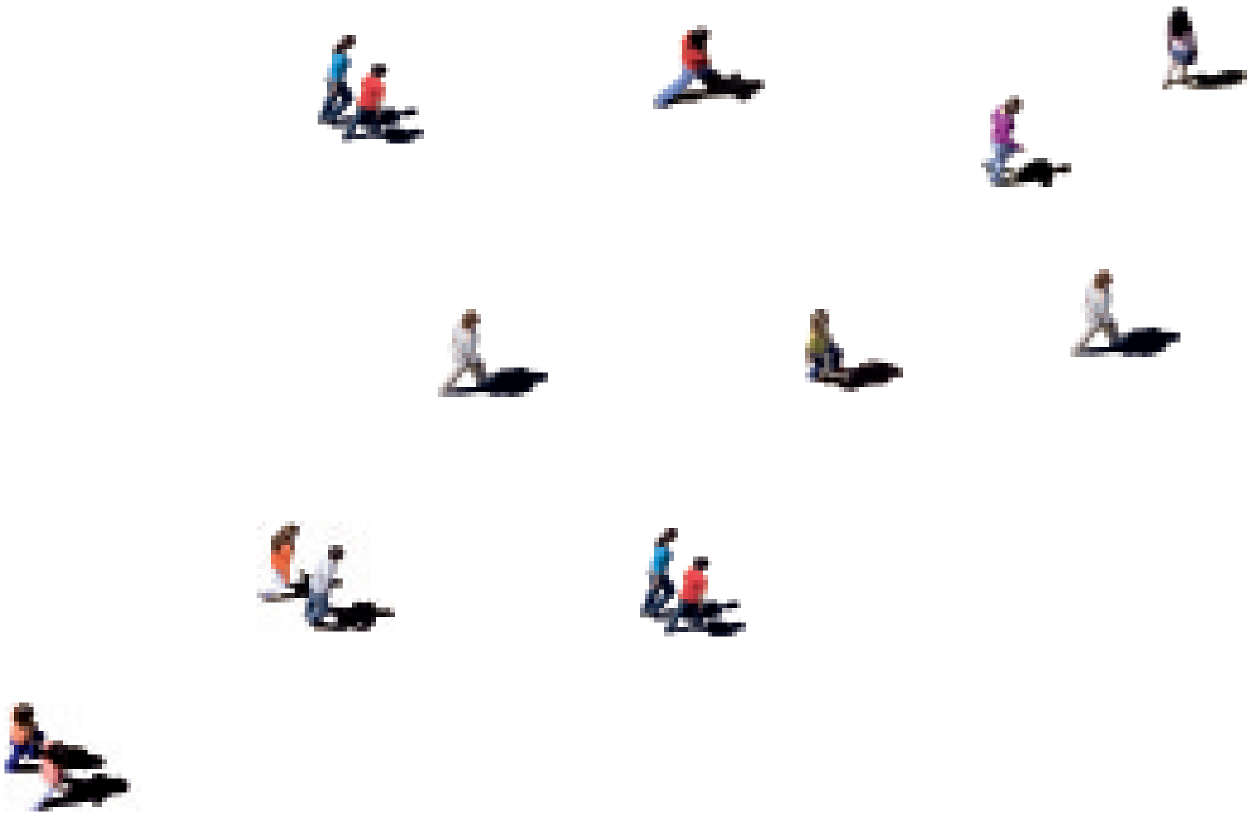
Name	**WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP**
Year founded	1824
Contact	WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP Schottenring 30 A-1010 Vienna Tel.: +43 (0) 50 350-20000 Fax: +43 (0) 50 350 99-20000 mail-us@staedtische.co.at www.wienerstaedtische.at

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

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

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



"Security in old age is an important issue for me. I don't want to rely on the government pension plan for this, so I am putting my trust instead in my own pension plan and the strength of the Vienna Insurance Group even in Italy."

M. Montecello, Customer of Wiener Städtische AG in Rome

Area	301,277 km^2
Population	58.9 million
Capital	Rome
EU accession	1952
Currency	Euro (EUR)
Per capita GDP	EUR 23,900
Real change in GDP versus 2005	1.8 %
Inflation	2.2 %
Insurance density (2005)	USD 2,264 per capita
Insurance penetration (2005)	7.6 %
Growth of the insurance market	12.6 % (2005)

ITALY

The Economy

After the difficult year 2005, Italy's economy grew 1.8% in 2006. Inflation in Italy was 2.2% in 2006 (2005: 1.9%, 2004: 2.2%; 2003: 2.7%). The employment situation has presented a favourable picture in recent years. The unemployment rate has dropped continuously since 1999, from 11.4% to 6.8% in 2006. This change has been attributed to more flexible labour markets, restraints on wage increases, tax incentives and the legalisation of work "off the books", especially among large numbers of immigrants. Additional employment opportunities have also been created, especially in the services sector (domestic help and geriatric nursing care).

The Italian life insurance market recorded a dynamic growth in recent years.

244 insurers are operating in the Italian life insurance market, although many of these are small companies with operations limited to a specific region. The top 5 companies combined account for approximately 62% of the total premium volume of EUR 73.5 billion.

Development of the insurance market

The Italian life insurance market has recorded especially dynamic growth in recent years, with growth rates averaging 13%. Today, the Italian market is the fifth largest in the EU and the eighth largest worldwide. The introduction of individualised index-based life insurance savings products, the introduction of pension plans, and increased awareness of the need for private

Wiener Städtische Italy continues to concentrate on pension plans and provisions for severance pay in 2007.

pensions were key factors contributing to this growth, which has consistently exceeded GDP growth since 2000. There has been growing demand in recent years for unit-linked and, in particular, for index-linked products.

Branch office in Italy

Wiener Städtische AG has operated through a branch office in Italy since 1999, and concentrates on the life insurance business. In this context, Austrian life insurance products offered by Wiener Städtische AG are adapted to conform to Italian legal requirements and sold very successfully through a large number of distribution channels (agents, brokers and banks).

Wiener Städtische will continue to concentrate on pension plans and provisions for severance pay in 2007, since there is a strong opportunity for growth in this market.

Donau returned to Italy in 2006

After its founding in 1867, Donau was also represented in Italy. Donau already obtained a concession for Italy on 22 May 1868, and established a branch office in Rome under the name "Danubio". After successes in recent years under the EU Treaty's freedom to provide services, an office was re-established in Italy and organised business operations were resumed. The Donau office in Bolzano was established in mid-2006 to serve the market in northern Italy. Donau is positioning itself as a competent and flexible partner for brokers and non-exclusive agents.

Outlook

Wiener Städtische AG will continue to promote sales through banks in Italy. Wiener Städtische Italy aims to increase its Group contribution by expanding its high-quality partnerships and selling top-quality products.

Name	**WIENER STÄDTISCHE Versicherung AG** **VIENNA INSURANCE GROUP**
Year founded	1999
Contact	WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP 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

WIENER STÄDTISCHE
VIENNA INSURANCE GROUP

"I run a company that operates internationally with local representative offices So the Vienna Insurance Group is the right partner for me in Slovenia."

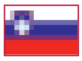
P. Kosic, Customer of Wiener Städtische AG in Ljubljana

SLOVENIA

The Economy

In 2006, Slovenia's economic policy was aimed at the introduction of the Euro on 1 January 2007. There was a broad social consensus on this issue, since belonging to the Euro zone would improve integration into the EU single market, thereby opening up greater export opportunities. The National Bank and Ministry of Finance implemented all measures for conversion to the Euro in a timely fashion.

In 2006, Wiener Städtische AG was able to grow by approximately 15% to more than EUR 5 million.



Area	20,273 km^2
Population	2.0 Mio.
Capital	Ljubljana
EU accession	2004
Currency	Euro (EUR)
Per capita GDP	EUR 14,850
Real change in GDP versus 2005	5.2 %
Inflation	2.5 %
Insurance density (2005)	USD 978 per capita
Insurance penetration (2005)	5.7 %
Growth of the insurance market	11.4 %

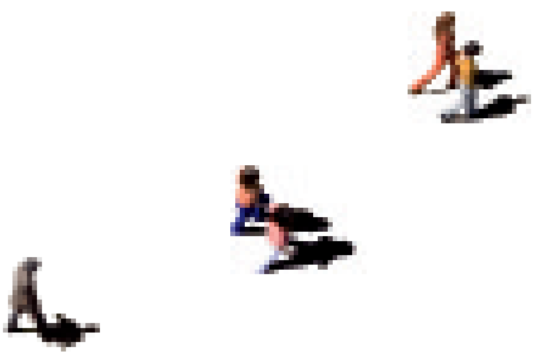
Slovenia's economic growth of 5.2% in 2006 far exceeded expectations. This growth was mainly driven by the increase in exports. Slovenia's ability to take advantage of opportunities in the EU single market is increasing steadily. The inflation rate reached +2.5% in 2006.

Changes in the life insurance market

The Slovenian insurance market recorded growth of 11.4% in 2006, twice the rate of growth of the overall economy. The drivers of this growth were life insurance with a gain of 16.3%, and the non-motor vehicle classes, which grew by 9.2%. In the life insurance segment, lively interest was noted primarily in unit-linked and index-linked products with investment features, where premiums recorded a gain of more than 39%.

Successful branch office in Slovenia

2006 was a successful year for Wiener Städtische AG in Slovenia since its entry into the Slovenian insurance market



in 2004. In 2006, it was already successful in generating a premium volume of more than EUR 5 million, representing a growth rate of approximately 15%. Both the life and non-life insurance segments were very successful. The number of insurance policies was almost doubled (non-life +124%, life +85%).

Wiener Städtische AG was able to sell numerous life insurance policies with regular premium payments. But the "Best of Europe" single-premium product in the "Limited Edition" series continued the successful series started by the "Symphony" product in 2005. In the non-life area, demand was especially high for the "Business Class" product, an insurance product for small and medium-sized companies.

Outlook

In 2007, Wiener Städtische AG will concentrate on further increasing its customer base, both in life and non-life insurance. Innovative "Limited Edition" products ("Best of Best") will be introduced into the market in Slovenia in parallel with the Austrian market.

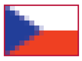
In the non-life insurance segment, the technical facilities for the sales employees will be improved to provide the customers even better service.

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

WIENER STÄDTISCHE
VIENNA INSURANCE GROUP

"I have always found the benefits offered by the Vienna Insurance Group to be persuasive. But I am even more persuaded by how fair the price-performance ratio is for all types of insurance."

J. Svoboda, Customer of Kooperativa in Prague



Area	78,866 km^2
Population	10.2 million
Capital	Prague
EU accession	2004
Currency	Czech Koruna (CZK)
Exchange rate	1 Euro = CZK 28.342
Per capita GDP	EUR 11,068
Real change in GDP versus 2005	6.1%
Inflation	2.5%
Insurance density (2005)	USD 478 per capita
Insurance penetration (2005)	4.0%
Growth of the insurance market	3.7%

CZECH REPUBLIC

The Economy

In contrast to 2005, when economic growth was primarily due to foreign trade, the rise in GDP in 2006 was the result of domestic demand. The strongest advance in growth was recorded in the industrial sector. The unemployment rate also benefited from the favourable economic trend and dropped below the 8% mark. At a year-end rate of 2.5%, inflation was significantly below the level in 2005. The economy is expected to level off in 2007, in part also attributable to the current political situation. The Czech Republic has already achieved a per capita GDP that is 73% of the EU average and intends to close the gap by 2012.

The Vienna Insurance Group has, for the first time, crossed the EUR 1 billion premium threshold in the Czech Republic.

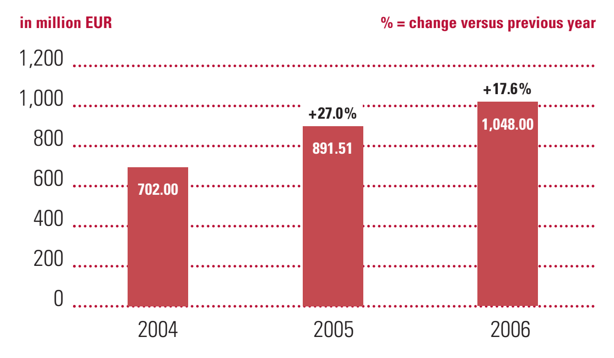
The demographic trends call for comprehensive reforms, particularly with respect to health, pensions and the labour market. In view of the budget situation, it appears unlikely that the Euro will be introduced before 2012.

Insurance market

In 2006, the Czech insurance industry achieved a premium volume of EUR 4.23 billion, a gain of 3.7% over 2005. Approximately 60% of these premiums were generated in the non-life insurance segment. The growth in premiums was primarily driven by life insurance (+4.8%), and results from increasing awareness among Czechs of the importance of private provisions for old-age. A comparison between the insurance density for life insurance in the Czech Republic (USD 183.6 per capita) and that of the EU-15 countries (USD 1,792.6 per capita) clearly shows the high growth potential in this class. Household and homeowners insur-

ance were the main drivers of growth in the non-life area. The industrial insurance market recorded a small decrease (–0.7%). This was attributable to the growing operations of international companies in the Czech Republic, covered by group insurance solutions in their home country.

PREMIUMS WRITTEN BY THE VIENNA INSURANCE GROUP IN THE CZECH REPUBLIC



Insurance supervision was previously the responsibility of the Ministry of Finance, and will be performed by the Czech National Bank starting in 2007. Reforms are anticipated in the areas of pension plans and of health insurance that may greatly benefit the insurance industry.

The Vienna Insurance Group in the Czech Republic
The Vienna Insurance Group is represented in the Czech Republic by the two companies Kooperativa pojišťovna (Kooperativa Prague) and Česká podnikatelská pojišťovna (ČPP). The Group exceeded the EUR 1 billion threshold for premiums in the Czech Republic for the first time in 2006, thereby achieving a combined market share for the two companies of 26.5%. As in previous years, this positions the Vienna Insurance Group in second place in the market. With more than two million automobiles insured, the Vienna Insurance Group holds a market share of 36% in the motor vehicle insurance market. Despite considerable losses from snow pressure and floods, profit before taxes totalled EUR 59.12 million. Approximately 18% of Group premiums and Group profit are generated in the Czech Republic.

Vienna Insurance Group in the Czech Republic

in million EUR	2006	2005*	Change versus 2005
Premiums written	1,048.00	891.51	+17.6%
Life	259.51	218.96	+18.5%
Non-Life	788.48	672.54	+17.2%
Profit before taxes	59.12	60.09	–1.6%

* ČPP included as of 1 July 2005.

Kooperativa Prague is one of the most successful insurance companies in the Czech Republic.

Kooperativa Prague

Kooperativa Prague is a composite insurer that provides both life and non-life insurance to more than two million customers. The company is represented in the Czech Republic nationwide by more than 3,600 employees and 300 offices. Kooperativa Prague is the largest member company of the Vienna Insurance Group outside of Austria and the second-largest Czech insurance company with a market share of 22.9%, holding this ranking in both life and non-life insurance. Due to its comprehensive range of industrial insurance products, Kooperativa Prague ranks number one in the market in this class. A survey conducted by the Gallup Institute in 2006 confirms Kooperativa Prague's high degree of name recognition: 97% of people living in the Czech Republic know of the company.

The rates of growth recorded by ČPP were considerably higher than the growth in the Czech insurance market.

Kooperativa Prague generated a premium volume of EUR 894.69 million (+8.3%) in 2006. Premiums in the non-life segment could be increased by 8.0% to EUR 673.38 million. Life insurance recorded a growth rate of 9.2%, reaching a premium volume of EUR 221.31 million.

Successful cooperation with Česká spořitelna

Kooperativa Prague has had a successful arrangement for years with Česká spořitelna, a member of the Erste Bank Group. With over 5 million customers and 640 branches, Česká spořitelna is the largest retail bank in the Czech Republic. It concentrates on serving retail customers and small and medium-size companies. The cooperative arrangement with this bank continued successfully in 2006. The Česká spořitelna branches primarily distribute travel insurance, the employees of Kooperativa Prague advise their customers on banking products available from Česká spořitelna.

ČPP

In accordance with its multi-brand strategy, the Vienna Insurance Group also operates through a second insurance company in the Czech Republic. Česká podnikatelská pojišťovna (ČPP), which was acquired by the Vienna Insurance Group in 2005, distributes both life and non-life products nationwide through 80 offices with approximately 850 employees, placing its main focus on motor vehicle insurance and industrial insurance. Sales are also conducted through insurance brokers, agents and multi-level sales organisations. With more than 615,000 insured automobiles and a market share of 10.9%, ČPP ranks third in the motor vehicle insurance market. The company's success in positioning itself in the market is underlined by a survey conducted by the Gallup Institute, which shows that more than 77% of people in the Czech Republic are aware of ČPP as an insurance company.

The Vienna Insurance Group has set itself the goal of becoming the market leader in the Czech Republic in the intermediate term.

ČPP generated EUR 153.31 million in premiums in 2006. Three-quarters of this premium revenue or EUR 115.11 million, came from the non-life segment. EUR 38.21 million of premiums written were generated in the life insurance segment. Despite a slight downturn in the market for industrial insurance, ČPP still achieved a growth rate of more than 5% in this class.

Outlook

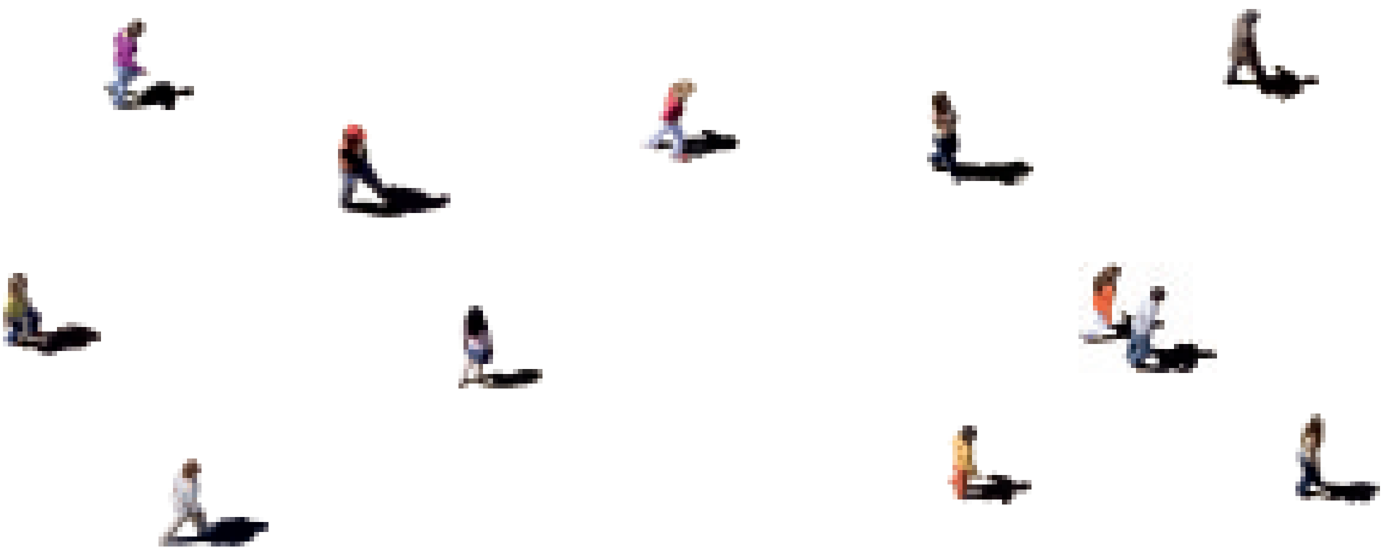
The Vienna Insurance Group has set itself the goal of becoming the number one in the Czech Republic in the intermediate term. Extremely well established distribution channels and an increasingly customer-oriented approach to sales by the field sales force, brokers and agents in particular, make it possible to take advantage of a significant sales potential. Innovative motor vehicle and life insurance products as well as those that are well positioned in the market will be used to guarantee above-market growth. The cooperative arrangement with Česká spořitelna, the largest bank in the Czech Republic and a member of the Erste Bank Group, will also be further intensified in 2007.

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

Kooperativa
VIENNA INSURANCE GROUP

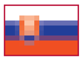
Name	**Česká podnikatelská pojišťovna, a.s.**
Proportion held	87.67 %
Year founded	1995
Contact	Česká podnikatelská pojišťovna, a.s. Budějovická 5 CZ-140 21 Prague Tel.: +420 (2) 61 02 2170 Fax: +420 (2) 61 02 3313 pojistovna@cpp.cz www.cpp.cz

ČPP
VIENNA INSURANCE GROUP



"When I called my Kooperativa advisor about damage to my car while travelling abroad, I was surprised by how quickly and unbureaucratically he was able to help me. This is the kind of service I can rely on. Now and in the future!"

M. Vargová, Customer of Kooperativa in Bratislava



Area	49,034 km^2
Population	5.4 million
Capital	Bratislava
EU accession	2004
Currency	Slovak Koruna (SKK)
Exchange rate	1 Euro = SKK 37.234
Per capita GDP	EUR 8,133
Real change in GDP versus 2005	8.3 %
Inflation	4.5 %
Insurance density (2005)	USD 315 per capita
Insurance penetration (2005)	3.7 %
Growth of the insurance market	3.7 % (preliminary)

SLOVAKIA

Record economic growth in Slovakia

During the 3rd quarter of 2006, Slovakia recorded the highest GDP growth rate (9.8%) in its history. Economic growth for the full year 2006 was 8.3%, which had a favourable effect towards meeting the Maastricht criteria. The introduction of the Euro in 2009 appears likely. This exceedingly welcome economic growth and strong investment activity in the automotive and construction industries have also had a positive effect on the labour market. While the unemployment rate dropped to a record low in November 2006, it nevertheless remains at a high 9.1%.

The Vienna Insurance Group in Slovakia: market leader in motor vehicle liability insurance.

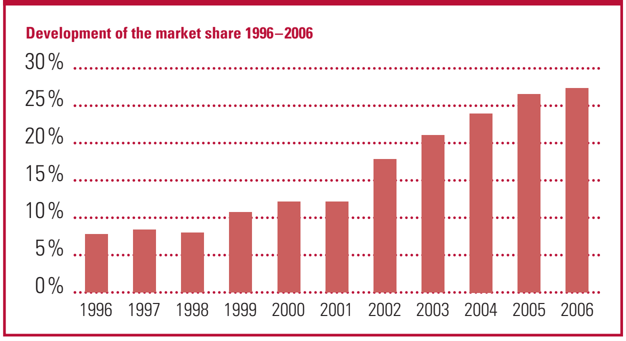
Insurance market

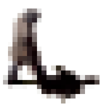
In 2006, premium growth in the Slovakian insurance market was 3.7%. The Slovakian insurance market in 2006 was characterised by decline in motor vehicle liability insurance as well as an above-average increase in the life insurance segment. In the life insurance segment, young people in particular are recognising the importance of private pension plans; over two-thirds of the policies are purchased by individuals 35 years old or younger.

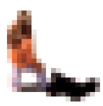
The plans of the government for reforming the social insurance system will also affect the Slovakian insurance market. The first steps relative to life insurance were already taken in 2006. The interest rate was also reduced, which is expected to lead to increased demand for unit-linked life insurance, although the focus will remain on traditional life insurance.

The construction boom is expected to lead to increased demand for builder's risk and construction risk insurance in the Slovakian insurance market, as well as homeowner and household insurance.

RISING MARKET SHARE OF THE VIENNA INSURANCE GROUP IN SLOVAKIA







The Vienna Insurance Group in Slovakia

The Vienna Insurance Group has operated in the Slovakian insurance market since 1990 and now covers demand in all classes through three companies. The Vienna Insurance Group is represented in Slovakia by Kooperativa poisťovňa (Kooperativa Bratislava) and its two subsidiaries Kontinuita poisťovňa and Komunálna poisťovňa. Taken together, the three companies hold a clear second place in the Slovakian insurance market. It was able to further narrow the distance between the Vienna Insurance Group and the holder of the second place in Slovakia. The gains in market share over recent years are solely attributable to organic growth.

Vienna Insurance Group in Slovakia

in million EUR	2006	2005	Change versus 2005
Premiums written	387.68	330.94	+17.1 %
Life	141.22	105.27	+34.2 %
Non-Life	246.47	225.68	+9.2 %
Profit before taxes	27.66	24.98	+10.7 %

The Vienna Insurance Group also became the leader in the Slovakian motor vehicle insurance market for the first time. With a market share of 41.6% Kooperativa Bratislava and Komunálna poisťovňa were able to clearly outdistance the competition in this class. Customers value the comprehensive service and fast, efficient claims handling process for both motor vehicle own-damage and liability insurance. The centralisation of claims adjustment for the entire Vienna Insurance Group in Slovakia that was initiated in 2005 was consistently advanced in the past year and can now ensure that claims are optimally handled.

In 2006, total premiums increased by 17.1% year-on-year to EUR 387.68 million, with EUR 141.22 million of this total generated in the life insurance segment and EUR 246.47 million in the non-life segment. The profit before taxes of EUR 27.66 million in 2006 was 10.7% higher than in 2005.

Double-digit growth rates attest to the success of Kooperativa Bratislava's strategy.

Kooperativa Bratislava

Kooperativa Bratislava has operated in both the life and non-life insurance areas in Slovakia since its founding in 1990. A nationwide network of branches with over 400 offices ensures good advisory services and support for the now more than one million customers. A broad distribution network and a staff of more than 1,100 service customers offer insurance products to cover any life situation. An opinion poll conducted by the respected Gallup Institute in Slovakia in the fall of 2006 shows that Kooperativa Bratislava enjoys high name recognition, with 97% of the individuals surveyed knowing at least the name of the insurance company.

Kooperativa Bratislava ranks second among the insurance companies operating in the Slovakian market. The successful strategy followed by Kooperativa Bratislava is affirmed by the over six percentage-points increase in market share over the past four years.

Kooperativa Bratislava increased its premium volume in 2006 by a noteworthy 13.1% over 2005 to EUR 298.00 million. Kooperativa's growth rate exceeds the market rate of growth in both life and non-life insurance. While the Slovakian life insurance market grew by approximately 15%, Kooperativa Bratislava's

premium volume increased by 35.1% to EUR 94.32 million. This satisfying performance is primarily attributable to unit-linked life insurance with single premium. Motor vehicle liability insurance is primarily responsible for the increase in premiums in the non-life area (+5.2%), whereas the market declined in this insurance class.

Cooperation with the Erste Bank Group

Kooperativa Bratislava works together closely with the largest bank in the Slovakian market, Slovenská sporiteľňa. This cooperative arrangement could also be continued with great success in 2006. A member of the Erste Bank Group, Slovenská sporiteľňa, a.s. is the market leader in the Slovakian banking market with more than 300 branches and 2.5 million customers. Property and motor vehicle insurance from Kooperativa Bratislava can be purchased in all bank branches. In return, Kooperativa Bratislava uses its distribution network to provide its customers with information on selected banking products of Slovenská sporiteľňa.

Numerous awards

Kooperativa Bratislava received a number of important awards in 2006 reflecting the outstanding quality and success of the company and its insurance products. According to the Slovakian weekly magazine “Trend,” Kooperativa Bratislava is once again one of the best and most important insurers in the country, as it was in previous years. Profitability, key cost indicators, and the change in market share led to this outstanding placement. Kooperativa Bratislava was also awarded the “Slovak Gold Exclusive” prize for outstanding economic and business performance.

Komunálna is one of the top 5 non-life insurance companies in Slovakia.

Komunálna poisťovňa

Kooperativa Bratislava holds a 95.06% interest in Komunálna poisťovňa, which is represented by 46 offices throughout Slovakia. Although the company operates in both the life and non-life areas, Komunálna poisťovňa is primarily engaged in the sale of motor vehicle liability products and is specialises in covering the insurance needs of local authorities and corporations.

In 2006, Komunálna poisťovňa generated a premium volume of EUR 45.67 million, a gain of 32.9% over 2005. EUR 3.27 million of this total was contributed by life insurance and EUR 42.40 million by non-life insurance. Motor vehicle own-damage insurance recorded the highest rate of growth in the non-life segment. Customers further benefit from cooperative arrangements with car dealers and garages in the form of favourable terms and conditions and faster claims handling in a loss event. With a market share of 5.6%, Komunálna poisťovňa is the fourth largest non-life insurance company in Slovakia.

Kontinuita poisťovňa

The Kontinuita poisťovňa life insurance company, established in 1997, is represented throughout Slovakia by almost 50 offices and approximately 230 employees. Its range of products is primarily sold through brokers and multi-level sales organisations. The field sales force was increased in the past year, and further expansion is planned for the current fiscal year.

> Kontinuita offers the best unit-linked life insurance in the market.

Kontinuita poisťovňa is benefiting from the growing awareness among the population of Slovakia of the need to make private provisions for old-age. As the interest of the Slovakians in life insurance policies increases, the company's "Kapital" product is highly popular above all, and has been named the best unit-linked life insurance product three times running by "Symsite Research". Even though the life insurance market increased a respectable 15.7% over the previous year, Kontinuita poisťovňa premium growth of 33.3% significantly exceeded this market growth rate. Kontinuita poisťovňa achieved a premium volume of EUR 44.01 million.

Outlook

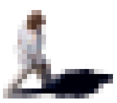
The Vienna Insurance Group's goal in Slovakia is to achieve market leadership over the medium term. The increase in premium volume is to be achieved through innovative products in property and motor vehicle insurance as well as in the life insurance segment. Private pension plans are becoming ever more important as a result of increasing earnings and the hedging of these income for the start of pension. The Vienna Insurance Group intends to take advantage of the existing market potential through life insurance products that are custom-designed to meet the needs and desires of individual customers. An extensive advertising campaign is planned to support the growth process. It is expected that interest in unit-linked life insurance will increase in 2007.

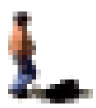
Deepening and continuous expansion of the cooperative arrangement with our strategic bank partner Slovenská sporiteľňa will be an integral element of the continued expansion and dynamic growth of Kooperativa Bratislava.

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	95.06 %
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



“Customer confidence grows with the size of an insurance company. When I see how successful the Vienna Insurance Group has been in Central and Eastern Europe, I am very confident that I made the right choice.”

A. Blakovesta, Customer of Bulstrad Life in Sofia

BULGARIA

The Economy

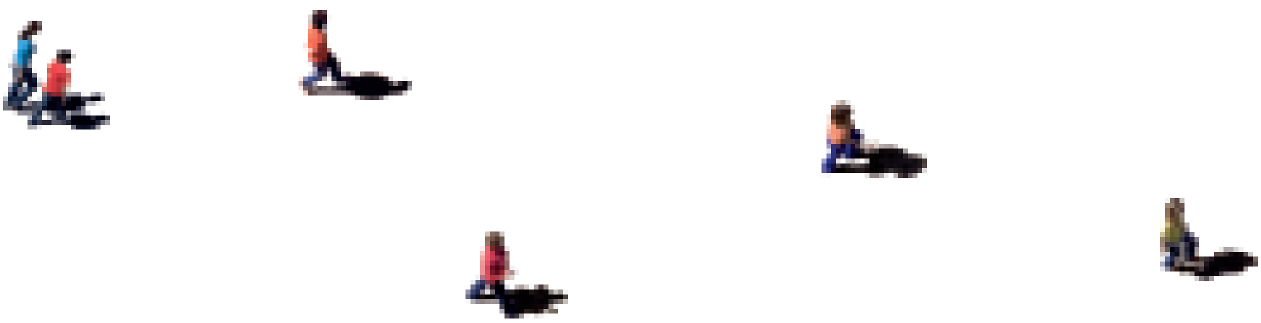
Economic growth in Bulgaria reached 6.3% in 2006. Aided by EU accession, foreign direct investment contributed more than 10% of the gross domestic product. The pace of economic growth received further stimulus from increased government expenditures and strong growth in private sector consumption. Inflation rose to 7.3% in 2006.

The Vienna Insurance Group is one of the top 3 insurance companies in Bulgaria.

Area	110,994 km^2
Population	7.8 million
Capital	Sofia
EU accession	2007
Currency	Lev (BGN)
Exchange rate	1 Euro = BGN 1.9558
Per capita GDP	EUR 3,170
Real change in GDP versus 2005	6.3 %
Inflation	7.3 %
Insurance density (2005)	USD 88 per capita
Insurance penetration (2005)	2.6 %
Growth of the insurance market	14.8 %

Insurance market

Premium income for the 31 insurance companies in Bulgaria totalled approximately EUR 630 million in 2006. The Bulgarian insurance market is dominated by a few large insurers, with approximately two-thirds of premium income being earned by the top 5 companies. The insurance business is primarily focused on non-life insurance, which generates approximately 85% of total premiums. Life insurance, however, is the insurance class showing the strongest growth (+26.5%). The insurance industry sees growth potential in Bulgaria’s accession to the EU, as statutory regulations will be adjusted to European standards. Many international insurers would like to take advantage of this potential. In January 2007 alone, 29 insurance companies and 7 brokers registered with the insurance supervisory authority and announced their intention to commence operations in Bulgaria.



The Vienna Insurance Group in Bulgaria

The Vienna Insurance Group has been successfully represented in Bulgarian insurance market by the two Bulgarski Imoti companies (Non-Life and Life) and Bulstrad Non-Life and Life for four years.

Vienna Insurance Group in Bulgaria

in million EUR	2006*	2005	Change versus 2005
Premiums written	38.92	10.39	+274.5 %
Life	3.52	1.46	+140.8 %
Non-Life	35.40	8.93	+296.4 %
Profit before taxes	0.62	0.21	+201.0 %

* 40% of Bulstrad Life and Non-Life included as of 1 April 2006.

The Vienna Insurance Group generated a consolidated premium volume of EUR 38.92 million in Bulgaria. Its market share of 15.7% positions the Vienna Insurance Group as third in the Bulgarian market.

**Bulstrad Non-Life –
decades of successful past performance**

Bulstrad Non-Life has been operating in the Bulgarian market for more than 45 years and became a member of the Vienna Insurance Group in 2006. The company has been a successful and respected insurer in the transport sector for many decades. The company's main areas of concentration are cargo and shipping insurance and Bulstrad Non-Life occupies an outstanding first place in the market for each of these classes. The field sales force, exclusive agents and brokers each contribute one third of total sales.

According to the local Insurance Association, Bulstrad Non-Life's premium volume was approximately EUR 76 million. EUR 20.54 million flows into the consolidated financial statements of the Vienna Insurance Group. Bulstrad Non-Life is the second-largest non-life insurer in the Bulgarian insurance market and is represented in the country by 400 employees and 72 offices. Its new own-damage insurance product, "Bulstrad Bonus Casco", is very popular. The successful introduction of new products is aided by working together with leasing companies and by the company's expeditious centralised claims processing.

Bulstrad Life won recognition as "Financial Product of 2006."

Bulstrad Life receives product award

Bulstrad Life was founded in 1994 and generated approximately EUR 7 million in premiums in 2006 according to the local Insurance Association, of which EUR 1.76 million was included in the consolidated financial statements of the Vienna Insurance Group. The company's operations are concentrated on traditional life insurance, casualty and health insurance products. Sales relies primarily on a field sales force and agencies, as well as tourist information centres for out-of-country health insurance.

The "Critical Illness" product introduced to the market in 2006 made a major contribution to this success. This health insurance product provides financial protection in the event that the policyholder contracts one of the 15 most frequent and dangerous illnesses. This product innovation, which is unique in the Bulgarian market, was recognised as "Financial Product of 2006" at the "Bank Investment Money" trade fair.

The Bulgarski Imoti companies achieved double-digit growth in both the life and non-life segments.

Bulgarski Imoti

The Bulgarski Imoti companies market both their life and non-life insurance products through approximately 70 offices. Their innovative insurance products are distributed through exclusive agents, brokers and direct sales. Cooperative arrangements also exist with banks for distributing life insurance.

The Bulgarski Imoti companies generated a premium volume of EUR 16.62 million in 2006, recording double-digit growth rates in both the life and non-life segments. Growth in the non-life area was primarily driven by motor vehicle liability insurance, where rates of increase were achieved that were double the rate recorded in the overall Bulgarian insurance market. New cooperative arrangements with vehicle importers and leasing companies contributed to this growth.

Outlook

In spite of the intense competition in the Bulgarian insurance market, the companies in the Vienna Insurance Group intend to take advantage of the potential for growth potential and further expand their market share. They will continue to expand the product portfolio on an ongoing basis throughout 2007 in order to be able to offer even more security to customers.

Bulstrad Life and Bulgarski Imoti intend to expand their distribution network throughout the country and further strengthen their cooperative relationships with banks in the life insurance segment. Bulstrad Life's introduction of a unit-linked life insurance product is opening up a new market segment that promises high rates of growth in coming years.

Name	**Bulstrad Insurance & Reinsurance Plc.**
Year founded	1961
Contact	Bulstrad Insurance & Reinsurance Plc. Positano Sq. 5 BG-1000 Sofia Tel.: +359 (2) 985 66 10 Fax: +359 (2) 985 61 03 public@bulstrad.bg www.bulstrad.bg

in redesign

Name	**Bulstrad Life Insurance JSC**
Year founded	1994
Contact	Bulstrad Life Insurance JSC 6, St. Sofia Street BG-1000 Sofia Tel.: +359 (2) 915 30 10 Fax: +359 (2) 915 30 50 bullife@bulstradlife.bg www.bulstrad.bg

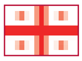
in redesign

Name	**Bulgarski Imoti Non-Life Plc.**
Proportion held	98.36 %
Year founded	1994
Name	**Bulgarski Imoti Life Plc.**
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

“It is reassuring that the Vienna Insurance Group is not just any insurance company but an insurance group with international standards and international expertise.”

N. Salaridze, Customer of GPIH in Tbilisi

GEORGIA



Area	69,700 km²
Population	4.7 million
Capital	Tbilisi
Currency	Lari (GEL)
Exchange rate	1 Euro = GEL 2.2332
Per capita GDP	EUR 1.150
Real change in GDP versus 2005	6.0 %
Inflation	9.0 %
Insurance density (2005)	USD 7 per capita
Insurance penetration (2005)	0.5 %
Growth of the insurance market	14.1 %

Growth market

In the wake of strong economic growth at a rate of 9.3% in 2005, further growth of approximately 6.0% is expected for 2006 despite continuing economic sanctions imposed by Russia. Inflation has been rising most recently to reach 9.0%.

Most recently, the premium volume in the Georgian insurance market has grown by 14.1%.

A campaign to privatise government operations, such as industrial, infrastructure and energy facilities, hotels and sanatoriums was initiated in 2006 and is intended to revive industry and tourism while also securing additional income for the government. Due to its strategic geographic location (transport corridor, intermediary between Europe and Central Asia), very high levels of education and its reform agenda seeking closer ties to Europe, the country is increasingly viewed as an attractive location for international investments. The largest current investment project involves the oil and natural gas pipelines that are intended to transport oil and natural gas from the Caspian See through Georgia to Turkey and then on to European markets. Infrastructure projects along the pipeline route, low-cost natural gas supplies and the construction of new petrochemical plants are expected to result in a sustained increase in the country’s prosperity. In addition to the energy sector, foreign investors have also grown increasingly interested in the Georgian financial sector.

Insurance market

Since Georgia’s independence in 2001, a series of reforms have been implemented in the insurance sector. An independent insurance supervisory authority was created in 1997, and has worked together with the Organisation for Economic Cooperation and Development (OECD) and Bank for Reconstruction and Development (EBRD) to create efficient supervision. In recent years, this authority has also promoted the establishment of a reinsurance system in order to ensure financial stability of the insurance market.

Georgia has also been a member of the World Trade Organisation (WTO) since 1998, which led to the lifting of restrictions on foreign equity investments in the Georgian insurance market. Today, the largest insurance companies have international owners and offer a large number of insurance products in all classes. The five largest companies have a market share of approximately 80%.

The Georgian insurance market experienced a rapid upturn in recent years. Premium volume reached approximately EUR 31 million in 2006, with a premium growth rate of 14.1% that was far above the overall level of economic growth.

In Georgia, the Vienna Insurance Group has a stake in GPIH and IRAO.

The main focus of the market is the non-life insurance area, where approximately 98% of premium income is generated. Industrial, motor vehicle, health and general liability insurance are of primary insurance areas in this regard. There is also a growing interest in motor vehicle own-damage, household and homeowner insurance.

In comparison to other countries, Georgia, with a per capita insurance density of USD 6.5 and insurance penetration of 0.5%, offers significant growth potential. As the need for insurance services rises with the growing expansion of the economy, Georgia offers promising opportunities for insurance companies.

The Vienna Insurance Group in Georgia
The Vienna Insurance Group operates in Georgia through its ownership interest in TBIH (subject to official approval). TBIH holds a stake of approximately 70% in the largest insurance company in Georgia, Georgian Pension and Insurance Holding (GPIH), which most recently had a market share of 22% and generated premiums of approximately EUR 6.8 million. TBIH also holds a majority interest in Irao, whose market share of 11.9% makes it the fifth largest insurance company in Georgia. The two Georgian insurance companies were not yet included in the consolidation of the Group financial statements of the Vienna Insurance Group for 2006.

GPIH offers products in all important insurance areas. GPIH was the first insurance company to offer private pension plan products during the government reform of the pension system, and has been very successful with these products. In the non-life area, the company concentrates on motor vehicle, industrial, general liability and transport insurance. The company has a large distribution organisation of agents and also works together with the largest Georgian bank, TBC.

Irao operates exclusively in the non-life area and offers a comprehensive range of products in the motor vehicle and industrial insurance areas.

Name	**Georgian Insurance Holding JSC (GPIH)**
Year founded	2001
Contact *in redesign*	Georgian Pension and Insurance Holding JSC (GPIH) 67, Kostava Str. GE-0171 Tbilisi Tel.: +995 (32) 251 390 Fax: +995 (32) 252 885 sales@gpih.ge www.gpih.ge

Name	**International Insurance Company IRAO Ltd.**
Year founded	2004
Contact *in redesign*	International Insurance Company IRAO Ltd. 37d, Chavchavadze Ave. GE-0162 Tbilisi Tel.: +995 (32) 949 111 Fax: +995 (32) 912 298 akhrakhadze@irao.ge www.irao.ge

"I think it is fantastic that I can reach a Vienna Insurance Group advisor 24 hours a day. This gives me confidence that a competent Vienna Insurance Group representative will always be there for me."

N. Zdravim, Customer of Kvarner in Zagreb

CROATIA

The Economy

Economic growth in Croatia reached 4.7% in 2006, with exports and investments showing especially strong upward momentum. Private sector consumer spending also increased at the same time. Inflation reached 3.2%, which was slightly below the level for the previous year. In the past year, the government again undertook reforms related to the current negotiations on EU accession, which make Croatia increasingly attractive to foreign investors.

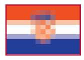
The 35% increase in premiums recorded by Kvarner is significantly above the market rate of growth.

EU accession negotiations

In its latest progress report on Croatia, the EU underlined the successes in 2006 towards the fulfilment of the political and economic criteria for accession. Further reforms are being outstanding in the areas of public administration and the administration of justice. Negotiations are expected to accelerate significantly in 2007.

Insurance market

The Croatian insurance market achieved growth of 10.1% in 2006, thereby growing more than twice as fast as the overall economy. With a 13.4% increase in premiums, life insurance was once again the driver of growth. The non-life segment also recorded excellent growth of 9.0%. The process of concentration in the Croatian insurance market continued in 2006. The five largest insurance groups now holding a market share of approximately 83%.



Area	56,542 km^2
Population	4.4 million
Capital	Zagreb
EU accession	negotiations in progress
Currency	Croatian Kuna (HRK)
Exchange rate	1 Euro = HRK 7.3247
Per capita GDP	EUR 7,601
Real change in GDP versus 2005	4.7 %
Inflation	3.2 %
Insurance density (2005)	USD 275 per capita
Insurance penetration (2005)	3.3 %
Growth of the insurance market	10.1 %

The Vienna Insurance Group is the third largest life insurance company in Croatia

The Vienna Insurance Group operates through three companies in Croatia: Kvarner, Cosmopolitan Life and Helios. Taken together, these three insurance companies rank fourth in both the overall market and the non-life insurance market. In the life insurance market, the Vienna Insurance Group even occupies a third place, and was able to further narrow the distance between it and the holder of the second place. The life insurance segment in particular shows considerable growth potential in comparison to the EU-15-countries. Above-average growth is expected in coming years for life insurance in particular, and the Vienna Insurance Group is optimally positioned for this growth. Premiums written by the Vienna Insurance Group reached EUR 66.10 million in 2006, and profit before taxes rose to EUR 1.83 million.

Vienna Insurance Group in Croatia

in million EUR	2006*	2005*	Change versus 2005
Premiums written	66.10	39.76	+66.3 %
Life	32.53	20.15	+61.5%
Non-Life	33.57	19.61	+71.2%
Profit before taxes	1.83	0.02	–

* 40% of Helios included as of 1 April 2006. Cosmopolitan not included in 2005.

Kvarner: Consistent growth above the market rate

Kvarner is the Vienna Insurance Group's largest company in Croatia, operating in both the life and non-life segments. The company's market share of 4.9% makes it the sixth-largest insurance company in Croatia. Kvarner Wiener Städtische generated a premium volume of EUR 56.63 million in 2006, which represents an increase of more than 35% over 2005. Premiums written increased to EUR 30.63 million (+56.2%) for non-life insurance products and to EUR 23.00 million (+14.1%) for life insurance.

Kvarner Wiener Städtische has a nationwide distribution network of 128 sales offices. The company focuses on distribution through its field sales force, who generate 70% of total sales. By promoting expansion among its field sales force the last 5 years, the company was able to generate dynamic growth in premiums above the market rate of growth. In addition to its own agents, Kvarner Wiener Städtische also relies on cooperative arrangements for distribution through banks. In 2006, the Croatian Chamber of Commerce nominated the company for the "Zlatnus Kunu" prize for the best company in Croatia. Only five companies earned this nomination, which reflects Kvarner Wiener Städtische's importance to the Croatian economy.

Cosmopolitan Life: A success in the life insurance business

Cosmopolitan Life has been part of the Vienna Insurance Group since 2005. The life insurance company achieved premium income of EUR 7.35 million in 2006. Cosmopolitan Life distributes its products through a field sales force, selling endowment and whole life insurance in the regular and single premium classes. In December 2006, for the first time in Croatia, the company introduced its index-linked product "Best of Trend". This product has a capital guarantee, makes investments in international securities and attracted great interest among customers. New business could thus be increased by more than 45%.

Helios: Ownership interest through TBIH

Through the ownership interest it holds in TBIH (subject to official approval), the Vienna Insurance Group is also an indirect part-owner of Helios Insurance. Helios is a successful composite insurer founded in 1991. The focus of its business lies in the non-life segment, where the company ranks as one of the top 10 insurance companies. With approximately 150 employees, the company was able to generate a premium volume of approximately EUR 17 million in 2006, whereas EUR 5.13 million were considered in the Vienna Insurance Group consolidated financial statements.

Outlook

The Vienna Insurance Group is very well positioned in Croatia with its three insurance companies, which will enable it to profit from strong future market growth. The objective is to continue expanding its market share in both the life and non-life segments in order to become one of the top 3 insurance groups. In life insurance, where the Vienna Insurance Group is already one of the top 3 Croatian insurance companies, the goal is to become the market leader.

Name	**Kvarner Wiener Städtische osiguranje d.d.**
Proportion held	98.75 %
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

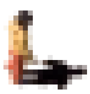
KVARNER
VIENNA INSURANCE GROUP

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

Life
VIENNA INSURANCE GROUP

Name	**HELIOS Osiguranje d.d.**
Year founded	1991
Contact	HELIOS Osiguranje d.d. Poljička 5 HR-10002 Zagreb Tel.: +385 (1) 61 16 766 Fax: +385 (1) 61 16 951 osiguranje@helios.hr www.helios.hr

OSIGURANJE HELIOS
in redesign



"What I particularly like about the Vienna Insurance Group is that it isn't a big anonymous machine, but people from the area whom I know and who know me. That inspires confidence."

P. Kowalska, Customer of Compensa in Warsaw

POLAND

Record economic growth in Poland

Economic growth reached 5.8% in Poland in 2006, continuing the strong growth recorded in recent years. This growth was primarily sustained by strong domestic consumption and a high level of investment. The export industry also experienced satisfying growth. In the labour market, the unemployment rate dropped to approximately 15% due to the favourable economic trends.

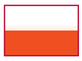
Growth of the Vienna Insurance Group in Poland exceeds the market rate.

While the rate of growth is expected to weaken slightly in 2007 to 5%, there is no break in the positive momentum. Although a precise date for the introduction of the Euro has not yet been determined, 2012 appears likely. The greatest problem is currently the area of government expenditures, which still does not satisfy the Maastricht criteria.

Insurance market

33 life insurance companies and 35 non-life insurance companies operate in the Polish insurance market. In 2006, the rate of growth reached 21.1%. As was the case for all of 2006, the dynamic life insurance market, where premiums were up by 37.7%, provided a significant contribution to this growth. The non-life area grew by 4.8% year-on-year.

The growth in the life insurance segment is primarily attributable to bancassurance (credit insurance), short-term single-premium policies with investment features, and index-linked products.



Area	312,685 km^2
Population	38.2 million
Capital	Warsaw
EU accession	2004
Currency	Zloty (PLN)
Exchange rate	1 Euro = PLN 3.8959
Per capita GDP	EUR 7,040
Real change in GDP versus 2005	5.8 %
Inflation	1.0 %
Insurance density (2005)	USD 245 per capita
Insurance penetration (2005)	3.2 %
Growth of the insurance market	21.1 %

The increase in the non-life area is due on the one hand to increased demand for household, homeowner and general liability insurance, and on the other hand to increased revenue from credit insurance driven by strong growth in consumer loans.

The Vienna Insurance Group in Poland

The Vienna Insurance Group has been operating in the Polish insurance market since 1998, offering an extensive range of products through six companies. The companies belonging to the Vienna Insurance Group in Poland are Compensa Life and Non-Life, Benefia Life and Non-Life, Royal Polska and Cigna. In addition, the non-life insurer TU PZM was acquired in 2007. Taken together, the companies occupy an outstanding eighth place in the market, and already hold fifth place in the non-life segment. Within the space of one year, the Vienna Insurance Group doubled its market share in the life insurance market, and is now one of the top 10 life insurance companies. In the life insurance segment, in particular, premium growth most recently was recorded at a record of more than 180% (comparative figures for 2005 adjusted to the 2006 scope of consolidation), but the performance of the Vienna Insurance Group in the non-life area, where premiums increased by approximately 24% (comparative

Vienna Insurance Group in Poland

in million EUR	2006*	2005*	Change versus 2005
Premiums written	335.06	74.07	+352.4 %
Life	119.34	23.69	+403.7 %
Non-Life	215.72	50.38	+328.3 %
Profit before taxes	7.73	1.50	+413.6 %

* PZM not included in 2006. Cigna included from April to December 2006. Cigna, Benefia Life and Non-Life are not considered in 2005. 50% of Compensa Non-Life included from January to September 2005, and 100% as of 1 October 2005.

figures for 2005 adjusted to the 2006 scope of consolidation) was also very good despite ever more intense competition. The Vienna Insurance Group in Poland was thus able to extend the trend of high above-market growth rates in 2006.

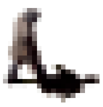
In accordance with the Group's multi-brand strategy, the individual company brand names are being retained. Synergies in the back office area are exploited by means of increased cooperation and combining of expertise.

In 2006, total premiums in Poland increased by 352.4% year-on-year to EUR 335.06 million, of which EUR 119.34 million were generated by life insurance (+403.7%) and EUR 215.72 million by non-life insurance (+328.3%). Profit before taxes reached EUR 7.73 million.

Compensa Life and Non-Life

With a name recognition of 92%, Compensa Life and Non-Life are among the best-known insurance companies in Poland. A nationwide distribution network of more than 150 branch offices and 2,600 agents offers comprehensive service throughout the Polish market.

Compensa Life concentrates on traditional and index-linked products with regular premium payments, but last year was also successful in promoting the successful expansion of single-premium products by sales through banks. By doing so, the company participated in this strongly growing segment of life insurance and increased its premium income by 84.1% to EUR 43.61 million. One of the priorities in 2007 is to continue the expansion of the single-premium business in order to benefit from the increasing demand for insurance services in this segment.



Compensa Non-Life is one of the leading insurers in the motor vehicle area. It is one of the top 10 insurers in Poland for both motor vehicle liability and motor vehicle own-damage insurance. The company uses a wide variety of distribution channels, such as cooperative agreements with leasing companies and banks, brokers and agents. Despite weak growth in the motor vehicle segment of the market, Compensa recorded growth that was above the level of the market and was successful in expanding its market share. Premium volume rose to EUR 96.63 million, reflecting a growth rate of approximately 22% (comparative figure for 2005 adjusted to the 2006 scope of consolidation).

In addition to the motor vehicle business, Compensa Non-Life is also promoting household and homeowner insurance, general liability insurance and credit insurance.

Compensa Non-Life: one of the top 10 companies in motor vehicle insurance.

The company also offers health insurance products. To date, this business has been operated on a small scale but very successfully. Thus the company received the "Gold Otis" award for one of the best health insurance products in the market. By operating in this insurance class, Compensa Non-Life ensures that it is in a good starting position for future strong growth in this insurance segment.

Benefia Life and Non-Life

Benefia Life and Non-Life have been part of the Vienna Insurance Group since 2005.

Benefia Life distributes traditional life insurance products with regular premium payments and as well as single premiums. The company does so by means of cooperative agreements with a number of regional banks. Benefia Life also offers company pension plans in the form of group life insurance. Premium income rose to EUR 8.44 million in 2006, representing an increase of approximately 127% (comparative figure for 2005 adjusted to the 2006 scope of consolidation).

Benefia Non-Life specialises in distributing its products through cooperative arrangements with a large number of car dealers, such as Fiat, Toyota, Hyundai, Citroën, Renault, Seat, Kia and Peugeot, custom-designing a number of products especially for them. The company's business is concentrated in the motor vehicle area, with a focus on motor vehicle own-damage insurance. Premium volume reached EUR 25.71 million in 2006.

In late 2006, the company began to distribute its products over the internet. Given its great success, this distribution channel will continue to be expanded in 2007. The company also received a number of awards, such as the Polish Business Club "2006 Product of the Year" award for introducing its (eMoto) motor vehicle insurance package over the Internet, and a silver medal from the Polish Success Academy for introducing the sale of insurance over the Internet.

Royal Polska: highest premium growth of all Polish life insurance companies.

Royal Polska

Royal Polska is a successful life insurance company represented throughout Poland by the Royal Dystrybucja marketing company and its approximately 300 agents. Successful cooperative arrangements also exist with a number of regional financial institutions in connection with the bancassurance business.

In 2006, the company achieved the highest premium increase of all Polish life insurance companies and was able to more than double its market share. Royal Polska concentrates mainly on index-linked life insurance products in both the individual and group insurance segments. It achieved a premium volume of EUR 67.28 million in 2006.

Cigna

Cigna has been part of the Vienna Insurance Group since the 2nd quarter of 2006. As a non-life insurer focusing on non-motor vehicle classes, the company is an optimal complement to the portfolio of the Vienna Insurance Group. The company is one of the top 10 insurers in Poland in its segment. The engines of growth in 2006 were household, homeowners, credit and casualty insurance products. Successful cooperative agreements with a number of banks represented one of the ways the company was able to participate in the strong growth of non-life insurance.

Cigna is also operating in the private health insurance segment and been successful in offering a number of products in this area. These products of the Company were awarded first place in a ranking of all private sector individual and group health insurance products by the weekly magazines "Wprost" and "Health manager".

Cigna generated a premium volume of EUR 93.37 million in 2006, representing an increase of approximately 30% (comparative figure for 2005 adjusted to the 2006 scope of consolidation). The company intends to further expand its activities in household and homeowner insurance in the future, as this market is one of the strongest growing non-life insurance segments.

TU PZM

The Vienna Insurance Group acquired a 75% stake in the non-life insurance company TU PZM at the start of 2007. The remaining shares are held by the former majority shareholder, the Polish Automobile Association (PZM), which has also agreed to be a distribution partner. The Polish Automobile Association PZM has a major nationwide network of branches, offices and garages. The Vienna Insurance Group is able to use this new distribution channel to take greater advantage of the strong market potential in this area. TU PZM's premium volume reached EUR 2.1 million in 2006.

Outlook

The goal of the Vienna Insurance Group in Poland is to become one of the top 5 companies in the overall insurance market. This goal has already been reached in the non-life insurance market, where the company currently holds fifth place.

The now seven insurance companies of the Vienna Insurance Group in Poland – each company with its own focus in a market segment – enable it to successfully develop any area of the market. The aim is to further deepen the core competency of each company in its particular area in order to become one of the market leaders over the medium term. Further streamlining of the administrative structure are additionally intended to create new synergies and contribute to the success of the Vienna Insurance Group in Poland.

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	99.87%
Year founded	1990

Contact	Towarzystwo Ubezpieczeń na Życie Compensa S.A. Towarzystwo Ubezpieczeń Compensa S.A. Al. Jerozolimskie 162 PL-02-342 Warsaw Tel.: +48 (22) 501 6000 Fax: +48 (22) 501 6001
Compensa Life:	centrala@compensazycie.com.pl
Compensa Non-Life:	centrala@compensa.com.pl
COMPENSA VIENNA INSURANCE GROUP	www.compensa.pl

Name	**Royal Polska Towarzystwo Ubezpieczeń na Życie S.A.**
Proportion held	95.44 %
Year founded	1996
Contact	Royal Polska Towarzystwo Ubezpieczeń na Życie SA ul. Rydygiera 21 PL-01-793 Warsaw Tel.: +48 (22) 525 11 11 Fax: +48 (22) 525 11 00 biuro@royalpolska.com www.royalpolska.com

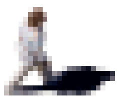
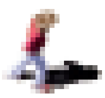
ROYAL Polska
VIENNA INSURANCE GROUP

Name	**Benefia Towarzystwo Ubezpieczeń na Życie S.A. (Benefia Life)**
Proportion held	100%
Year founded	1992

Name	**Benefia Towarzystwo Ubezpieczeń Majątkowych S.A. (Benefia Non-Life)**
Proportion held	100%
Year founded	1999
Contact	Benefia Towarzystwo Ubezpieczeń na Życie S.A. Benefia Towarzystwo Ubezpieczeń Majątkowych S.A. ul. Pulawska 405 PL-02-801 Warsaw Tel.: +48 (22) 544 14-70/71 Fax: +48 (22) 544 14 74 centrala@benefia.pl
BENEFIA VIENNA INSURANCE GROUP	www.benefia.pl

Name	**Towarzystwo Ubezpieczeń i Reasekuracji Cigna STU S.A.**
Proportion held	92.77 %
Year founded	1993
Contact	Towarzystwo Ubezpieczeń i Reasekuracji Cigna STU S.A. Biuro Zarzadu ul. Noakowskiego 22 PL-00-668 Warsaw Tel.: +48 (22) 53 76 800 Fax: +48 (22) 53 76 804 sekretariat@cignastu.com.pl
CIGNA	www.cignastu.com.pl



"During the last big flood, when my house was entirely under water, the Vienna Insurance Group was very quick to help, and paid the amount of my loss unbureaucratically and promptly."

S. Munteanu, Customer of Omniasig Non-Life in Bucharest

ROMANIA

Growth market

In 2006, economic growth in Romania reached what is believed to be a record of 7.7%, thus far exceeding the 4.1% growth in the previous year. In addition to the rise of approximately 11% increase in consumer spending and the high level of investments in the wake of the big floods in 2005, one of the major reasons for this favourable economic development was strong foreign direct investment, which increased by more than 9%. Romania's accession to the EU in early 2007 makes the country even more attractive for foreign investors. Inflation dropped to 6.6% in 2006, thereby contributing further to economic stability. The good economic situation also led to a slight drop in the unemployment rate to 5.4%. High growth of approximately 6% is also forecast for the coming year.

Premium volume in the Romanian insurance market rose by approximately 30% in 2006.

Area	238,391 km^2
Population	21.7 million
Capital	Bucharest
EU accession	2007
Currency	Leu (RON)
Exchange rate	1 Euro = RON 3.5258
Per capita GDP	EUR 4,330
Real change in GDP versus 2005	7.7 %
Inflation	6.6 %
Insurance density (2005)	USD 70 per capita
Insurance penetration (2005)	1.5 %
Growth of the insurance market	approximately 30%

Insurance market

The Romanian insurance market grew by approximately 30% in 2006. Once again, the growth was driven by the non-life segment, which recorded a gain of approximately 36%. The 34% increase in motor vehicle insurance premiums, and in particular motor vehicle own-damage insurance (+39%), contributed the major portion of this increase. Credit insurance also recorded strong growth of 54%. Premium growth in the life insurance segment reached 9.5%.

Vienna Insurance Group in Romania

in million EUR	2006	2005*	Change versus 2005
Premiums written	236.89	136.17	+74.0 %
Life	12.09	9.45	+27.9 %
Non-Life	224.80	126.72	+77.4 %
Profit before taxes	2.75	0.54	+406.2 %

* 100% of Omniasig Life and Non-Life included as of 1 August 2005.

The Vienna Insurance Group in Romania

The Vienna Insurance Group operates in Romania through four companies, Omniasig Life and Non-Life, Unita and Agras, and holds an outstanding second place both in non-life insurance and in the overall market. Following the purchase of the Omniasig Group in the previous year, the main concern in 2006 was the optimisation of organisational structure, in which each company was focused on its core business while administrative simplifications were implemented.

The Vienna Insurance Group increased premiums written to EUR 236.89 million in 2006 and earned a profit before taxes of EUR 2.75 million.

The Omniasig Group:
Tops in the life and non-life insurance classes

The Omniasig Group in Romania includes Omniasig Life and Non-Life.

Omniasig Life is one of the top 10 life insurers in Romania and generated a premium volume of EUR 12.09 million in 2006. The Vienna Insurance Group increased its ownership interest in this company to 69.98% in 2006.

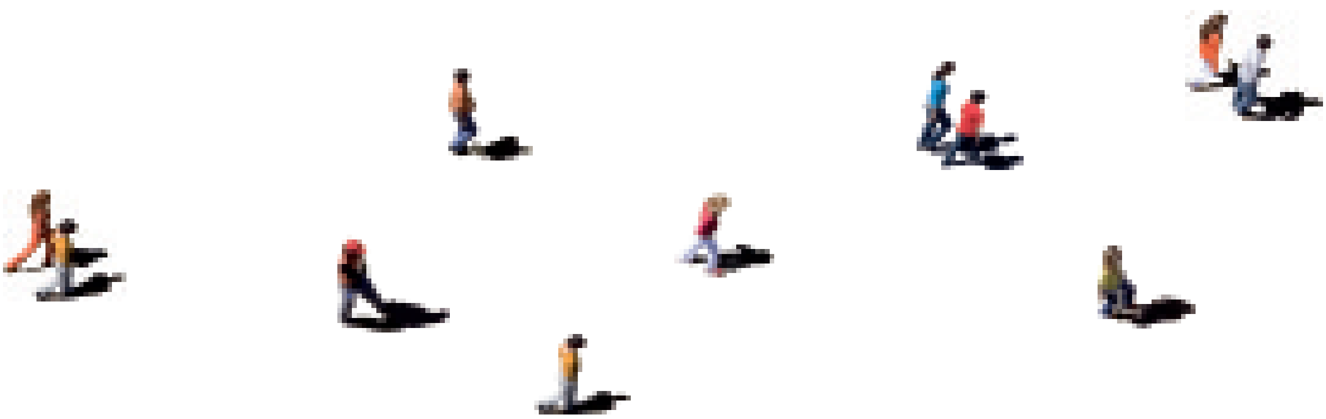
Omniasig Non-Life has more than 400,000 customers and is the second-largest non-life insurance company in Romania, concentrating its operations in the motor vehicle segment. The company is also one of the leading insurers of large customers, and includes well-known industrial and commercial customers in its portfolio. Omniasig Non-Life has built up a very extensive distribution network of agents and brokers, as well as outstanding cooperative arrangements for sales through banks and leasing companies.

Omniasig Non-Life is the second-largest non-life insurance company in Romania.

Omniasig Non-Life also received a number of important awards in 2006. The company was named 2006 insurance company of the year by UNISCAR (Romanian Association of Insurance Brokers) and 2006 non-life insurance company of the year by the insurance magazine XPRIMM. In 2006, Omniasig Non-Life generate premiums written of EUR 152.05 million.

Unita – the sixth largest motor vehicle insurance company in Romania

Unita has more than 200,000 customers and operates exclusively in the non-life area with a focus on motor vehicle insurance, where the company also holds an outstanding sixth place in the market. After transferring its life insurance portfo-



lio to Omniasig Life in 2005, Unita has concentrated on its core business in the non-life segment. The company's 40 branch offices and more than 120 agencies and other point-of-sales allow it to serve the market optimally. In addition to its field sales force, the company also works closely with brokers and leasing companies. "Business Class", a new product for small and medium-sized companies, was introduced in 2006 and was very successful in generating sales. Total premium income reached EUR 68.10 million in 2006.

Agras – the largest Romanian agricultural insurance company

With more than 13,000 customers, Agras is the leading insurance company in the agricultural sector. The market for insurance in this sector has grown considerably in recent years. There was an especially strong increase in demand for insurance products by Romanian farmers in the wake of the catastrophic floods. The possibility of drawing on future subsidies from the EU and the need to conform to EU standards for cultivation and processing are creating a wave of investment, which ultimately also increases demand for agricultural insurance products.

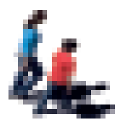
After combining back office areas with Unita and transferring its non-agricultural insurance portfolio to Unita, the insurer is now concentrated on the growing market for agricultural insurance. Sales are made through the company's own specialised distribution network, agents, brokers and cooperative arrangements with seed suppliers. Agras also makes use of the extensive sales organisation of the Omniasig Group and Unita in order to realise significant cross-selling potential and synergies.

The Vienna Insurance Group holds an outstanding second place in Romania.

Outlook

Strong growth is expected to continue in the Romanian insurance market in 2007. Economic growth is expected to remain high, on the one hand, and the accession to the EU will provide an additional stimulus to growth in Romania. On the other hand there is significant "catch-up" potential in the Romanian market for insurance services. The growth of the insurance market is thus expected to continue to exceed overall economic growth in the coming years.

Following the restructuring and integration of the Omniasig Group into the Vienna Insurance Group, 2007 will be focused on a new sales and service drive and on achieving further profitability increases, while continuing to expand an already excellent market position.



Name	**S.C. Omniasig S.A. (Non-Life)**
Proportion held	98.17 %
Year founded	1995
Contact	S.C. Omniasig S.A. B-dul Aviatorilor, Nr. 28 RO-010 413 Bucharest Tel.: +40 (21) 231 50 40 Fax: +40 (21) 231 50 29 secretary@omniasig.ro www.omniasig.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 Bucharest Tel.:+40 (21) 2120 882 Fax: +40 (21) 2120 843 unita@unita.ro www.unita.ro

Name	**S.C. Omniasig Asigurari de Viata (Life)**
Proportion held	69.98 %
Year founded	1997
Contact	Omniasig Asigurari de Viata Str. Pechea, Nr. 13, Sector 1 RO-013 982 Bucharest Tel.: +40 (21) 40 89 100 Fax: +40 (21) 40 89 101 office@omniasiglife.ro www.omniasiglife.ro

Name	**Agras Asigurare Reasigurare S.A.**
Proportion held	88.68 %
Year founded	1992
Contact	Agras Asigurare Reasigurare S.A. Alexandru Philippide St. 9B Sector 2 RO-070 259 Bucharest Tel.:+40 (21) 313 79 93 Fax: +40 (21) 313 79 85 agras@agras.biz www.agras.biz

"There are many benefits to an insurance company with a long and successful history like the Vienna Insurance Group. You can trust such an insurance company; you can be sure that your money is in good hands."

O. Iliushyn, Customer of MSK-Life in Moscow

Area	17 million km^2
Population	145 million
Capital	Moscow
Currency	Rouble (RUB)
Exchange rate	1 Euro = RUB 34.112
Per capita GDP	EUR 5,740
Real change in GDP versus 2005	6.7 %
Inflation	9.7 %
Insurance density (2005)	USD 123 per capita
Insurance penetration (2005)	2.3 %
Growth of the insurance market	22.0 %

RUSSIA

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. The Russian economy continued the dynamic growth of recent years with a growth rate of 6.7% in 2006. A strong increase in domestic consumption and a high level of investment were the reasons for this growth. Russian exports also rose substantially. At the same time inflation dropped from 12.7% to 9.7% and the unemployment rate decreased to 6.9%.

> Russia: High growth potential in a market with a population of 145 million.

This trend is expected to continue during the current fiscal year. Real income is expected to rise by up to 10%, which would be linked to a further increase in domestic consumption. This is expected to have a positive effect on the insurance industry, since demand for insurance services grows as incomes rise.

Great growth potential in the Russian insurance market

The Russian insurance market is characterised by a great number of small regional insurance companies. There are currently about 920 insurance companies, but this number is expected to decrease in coming years as a result of market concentration processes. The business is concentrated around about 100 insurers, which generate 80% of all premium income. In contrast to most other CEE countries, only a few international insurance groups are currently represented in Russia, although interest in this market is increasing. The Russian insurance market is one of the largest growth markets in the CEE-region. The large cities, in particular, with their growing middle class populations, are among the more attractive regions. This enormous growth potential is clearly illustrated by the country's insurance density of USD 122.8 per capita (Austria: USD 2,342.8, EU-15: USD 2,879.1, for the year 2005) and insurance penetration of 2.3% (Austria: 6.2%, EU-15: 8.6%, for the year 2005).

The insurance market has been in a period of transition since the introduction of economic reforms in recent years. The Vienna Insurance Group therefore decided to enter to this new, up-and-coming market. In 2006, the Russian insurance market grew by 22.0%.

Ownership interest in MSK-Life

In early august of 2006, MSK-Life, which was created from a joint venture between MSK (Moscow Insurance) and the Vienna Insurance Group, was granted a license to commence business operations in the life and health insurance segments within the Russian Federation.

The granting of this license made the Vienna Insurance Group the first Austrian insurance company to operate in the life insurance area of the Russian market. The Vienna Insurance Group holds a stake of 25.01% in MSK-Life. The remaining shares are held by the Russian non-life insurance company MSK. The city of Moscow and the Bank of Moscow in turn hold 51% and 49% of the shares of MSK, respectively. MSK-Life offers a broad range of life insurance products, such as death benefit insurance, including credit/residual debt insurance, old-age pension insurance and endowment insurance for children, as well as casualty and health coverage. Life insurance products are sold through the distribution networks of MSK as well as the Bank of Moscow making more than 120 locations throughout the Russian Federation from Kaliningrad to Vladivostok available as sales offices. Multi-level sales organisation is also being expanded, since this is currently one of the most effective distribution channels in Russia.

Ownership interest in SoVita and Standard Reserve

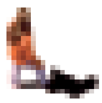
The Vienna Insurance Group recently converted its indirect holdings in SoVita and Standard Reserve through Kardan Financial Services (KFS) into a direct ownership interest. The Vienna Insurance Group now holds an ownership interest of 15% in each of the two insurance companies.

In 2006, the Russian insurance market grew by 22.0%.

The Bank of Moscow is also the majority shareholder of both companies. There are currently considerations with the majority shareholder, to combine all insurances under one umbrella.

Name	**Insurance Company MSK-Life Ltd.**
Proportion held	25.01%
Year founded	2005
Contact	Insurance Company MSK-Life Ltd. Ul. Dolgurukovskaya 40 RU-127030 Moscow Tel.: +7 495 980 8489 Fax: +7 499 972 0561 mail@msk-life.ru

СТРАХОВАЯ КОМПАНИЯ
МСК-Лайф
VIENNA INSURANCE GROUP



“My professional Vienna Insurance Group advisor is available at all times to help me with my insurance questions.”

M. Marković, Customer of Wiener Städtische osiguranje a.d.o. in Belgrade

SERBIA

The Economy

Despite political turbulence and a drawn out process of integration into the EU, the economy is expected to be very dynamic in the coming years. In 2006, the Serbian economy was characterised by numerous privatisations that suggest a welcome level of investment activity in Serbia. The national currency proved strong, thereby contributing to price stability. The appreciation of the Dinar in 2006 was also responsible for a weakening of inflation, which was in turn due to increasing direct investment.

The Serbian economy is expected to be very dynamic in the coming years.

Insurance market

Seventeen insurance companies (including pension funds) were operating in the Serbian insurance market at the end of 2006, with large international groups, in particular, increasingly discovering this growth market for themselves. Insurance density (USD 48.7 per capita) is still significantly below the CEE average (USD 176.4 per capita). Accordingly, high rates of growth are expected in the coming years. In the 3rd quarter of 2006, premium volume in the Serbian insurance market represented an increase of 14.6% over 2005. This increase is primarily due to the favourable development of the life insurance class.

Area	83,361km^2
Population	7.4 million
Capital	Belgrade
EU accession	Participant in the EU Stabilisation and Association Process (SAP)
Currency	Serbian Dinar (RSD)
Exchange rate	1 Euro = RSD 83.959
Per capita GDP	EUR 3,424
Real change in GDP versus 2005	5.7 %
Inflation	11.7 %
Insurance density (2005)	USD 49 per capita
Insurance penetration (2005)	2.2 %
Growth of the insurance market	14.6 % (3rd Quarter 2006)

The Vienna Insurance Group with Wiener Städtische osiguranje in Serbia

Wiener Städtische osiguranje has been represented in the Serbian insurance market as a composite insurer since 2003. The company concentrates on Serbia and is not represented in Kosovo. Wiener Städtische osiguranje was founded four years ago

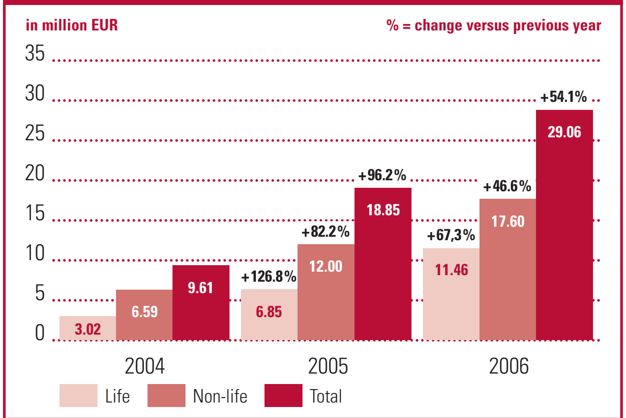
Vienna Insurance Group in Serbia

in million EUR	2006	2005	Change versus 2005
Premiums written	29.06	18.85	+54.1%
Life	11.46	6.85	+67.3%
Non-Life	17.60	12.00	+46.6%
Profit before taxes	0.40*	0.18	–

* Before currency translation according to IAS 21.

and today serves more than 80,000 customers and ranks fourth in the market. Sales are conducted mainly takes through the field sales force, international brokers, agents and broad-based distribution through banks.

PREMIUMS WRITTEN BY THE VIENNA INSURANCE GROUP IN SERBIA



The Vienna Insurance Group generated a premium volume of EUR 29.06 million in Serbia, with approximately 39% of premiums originating from life insurance and 61% from the non-life segment. Double-digit growth rates were achieved in both classes solely through organic growth. Premiums in the life insurance segment rose by 67.3% to EUR 11.46 million and premiums in the non-life segment increased by 46.6% to EUR 17.60 million.

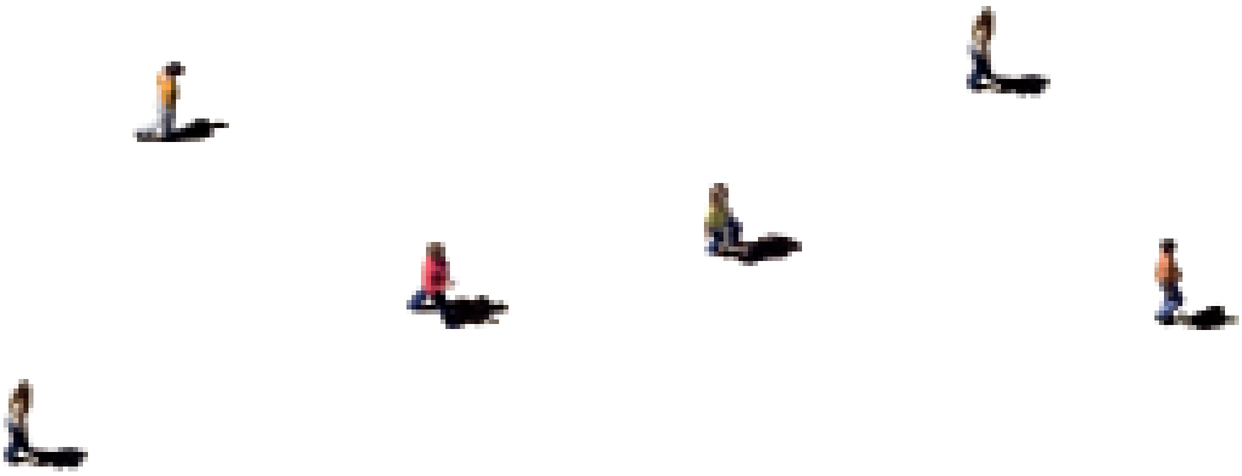
Outlook

The Serbian insurance market in 2007 is in transition. As a result of changes in the law, an insurance company can no longer operate in both the life and non-life segments at the same time. A split into two separate companies is required.

In 2007, Wiener Städtische osiguranje will concentrate on the creation of new distribution channels and on strengthening cooperations with banks. In addition, the emphasis in fiscal year 2007 will be placed on the sale of life and industrial insurance.

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

WIENER STÄDTISCHE
VIENNA INSURANCE GROUP



"An insurance company that operates in as many countries as the Vienna Insurance Group can offer the best possible service and security, and enjoys the trust of many people. So I, too, trust in it."

M. Antonenko, Customer of Kniazha in Kiev

Area	603,700 km^2
Population	46.6 million
Capital	Kiev
EU accession	not currently planned
Currency	Hryvnia (UAH)
Exchange rate	1 Euro = UAH 6.3569
Per capita GDP	EUR 1,670
Real change in GDP versus 2005	7.0 %
Inflation	9.1 %
Insurance density (2005)	USD 53 per capita
Insurance penetration (2005)	3.0 %
Growth of the insurance market	9.6 %

UKRAINE

The Economy

After a period of weak growth of 2.1% in 2005, GDP growth jumped to 7.0% in 2006. This was driven by strong growth in metal production (+8.9%) and the construction industry (+9.8%). The 18.6% increase in personal consumption also contributed to the improved economic performance.

The Vienna Insurance Group's three companies – Kniazha, Globus and Jupiter – turned in a welcome satisfactory performance in 2006.

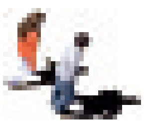
Inflation decreased to 9.1%, thereby contributing to economic stability. Real GDP growth between 2007 and 2009 is expected to average between 4% and 6%, supported by continued strong growth in consumption and a further upswing in investments.

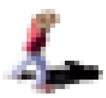
Changes in the Ukrainian insurance market

In 2006, the dynamic Ukrainian insurance market continued to be marked by the numerous reforms introduced to conform the market to international standards. As many life and non-life areas still show enormous growth potential, projected overall economic growth is expected to be accompanied by gains in the insurance industry.

The Vienna Insurance Group in Ukraine

The Vienna Insurance Group has been represented in the Ukrainian insurance market since late 2004 through its ownership interest in the Jupiter life insurance company. The ownership interests acquired in Kniazha and Globus in 2005 served to expand the range of non-life products offered by the Vienna Insurance Group in Ukraine. The Vienna Insurance Group's multi-brand strategy is highly successful in Ukraine. All three of the Vienna Insurance Group companies in Ukraine recorded a positive development in 2006 but none of the Ukrainian companies was yet included in the Vienna Insurance Group consolidated financial statements for 2006.




Kniazha's focus on motor vehicle insurance is underlined by the high 78.3% share of premiums.

Kniazha

Kniazha, which was founded in 1997, had a very successful year in the Ukrainian insurance market in 2006. It was able to more than double its premium volume in the motor vehicle liability, own-damage, and out-of-country liability (green card) insurance categories. These gains in premium were the result of numerous product innovations and increased cooperation with banks, automobile dealers and insurance brokers.

Kniazha's focus on the motor vehicle insurance class is demonstrated by the increase in the share of premiums from this segment. While no more than 8.7% of Kniazha's total premiums were generated in the motor vehicle insurance segment in 2003, this figure had already risen to 78.3% in 2006. This increase was primarily due to the development of new insurance products, such as "Casco" motor vehicle insurance, a target group-oriented expansion of distribution channels, and extensive customer assistance services. The "Casco" product will be further developed in 2007.

Globus

The Globus non-life insurance company is the youngest member of the Vienna Insurance Group in Ukraine. Approximately 142 employees and the same number of insurance brokers contributed to a growth of premium by nearly 10%. More than 80% of Globus' premiums were generated from motor vehicle liability insurance. Premiums in this area were almost doubled to EUR 2.08 million.

Out-of-country liability (green card) insurance, which offers extensive insurance protection in the event of accidents outside of Ukraine, was the strongest growing Globus product in 2006. Globus is very successful with this product, which was first offered in 2005, and now has a market share of approximately 9%.

A change in the law passed in November 2006 now allows Ukrainian insurance companies to insure foreigners residing in Ukraine. Globus took advantage of the opportunity represented by this new class of business. Tourists can now obtain coverage for initial care in the event of illness, as well as in-patient and out-patient care in a Ukrainian hospital.

Product information, claims reporting and customer assistance services are available to customers at all times through a free 24-hour hotline provided by Globus.

Jupiter

Jupiter is a life insurance company founded in 1999 in the capital city of Kiev. The company is profiting from the growth in

demand for life insurance in the Ukrainian market, where traditional endowment and term insurance with guaranteed profit participation is typically chosen primarily by individuals 30 years of age and older. In 2006, Jupiter succeeded in generating total premium growth of approximately 9%.

Jupiter has promoted cooperative relationships with a number of banks since early 2006. In the context of these cooperative arrangements, the "Wiener Klassik" product was particularly successful in 2006. This product is a blended endowment and term life policy with a term of 10 to 20 years. It pays out the full insured sum if death occurs in the fourth year of the policy or later, with as much as 150% of the insured sum paid out if death is the result of a traffic accident. The policy currency can be denominated in Hryvnia, US Dollars or Euros.

Jupiter was ranked the number 1 life insurance agency in an analysis by the Expert rating agency.

In a rating of 54 Ukrainian insurance companies by the Ukrainian rating agency Expert, Jupiter achieved a sensational first place among life insurers based on transparency of accounting policies.

Outlook

The Ukrainian Insurance Association plans to increase insurers' liability limit to EUR 0.5 million in the motor vehicle liability insurance category. This is expected to increase the demand for motor vehicle liability insurance. But strong growth is also expected in other areas of the life and non-life insurance classes in 2007.

The Ukrainian companies in the Vienna Insurance Group are planning numerous measures that will enable them to profit from projected future growth. The main priorities in this regard will be the expansion of distribution channels and the development of new innovative insurance solutions.

Name	**UIC Kniazha**
Proportion held	50.01 %
Year founded	1997
Contact	UIC 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

Name	**IC Globus**
Proportion held	51.00 %
Year founded	1994
Contact	IC Globus Str. Andreya Ivanova 21/17-1 UA-01010 Kiev Tel.: +38 (44) 254 53 78 Fax: +38 (44) 280 31 20 office@ic-globus.com www.ic-globus.com

Name	**CJSC Jupiter**
Proportion held	73.00 %
Year founded	1999
Contact	CJSC 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

"Trust must to be earned. My Vienna Insurance advisor earned my trust when he helped me choose the old-age provision product that was right for me."

A. Szabó, Customer of UNION Biztosító in Budapest

HUNGARY

The Economy

The dynamic Hungarian economy was able to maintain its momentum in 2006, generating economic growth of 3.9% based on strong export performance. In early September of 2006, the government implemented an austerity program, amongst other an investment income tax was introduced. Hungary will remain one of the strongest growing countries in Central and Eastern Europe in 2007 as well, but economic activity is then expected to level off in the following years.

Life insurance is the driver of growth in Hungary.

2006 in Hungary was marked by political tensions and a great number of reform plans. The most controversial issue was the reform of the social security system. The discussions about a privatisation of the government health care system are continuing in the current year.

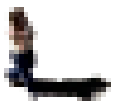
Area	93,033 km^2
Population	10.1 million
Capital	Budapest
EU accession	2004
Currency	Forint (HUF)
Exchange rate	1 Euro = HUF 264.26
Per capita GDP	EUR 8,979
Real change in GDP versus 2005	3.9 %
Inflation	3.9 %
Insurance density (2005)	USD 334 per capita
Insurance penetration (2005)	3.1%
Growth of the insurance market	21 %

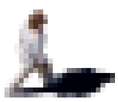
Significant increase in premiums in the Hungarian market

As in previous years, the insurance industry was able to grow at a significantly better rate in 2006 than the overall economy. There are currently 27 insurance companies operating in the Hungarian market generating a premium volume of EUR 3.14 billion (+21.0%) in 2006. Life insurance made the greatest contribution to this increase, since it was possible to increase the premium volume in this class by approximate 40% increase from 2005 to 2006. In unit-linked life insurance alone, premium volume was successfully tripled over the last three years. This popularity was promoted through a transparent cost structure and options for selecting among risk strategies.

Vienna Insurance Group in Hungary

in million EUR	2006	2005	Change versus 2005
Premiums written	64.29	58.03	+10.8 %
Life	33.17	14.19	+133.7 %
Non-Life	31.12	43.84	–29.0 %
Profit before taxes	1.35	0.76	+77.0 %





UNION Biztosító builds especially strong growth in its life.

UNION Biztosító

UNION Biztosító represents the Vienna Insurance Group in Hungary. This composite insurer is represented throughout Hungary and offers comprehensive insurance solutions for both individual as well as for corporate customers. In 2006, UNION Biztosító had more than 260 employees.

In 2006, UNION Biztosító was able to increase its total premium volume versus 2005 by 10.8% to EUR 64.29 million. The new "Smaragd" single-premium product was a principal contributor to this welcome development. This is a unit-linked life insurance product for which the customers' premium payments are increased by means of an attractive loan provided by UNION Biztosító. The advertising slogan "UNION's money is working for you too" makes it clear that the customer can realise a greater return on investment using this product and also underlines UNION Biztosító's innovative potential and ability to shape the market.

"UNION Biztosító also insures your flying pleasure" is the motto UNION Biztosító used in its first cooperative alliance with the airline Wizz Air. All customers holding a motor vehicle liability policy as of 1 January 2007 received a free flight.

Top employer
UNION Biztosító's expert service-oriented employees were also instrumental in the company's 2006 sales performance. Due to the increase in business volume, the number of employees was increased by 10% in 2006 alone. A survey conducted by the Hewitt consulting company, which specialises in human resources issues, confirms that UNION Biztosító is one of the top 20 employers in Hungary.

Cooperation with the Erste Bank Group
In the year just ended, the Company continued to promote and expand the cooperative relationship that has existed with the Erste Bank Group since 2005. It intends to strengthen this successful cooperation in 2007 by adding the distribution of motor vehicle insurance and travel insurance policies to its current sales of household insurance through the Erste Bank Group.

Outlook

In 2007, UNION Biztosító will concentrate on strengthening existing cooperative relationships and sales channels, and on opening up new distribution channels.

In addition to the life insurance products that have been successfully placed on the market, a broader range of products will be offered to address the growing demand for private old-age retirement insurance in the future.

Name	**UNION Biztosító Zrt.**
Proportion held	100 %
Year founded	1990
Contact	UNION Biztosító Zrt. Baross u. 1 H-1082 Budapest Tel.: +36 (1) 486 42 00 Fax: +36 (1) 486 43 90 info@unionbiztisito.hu www.unionbiztosito.hu

UNION BIZTOSÍTÓ VIENNA INSURANCE GROUP

"My Vienna Insurance Group policy makes me feel safe and secure when I travel. It's nice to have insurance that you can trust."

D. Newmershitzkij, Customer of Kupala in Minsk

Area	207,595 km^2
Population	9.8 million
Capital	Minsk
EU accession	not currently planned
Currency	Belarus Rouble (BYR)
Exchange rate	1 Euro = BYR 2,698.6
Real change in GDP versus 2005	8.3%
Inflation	9.5%
Growth of the insurance market	14.0%

BELARUS

The Economy

In spite of official reports of a successful increase of 8.3% in gross domestic product, the economic situation in Belarus remains difficult. Trade with Russia, which is Belarus' largest trading partner to date, declined in 2006. The inflation rate was 9.5%.

Kupala achieved approximately 52% growth in 2006.

Insurance market

The Belarus insurance market achieved growth of 14% in 2006, but remained highly regulated. Restrictions on private insurance companies currently remain in place. As before, motor vehicle liability insurance may solely be underwritten by government insurance companies. Non-Belarus insurance companies are currently barred from the life insurance business. Attractive market niches nevertheless remain for private insurers in the areas of voluntary personal, property, and liability insurance, alongside the dominant government insurance companies which claim 88% of the market.

The Vienna Insurance Group in Belarus

The Vienna Insurance Group is the only Western insurance company in the Belarus insurance market, where it is represented by the two non-life insurance companies, Kupala and Victoria. The company sells specialised products in the motor vehicle insurance class within the scope that is permitted by law. In 2006, these Belarus companies were not yet included in the Vienna Insurance Group consolidated financial statements.

Kupala

The Vienna Insurance Group entered the Belarus market in 2002, with its acquisition of an ownership interest in the non-life insurance company Kupala, which is active in both the

property/casualty insurance and health insurance areas. In 2006, it was possible to achieve premium growth of approximately 52% based on a clear strategy principally focused on casualty, personal and motor vehicle own-damage insurance and aiming at a broad diversification of distribution channels. Especially strong increases were recorded in out-of-country health insurance. More than 40,000 travel insurance policies were sold in 2006 alone.

The successful cooperative sales agreement between Victoria and Prior Bank was further expanded in 2006.

2006 was the first time that Kupala was able to register new significant gains since the drop premium that occurred when motor vehicle liability insurance was nationalised. As in previous years, Kupula once again earned a profit in 2006.

Victoria

Victoria operates in the property/casualty area and has been a member of the Vienna Insurance Group since 2005. Victoria is highly successful at selling modern insurance products optimally adapted to the needs of bank customers. Casualty and homeowner insurance policies, which were sold together with Prior Bank's real estate loans, were particularly profitable in 2006. Cooperation in sales with Prior Bank, which is part of Raiffeisen International, was successfully expanded in 2006.

Outlook

Kupala intends to further optimise existing products and introduce new products in the areas of household, property and liability insurance in 2007. An expansion of alternative distribution channels is also planned. In 2007, Victoria will promote the optimisation of business processes for sales thorough banks.

Name	**SBA ZASO Kupala**
Proportion held	94.50 %
Year founded	1993
Contact	SBA ZASO Kupala ul. Nemiga 40 BY-220004 Minsk Tel.: +375 (17) 200 80 71 Fax: +385 (17) 200 80 13 office@kupala.by www.kupala.by

КУПАЛА
VIENNA INSURANCE GROUP

Name	**ZASO Victoria**
Proportion held	100 %
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

Victoria
VIENNA INSURANCE GROUP

"What I especially value about the Vienna Insurance Group is that all of my policies are adapted to my needs using a convenient system of modules. As a result, I feel that I am receiving the best coverage possible".

P. Leukel, Customer of InterRisk in Wiesbaden

GERMANY

The Economy

The German economy recorded a strong growth rate of 2.5% in 2006. This is the strongest economic upturn to occur since the year 2000. After two years of near stagnation, private sector consumption increased by 0.6%. Foreign trade continues to be very dynamic, with import and export growth rates almost doubling compared to 2005.

InterRisk was once again recognised as the best broker insurer in Germany.

Insurance market

The German insurance industry only benefited to a limited extent from the improvement in basic economic sentiment in 2006. Stagnating real incomes, widespread uncertainty, and high market saturation are the reasons for the low growth rate. The 2.3% growth in premiums was primarily driven by pension insurance.

Area	357,031 km²
Population	82.0 million
Capital	Berlin
EU accession	1952
Currency	Euro (EUR)
Per capita GDP	EUR 25,817
Real change in GDP versus 2005	2.5%
Inflation	1.7%
Insurance density (2005)	USD 2,311 per capita
Insurance penetration (2005)	6.8%
Growth of the insurance market	2.3%

The Vienna Insurance Group in Germany

The Vienna Insurance Group is represented by two companies in the German insurance market, InterRisk Non-Life and InterRisk Life. More than 100 employees inform about the broad range of products, which includes insurance products for both private and commercial customers. Distribution relies on brokers and non-exclusive agents; the InterRisk insurance companies currently work with approximately 9,000 sales partners.

Vienna Insurance Group in Germany

in million EUR	2006	2005	Change versus 2005
Premiums written	116.33	109.48	+6.3%
Life	54.16	50.90	+6.4%
Non-Life	62.16	58.59	+6.1%
Profit before taxes	9.07	8.36	+8.5%

InterRisk Non-Life

InterRisk Non-Life specialises primarily in casualty insurance and selected property insurance products. Relying on sales through brokers, the company achieved a premium volume of EUR 62.16 million in 2006; the growth rate of 6.1% is signifi-

cantly above the rate of increase for the whole market (+2.3%). This positive trend is partly due to household insurance, which uses a micro-geographic database to calculate a premium that is tailored individually to the customer.

InterRisk Non-Life continued to receive numerous awards in 2006. Based on a positive rating of customer satisfaction, products, broker support, claims settlement and other factors, the 2006 CHARTA Quality Barometer awarded the company its highest rank of "outstanding", allowing it to once again take first place. In the casualty insurance class, AssCompact selected InterRisk Non-Life for the second time in a row as the most popular insurance provider from among more than 70 companies. This survey result validates our business strategy oriented toward market-leading quality of services as well as terms and conditions.

As a result of the new insurance intermediary directive, InterRisk Non-Life converted to an automated data retrieval system for existing policies which enabled its distribution partners to quickly access up-to-date customer data. This reduced administrative expense to a minimum, allowing more time for new customer acquisition, customer advisory service, and customer care.

InterRisk Life

In the life insurance area, the focus is primarily on term life and occupational disability insurance. The company's efficient investment policy allows an attractive overall rate of return.

InterRisk Life generated a premium volume of EUR 54.16 million in 2006, which represents a gain of 6.4% over 2005.

A new portfolio management system was used in 2006, which provides increased efficiency as well as significantly greater flexibility when introducing new products. In this connection, requirements according to the VVG-reform, which become effective on 1 January 2008 are fulfilled in particular.

"Finanztest" magazine, which is published by the product testing foundation Stiftung Warentest, assigned InterRisk Life's private pension insurance a quality rating of "excellent". The deciding factor for this rating was the highest guaranteed pension for both men and women.

InterRisk's "TopLine" product received top ratings.

The terms of InterRisk Life's "TopLine" product places the company in an excellent position with regard to occupational disability insurance. This product has been given top ratings by the leading rating agencies Franke & Bornberg as well as Morgen & Morgen.

Outlook

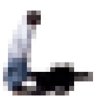
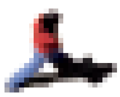
The InterRisk insurance companies have set themselves the goal of becoming the market leader in customer satisfaction, since positive performance in the hotly contested broker market is not possible on the basis of prices alone.

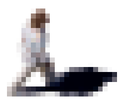
The companies aim to once again achieve above-market premium growth in 2007.

InterRisk Life intends to continue to expand its position in life insurance in Germany. InterRisk Non-Life intends to expand its successful product policy of providing market-leading insurance solutions to France under the EC Treaty's freedom to provide services.

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

InterRisk
VIENNA INSURANCE GROUP

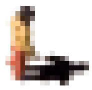





"The Vienna Insurance Group really has a lot to offer. A wide range of products, and advisors that custom design a package especially for you."

M. Müller, Customer of Vienna Life in Vaduz

LIECHTENSTEIN



The Economy

The economy in Liechtenstein continued the economic upswing that occurred in recent years. Financial service providers recorded double-digit growth rates, although the rate of growth slowed slightly following the strong performance in 2005. Employment benefited from this economic trend.

In Liechtenstein, the key growth engine is the high-net worth private client segment.

Insurance market

Total premium revenues in the Liechtenstein insurance market are approximately EUR 2.48 billion. The life insurance segment is expected to produce above-average growth in the coming years. Although Liechtenstein is not a member of the EU, it is part of the EEA. As a result, insurance companies domiciled in Liechtenstein have access to customers in Switzerland and in the EEA.

Area	160 km^2
Population	approx. 35,000
Capital	Vaduz
EU accession	Not planned, EEA member
Currency	Swiss franc (CHF)
Exchange rate	1 Euro = CHF 1.5729

Vienna Insurance Group represented by Vienna Life in Liechtenstein

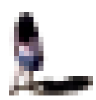
The Vienna Insurance Group is represented in Liechtenstein by Vienna Life, which is the country's fifth-largest life insurer. Vienna Life operates exclusively in the life insurance segment and concentrates primarily on sales of unit-linked life insurance. The emphasis is on innovative products that are custom-tailored to the individual needs of each customer. In many cases, the company develops these products jointly with its distribution partners, so that flexible optimised solutions can be offered instead of standard products.

Since 2003, Vienna Life has also offered products with regular premium payments. This has increased the company's ability to build up a broader customer base from the growing middle-class customer segment in addition to the sector of high-net

Vienna Insurance Group in Liechtenstein

in million EUR	2006	2005	Change versus 2005
Premiums written	124.45	167.66	–25.8 %
Life	124.45	167.66	–25.8 %
Profit before taxes	2.75	0.05*	–

* according to local law



The number of policies in Vienna Life's portfolio could be increased by close to one-third.

worth private clients. The growth engine in 2006 was clearly the high-net worth private client segment.

Vienna Life generated a premium volume of EUR 124.45 million in 2006. The decrease in premiums versus 2005 is attributable to the fact that tax changes and several large-scale contracts had made 2005 an exceptional year. A multi-year comparison shows continued success in implementing Vienna Life's growth strategy. The strong growth of the ongoing business and a broadening of the distribution base due to relationships with new partners allowed Vienna Life to increase the number of policies in its portfolio by close to one-third.

The "Silver Fund" unit-linked life insurance product was introduced into the market in 2006. The asset management investment strategy is oriented toward investments in precious metals, with the emphasis placed on silver. The performance of this investment product was approximately 11% in 2006. The introduction of the new life insurance product was accompanied by the Vienna Life advertising slogan "For a better life."

Outlook

Vienna Life will continue in 2007 to endeavour and strengthen existing cooperative arrangements with distribution partners and further expand its distribution capacity in 2007. Efforts will be made in particular to intensify the current close cooperative relationships with brokers in Vienna Life's three core markets – Liechtenstein, Germany and Austria. In cooperation with the company's distribution partners, the range of products offered will be expanded by adding alternative investment products.

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

We continue to grow.

OUTLOOK 2007

Expected economic trends in 2007

Austria

Favoured by the good economic trend in 2006 and optimistic corporate production forecasts, the Austrian Institute of Economic Research *(Österreichisches Institut für Wirtschaftsforschung - WIFO)* is projecting a 3.0% increase in Austria's gross domestic product in 2007. It appears, therefore, that the high point of the economic cycle has already passed, since expected growth for 2008 is only 2.4%. Stronger growth is nevertheless expected for Austria than for the Euro zone.

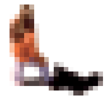
Austrian companies appear optimistic with respect to current business and sales trends for the coming months. Domestic demand is also becoming an increasingly important driver of economic trends in Austria. After recording a rate of 1.5% in 2006, inflation is expected to increase slightly to 1.7% in 2007 and 1.8% in 2008. The labour market reacted positively to the improved economic outlook, with an increase of 50,000 new jobs in 2006 and an additional 56,000 jobs expected for 2007. The strong economy has also resulted in a surprisingly large increase in tax revenue, reducing the public deficit to 1.1% of GDP in 2006. However, fixed spending commitments are expected to 1.0% in 2007, despite the fact that the good economy is expected to continue.

According to WIFO forecasts, real GDP growth in Austria is expected to average 2.5% per year between 2007 and 2011. This would make growth significantly higher than in the last six years, which were slowed by a weak European economy and weak domestic demand. The Austrian economy is expected to continue growing more strongly (+0.2 percentage points) than the Euro zone during this period.

The CEE region

After the high point in 2006, strong economic growth is also expected in the Central and Eastern European countries in 2007. Dynamic domestic demand (primarily investment) will be accompanied by favourable growth in exports and relatively good economic competitiveness of the individual countries, despite a significant appreciation of regional currencies and a strong demand for imports. An average growth rate of 5.5% is generally expected for the region in 2007. Economic growth in this region has previously been accompanied by lower than expected inflationary pressures and strong appreciation of local currencies. It is generally expected that strong demand-driven growth during the year will lead to a gradual rekindling of inflation. In addition to the convergence effect resulting from the relative income gap, this is also due to the dynamic pace of the economy.

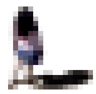
> The Austrian Institute of Economic Research (WIFO) forecasts a 3.0% increase in Austria's gross domestic product in 2007.



The 2007 insurance market

Austria

Based on an analysis by the Austrian Association of Insurance Companies *(Verband der Versicherungsunternehmen Österreichs - VVO)*, the Austrian insurance market grew by 1.9% in 2006. This moderate increase was primarily due to a 12% decrease in life insurance. Total premium growth of approximately 4.0% can be expected for 2007 and 2008.



According to VVO, growth in the life insurance area will pick up again with an increase of 5.1% in 2007. Growth for life insurance products with regular premium payments is expected to be approximately 6%. After the decrease in 2006, moderate growth is again expected for the single-premium business.

Growth in motor vehicle liability premiums, which fell to +0.8% in the previous year, is expected to rise to +1.4% in 2007.





After high growth of approximately 5.0% in the remaining non-life insurance areas in 2004 and 2005, the non-life insurance market grew by 3.4% in 2006. Growth for this segment is expected to be 3.3% in 2007.

According to VVO's projections, growth in health insurance is expected to be +2.7% in 2007, similar to the rate in 2006.

The CEE region

Based on insurance density and penetration, the CEE countries offer enormous growth potential. Unlike Western Europe, where per capita premiums for life insurance are considerably higher than the non-life area, growth prospects are especially good for life insurance here due to relatively low insurance penetration. The growth potential of the Central and Eastern European markets is also underlined by favourable projections for the economy as a whole. In addition, further adjustments to the overall framework of insurance legislation during the course of EU accession and the process of economic convergence with the EU will lead to a more stable environment for the insurance industry. In addition to life insurance, motor vehicle liability insurance is also considered to be one of the major drivers of growth. Motor vehicle liability insurance is currently the most important insurance class in the CEE markets.

Finally, the CEE countries have a relatively low insurance density of USD 176.5 compared to the insurance density of USD 2,879.1 in the EU-15. The generally favourable economic conditions with high growth rates, growth in private assets, numerous investments in infrastructure and a high savings rate also lead to a significant increase in the demand for insurance, from which the Vienna Insurance Group can profit. Experience has shown that these factors also lead to a significant increase in the demand for insurance. On this basis, the Vienna Insurance Group believes that the growth potential for insurance services is very high for the entire region.

Vienna Insurance Group goals for 2007

The Vienna Insurance Group has followed a clear strategy for many years. Further expansion of our market position in Austria, both in the property/casualty area and in life insurance, is

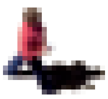
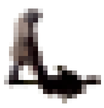
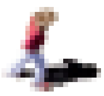
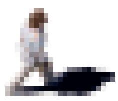
Based on insurance density and penetration, the CEE countries offer enormous growth potential.

planned for 2007. This will be done by further strengthening the Company's own field sales force, and by all-around product innovations. The highly successful expansion strategy followed to date by the Vienna Insurance Group has put it in the best possible position in the CEE region. In a dynamically evolving economy, the insurance market normally grows at a significantly faster rate than the overall economy. Both of these factors, namely the Vienna Insurance Group's excellent positioning in Central and Eastern Europe and the economic growth to be expected in this region, will lead to continued high premium growth for the Vienna Insurance Group in 2007.

The Vienna Insurance Group's competitive advantage is its strong market position in the CEE region, which is based on organic growth, a successful acquisition strategy, and concerted use of all available distribution channels throughout the Group. The Group has a solid financial basis, which forms a foundation for further profitable development in future years.

The Vienna Insurance Group earned a profit before taxes of EUR 320.97 million in 2006, and has set itself the ambitious goal of increasing profit before taxes by around 15% to approximately EUR 370 million for 2007. By 2009, it aims to double the profit earned in 2005 to a level of around EUR 470 million. It also intends to keep its combined ratio significantly below 100% in the future.

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


Our figures can pass muster.

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WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP

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

31 December 2006

Reporting period	**1.1.2006–31.12.2006**
Balance sheet comparison date	**31.12.2005**
Income statement comparison period	**1.1.2005–31.12.2005**
Currency	**EUR**

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2006

ASSETS	Notes	31.12.2006	31.12.2005
in EUR '000			
A. Intangible assets	**1**		
I. Goodwill		339,576	200,259
II. Purchased insurance portfolios		49,022	44,625
III. Other intangible assets		72,849	72,018
Total intangible assets		**461,447**	**316,902**
B. Investments			
I. Land and buildings	**2**	2,175,573	1,085,882
II. Shares in affiliated and associated companies	**3 + 4**	532,223	636,048
III. Financial investments		14,552,572	13,440,739
a) Loans and other investments	**5**	1,601,828	2,322,678
b) Other securities	**6**	12,950,744	11,118,061
Financial investments held to maturity		306,234	246,510
Financial investments available for sale		11,760,935	10,306,549
Financial investments held for trading*)		883,575	565,002
Total investments		**17,260,368**	**15,162,669**
C. Investments of unit- and index-linked life insurance	**7**	**2,340,578**	**1,762,071**
D. Reinsurers' share in underwriting provisions	**8**	**963,314**	**840,060**
E. Receivables	**9**	**983,703**	**856,853**
F. Deferred tax assets	**11**	**23,543**	**11,838**
G. Other assets	**12**	**224,058**	**200,706**
H. Cash and cash equivalents	**10**	**226,443**	**290,347**
Total ASSETS		**22,483,454**	**19,441,446**

*) Includes financial investments at fair value through profit and loss.

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2006

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31.12.2006	31.12.2005
in EUR '000			
A. Shareholders' equity*)	**13**		
I. Share capital		109,009	109,009
II. Capital reserves		1,035,029	1,035,029
III. Retained earnings		775,701	446,790
IV. Other reserves		292,670	410,664
V. Minority interests		70,799	57,840
Total shareholders' equity		**2,283,208**	**2,059,332**
B. Subordinated liabilities	**14**	**413,200**	**413,200**
C. Underwriting provisions			
I. Unearned premiums	**15**	765,602	627,653
II. Mathematical reserve	**16**	10,477,880	9,391,517
III. Provision for outstanding claims	**17**	2,644,255	2,307,272
IV. Provision for profit-independent premium refunds	**18**	36,792	30,950
V. Provision for profit-dependent premium refunds	**18**	687,725	713,661
VI. Other underwriting provisions	**19**	16,167	15,239
Total underwriting provisions		**14,628,421**	**13,086,292**
D. Underwriting provisions of unit- and index-linked life insurance	**20**	**2,238,861**	**1,729,868**
E. Non-underwriting provisions			
I. Provisions for pensions and similar obligations	**21**	526,384	582,702
II. Tax provisions	**22**	76,859	68,779
III. Other provisions	**23**	232,391	219,905
Total non-underwriting provisions		**835,634**	**871,386**
F. Liabilities	**24**	**1,856,439**	**1,074,731**
G. Deferred tax liabilities	**11**	**121,528**	**123,944**
H. Other liabilities	**25**	**106,163**	**82,693**
Total LIABILITIES AND SHAREHOLDERS' EQUITY		**22,483,454**	**19,441,446**

*) The change in consolidated shareholders' equity is presented in Note 13 of the notes to the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY 2006 TO 31 DECEMBER 2006

	Notes	2006	2005
in EUR '000			
Premiums	**27**		
Premiums written – Total		**5,881,510**	**5,007,835**
Premiums written – Reinsurers' share		–792,859	–732,199
Premiums written – Retention		**5,088,651**	**4,275,636**
Change due to provisions for premiums – Total		–59,528	–55,881
Change due to provisions for premiums – Reinsurers' share		9,555	21,117
Net earned premiums		**5,038,678**	**4,240,872**
Net investment income	**29**		
Investment income		1,046,583	828,147
Investment and interest expenses		–335,135	–234,287
Total financial result		**711,448**	**593,860**
Other income	**30**	**61,412**	**46,264**
Claims and insurance benefits	**31**		
Expenses for claims and insurance benefits – Total		–4,661,011	–3,986,792
Expenses for claims and insurance benefits – Reinsurers' share		447,691	368,380
Total expenses for claims and insurance benefits		**–4,213,320**	**–3,618,412**
Operating expenses	**32**		
Acquisition commission and other expenses		–1,026,090	–798,575
Adminstrative expenses		–293,798	–266,682
Reinsurance commissions		183,488	173,467
Total operating expenses		**–1,136,400**	**–891,790**
Other expenses	**33**	**–145,852**	**–142,025**
Result from shares in affiliated and associated companies	**28**	**5,001**	**11,567**
Profit before taxes		**320,967**	**240,336**
Tax expense	**34**	**–56,646**	**–41,599**
Profit for the period		**264,321**	**198,737**
Attributable to Wiener Städtische shareholders		260,902	196,977
Minority interests in net income for the period	**13**	3,419	1,760
Earnings per Share	**13**		
basic = diluted earnings per share (in EUR)		2.48	2.27

CONSOLIDATED CASH FLOW STATEMENT FROM 1 JANUARY 2006 TO 31 DECEMBER 2006

	2006	2005
in EUR '000		
Profit for the period less minority interest	260,902	196,977
Minority interest	3,419	1,760
Profit for the period before minority interest	**264,321**	**198,737**
Net change in other underwriting provisions	1,837,184	1,597,345
Changes in other receivables and payables	–19,396	44,543
Changes in financial investments held for trading	–221,867	–219,691
Realised gains and losses of investments	–162,304	–99,721
Write up/down of all other investments	89,255	105,529
Changes in provisions for pension, post-employment benefits, and other personnel expenses	–64,776	–41,813
Changes in deferred tax assets/liabilities, excl. tax provisions	25,059	–5,526
Changes in other balance sheet items	2,214	19,554
Changes in goodwill and intangible assets	–21,429	5,577
Other income and expenses affecting cash flow, and adjustments to net income for the period	–82,903	–66,797
Cash Flow from operating activities	**1,645,358**	**1,537,737**
Cash proceeds from the sale of affiliated and associated companies	434	8,256
Payments for the acquisition of affiliated and associated companies	–139,848	–283,239
Cash proceeds from the sale of other ownership interests	35,012	56,002
Payments for the acquisition of other ownership interests	–125,195	–31,746
Cash proceeds from the sale of available for sale securities	2,905,305	2,548,784
Payments for the acquisition of available for sale securities	–4,169,853	–4,299,813
Cash proceeds from the sale of securities held to maturity	30,429	25,273
Payments for the acquisition of securities held to maturity	–74,455	–52,366
Cash proceeds from the sale of land and buildings	39,519	99,751
Payments for the acquisition of land and buildings	–211,678	–62,479
Changes in unit- and index-linked life insurance items	–544,965	–463,126
Changes in other investments	780,506	–155,149
Cash Flow from investing activities	**–1,474,789**	**–2,609,852**
Capital increase	–	904,383
Minority interest in capital increase	–	3,481
Increase in subordinated liabilities	–	300,000
Dividend payments	–72,447	–42,863
Cash proceeds from and payments for other financing activities	–174,870	–17,821
Cash Flow from financing activities	**–247,317**	**1,147,180**
Net change in cash and cash eqivalents	**–76,748**	**75,065**
Cash and cash equivalents at beginning of period	**290,347**	**193,421**
Cash and cash equivalents at end of period	**226,443**	**290,347**
Change in scope of consolidation	**18,449**	**21,071**
Foreign exchange differences in cash and cash equivalents	**–5,605**	**844**
Additional information		
interest and dividends received	626,423	559,474
interest paid	81,531	56,515

SEGMENT REPORTING

CONSOLIDATED BALANCE SHEET BY PRIMARY SEGMENTS (LINES OF BUSINESS)

ASSETS	Property/Casualty		Life		Health		Total	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005	31.12.2006	31.12.2005	31.12.2006	31.12.2005
in EUR '000								
A. Intangible assets	432,037	284,376	22,425	26,077	6,985	6,449	461,447	316,902
B. Investments	3,897,850	3,045,486	12,398,131	11,273,603	964,387	843,580	17,260,368	15,162,669
C. Investments of unit- and index-linked life insurance	0	0	2,340,578	1,762,071	0	0	2,340,578	1,762,071
D. Reinsurers' share of underwriting provisions	846,265	734,291	115,074	103,916	1,975	1,853	963,314	840,060
E. Receivables	652,908	580,435	314,774	259,847	16,021	16,571	983,703	856,853
G. Other assets	157,131	161,266	66,129	38,878	798	562	224,058	200,706
H. Cash and cash equivalents	180,774	216,153	43,884	72,410	1,785	1,784	226,443	290,347
Subtotal	**6,166,965**	**5,022,007**	**15,300,995**	**13,536,802**	**991,951**	**870,799**	**22,459,911**	**19,429,608**
Consolidated deferred tax assets							23,543	11,838
Total ASSETS							**22,483,454**	**19,441,446**

LIABILITIES AND SHAREHOLDERS' EQUITY	Property/Casualty		Life		Health		Total	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005	31.12.2006	31.12.2005	31.12.2006	31.12.2005
in EUR '000								
B. Subordinated liabilities	184,600	182,500	228,600	230,700	0	0	413,200	413,200
C. Underwriting provisions	3,184,577	2,712,944	10,725,843	9,702,877	718,001	670,471	14,628,421	13,086,292
D. Underwriting provisions of unit- and index-linked insurance	0	0	2,238,861	1,729,868	0	0	2,238,861	1,729,868
E. Non-underwriting provisions	565,999	571,659	184,171	216,952	85,464	82,775	835,634	871,386
F. Liabilities	1,317,591	526,794	336,598	326,944	202,250	220,993	1,856,439	1,074,731
H. Other liabilities	94,722	67,614	11,336	14,989	105	90	106,163	82,693
Subtotal	**5,347,489**	**4,061,511**	**13,725,409**	**12,222,330**	**1,005,820**	**974,329**	**20,078,718**	**17,258,170**
Consolidated deferred tax liabilities							121,528	123,944
Consolidated shareholders' equity							2,283,208	2,059,332
Total LIABILITIES AND SHAREHOLDERS' EQUITY							**22,483,454**	**19,441,446**

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

CONSOLIDATED INCOME STATEMENT BY SEGMENT

LINES OF BUSINESS	Property/Casualty		Life		Health		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
in EUR '000								
Premiums written – Total	3,067,151	2,563,319	2,516,459	2,156,429	297,900	288,087	**5,881,510**	**5,007,835**
Net earned premiums	2,264,704	1,834,834	2,477,454	2,119,027	296,520	287,011	**5,038,678**	**4,240,872**
Net investment income, not incl. affiliated and associated companies	113,926	36,521	583,481	533,797	14,041	23,542	**711,448**	**593,860**
Other income	39,761	32,118	21,349	14,109	302	37	**61,412**	**46,264**
Claims and insurance benefits	–1,517,786	–1,179,062	–2,434,563	–2,186,489	–260,971	–252,861	**–4,213,320**	**–3,618,412**
Operating expenses	–625,762	–481,009	–474,555	–375,702	–36,083	–35,079	**–1,136,400**	**–891,790**
Other expenses	–99,492	–104,831	–45,352	–36,213	–1,008	–981	**–145,852**	**–142,025**
Result from shares in affiliated and associated companies	340	6,903	4,655	4,880	6	–216	**5,001**	**11,567**
Profit before taxes	175,691	145,474	132,469	73,409	12,807	21,453	**320,967**	**240,336**

REGIONS	Austria		Czech Republic		Slovakia	
	2006	2005	2006	2005	2006	2005
in EUR '000						
Premiums written – Total	3,434,731	3,170,967	1,047,998	891,507	387,683	330,941
Net earned premiums	3,100,390	2,838,748	827,572	695,337	281,397	228,997
Net investment income, not incl. affiliated and associated companies	600,095	514,774	40,057	28,008	17,979	16,382
Other income	12,999	15,816	23,937	10,887	3,411	8,478
Claims and insurance benefits	–2,895,490	–2,657,618	–595,844	–470,140	–190,100	–136,669
Operating expenses	–576,013	–541,325	–190,098	–159,050	–70,066	–60,149
Other expenses	–36,613	–32,180	–47,578	–50,275	–15,415	–32,058
Result from shares in affiliated and associated companies	3,687	6,300	1,075	5,320	456	–3
Profit before taxes	209,055	144,515	59,121	60,087	27,662	24,978

	Other CEE		Other markets		Total	
	2006	2005	2006	2005	2006	2005
in EUR '000						
Premiums written – Total	770,322	337,277	240,776	277,143	**5,881,510**	**5,007,835**
Net earned premiums	617,728	227,683	211,591	250,107	**5,038,678**	**4,240,872**
Net investment income, not incl. affiliated and associated companies	35,450	19,381	17,867	15,315	**711,448**	**593,860**
Other income	15,183	6,468	5,882	4,615	**61,412**	**46,264**
Claims and insurance benefits	–354,833	–142,296	–177,053	–211,689	**–4,213,320**	**–3,618,412**
Operating expenses	–271,319	–98,347	–28,904	–32,919	**–1,136,400**	**–891,790**
Other expenses	–28,680	–9,625	–17,566	–17,887	**–145,852**	**–142,025**
Result from shares in affiliated and associated companies	–217	–50	0	0	**5,001**	**11,567**
Profit before taxes	13,312	3,214	11,817	7,542	**320,967**	**240,336**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEAR 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies

The consolidated financial statements as of 31 December 2006 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"). The consolidated financial statements were prepared based on the published IFRS as adopted by EU regulation. Application of these standards was mandatory on 31 December 2006. Since 2002, the designation IFRS has stood for 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, including financial assets at fair value through profit and loss
3. Investments of unit- and index-linked life insurance and underwriting provisions of unit- and index-linked life insurance
4. Provision for derivatives trading

The accounting policies described below have been applied uniformly during the entire reporting period and all prior reporting periods since preparation of the IFRS opening balance sheet as of 1 January 2004. This applies similarly to all fully consolidated companies included in the consolidated financial statements. The sole exception to this Group-wide uniform application of accounting policies concerns the valuation of insurance policies in accordance with IFRS 4 as discussed in more detail in the section titled "Classification of insurance policies".

Scope and methods of consolidation

The parent company of the Vienna Insurance Group is WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP, Vienna. All companies that are under the control ("control principle") of Wiener Städtische AG ("subsidiaries") are fully consolidated in the consolidated financial statements. Control exists when Wiener Städtische AG 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 25 domestic and 39 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 20 domestic and 10 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, 4 companies were included in the consolidated financial statements using proportional consolidation.

Associated companies are companies over which Wiener Städtische AG 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", 30 companies were treated as available for sale securities and carried accordingly at fair value. Wiener Städtische AG owns 31.6% of the shares of Wüstenrot Versicherungs-Aktiengesellschaft, Salzburg. Significant influence within the meaning of IAS 28 does not exist, since Wiener Städtische AG is not in a position to receive timely IFRS financial statements from Wüstenrot Versicherungs-Aktiengesellschaft. In accordance with the requirements of IAS 39 "Financial instruments", the shares are treated as available for sale securities and carried accordingly at fair value and shown in the "Other associated companies" item.

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 Vienna Insurance Group holds the majority of units were not fully consolidated, since Wiener Städtische AG has no control over such mutual funds.

The Group holds a majority of the shares of a number of Austrian non-profit housing development companies, which were consolidated and included in the consolidated financial statements for the first time in 2006. The companies earned profits before taxes of EUR 17.262 million in fiscal year 2006. Distributions of the annual profit of non-profit housing development companies is subject to statutory restrictions in Austria and there is only limited access to the assets of such companies. The companies are the following:

- "Neue Heimat" Gemeinnützige Wohnungs- und Siedlungsgesellschaft in Oberösterreich GesmbH, Linz
- Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck
- Erste gemeinnützige Wohnungsgesellschaft "Heimstätte Gesellschaft m.b.H.", Vienna

The effects on the balance sheet and income statement are shown below:

Balance sheet in EUR '000	**2006** **Non-profit housing development companies**	**2005** **Non-profit housing development companies**
Investments	1,118,579	1,061,800
of which investment property	*1,076,120*	*1,017,631*
Other assets	32,751	32,985
Total assets	**1,151,330**	**1,094,785**
Shareholders' equity	185,912	169,311
Provisions	24,261	21,447
Liabilities	941,157	904,027
Total liabilities and shareholders' equity	**1,151,330**	**1,094,785**

Income statement in EUR '000	**2006** **Non-profit housing development companies**
Income	118,521
Expenses	–83,641
Financial result	–17,618
Profit before taxes	17,262
Taxes	–6
Net income	**17,256**

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, Vienna Insurance Group 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 consolidated 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 consolidated shareholders' equity

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

Hotel Andel Praha a.s., Prague, was merged into Andel Investment Praha s.r.o., Prague, in 2006.

In 2006, all of the shares in Altstadt Hotelbetriebs GmbH, Vienna, and St. Magdalen Projektentwicklungs- und Verwertungsgesellschaft m.b.H., Vienna, were sold to companies that are

During the reporting period from 1 January 2006 to 31 December 2006, Wiener Städtische AG acquired control over the following subsidiaries:

Subsidiary acquired	Interest acquired in %	Date of first consolidation	Goodwill (in EUR millions)	Assets acquired	Liabilities acquired	Net income
Towarzystwo Ubezpieczeń i Reasekuracji CIGNA STU S.A., Warsaw	92.77	1.4.2006	97.0	158.3	136.6	4.6
Bulstrad Life Insurance Joint Stock Company, Sofia*	40.00	1.4.2006	0.4	4.7	3.0	–0.2
Bulstrad Insurance & Reinsurance PLC, Sofia*	40.00	1.4.2006	25.1	34.3	32.2	0.1
Osiguranje Helios d.d., Zagreb*	40.00	1.4.2006	1.6	34.3	30.9	0.2

*) The shares in these companies are held indirectly by Kardan Financial Services B.V., Amsterdam (KFS). Due to the immateriality of the other interests held by KFS, they are only included using a proportion of 40%.

not included in the consolidated financial statements and were therefore deconsolidated.

The financial statements of the companies listed in the above-mentioned table are prepared according to IFRS. Since the investments 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 are still provisional.

Information on the companies that are fully consolidated, proportionally consolidated, and included at equity in the consolidated financial statements of 31 December 2006 is provided in Note 4 "Ownership interests" in the notes to the consolidated financial statements.

Company founded	Interest	Date founded
PFG Holding GmbH, Vienna	88.70	1.9.2006
Projektbau Holding GmbH, Vienna	89.50	1.9.2006

Expansion of the scope of consolidation	Interest	Date of first consolidation
„Neue Heimat" Gemeinnützige Wohnungs- und Siedlungsgesellschaft in Oberösterreich, GmbH, Linz	99.81	1.1.2006
Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	94.00	1.1.2006
Erste gemeinnützige Wohnungsgesellschaft „Heimstätte Gesellschaft m.b.H.", Wien	99.45	1.1.2006

Deconsolidations in EUR millions	Effect on results	Deconsolidation date	Investments
St. Magdalen Projektentwicklungs- und Verwertungsgesellschaft m.b.H., Wien	1.1	30.6.2006	23.6
Altstadt Hotelbetriebs GmbH, Wien	2.3	30.9.2006	2.8

Classification of insurance contracts

Contracts under which a consolidated 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 consolidated company are treated as financial investments ("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 as profit-dependent 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 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 are considered profit-dependent participations in net income.

Contracts with profit participation related to result exist in all markets in the Vienna Insurance Group, primarily in the life insurance area, and to a secondary extent also in the property and casualty, and health insurance areas, and are treated as insurance contracts in accordance with IFRS 4.

The net income participation in life insurance exists essentially in the form of participation in the adjusted net income of the balance sheet unit in question 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 mathematical 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 profit-dependent 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 Versicherung AG VIENNA INSURANCE GROUP 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 commercial code 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.

Foreign currency translation

Transactions in foreign currency

The individual consolidated 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 profit or loss.

Foreign currency translation of individual financial statements

For purposes of the IFRS, the functional currency of Wiener Städtische AG 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 of assets

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.

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

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 investments 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 with 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.

Purchased insurance portfolios

Purchased insurance portfolios 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 acquired. 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. Straight-line 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 consolidated companies themselves.

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

	Useful 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.

Investments

General information on the capitalisation and valuation of investments
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 investments. 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 investments, particularly unlisted derivative financial investments, is determined using pricing models which take into account factors including contract and market prices, and their relation to one another, current value, counterparty credit-worthiness, yield curve volatility, and early repayment of the underlying investment. 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 recognised in profit or loss.

Financial assets shown as investments are regularly tested for impairment. If impairments to fair value are necessary, these are recognised in profit or loss if the reduction in value is permanent, and the corresponding investment item would not have been reported at the fair value anyway with recognition of the unrealised profits and losses (financial investments held for trading and investments 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 investments, 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 investment; 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.

This item also includes shares in affiliated companies which are not essential for a fair presentation of the net assets, financial position and results of operations of the Group and are therefore not consolidated. These shares are valued analogously to the valuation of financial investments 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 interest in Wüstenrot Versicherungs-Aktiengesellschaft, as presented above on page 114 in the "Scope and methods of consolidation" section, is also shown here. Information on the valuation of financial investments available for sale is provided in the notes below on the accounting and valuation of financial investments.

Financial investments

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

- Loans and other receivables
- Financial investments held to maturity
- Financial investments available for sale
- Financial investments held for trading
- Financial investments recognised at fair value through profit or loss

The corresponding investments are valued for initial recognition at the cost of acquisition, which equals fair value at the time of acquisition.

Two valuation measures can be applied to financial investments 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 recognised in profit or loss.

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

Financial investments available for sale and financial investments held for trading are recognised at fair value on the balance sheet. If available-for-sale financial investments 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 financial investments held for trading, changes in fair value are recognised as profit or loss on the income statement. The financial investments held for trading are predominantly structured investments ("hybrid financial investments") which Vienna Insurance Group has elected under IAS 39.11A and IAS 39.12 to assign to the category of "financial assets at fair value through profit or loss". For clarity, however, this item is referred to as "financial investments held for trading" 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 investments is performed when the Group's contractual rights to cash flows from the financial investments expire.

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

Investments of unit- and index-linked life insurance

The investments 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 investments of unit- and index-linked life insurance, with the income from these investments also fully credited to policyholders. As a result, policyholders bear the risk associated with the performance of the investments of unit- and index-linked life insurance.

These investments are held in separate cover funds, and managed separately from the other investments of the Group. Since the changes in value of the unit- and index-linked life insurance investments are equal to the changes in value of the underwriting provisions, these investments are valued using the provisions in IAS 39.9. Investments 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 2006 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. Expected impairment losses from uncollectible premium receivables are basically 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 investments 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 Vienna Insurance 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. In addition, any probable tax benefit that could be realised from existing carried-over losses are 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 tax deferral calculation. Active tax deferrals are not recognised if it is not likely that the tax benefits can be realised. Deferred taxes are calculated using the following tax rates:

	Tax rate in %	
	31.12.2006	**31.12.2005**
Austria	25	25
Czech Republic	24	24
Slovakia	19	19
Poland	19	19
Romania	16	16
Germany	40	40
Liechtenstein	20	20
Croatia	20	20
Bulgaria*	15	15
Serbia	10	10
Hungary	16	16

*Since 1.1.2007 a corporate tax of 10% is valid in Bulgaria.

Underwriting provisions

Unearned premiums

According to the current version 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 casualty insurance area (10% for motor vehicle liability insurance), corresponding to an amount of EUR 28.370 million (EUR 28.256 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 mathematical reserve. Negative mathematical reserves are set to zero for Austrian companies. For foreign companies, negative mathematical reserves are included and netted with mathematical reserves. No additional acquisition costs are capitalised. In general, no capitalisation of acquisition costs is performed for health insurance.

Mathematical reserve

Mathematical reserves in the life insurance business segment are calculated using the prospective method as the mathematical 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 mathematical 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 mathematical reserve, the reserve is increased as part of the adequacy test of insurance liabilities.

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

As of 31.12.2006: 3.15%
As of 31.12.2005: 3.27%

In health insurance, mathematical reserves are also calculated according to the prospective method as the difference between the mathematical present value of future policy payments less the present value of future premiums. The loss frequencies used to calculate the mathematical 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 mathematical reserves:

As of 31.12.2006: 3%
As of 31.12.2005: 3%

Reserve for outstanding claims

According to national insurance law and regulations in Austria (the Austrian Corporation Code (UGB) 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 version 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 profit-dependent 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 investments. The valuation of these provisions corresponds to the valuation of the investments 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 2005 and 31 December 2006, are used to calculate the necessary reserve amount for each balance sheet reporting date.

Any difference between the reserve amount which is calculated in advance based on assumptions and the value which actually occurs (“mathematical 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 2006 and 31 December 2005 are based on the following assumptions:

	2006	2005
Interest rate	4.5 %	4.5 %
Pension and salary increases	2.5%	2.5 %
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

Vienna Insurance Group 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 ("mathematical 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 2006 and 31 December 2005 are based on the following assumptions:

	2006	2005
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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, Vienna Insurance Group in Austria 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. In Austria the Vienna Insurance Group'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.

Net earned premiums*

As a rule, deferred premiums (unearned premiums) are determined on a pro rata basis according to time. 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 net earned premiums.

*The exception rule of § 81 o (6) VAG was used.

Expenses for claims and insurance benefits

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 casualty 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 investments (expenses for asset investment)
- Operating expenses

RISK REPORTING

The Vienna Insurance Group's core competence is dealing professionally with risk. The Group's primary business is assuming risks from its customers using a variety of insurance packages. The insurance business consists of deliberately assuming diverse risks and managing them profitably. One of the primary responsibilities of risk management is to ensure that the obligations assumed under insurance policies can be satisfied at all times.

The Vienna Insurance Group is exposed to a number of other risks in addition to the underwriting risks of its insurance policy portfolio. A risk management process is used to identify, analyse, evaluate, report, control and monitor these risks. The risk control measures used are avoidance, reduction, diversification, transfer and acceptance of risks and opportunities.

The overall risk of the Group can be divided into the following risk categories:

- **Underwriting risks:** The core business of Vienna Insurance Group is the risk transfer from the insurance holders to the insurance company.
- **Credit risk:** This risk quantifies the potential loss due to deterioration of the situation of a contracting party owing receivables.
- **Market risk:** Market risk is taken to mean the risk of changes in the value of investments caused by unforeseen fluctuations in interest rate curves, share prices and currency rates, and the risk of changes in the market value of real estate and ownership interests.
- **Strategic risks:** These can arise due to changes in the economic environment, case law, and the regulatory environment.
- **Operational risks:** These may result from deficiencies or errors in business processes, controls and projects caused by technology, staff, organisation or external factors.
- **Liquidity risk:** Liquidity risk depends on the goodness of fit between the investment portfolio and insurance commitments.
- **Concentration risk:** Concentration risk is a single direct or indirect position or an associated group of positions with the potential to significantly endanger the insurance company, core business or key performance measures. Concentration risk is caused by an individual position, a collection of positions with common owners, guarantors or managers, or by sector concentrations.

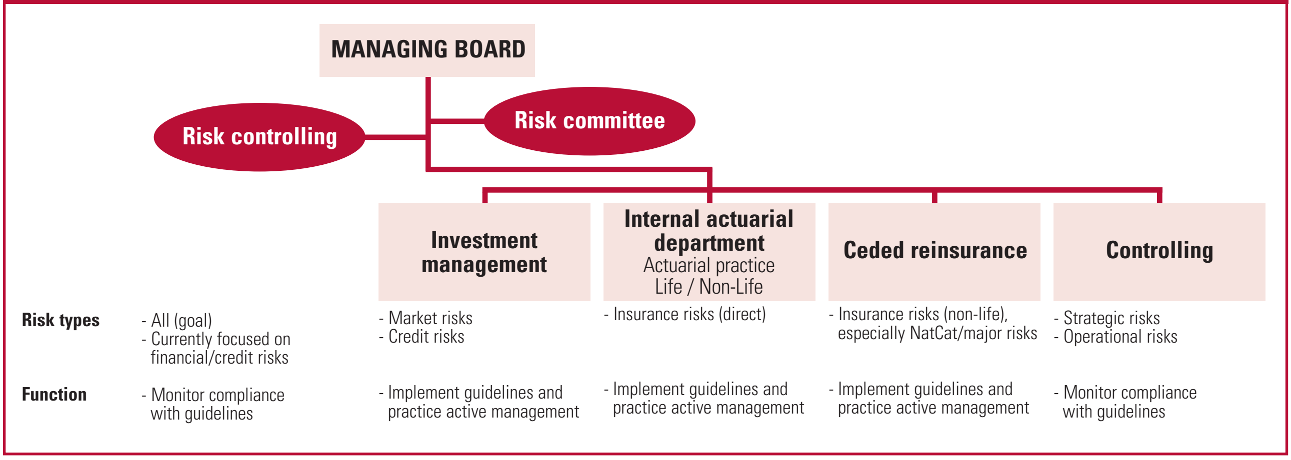
As a rule, the local companies in the Vienna Insurance Group are responsible for managing their own risks, while at the same time strict requirements are set in terms of investments and capital assets, as well as for reinsurance.

Effective risk and opportunities management requires ERM (Enterprise Risk Management) and a risk policy and risk strategy set by management. ERM enables managers to deal effectively with uncertainty and the risks and opportunities it involves, and strengthens their ability to create value. Taking all relevant potential future events into account improves the utilisation and proactive realisation of opportunities. Reliable information on risks improves the allocation of capital. ERM provides a procedure for identifying and selecting alternative reactions to risks. The Vienna Insurance Group risk management department is an independent organisational unit whose responsibilities and functions are specified in detail. Every employee contributes to the effectiveness of risk management in the Vienna Insurance Group. The attention needed for effective risk management is increased by anchoring risk management universally throughout the Group. Great importance is placed on the day-to-day implementation of a suitable risk monitoring culture. Transparent and verifiable processes form an essential element of this Group-wide risk culture. Deviations from set target values and the admission and reporting of errors can take place in our Company, and are used to promote the active problem solving abilities of our employees.

Risk management in the Vienna Insurance Group is governed by a number of internal guidelines. **Underwriting risks** in property and casualty insurance are primarily managed using actuarial models for setting tariffs and monitoring the progress of claims, and guidelines for the assumption of 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 nursing care. To manage these underwriting risks, Vienna Insurance Group has formed reserves for paying future insurance benefits.

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

AREAS INVOLVED IN RISK MONITORING AND CONTROL



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

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

- **Risk committee:** The cross-class risk committee is formed by the actuarial, operations, reinsurance, internal audit and corporate risk controlling departments. The risk committee is responsible for optimisation and ongoing development of an ERM system. ERM is a framework for company-wide risk management that uses key principles and concepts, uniform terminology and clear instructions and support.
- **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). Stochastic simulations are performed regularly as part of the ALM process.
- **Reinsurance:** The reinsurance business for all Group companies is managed by the central reinsurance department set up in Wiener Städtische AG.
- **Risk controlling:** The risk controlling department is responsible for coordination of ERM and the risk inventory, and risk committee organisation. The risk controlling department prepares a quarterly risk budget for the investment area. Budget compliance is checked weekly. Compliance with security guidelines and the Company's own limit system is monitored continuously. Periodic VaR calculations and analyses, and detailed stress tests are performed for this monitoring. An analysis of the Company's risk capital model is an element of Standard & Poor's FSR (Financial Strength Rating) for the Vienna Insurance Group.
- **Controlling:** The controlling department monitors and controls 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 an analysis of plan and forecast figures.
- **Audit:** The audit department systematically monitors operating and business processes, the internal controlling system of all operational corporate areas and the functionality and adequacy of risk management. The internal audit department operates continuously and reports directly to the Management Board as a whole.

Business risks

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

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 averaging 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.

Loss reserves
In accordance with normal industry practice and accounting and supervisory requirements, Vienna Insurance Group 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.

Loss reserves, including IBNR reserves, may vary depending on a number of variables that affect the total costs of a claim, such as changes in the statutory framework, 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. For the Vienna Insurance Group, interest rates are the most relevant parameters for market risk. Ignoring investments held for the account of and at the risk of policyholders, the Vienna Insurance Group's investments consist largely of fixed-interest securities. The majority 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 these financial assets.

Stock price risk
The Vienna Insurance Group has an equity portfolio which, even including shares held in funds, constitutes less than 11% of investments. Among other things, the Vienna Insurance Group equity investments include interests in a number of Austrian companies and positions in other companies whose shares trade primarily on the Vienna Stock Exchange or stock exchanges in the Central and Eastern European region. Reported values might have to be adjusted if stock markets fall.

Aspects of tax law that affect the income situation
Tax law changes could 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 new 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 created a situation where it is possible for political and economic change to take place during the establishment of new democratic and market-oriented systems.

Risks due to 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, and 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. It is possible that the number of claims caused in this manner might continue to rise in the future.

Credit risk due to reinsurance
The Vienna Insurance Group follows a policy of ceding a portion of assumed risks 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. The Vienna Insurance Group is therefore exposed to the risk of insolvency on the part of the reinsurer.

Currency risks
The investment area also uses international capital markets and, to a very small extent, foreign currencies for portfolio diversification. The foreign exchange risk in the investment area does not represent a significant risk.

Concentration risk
The Vienna Insurance Group's expansion into the CEE region increases diversification.

Supervisory regulations
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 investments as security 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 statutory framework could make restructuring necessary, thereby resulting in increased costs.

Investments

The Group's 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 risks 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.

Vienna Insurance Group's investment portfolio contains direct holdings of fixed-interest securities and loans of approximately 60%. The direct holdings of shares and real estate are 7% and 13%, respectively, in each case measured relative to the book value of the total investment portfolio.

The table below shows the breakdown of the Vienna Insurance Group investments as of 31 December 2006 and 31 December 2005, broken down in EUR millions according to the property and casualty, health, and life insurance segments:

Investments segment	31.12.2006				31.12.2005
	Health	**Life**	**Property/ Casualty**	**Total income**	**Total income**
in EUR '000					
Investments	**964.38**	**12,398.13**	**3,897.85**	**17,260.37**	**15,162.67**
Land and buildings	123.14	641.92	1,410.51	2,175.57	1,085.88
Owner-occupied land and buildings	27.14	34.70	141.44	203.29	185.31
Third-party leased land and buildings	95.99	607.22	1,269.07	1,972.28	900.57
Shares in affiliated and associated companies	107.39	193.37	231.47	532.22	636.05
Loans	112.28	778.46	166.64	1,057.37	1,247.37
Other securities	603.14	10,531.27	1,816.34	12,950.74	11,118.06
Financial investments held to maturity	0.00	251.67	54.56	306.23	246.51
Government loans	0.00	115.81	49.39	165.20	143.97
Loans to business	0.00	135.67	5.17	140.84	101.40
Other	0.00	0.19	0.00	0.19	1.14
Financial investments available for sale	549.28	9,785.35	1,426.31	11,760.93	10,306.55
Equities	212.91	814.30	170.62	1,197.83	939.91
Investment funds including common capital assets	135.23	1,369.19	296.40	1,800.82	2,053.08
Fixed-interest securities	197.58	7,265.14	828.74	8,291.45	6,901.53
Other	3.56	336.72	130.55	470.83	412.03
Financial investments held for trading	53.86	453.25	248.17	755.27	491.75
Bonds	53.86	436.09	230.81	720.75	475.79
Equities	0.00	1.77	7.44	9.21	1.29
Investment funds	0.00	4.93	8.12	13.05	1.97
Derivates	0.00	0.00	1.80	1.80	0.01
Other	0.00	10.46	0.00	10.46	12.69
Financial investments recognised at fair value through profit or loss	0.00	41.00	87.30	128.30	73.26
Bonds	0.00	11.79	58.39	70.18	25.37
Equities	0.00	2.53	4.81	7.34	1.45
Investment funds	0.00	12.02	15.97	28.00	2.40
Structured bonds	0.00	14.58	8.13	22.71	4.24
Other securities	0.00	0.07	0.00	0.07	39.79
Other investments	18.45	253.11	272.89	544.45	1,075.31
Bank deposits	17.42	161.89	271.01	450.32	985.98
Deposits on assumed reinsurance business	1.03	83.84	1.24	86.11	77.71
Other investments	0.00	7.39	0.64	8.02	11.62

Other securities

Financial investments held to maturity have the following maturity structure:

Maturity structure (financial investments held to maturity)	**Acquisition Costs Carried Forward**		**Fair value**	
	31.12.2006	**31.12.2005**	**31.12.2006**	**31.12.2005**
in EUR '000				
up to one year	31,350	13,005	31,464	12,829
from one to five years	58,733	31,514	59,639	26,549
from five to ten years	107,079	133,772	113,268	148,538
more than ten years	109,072	68,219	119,143	77,003
Total	**306,234**	**246,510**	**323,514**	**264,919**

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

Maturity structure (financial investments available for sale)	**Fair value**	
	31.12.2006	**31.12.2005**
in EUR '000		
no maturity	2,971,834	2,973,953
up to one year	214,605	337,920
from one to five years	1,813,126	1,335,983
from five to ten years	2,695,274	2,095,245
more than ten years	4,066,096	3,563,448
Total	**11,760,935**	**10,306,549**

Rating categories (Standard & Poor's) (financial investments available for sale)	**Fair value**	
	31.12.2006	**31.12.2005**
in EUR '000		
fixed-interest		
AAA	1,988,487	1,822,159
AA	2,215,445	2,049,391
A	3,895,054	3,508,353
BBB	882,211	696,261
BB and lower	47,504	132,534
no rating (e.g. shares, investment funds)	2,732,234	2,097,851
Total	**11,760,935**	**10,306,549**

For financial investments available for sale, the balance sheet value corresponds to the fair value.

The following table shows the maturity structure of the assets recognised at fair value through profit or loss:

Maturity structure (financial investments recognised at fair value through profit or loss)	**Fair value**	
	31.12.2006	**31.12.2005**
in EUR '000		
no maturity	34,943	8,089
up to one year	44,567	23,354
from one to five years	15,293	9,089
from five to ten years	21,175	15,407
more than ten years	12,322	17,316
Total	**128,300**	**73,255**

Bonds

Bonds represented approximately 55% of total investments in the Vienna Insurance Group securities portfolio on 31 December 2006. When the bond portion of the investment fund is included, bonds represent approximately 61% of total capital assets. Vienna Insurance Group 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. The Vienna Insurance Group is currently not planning any investment strategy changes with respect 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 mid to long-term maturities.

Equities

As of 31 December 2006, Vienna Insurance Group's directly held equity investments represented approximately 7% of the book value of the total investment portfolio, and if indirect shareholdings through funds are taken into account total equity investments were approximately 11%. 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 Vienna Insurance Group equity portfolio is achieved by geographic diversification. In addition to investments in sound 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 only a secondary, role in their portfolios.

Loans/Lendings

Vienna Insurance Group loans had a book value of EUR 1,057.4 million on 31 December 2006, and a book value of EUR 1,247.4 million on 31 December 2005. 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. 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 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 Vienna Insurance Group loan portfolio are provided in Note 5, "Loans and other investments", in the notes to the consolidated financial statements.

Land and buildings

The Vienna Insurance Group real estate portfolio had a book value of EUR 2,175.6 million as of 31 December 2006 (market value EUR 2,447.9 million) and a book value of EUR 1,085.9 million as of 31 December 2005 (market value EUR 1,337.0 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 represents approximately 13% of the total investment portfolio of the Vienna Insurance Group. To date, real estate has not represented a strategic asset class for companies in the CEE countries. The share of investments represented by the total real estate portfolio is to be reduced in the future.

The following table shows Vienna Insurance Group real estate investments as of 31 December 2006 and 31 December 2005, broken down according to location and type of use of the various real estate holdings:

Type of real estate use	31.12.2006	31.12.2005
	% of the real estate portfolio	% of the real estate portfolio
Austria	**92**	**86**
Used by the Group	4	8
Used by third parties	88	78
Other countries	**8**	**14**
Used by the Group	5	10
Used by third parties	3	4

Ownership interests

The Vienna Insurance Group portfolio of ownership interests had a book value of EUR 532.2 million on 31 December 2006, and a book value of EUR 636.1 million on 31 December 2005. The ratio of ownership interests to the book value of the total investment portfolio was therefore approximately 3% on 31 December 2006.

The Vienna Insurance 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 Vienna Insurance Group has held only a few financial interests in the CEE region, primarily serving to support insurance business operations.

Market risk

The Vienna Insurance Group divides market risk into interest rate, equity, currency, real estate, and ownership interest risks. For the Vienna Insurance Group, interest rates and equity prices are the most relevant parameters for market risk. Currency prices are less important at present. The Vienna Insurance Group uses fair value assessments, value-at-risk calculations, sensitivity analyses, and stress tests to monitor market risks.

The composition of investments is aimed at providing cover for insured risks appropriate for the insurance business and the durations of the liabilities of the Vienna Insurance Group.

Interest-rate and equity risk

In the Vienna Insurance 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 expressly 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 Vienna Insurance Group assesses equity risk by considering diversification within the overall portfolio and the correlation to other securities exposed to price risk.

Market price risk affecting profit or loss is controlled by periodically calculating the VaR according to the "Investment and Risk Strategy – Securities" guideline for securities and comparing it with the limit relative to the risk budget. The VaR is determined based on a daily variance-covariance calculation.

The Vienna Insurance Group statistically estimates the variances and covariances from market data over a 12-month period, using a 99% 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 Vienna Insurance Group's VaR for available for sale securities:

VaR Vienna Insurance Group (in EUR millions)	31.12.2006
20-day holding period	167
60-day holding period	288
Total risk capacity	822
60-day VaR as % of risk capacity	35%

Capital market scenario analysis for life insurance

The analysis is carried out annually for all Austrian Group companies 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 2006:

Reduction in market value	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
of stocks	–20%	–10%	–20%	–20%	0%
of bonds	–5%	–2,5%	–5%	0%	–5%
of real estate	–5%	–10%	–0%	–10%	–10%
Market value of assets minus liabilities without equity capital (in EUR millions)	1,302	1,627	1,418	1,706	1,548

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 according to solvency requirements is significantly positive even in this scenario.

Life insurance

The following table shows the change in holdings of endowment insurance (not including risk insurance), risk, pension, and unit and index-linked insurance, government-sponsored future pension plans, and the total of these amounts.

Change in holdings	Endowment insurance (not including risk insurance)		Risk insurance		Pension insurance		Unit-linked and index-linked insurance		Government-sponsored future pension plans		Total	
	No. of policies	Amt. ins.	No. of policies	Amt. ins.	No. of policies	Amt. ins.	No. of policies	Amt. ins.	No. of policies	Amt. ins.	No. of policies	Amt. ins.
Number of policies/Amount insured in EUR '000												
As of 1.1.2006	2,537,697	19,498,238	597,709	14,503,846	538,747	6,106,488	201,255	4,329,571	169,402	2,816,087	4,044,810	47,254,232
2006 additions												
New business	243,853	3,242,768	175,820	4,012,675	63,450	912,904	86,629	1,284,680	51,714	793,404	621,466	10,246,433
Premium increases	2,575	186,529	82	47,187	0	108,486	114	53,772	0	252,795	2,771	648,771
Total additions	**246,428**	**3,429,298**	**175,902**	**4,059,862**	**63,450**	**1,021,391**	**86,743**	**1,338,453**	**51,714**	**1,046,199**	**624,237**	**10,895,205**
2006 changes												
Changes in additions	27,475	753,843	18,673	365,562	5,092	146,180	10,868	859,108	1,521	24,731	63,629	2,149,426
Changes in reductions	–27,843	–652,044	–19,608	–421,147	–4,746	–174,372	–11,884	–934,221	–3,297	–67,815	–67,378	–2,249,600
Total changes	**–368**	**101,799**	**–935**	**–55,584**	**346**	**–28,192**	**–1,016**	**–75,112**	**–1,776**	**–43,083**	**–3,749**	**–100,174**
Reductions due to maturity												
Due to contract expiration	–40,499	–336,637	–25,863	–850,176	–6,200	–85,062	–373	–3,670	0	0	–72,935	–1,275,546
Due to death	–16,182	–63,541	–1,183	–15,998	–1,204	–15,960	–397	–4,679	–123	–1,847	–92,124	–1,377,574
Total reductions due to maturity	**–56,681**	**–400,178**	**–27,146**	**–866,174**	**–7,404**	**–101,023**	**–770**	**–8,349**	**–123**	**–1,847**	**–92,124**	**–1,377,574**
Premature reductions												
Due to non-redemption	–19,069	–272,274	–9,165	–431,272	–2,615	–35,907	–3,564	–96,714	–2,398	–47,210	–36,811	–883,379
Due to cancellation without payment	–40,397	–391,914	–23,931	–666,104	–119,746	–97,730	–5,560	–76,585	–244	–1,445	–89,878	–1,233,680
Due to redemption	–92,297	–741,043	–7,096	–144,515	–17,459	–100,162	–8,709	–99,433	–26	–140	–125,587	–1,085,294
Due to premium release	–1,074	–208,262	–43	–62,314	–3	–56,625	–1,025	–11,690	–1,007	–130,021	–3,152	–468,519
Total premature reductions	**–152,837**	**–1,613,494**	**–40,235**	**–1,304,207**	**–39,823**	**–290,425**	**–18,858**	**–284,324**	**–3,675**	**–178,817**	**–255,428**	**–3,671,270**
As of 31.12.2006	**2,574,239**	**21,015,661**	**705,295**	**16,337,742**	**555,316**	**6,708,238**	**267,354**	**5,300,237**	**215,542**	**3,638,538**	**4,317,746**	**53,000,418**

Embedded Value sensitivity analysis for the life insurance business

The Embedded Value will determined in accordance with the European Embedded Value Principles published by the CFO Forum on 6 April 2004, and will be published separately on 25 April 2007.

The Embedded Value consists of two components: the adjusted net assets at market value and the value of the insurance portfolio, which equals the present value of distributable after-tax profits minus the capital commitment cost of the solvency capital. Thus, Embedded Value is an actuarial measurement of the value of a company, assuming the continuation of current operations (going concern), but explicitly excluding the value of future new business. In addition to the Embedded Value the increase in value induced by the new business recorded during the reporting period is calculated.

The estimated trend of future profits is based on "best estimate" assumptions, i.e. a realistic assessment of economic and operational conditions based on future expectations and historical data, in which future risk is taken into account using stochastic models and an explicit calculation of capital commitment costs.

When calculating the embedded value, numerous assumptions are made about operational and economic conditions, as well as other factors, some of which lie outside of the control of the Vienna Insurance Group. Although the Vienna Insurance Group considers these assumptions sound and reasonable, future developments may differ materially from expectations. Publication of the embedded value is therefore no guarantee or commitment that the expected future profits on which this value is based will be realised in this fashion.

The shareholder margin is calculated taking into account surpluses from all available income sources, with the profit participation regulation promulgated on 20 October 2006 being taken into account in the life insurance class for Austria. 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 investment income, inflation, costs, taxes, cancellations, mortality, illness and other key figures, such as changes in health-care costs and future premium increases.

The interest rate curve used depends on an assessment of the risks associated with the realisation of future profits. In order to be able to make a statement on the impact of alternative interest rate curves, the Embedded Value as of 31 December 2006 and the increase in value resulting from new business in 2006 were calculated using an interest rate curve alternately increased and decreased by 1%. The sensitivities are shown in the table below:

Sensitivities of the European Embedded Value of the life insurance and health insurance as of 31 December 2006	Change in % of the base value
European Embedded Value, Austria	
Decrease in level of equity and property values –10%	–3.8%
Interest rate curve shift +1%	–1.0%
Interest rate curve shift –1%	–4.1%
Maintainance expenses +10%	–2.2%
Maintainance expenses –10%	2.2%
Lapse rate improvement 10%	0.6%
Lapse rate deterioration 10%	–0.6%
Improvement in mortality and morbidity rates for assurances +5%	0.2%
Improvement in mortality, rates for annuities +5%	–0.1%
Value of new business, Austria	
Interest rate curve shift +1%	5.7%
Interest rate curve shift –1%	–15.5%
Maintainance expenses +10%	–7.5%
Maintainance expenses –10%	7.5%
Lapse rate improvement 10%	4.9%
Lapse rate deterioration 10%	–3.9%
Improvement in mortality and morbidity rates for assurances +5%	1.6%
Improvement in mortality, rates for annuities +5%	–0.2%

Property and casualty insurance provisions

General information

If claims are asserted by or against policyholders, all amounts that a company in the Vienna Insurance Group's property and casualty segment pays or expects to have to pay to the claimant are referred to as losses and the costs of investigating, adjusting and processing these insurance claims are referred to as "claims handling expenses". Within the framework of its property and casualty insurance policies, Vienna Insurance Group has formed provisions according to segment, extent of cover and year for each Group company to pay for losses and claims handling expenses due to insurance claims.

Losses and claims handling 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 claims handling 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 adjusters 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 models 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 to the individual Group companies. These provisions, exactly like the provisions for reported insurance claims, are formed to offset the expected costs (including the claims handling 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 require 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, casualty, building and professional liability insurance segments.

The ultimate costs of the claims and claims handling expenses depend on a series of variable circumstances. Between the time a claim is reported and final settlement, changing circumstances may 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 automobile 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 Vienna Insurance Group's conservative policy toward reserves is documented not least by the fact that liquidation of loss reserves regularly leads to a profit.

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 reserves is by nature an uncertain process, and therefore no guarantee can be given that in the end losses will not differ from the Group's initial estimates.

Change in gross loss reserve

The following table shows the change in the Vienna Insurance Group's loss reserve 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 requires caution 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 as to future results.

Reinsurance

The Vienna Insurance Group limits its liability arising from the insurance business by passing on, to the extent necessary, a portion of the assumed risks to the international reinsurance market. Within the Vienna Insurance Group, 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.

	2006	2005	2004	2003	2002	2001
in EUR '000						
Loss reserve (incl. incurred but not reported reserve, IBNR) since the original reporting period						
In current year	–2,468,817	–2,256,435	–1,979,777	–1,790,988	–1,897,481	–1,537,851
1 year later		–1,357,831	–1,229,753	–1,075,857	–1,028,838	–899,632
2 years later			–907,160	–795,909	–758,607	–720,936
3 years later				–609,777	–570,693	–503,330
4 years later					–464,904	–401,589
5 years later						–341,622
Claims payments since the original reporting period						
1 year later		–621,505	–547,325	–495,112	–634,904	–416,759
2 years later			–681,710	–637,789	–785,083	–546,094
3 years later				–714,098	–872,300	–622,216
4 years later					–921,190	–672,391
5 years later						–705,596

Reinsurance guidelines
The Vienna Insurance Group's reinsurance guidelines are jointly determined each year by the central reinsurance department and the member of the managing 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 15 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 becoming insolvent. No significant reinsurer default has occurred in the history of the Vienna Insurance Group.
- 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 AG 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 programs. 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 Vienna Insurance Group will try to jointly place, as far as is possible, reinsurance contracts to cover risks from natural catastrophes, property lines, accident, aviation and motor vehicle third-party liability pursuant to the Green Card [international motor vehicle insurance certificate] agreement. If reinsurance contracts for small Group companies that involve a low level of risk can only be purchased at unfavourable terms in the reinsurance market, the Vienna Insurance 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 coverage using Wiener Städtische AG as an example
- Natural catastrophes. Wiener Städtische AG provides insurance for damages caused by natural catastrophes such as storms, hail, flooding or earthquakes. Wiener Städtische AG uses reinsurance coverage to limit its retained losses from natural catastrophes to EUR 4.5 million per loss event.
- 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 in 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 **composition** of intangible assets is as follows:

Detail	31.12.2006	31.12.2005
in EUR '000		
Goodwill	339,576	200,259
Purchased insurance portfolios	49,022	44,625
Other assets	72,849	72,018
Acquired software	39,856	35,426
Other	32,993	36,592
Total	**461,447**	**316,902**

Goodwill developed as follows during the reporting period:

Development of goodwill	31.12.2006	31.12.2005
in EUR '000		
Acquisition costs	200,566	27,583
Cumulative depreciation as of December 31 of the previous years	–307	–206
Book value as of 31.12. of the previous year	**200,259**	**27,377**
Exchange rate changes	1,527	1,291
Book value as of 1.1.	**201,786**	**28,668**
Additions	137,790	171,591
Book value as of 31.12.	**339,576**	**200,259**
Cumulative depreciation as of 31.12.	308	307
Acquisition costs	**339,884**	**200,566**

The goodwill changes essentially result from the acquisition of subsidiaries described in the section "Scope and methods of consolidation" and an increase in the number of shares held in Omniasig Insurance - Reinsurance Company, Bucharest.

Development of purchased insurance fortfolio	31.12.2006	31.12.2005
in EUR '000		
Acquisition costs	77,366	50,665
Cumulative depreciation as of 31.12. of the previous years	–32,741	–18,793
Book value as of 31.12. of the previous year	**44,625**	**31,872**
Exchange rate changes	909	1,222
Book value as of 1.1.	**45,534**	**33,094**
Additions	18,500	25,714
Scheduled depreciations	–15,012	–14,183
Book value as of 31.12.	**49,022**	**44,625**
Cumulative depreciation as of 31.12.	51,064	32,741
Acquisition costs	**100,086**	**77,366**

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	31.12.2006	31.12.2005
in EUR '000		
Acquisition costs	81,565	61,642
Cumulative depreciation as of 31.12. of the previous years	–46,139	–35,193
Book value as of 31.12. of the previous year	**35,426**	**26,449**
Exchange rate changes	429	339
Book value as of 1.1.	**35,855**	**26,788**
Additions	14,081	18,609
Reductions	–460	–6,048
Change in scope of consolidation	791	3,599
Scheduled depreciations	–10,411	–7,522
Book value as of 31.12.	**39,856**	**35,426**
Cumulative depreciation as of 31.12.	57,195	46,139
Acquisition costs	**97,051**	**81,565**

Other intangible assets developed as follows during the reporting period:

Development of other assets	31.12.2006	31.12.2005
in EUR '000		
Acquisition costs	44,873	34,217
Cumulative depreciation as of 31.12. of the previous years	–8,281	–4,373
Book value as of 31.12. of the previous year	**36,592**	**29,844**
Exchange rate changes	1,411	1,400
Book value as of 1.1.	**38,003**	**31,244**
Additions	422	3,627
Reductions	–533	–176
Change in scope of consolidation	16	5,312
Scheduled depreciations	–4,915	–3,415
Book value as of 31.12.	**32,993**	**36,592**
Cumulative depreciation as of 31.12.	13,757	8,281
Acquisition costs	**46,750**	**44,873**

2. LAND AND BUILDINGS

Development of real estate	Third-party leased 31.12.2006	Owner-occupied 31.12.2006	Total 31.12.2006	Total 31.12.2005
in EUR '000				
Acquisition costs	1,261,760	261,920	1,523,680	1,468,712
Cumulative depreciation as of 31.12. of the previous years	–361,188	–76,610	–437,798	–337,218
Book value as of 31.12. of the previous year	**900,572**	**185,310**	**1,085,882**	**1,131,494**
Exchange rate changes	2,779	6,700	9,479	5,701
Book value as of 1.1.	**903,351**	**192,010**	**1,095,361**	**1,137,195**
Additions	196,465	24,325	220,790	64,814
Reductions	–28,619	–10,229	–38,848	–89,716
Change in scope of consolidation	995,899	4,247	1,000,146	87,822
Scheduled depreciations	–62,816	–7,060	–69,876	–39,659
Exceptional depreciation	–32,000	0	–32,000	–74,574
Book value as of 31.12.	**1,972,280**	**203,293**	**2,175,573**	**1,085,882**
Cumulative depreciation as of 31.12.	751,630	74,298	825,928	437,798
Acquisition costs	**2,723,910**	**277,591**	**3,001,501**	**1,523,680**
thereof land	734,654	82,697	817,351	221,340
Fair value of the real estate as of 31.12.2006	2,173,269	274,664	2,447,933	1,336,959

Changes in the scope of consolidation result primarily from the inclusion of the non-profit housing development companies (EUR 1,017.630 million) and deconsolidation of St. Magdalen Projektentwicklungs- und Verwertungsgesellschaft m.b.H., Vienna (EUR 23.620 million).

3. SHARES IN AFFILIATED AND ASSOCIATED COMPANIES

Development	31.12.2006	31.12.2005
in EUR '000		
Book value as of 31.12. of the previous year	**636,048**	**626,669**
Exchange rate changes	150	2,165
Book value as of 1.1.	**636,198**	**628,834**
Additions	132,111	57,262
Reductions	–23,984	–63,725
Change in scope of consolidation	–191,295	0
Depreciations	–23,221	0
Results-independent calculation of unrealised profit	540	7,819
Proportional results for the year from companies valued at equity	1,874	5,858
Book value as of 31.12.	**532,223**	**636,048**

Detail	31.12.2006	31.12.2005
in EUR '000		
Non-consolidated affiliated companies	26,771	261,901
Associated companies valued at equity	46,268	44,394
Other associated companies	459,184	329,753
Total	**532,223**	**636,048**

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 profits/losses	Acquisition costs	Unrealised profits/losses
	31.12.2006	31.12.2006	31.12.2005	31.12.2005
in EUR '000				
Non-consolidated affiliated companies	26,771	0	66,378	195,523
Other associated companies	346,345	112,839	217,457	112,296
Total	**373,116**	**112,839**	**283,835**	**307,819**

4. PARTICIPATIONS

On 31 December 2006 there were participations in the following companies:

Affiliated companies and participations WIENER STÄDTISCHE VERSICHERUNG AG VIENNA INSURANCE GROUP	**Country of domicile**	**Interest in capital (%)**	**Equity (EUR '000)**	**Last annual financial statements**
Fully consolidated companies				
"Grüner Baum" Errichtungs- und Verwaltungsges.m.b.H., Innsbruck	Austria	100.00	–47	2006
"Neue Heimat" Gemeinnützige Wohnungs- und Siedlungsgesellschaft in Oberösterreich GmbH, Linz	Austria	99.81	73,488	2006
"WIENER STÄDTISCHE OSIGURANJE" akcionarsko drustvo za osiguranje, Belgrade	Serbia	100.00	10,861	2006
Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.00	89,002	2006
AGRAS - Grupul Wiener Städtische S.A., Bucharest	Romania	88.68	3,668	2006
Andel Investment Praha s.r.o., Prague	Czech Republic	100.00	32,698	2006
ARITHMETICA Versicherungs- und Finanzmathematische Beratungs-Gesellschaft m.b.H., Vienna	Austria	100.00	371	2006
Bank Austria Creditanstalt Versicherung AG, Vienna	Austria	90.00	31,102	2006
BENEFIA Towarzystwo Ubezpieczeń Majątkowych Spolka Akcyjna, Warsaw	Poland	100.00	16,983	2006
BENEFIA Towarzystwo Ubezpieczeń na Życie Spolka Akcyjna, Warsaw	Poland	100.00	6,026	2006
BML Versicherungsmakler GmbH, Vienna	Austria	100.00	236,682	2006
BULGARSKI IMOTI LIFE AG Insurance Company, Sofia	Bulgaria	98.35	3,755	2006
Bulgarski Imoti Non-Life AG Insurance Company, Sofia	Bulgaria	98.36	5,225	2006
Bulgarski Imoti Asistans EOOD, Sofia	Bulgaria	98.36	78	2006
Business Insurance Application Consulting GmbH, Vienna	Austria	100.00	2,116	2006
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100.00	2,066	2006
CAPITOL, a.s., Bratislava	Slovakia	100.00	2,836	2006
Celetná 25, s.r.o., Prague	Czech Republic	100.00	10,855	2006
CENTER Hotelbetriebs GmbH, Vienna	Austria	82.66	66	2006
Česká podnikatelská pojisťovna, a.s., Prague	Czech Republic	87.67	33,685	2006
COMPENSA Holding GmbH, Coburg	Germany	100.00	20,383	2006
Cosmopolitan Life dionicko drustvo za osiguranje, Zagreb	Croatia	73.00	4,836	2006
DBR Friedrichscarrée GmbH & Co KG, Stuttgart	Germany	100.00	16,131	2006
DBR Friedrichscarrée Liegenschaften-Verwaltungs GmbH, Stuttgart	Germany	100.00	24	2006
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100.00	16,069	2006
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	100.00	24	2006
DONAU Allgemeine Versicherungs-Aktiengesellschaft, Vienna	Austria	89.47	96,886	2006
DVS Donau-Versicherung Vermittlungs- und Service-Gesellschaft m.b.H., Vienna	Austria	100.00	25,216	2006
Erste gemeinnützige Wohnungsgesellschaft "Heimstätte Gesellschaft m.b.H.", Vienna	Austria	99.45	74,889	2006
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	Austria	100.00	25,159	2006
InterRisk Lebensversicherungs-Aktiengesellschaft, Wiesbaden	Germany	100.00	15,058	2006
InterRisk Versicherungs-Aktiengesellschaft, Wiesbaden	Germany	100.00	23,190	2006
I.V., s.r.o., Bratislava	Slovakia	100.00	533	2006
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest	Hungary	100.00	1,742	2006
Kapitol pojisťovací a financní poradenství, a.s., Brünn	Czech Republic	100.00	6,634	2006
Komunálna poisťovňa, a.s., Bratislava	Slovakia	95.06	11,980	2006

Affiliated companies and participations WIENER STÄDTISCHE VERSICHERUNG AG VIENNA INSURANCE GROUP	**Country of domicile**	**Interest in capital (%)**	**Equity (EUR '000)**	**Last annual financial statements**
KONTINUITA poisťovňa, a.s., Bratislava	Slovakia	100.00	9,252	2006
KOOPERATIVA poisťovňa, a.s., Bratislava	Slovakia	100.00	116,536	2006
Kooperativa pojišťovna, a.s., Prague	Czech Republic	87.67	284,746	2006
Kvarner Wiener Städtische osiguranje d.d., Rijeka	Croatia	98.75	19,023	2006
Kvarner Wiener Städtische Nekretnine d.o.o., Rijeka	Croatia	98.75	43	2006
LVP Holding GmbH, Vienna	Austria	100.00	77,716	2005
Neue Heimat Oberösterreich Holding GmbH, Vienna	Austria	100.00	19,792	2006
Omniasig Insurance-Reinsurance Company, Bucharest	Romania	98.17	51,189	2006
Omniasig Life Insurance, Bucharest	Romania	50.01	2,787	2006
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	95.13	34,596	2006
PFG Holding GmbH, Vienna	Austria	88.70	62,756	2006
PROGRESS Beteiligungsges.m.b.H., Vienna	Austria	60.00	8,656	2006
Projektbau GesmbH, Vienna	Austria	89.50	229	2006
Projektbau Holding GmbH, Vienna	Austria	89.50	2,491	2006
Royal Polska Towarzystwo Ubezpieczeń na Życie S.A., Warsaw	Poland	95.44	7,853	2006
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100.00	4,476	2006
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	100.00	–4,205	2006
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.70	11,434	2006
Towarzystwo Ubezpieczeń i Reasekuracji CIGNA STU S.A., Warsaw	Poland	92.77	21,528	2006
Towarzystwo Ubezpieczeń "Compensa" Spolka Akcyjna, Warsaw	Poland	99.87	42,053	2006
Towarzystwo Ubezpieczeń Na Życie Compensa Spolka Akcyjna, Warsaw	Poland	100.00	20,415	2006
UNION Biztositó Zrt., Budapest	Hungary	100.00	21,900	2006
UNITA S.A., Bucharest	Romania	100.00	19,345	2006
Vienna-Life Lebensversicherung Aktiengesellschaft, Schaan	Liechtenstein	100.00	9,565	2006
VLTAVA majetkovosprávní a podílová spol.s.r.o., Prague	Czech Republic	100.00	2,801	2006
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	Austria	100.00	262,894	2006
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	Austria	100.00	252,957	2006
Wiener Verein Bestattungs- und Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	100.00	1,388	2006
Proportionally consolidated companies				
UNION Versicherungs-Aktiengesellschaft, Vienna	Austria	45.00	79,427	2006
Equity consolidated companies				
Benefita, a.s., Prague	Czech Republic	100.00	–268	2006
Ceská Kooperativa Londýn Ltd., London	Great Britain	100.00	601	2006
COUNTRY INN VIC Hotelerrichtungs- und Betriebsgesellschaft m.b.H., Vienna	Austria	50.00	–3,909	2006
CROWN-WSF spol. s.r.o., Prague	Czech Republic	30.00	6,242	2006
Gewista-Werbegesellschaft m.b.H., Vienna	Austria	33.00	29,707	2006
Global Expert, s.r.o., Pardubice	Czech Republic	100.00	249	2006
IMPERIAL-Székesfehérvár Ingatlankezelési Kft., Budapest	Hungary	25.00	12,219	2006
Kámen Ostromer, s.r.o., Ostromer	Czech Republic	100.00	235	2006
KIP, a.s., Prague	Czech Republic	86.43	3,823	2006
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	Austria	29.63	12,403	2006

Affiliated companies and participations WIENER STÄDTISCHE VERSICHERUNG AG VIENNA INSURANCE GROUP	**Country of domicile**	**Interest in capital (%)**	**Equity (EUR '000)**	**Last annual financial statements**
PKB Privatkliniken Beteiligungs-GmbH (consolidated financial statements), Vienna	Austria	25.00	19,328	2006
Sanatorium Astoria, a.s., Karlovy Vary	Czech Republic	86.32	2,712	2006
SHD Komes, a.s., Most	Czech Republic	46.33	15,944	2006
SURPMO a.s., Prague	Czech Republic	99.91	404	2006
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	Austria	60.00	35,435	2006
Unigeo, a.s., Ostrava-Hrabova	Czech Republic	100.00	5,917	2006
Non-consolidated companies				
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	50.00	–2	2005
CAPITOL Spolka z o.o., Warsaw	Poland	100.00	–185	2005
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	100.00	192	2005
Eurocenter-Immorent d.o.o., Zagreb	Croatia	100.00	0	2005
EXPERTA Schadenregulierungs- Gesellschaft m.b.H., Vienna	Austria	100.00	649	2005
FUTURELAB Holding GmbH (consolidated balance sheet), Vienna	Austria	33.33	9,923	2005
Geschlossene Aktiengesellschaft Strachowaja kompanija "MSK - Life", Moscow	Russia	25.01	Founded end of 2005; business licence issued in August 2006	
Geschlossene Aktiengesellschaft Versicherungsgesellschaft "Jupiter", Kiev	Ukraine	73.00	3,243	2005
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100.00	153	2005
HUMANOCARE gemeinnützige Betriebsgesellschaft für Betreuungseinrichtungen GmbH, Vienna	Austria	100.00	67	2005
HUMANOCARE Management-Consult GmbH, Vienna	Austria	75.00	151	2005
Humanomed Krankenhaus Management Gesellschaft m.b.H., Vienna	Austria	25.00	791	2005
Insurance Company Globus, Kiev	Ukraine	51.00	1,193	2005
Joint Belarus–Austrian Insurance Company Kupala, Minsk	Belarus	94.50	441	2005
Kardan Financial Services B.V., Amsterdam*	Netherlands	40.00	68,136	2005
Neutorgasse 2–8 Projektverwertungs GmbH, Vienna	Austria	90.00	–814	2005
ÖBV-DIREKT Versicherungsservice GmbH in Liqu., Vienna	Austria	33.33	564	2005
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	31.58	105,226	2005
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	77.00	41	2005
Privatklinik Villach Gesellschaft m.b.H. & Co.KG, Klagenfurt	Austria	23.29	3,012	2005
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	280	2005
Ruster Hotel Bau- und Betriebsgesellschaft m.b.H. & Co KG, Vienna	Austria	47.86	–2,950	2005
VBV Betriebliche Altersvorsorge AG, Vienna	Austria	20.96	2006 founded	
Versicherungs Aktiengesellschaft KNIAZHA, Kiev	Ukraine	50.01	2,801	2005
Vienna Insurance Group Polska Spolka z organiczona odpowiedzialnoscia, Warsaw	Poland	100.00	2006 founded	
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 Corporation Code (UGB) is provided in the participation overview in the individual financial statements.

* Through Kardan Financial Services B.V., in which it held 40% interest as of 31 December 2006, Wiener Städtische AG indirectly held interests in the following significant participations in insurance companies: **Proportionally consolidated:** Bulgaria: Bulstrad Insurance and Reinsurance Joint-Stock Company, Bulstrad Life Insurance Joint-Stock Company; Croatia: Osiguranje Helios d.d.; **Not consolidated:** Bulgaria: TBI Health Insurance AD; Georgia: Georgian Insurance Pension Holding Ltd., IRAO; Ukraine: VAB Insurance, VAB Re-Insurance, VAB Life Insurance; Russia: Arka Insurance

5. LOANS AND OTHER INVESTMENTS

Loans and other investments	31.12.2006	31.12.2005
in EUR '000		
Loans	1,057,375	1,247,366
Other investments	544,453	1,075,312
Total	**1,601,828**	**2,322,678**

Development of loans	31.12.2006	31.12.2005
in EUR '000		
Acquisition costs	1,254,905	1,513,348
Cumulative depreciation as of 31.12. of the previous year	–7,539	–7,257
Book value as of 31.12. of the previous year	**1,247,366**	**1,506,091**
Exchange rate changes	1,054	123
Book value as of 1.1.	**1,248,420**	**1,506,214**
Additions	201,591	92,479
Reductions	–392,717	–351,849
Change in scope of consolidation	4,097	899
Scheduled depreciations	–4,016	–377
Book value as of 31.12.	**1,057,375**	**1,247,366**
Cumulative depreciation as of 31.12.	11,130	7,539
Acquisition costs	**1,068,505**	**1,254,905**

Composition of loans	Acquisition Costs Carried Forward	
	31.12.2006	31.12.2005
in EUR '000		
Loans to non-consolidated affiliated companies	30,204	21,602
Loans to associated companies	28,647	29,073
Mortgage loans	224,353	247,412
Policy loans and prepayments	33,247	26,283
Other loans	740,924	922,996
to government borrowers	501,912	769,301
to banks	9,262	9,223
to other commercial borrowers	223,903	59,768
to private individuals	4,276	6,635
Other	1,571	78,069
Total	**1,057,375**	**1,247,366**
Fair value	**1,103,274**	**1,330,900**

The item "Other capital assets" primarily consists of bank deposits of EUR 450.319 million (EUR 985.981 million) and deposits on assumed reinsurance business of EUR 86.110 million (EUR 77.706 million).

Loan maturities	Acquisition Costs carried forward	
	31.12.2006	31.12.2005
in EUR '000		
up to one year	202,599	109,762
from one to five years	345,517	434,872
from five to ten years	190,460	276,167
more than ten years	318,799	426,565
Total	**1,057,375**	**1,247,366**

6. OTHER SECURITIES

During the reporting period, **financial instruments held as investments** were composed as follows:

Detail	Held to maturity		Available for sale		Held for trading		At fair value through profit or loss	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005	31.12.2006	31.12.2005	31.12.2006	31.12.2005
in EUR '000								
Acquisition costs	245,438	173,799	–	–	–	–	–	–
Cumulative depreciation as of 31.12. of the previous year	1,072	0	–	–	–	–	–	–
Book value as of 31.12. of the previous year	**246,510**	**173,799**	**10,306,549**	**8,049,194**	**491,747**	**324,679**	**73,255**	**0**
Exchange rate	15,738	4,771	62,963	37,579	669	4,884	1,984	–355
Book value as of 1.1.	**262,248**	**178,570**	**10,369,512**	**8,086,773**	**492,416**	**329,563**	**75,239**	**–355**
Additions	74,465	45,397	4,211,880	4,289,137	441,950	163,313	170,141	128,444
Reductions	–30,479	–25,264	–2,810,026	–2,530,274	–263,600	–58,401	–142,497	–56,234
Change in scope of consolidation	0	44,037	12,779	58,460	67,312	29,231	23,011	0
Changes in value recognised in profit or loss	0	3,770	0	0	17,452	28,041	2,442	1,400
Changes in value not recognised in profit or loss	0	0	–19,035	405,178	0	0	0	0
Exceptional depreciation	0	0	–4,175	–2,725	–255	0	–36	0
Book value as of 31.12.	**306,234**	**246,510**	**11,760,935**	**10,306,549**	**755,275**	**491,747**	**128,300**	**73,255**
Cumulative depreciation as of 31.12.	–43	–1,072	–	–	–	–	–	–
Acquisition costs	306,191	245,438	–	–	–	–	–	–

Financial investments held to maturity are as follows:

Held to maturity	Acquisition Costs Carried Forward		Fair value	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
in EUR '000				
Government bonds	165,202	143,973	172,058	155,202
Loans to business	140,842	102,537	151,266	109,714
Other securities	190	0	190	0
Total	**306,234**	**246,510**	**323,514**	**264,916**

Financial investments available for sale are as follows:

Detail	Acquisition Costs Carried Forward		Unrealised gains		Unrealised losses		Fair value	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005	31.12.2006	31.12.2005	31.12.2006	31.12.2005
in EUR '000								
Non-fixed interest	2,924,887	3,048,018	839,458	362,804	–294,859	–5,806	3,469,486	3,405,016
Equities	742,476	671,680	606,560	270,713	–151,206	–2,487	1,197,830	939,906
Investment funds	1,727,236	1,987,688	199,475	68,222	–125,887	–2,830	1,800,824	2,053,080
Other	455,175	388,650	33,423	23,869	–17,765	–489	470,833	412,030
Fixed-interest	8,185,776	6,544,854	557,380	378,877	–451,708	–22,198	8,291,449	6,901,533
Bonds and other securities of affiliated companies	29,135	29,135	0	0	0	0	29,135	29,135
Bonds and other securities of companies in which an ownership interest is held	176,314	172,828	43,397	17,319	–36,624	–31	183,087	190,116
Other fixed-interest securities	7,980,327	6,342,891	513,983	361,558	–415,084	–22,167	8,079,226	6,682,282
Total	**11,110,663**	**9,592,872**	**1,396,838**	**741,681**	**–746,566**	**–28,004**	**11,760,935**	**10,306,549**

For financial investments available for sale, the book 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:

Detail	**Fair value 31.12.2006**	**Fair value 31.12.2005**
in EUR '000		
Structured bonds	720,750	475,791
Equities	9,212	1,289
Investment funds	13,052	1,970
Derivates	1,798	–2,879
Other	10,463	15,576
Total	**755,275**	**491,747**

This entirely relates to short-term investments.

Fair value of derivative financial investments	**Fair value 31.12.2006**	**Fair value 31.12.2005**
in EUR '000		
Options	–8,105	–2,813
Futures	–393	–66
Total	**–8,498**	**–2,879**

The amount shown under the item "Options" relates to options on shares intended to hedge existing share positions.

The fair values for the derivative financial investments include both the rights and obligations under derivative transactions existing as of the balance sheet reporting date.

Financial investments recognised at fair value in profit or loss:

Detail	**Acquisition Costs Carried Forward**	**Fair value**	**Acquisition Costs Carried Forward**	**Fair value**
	31.12.2006	**31.12.2006**	**31.12.2005**	**31.12.2005**
in EUR '000				
Bonds	70,745	70,181	38,236	39,791
Structured bonds	22,422	22,711	29,010	29,614
Equities	7,052	7,343	2,394	1,445
Investment funds	27,057	27,998	2,357	2,405
Other	99	67	0	0
Total	**127,375**	**128,300**	**71,997**	**73,255**

7. INVESTMENTS OF UNIT- AND INDEX-LINKED LIFE INSURANCE

Detail	Unit-linked 31.12.2006	Index-linked 31.12.2006	Total 31.12.2006	Total 31.12.2005
in EUR '000				
Investment funds	1,985,936	6,937	1,992,873	1,511,288
Structured bonds	0	278,785	278,785	209,064
Structured loans	0	12,372	12,372	2,990
Equities	0	14,781	14,781	21,498
Derivates (guarantee claim)	5,235	0	5,235	4,589
Bank deposits	36,175	357	36,532	12,642
Total	**2,027,346**	**313,232**	**2,340,578**	**1,762,071**

The balance sheet value corresponds to the fair value.

Maturities	31.12.2006	31.12.2005
in EUR '000		
no maturity	2,020,349	1,572,439
up to one year	12,790	5,859
from one to five years	8,746	8,816
from five to ten years	217,603	90,132
more than ten years	81,090	84,825
Total	**2,340,578**	**1,762,071**

8. REINSURERS' SHARE IN UNDERWRITING PROVISIONS

	Property/Casualty 31.12.2006	Life 31.12.2006	Health 31.12.2006	Total 31.12.2006	Total 31.12.2005
in EUR '000					
Unearned premiums	121,476	5,446	0	126,922	107,470
Mathematical reserve	5	105,395	1,823	107,223	94,602
Provision for outstanding claims	715,146	4,223	152	719,521	630,770
Provision for profit-independent premium refunds	4,342	0	0	4,342	5,635
Provision for profit-dependent premium refunds	0	10	0	10	10
Other underwriting provisions	5,296	0	0	5,296	1,573
Total	**846,265**	**115,074**	**1,975**	**963,314**	**840,060**

Change	Book value 1.1.2006	Exchange rate	Additions	Amount used/ released	Change in scope of consolidation	Book value 31.12.2006
in EUR '000						
Unearned premiums	107,470	5,731	100,643	–93,792	6,870	126,922
Mathematical reserve	94,602	62	19,942	–7,390	7	107,223
Provision for outstanding claims	630,770	20,971	425,552	–367,426	9,654	719,521
Provision for profit-independent premium refunds	5,635	80	1.419	–2,792	0	4,342
Provision for profit-dependent premium refunds	10	0	0	0	0	10
Other underwriting provisions	1,573	151	4,996	–1,424	0	5,296
Total	**840,060**	**26,995**	**552,552**	**–472,824**	**16,531**	**963,314**

Maturities	31.12.2006	31.12.2005
in EUR '000		
up to one year	580,502	535,224
from one to five years	228,851	204,666
from five to ten years	109,313	67,642
more than ten years	44,648	32,528
Total	**963,314**	**840,060**

9. RECEIVABLES

Detail	Property/Casualty 31.12.2006	Life 31.12.2006	Health 31.12.2006	Total 31.12.2006	Total 31.12.2005
in EUR '000					
Underwriting	**501,727**	**85,324**	**6,079**	**593,130**	**478,277**
Receivables from direct insurance business	410,631	82,095	6,079	498,805	405,320
with policyholders	337,730	77,366	5,792	420,888	343,366
with insurance brokers	53,257	4,356	0	57,613	56,839
with insurance companies	19,644	373	287	20,304	5,115
Receivables from reinsurance business	91,096	3,229	0	94,325	72,957
Non-underwriting					
Other receivables	151,181	229,450	9,942	390,573	378,576
Total	**652,908**	**314,774**	**16,021**	**983,703**	**856,853**

Detail other receivables	Property/Casualty 31.12.2006	Life 31.12.2006	Health 31.12.2006	Total 31.12.2006	Total 31.12.2005
in EUR '000					
Receivables from financial services and leasing	97	107	0	204	0
Proportionate interest and rent	15,041	192,585	4,197	211,823	193,287
Receivables from the revenue office	18,360	7,233	1,705	27,298	8,667
Receivables from employees	832	203	0	1,035	827
Receivables from sales of investments	22,350	10,617	0	32,967	67,400
Receivables from property managers	12,911	8	0	12,919	11,047
Receivables from third-party damage settlements	8,611	0	0	8,611	6,195
Receivables from loans	4,883	123	0	5,006	2,177
Outstanding interest and rent	1,015	899	689	2,603	2,497
Other receivables	67,081	17,675	3,351	88,107	86,479
Total	**151,181**	**229,450**	**9,942**	**390,573**	**378,576**

Maturities	Underwriting 31.12.2006	Non-underwriting 31.12.2006	Total 31.12.2006	Total 31.12.2005
in EUR '000				
up to one year	587,875	363,401	951,276	827,776
from one to five years	5,108	16,525	21,633	19,729
from five to ten years	147	9,248	9,395	7,949
more than ten years	0	1,399	1,399	1,399
Total	**593,130**	**390,573**	**983,703**	**856,853**

10. CASH AND CASH EQUIVALENTS

Detail	Property/Casualty 31.12.2006	Life 31.12.2006	Health 31.12.2006	Total 31.12.2006	Total 31.12.2005
in EUR '000					
Current account balances at banks	177,308	43,213	1,785	222,306	286,689
Cash and cheques	3,466	671	0	4,137	3,658
Total	**180,774**	**43,884**	**1,785**	**226,443**	**290,347**

Cash and cash equivalents consist of cash on hand and demand deposits.

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 assets 31.12.2006	Deferred tax liabilities 31.12.2006	Deferred tax assets 31.12.2005	Deferred tax liabilities 31.12.2005
in EUR '000				
Intangible assets	5,571	129	5,120	130
Investments	7,355	236,445	7,399	255,958
Receivables	2,429	1,271	1,425	1,066
Other assets and loss carryforward adjustment	4,557	2,954	4,606	3,689
Tax-free reserves	0	62,918	0	63,150
Underwriting provisions	124,200	22,589	128,566	22,531
Non-underwriting provisions	76,051	9,026	84,776	14,611
Liabilities	9,278	399	9,205	378
Other liabilities	8,330	25	8,330	20
Total	**237,771**	**335,756**	**249,427**	**361,533**
Balance of deferred taxes		**97,985**		**112,106**

12. OTHER ASSETS

Detail	Property/Casualty 31.12.2006	Life 31.12.2006	Health 31.12.2006	Total 31.12.2006	Total 31.12.2005
in EUR '000					
Tangible assets and inventories	48,428	13,891	0	62,319	56,475
Advance payments for projects	111	96	0	207	103
Tax prepayments	65,343	22,453	0	87,796	69,495
Other assets	8,653	6,796	680	16,129	17,791
Prepaid expenses	34,596	22,893	118	57,607	56,842
Total	**157,131**	**66,129**	**798**	**224,058**	**200,706**

Maturities	31.12.2006	31.12.2005
in EUR '000		
up to one year	89,847	123,272
from one to five years	118,070	75,560
from five to ten years	6,449	1,018
more than ten years	9,692	856
Total	**224,058**	**200,706**

Changes in tangible assets and inventories	31.12.2006	31.12.2005
in EUR '000		
Acquisition costs	169,692	173,149
Cumulative depreciation as of 31.12. of the previous year	–113,217	–115,290
Book value as of 31.12. of the previous year	**56,475**	**57,859**
Exchange rate	1,669	1,540
Book value as of 1.1.	**58,144**	**59,399**
Additions	26,530	23,188
Reductions	–12,346	–17,541
Change in scope of consolidation	3,438	6,590
Scheduled depreciations	–13,447	–15,161
Book value as of 31.12.	**62,319**	**56,475**
Cumulative depreciation as of 31.12.	130,136	113,217
Acquisition costs	**192,455**	**169,692**

13. CONSOLIDATED SHAREHOLDERS' EQUITY

Changes in consolidated shareholders' equity in fiscal years 2005 and 2006

in EUR '000	Share capital	Capital reserves	Retained earnings	Unrealised gains and losses	Currency translation and other reserves	Share-holders' equity before minority interest	Minority Interests	Share-holders' equity
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
Capital increase	19,354	885,029	0	0	0	904,383	0	904,383
Change in scope of consolidation/ ownership interests	0	0	–33,995	0	0	–33,995	–10,606	–44,601
Unrealised gains and losses from financial investments 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
As of 31 December 2005	**109,009**	**1,035,029**	**446,790**	**385,912**	**24,752**	**2,001,492**	**57,840**	**2,059,332**

in EUR '000	Share capital	Capital reserves	Retained earnings	Unrealised gains and losses	Currency translation and other reserves	Share-holders' equity before minority interest	Minority Interests	Share-holders' equity
As of 1 January 2006	**109,009**	**1,035,029**	**446,790**	**385,912**	**24,752**	**2,001,492**	**57,840**	**2,059,332**
Exchange rate	0	0	0	0	22,790	22,790	1,690	24,480
Change in scope of consolidation/ ownership interests	0	0	137,309	–147,230	0	–9,921	12,961	3,040
Unrealised gains and losses from financial investments available for sale	0	0	0	6,446	0	6,446	–1,964	4,482
Profit for the period	0	0	260,902	0	0	260,902	3,419	264,321
Dividend payment	0	0	–69,300	0	0	–69,300	–3,147	–72,447
As of 31 December 2006	**109,009**	**1,035,029**	**775,701**	**245,128**	**47,542**	**2,212,409**	**70,799**	**2,283,208**

Unrealised gains and losses as of 31 December 2006 are equal to a gross amount of EUR 763.111 million less deferred taxes of EUR 84.110 million, less deferred profit participation of EUR 430.918 million, less minority interests of EUR 2.955 million.

In the fiscal year 2006 the shareholders' equity of associated companies did not change according to IAS 28.39.

Minority Interests	31.12.2006	31.12.2005
in EUR '000		
Unrealised gains and losses	2,955	4,919
Share of result for the year	12,723	1,760
Other	55,121	51,161
Total	**70,799**	**57,840**

Earnings per Share

According to IAS 33.10, basic earnings per share "shall be calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period". The number of ordinary shares outstanding was 105,000,000 for all of 2006.

	1.1.–31.12.2006	1.1.– 31.12.2005
Net income	EUR 260,902,000	EUR 198,737,000
Number of shares	105,000,000	105,000,000
before capital increase	0	86,357,600
Capital increase	0	18,642,400
Earnings per share	**EUR 2.48**	**EUR 2.27**

Since there were no potential ordinary shares either in 2005 or in the current reporting period, the basic earnings per share correspond to the diluted earnings per share.

Consolidated shareholders' equity

The share capital of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP 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 Annual General Meeting of 30 May 2006, the following dividend distributions took place during the reporting period:

Distribution	**Per share 1.1.–31.12.2006**	**Total 1.1.–31.12.2006**
in EUR		
Ordinary shares	0.66	69,300,000

Proposed Allocation of Profits

WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP concluded fiscal year 2006, under Austrian accounting rules, with an unappropriated surplus for the year of EUR 157,888,587.61. The following allocation of profits has been proposed in connection with the Annual General Meeting: The 105 million shares are to receive a dividend of EUR 0.82 per share. A total of EUR 86,100,000 is to be distributed. The unappropriated surplus of EUR 71,788,587.61 for the 2006 fiscal year remaining after distribution of dividends 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	Issue date	Outstanding volume (EUR '000)	Maturity in years	Interest rate in %	Fair value
WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP	12.1.2005	180,000	17	First 12 years: 4.625% p.a.; then variable	175,140
WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP	12.1.2005	120,000	unlimited[1)]	First year: 4.25% p.a.; then variable	114,360
Donau Allgemeine Versicherungs-Aktiengesellschaft	10.5.2004	50,000	unlimited[2)]	4.95% p.a.	50,484
Donau Allgemeine Versicherungs-Aktiengesellschaft	15.4.+21.5.2004	11,500	unlimited[3)]	4.95% p.a.	11,611
Donau Allgemeine Versicherungs-Aktiengesellschaft	1.7.1999	3,500	unlimited[4)]	4.95% p.a.	3,534
UNION Versicherungs-Aktiengesellschaft	2.1.2004	11,250	10	4.95% p.a.	11,924
UNION Versicherungs-Aktiengesellschaft	21.12.2001	2,700	unlimited[5)]	First 10 years: 6% p.a.; then variable	2,700
UNION Versicherungs-Aktiengesellschaft	18.12.1998	2,616	unlimited[5)]	variable	2,616
Bank Austria Creditanstalt Versicherung AG	2.1.2004	25,000	10	4.95% p.a.	26,498
Bank Austria Creditanstalt Versicherung AG	21.12.2001	3,000	unlimited[5)]	First 10 years: 6% p.a.; then variable	3,000
Bank Austria Creditanstalt Versicherung AG	23.4.1998	3,634	unlimited[5)]	variable	3,634
Total		**413,200**			**405,501**

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, no 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, no 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, no sooner than 1 July 2002, upon giving 5 years' notice and as of 1 July of each subsequent year.
5) This can only be cancelled subject to not less than five years' notice, unless the Austrian insurance regulatory authorities agree to redemption being made prematurely.

Proportional amounts are shown for UNION Versicherungs-Aktiengesellschaft.

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

	31.12.2006	31.12.2005
in EUR '000		
Property/casualty insurance	625,375	491,414
Life insurance	138,735	134,870
Health insurance	1,492	1,369
Total	**765,602**	**627,653**

Change	Property/Casualty 31.12.2006	Life 31.12.2006	Health 31.12.2006	Total 31.12.2006	Total 31.12.2005
in EUR '000					
Book value as of 31.12.	**491,414**	**134,870**	**1,369**	**627,653**	**442,928**
Exchange rate	21,305	3,696	0	25,001	–284
Book value as of 1.1.	**512,719**	**138,566**	**1,369**	**652,654**	**442,644**
Additions	463,103	127,375	1,492	591,970	529,672
Amount used/released	–403,522	–127,437	–1,369	–532,328	–431,875
Change in scope of consolidation	53,075	231	0	53,306	87,212
Book value as of 31.12.	**625,375**	**138,735**	**1,492**	**765,602**	**627,653**

Maturities	31.12.2006	31.12.2005
in EUR '000		
up to one year	738,734	612,017
from one to five years	26,868	15,636
Total	**765,602**	**627,653**

16. MATHEMATICAL RESERVE

Detail	31.12.2006	31.12.2005
in EUR '000		
Property/casualty insurance	123	185
Life insurance	9,823,170	8,782,079
for guaranteed policy benefits	8,631,362	7,573,975
for allocated and committed profit shares	1,191,808	1,208,104
Health insurance	654,587	609,253
Total	**10,477,880**	**9,391,517**

Total changes	Property/Casualty 31.12.2006	Life 31.12.2006	Health 31.12.2006	Total 31.12.2006	Total 31.12.2005
in EUR '000					
Book value as of 31.12. of the previous year	**185**	**8,782,079**	**609,253**	**9,391,517**	**8,404,485**
Exchange rate	8	55,465	0	55,473	24,970
Book value as of 1.1.	**193**	**8,837,544**	**609,253**	**9,446,990**	**8,429,455**
Additions	30	1,862,067	45,334	1,907,431	1,847,390
Amount used/released	–100	–896,241	0	–896,341	–936,131
Change in scope of consolidation	0	19,800	0	19,800	50,803
Book value as of 31.12.	**123**	**9,823,170**	**654,587**	**10,477,880**	**9,391,517**

Maturities	31.12.2006	31.12.2005
in EUR '000		
up to one year	667,474	562,967
from one to five years	2,977,900	1,794,838
from five to ten years	3,122,203	3,521,108
more than ten years	3,710,303	3,512,604
Total	**10,477,880**	**9,391,517**

Life insurance mathematical reserve	31.12.2006	31.12.2005
in EUR '000		
Direct business		
Policy benefits	8,494,153	7,455,970
Allocated profit shares	1,165,822	1,181,963
Committed profit shares	25,986	26,141
Indirect business		
Policy benefits	137,209	118,005
Total	**9,823,170**	**8,782,079**

Health insurance mathematical reserve	31.12.2006	31.12.2005
in EUR '000		
Direct business		
Individual policies	528,987	492,417
Group policies	124,651	115,958
Indirect business	949	878
Total	**654,587**	**609,253**

17. PROVISION FOR OUTSTANDING INSURANCE CLAIMS

Detail	31.12.2006	31.12.2005
in EUR '000		
Property/casualty insurance	2,525,041	2,192,231
Life insurance	76,563	73,319
Health insurance	42,651	41,722
Total	**2,644,255**	**2,307,272**

Changes in provisions for outstanding property/casualty insurance claims	31.12.2006	31.12.2005
in EUR '000		
Book value as of 31.12. of the previous year	**2,192,231**	**1,837,657**
Exchange rate	52,320	306
Book value as of 1.1.	**2,244,551**	**1,837,963**
Claims expenditure	1,948,770	1,686,628
Claims payments and processing expenses	–1,716,440	–1,344,293
Other changes	48,160	11,933
Book value as of 31.12.	**2,525,041**	**2,192,231**

Maturities	31.12.2006	31.12.2005
in EUR '000		
up to one year	1,560,653	1,329,131
from one to five years	593,341	649,741
from five to ten years	214,242	231,215
more than ten years	276,019	97,185
Total	**2,644,255**	**2,307,272**

A detailed presentation of the gross loss reserve is to be found in the section "Risk Reporting," under the heading with the same name.

18. PROVISION FOR REFUND OF PREMIUMS

Detail	31.12.2006	31.12.2005
in EUR '000		
Property/casualty insurance	22,191	17,104
of which dependent on profit	199	200
of which not dependent on profit	21,992	16,904
Life insurance	683,925	709,976
of which dependent on profit	683,925	709,976
Health insurance	18,401	17,531
of which dependent on profit	3,601	3,485
of which not dependent on profit	14,800	14,046
Total	**724,517**	**744,611**
of which deferred life insurance profit participation	503,333	545,867
recognised in profit or loss	72,415	29,040
not recognised in profit or loss	430,918	516,827

Change in life insurance	31.12.2006	31.12.2005
in EUR '000		
Provision for refund of premiums		
Book value as of 31.12. of the previous year	**164,109**	**175,284**
Exchange rate	3,091	625
Book value as of 1.1.	**167,200**	**175,909**
Addition/release	109,628	100,060
Transfer to mathematical reserve	–96,236	–111,860
Total	**180,592**	**164,109**
Deferred profit participation		
Book value as of 31.12. of the previous year	**545,867**	**285,543**
Exchange rate	–5,963	480
Book value as of 1.1.	**539,904**	**286,023**
Unrealised gains/losses from financial investments available for sale	–85,909	252,697
Revaluations recognised through profit or loss	49,338	7,147
Book value as of 31.12.	**503,333**	**545,867**
PROVISION FOR REFUND OF PREMIUMS INCL. DEFERRED PROFIT PARTICIPATION	**683,925**	**709,976**

Change to health insurance	31.12.2006	31.12.2005
in EUR '000		
Provision for refund of premiums		
Book value as of 31.12. of the previous year equals the book value as of 1.1.	**17,531**	**17,846**
Addition/release	870	–315
Book value as of 31.12.	**18,401**	**17,531**

Maturities	31.12.2006	31.12.2005
in EUR '000		
no maturity	503,333	545,867
up to one year	165,635	148,083
from one to five years	55,549	50,661
Total	**724,517**	**744,611**

19. OTHER UNDERWRITING PROVISIONS

Detail	31.12.2006	31.12.2005
in EUR '000		
Property/casualty insurance	11,848	12,009
Life insurance	3,449	2,633
Health insurance	870	597
Total	**16,167**	**15,239**

Other underwriting provisions relate chiefly to provision for anticipated lapses.

Change	Property/Casualty 31.12.2006	Life 31.12.2006	Health 31.12.2006	Total 31.12.2006	Total 31.12.2005
in EUR '000					
Book value as of 31.12.	**12,009**	**2,633**	**597**	**15,239**	**12,728**
Exchange rate	–3	16	0	13	–25
Book value as of 1.1.	**12,006**	**2,649**	**597**	**15,252**	**12,703**
Additions	3,572	3,417	870	7,859	12,045
Amount used/released	–3,730	–2,649	–597	–6,976	–9,509
Change in scope of consolidation	0	32	0	32	0
Book value as of 31.12.	**11,848**	**3,449**	**870**	**16,167**	**15,239**

Maturities	31.12.2006	31.12.2005
in EUR '000		
up to one year	16,027	15,239
from one to five years	140	0
Total	**16,167**	**15,239**

20. UNDERWRITING PROVISIONS OF UNIT-LINKED AND INDEX-LINKED LIFE INSURANCE

Detail	31.12.2006	31.12.2005
in EUR '000		
Unit-linked life insurance	1,955,926	1,515,223
Index-linked life insurance	282,935	214,645
Total	**2,238,861**	**1,729,868**

Change	31.12.2006	31.12.2005
in EUR '000		
Book value as of 31.12.	**1,729,868**	**1,119,220**
Exchange rate	2,238	–1,113
Book value as of 1.1.	**1,732,106**	**1,118,107**
Additions	569,789	614,208
Amount used/released	–63,034	–16,047
Change in scope of consolidation	0	13,600
Book value as of 31.12.	**2,238,861**	**1,729,868**

Maturities	31.12.2006	31.12.2005
in EUR '000		
up to one year	20,687	36,286
from one to five years	293,202	162,895
from five to ten years	766,356	491,936
more than ten years	1,158,616	1,038,751
Total	**2,238,861**	**1,729,868**

21. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Detail	31.12.2006	31.12.2005
in EUR '000		
Provisions for pension obligations	405,858	466,353
Provisions for post-employment obligations	120,526	116,349
Total	**526,384**	**582,702**

Change in pension obligations	31.12.2006	31.12.2005
in EUR '000		
Present value of the obligation (DBO) as of 31.12. of the previous year	**505,686**	**520,144**
Unrealised gains/losses	–39,333	–11,042
Book value as of 1.1.	**466,353**	**509,102**
Withdrawals for pension payments	–20,723	–25,768
Additions to provisions	32,509	29,189
Reduction in the obligation	–78,661	–46,170
Change in scope of consolidation	6,380	0
Book value as of 31.12.	**405,858**	**466,353**
Accumulated unrealised gains/losses	40,863	39,333
Present value of the obligation (DBO) as of 31.12.	**446,721**	**505,686**

Change in post-employment obligations	31.12.2006	31.12.2005
in EUR '000		
Book value as of 1.1.	**116,349**	**115,369**
Change in scope of consolidation	–9,715	–10,409
Additions to provisions	11,942	11,363
Withdrawals for post-employment benefit payments	1,950	26
Book value as of 31.12.	**120,526**	**116,349**

The following amounts are included in the income statements for the period under review and the comparative period from the previous year:

Detail of additions to pension provisions	1.1.–31.12.2006	1.1.–31.12.2005
in EUR '000		
Current service cost	8,041	7,065
Interest expense	24,435	22,811
Realised actuarial gains (-) or losses (+)	33	–687
Total	**32,509**	**29,189**

Detail of additions to post-employment provisions	1.1.–31.12.2006	1.1.–31.12.2005
in EUR '000		
Current service cost	6,146	5,900
Interest expense	5,746	5,463
Realised actuarial gains (-) or losses (+)	50	0
Total	**11,942**	**11,363**

The current service cost is recognised in the income statement by analogy to the current personnel expense from salaries. The interest expense is shown in the expenses for investments.

22. PROVISIONS FOR TAXES

Detail	31.12.2006	31.12.2005
in EUR '000		
Property/casualty insurance	45,120	45,372
Life insurance	27,270	18,938
Health insurance	4,469	4,469
Total	**76,859**	**68,779**

Change	31.12.2006	31.12.2005
in EUR '000		
Book value as of 31.12.	**68,779**	**90,080**
Exchange rate	616	937
Book value as of 1.1.	**69,395**	**91,017**
Additions	19,894	7,527
Releases	–4,733	–9,684
Amount used	–7,697	–20,081
Total	**76,859**	**68,779**

Maturities	31.12.2006	31.12.2005
in EUR '000		
up to one year	76,859	68,779
Total	**76,859**	**68,779**

23. OTHER PROVISIONS

Detail	Property/Casualty 31.12.2006	Life 31.12.2006	Health 31.12.2006	Total 31.12.2006	Total 31.12.2005
in EUR '000					
Provision for unused vacation entitlements	28,885	1,294	0	30,179	27,404
Provision for anniversary payments	9,221	4,786	1,571	15,578	13,948
Other personnel provisions	1,718	108	0	1,826	1,760
Provision for derivatives trading	3,276	5,468	1,552	10,296	0
Provisions for customer support and marketing	29,592	640	0	30,232	26,318
Provision for variable salary components	4,704	1,762	0	6,466	6,110
Provision for legal and consulting fees	1,344	241	185	1,770	1,731
Provisions for litigation	923	18	0	941	0
Provision for premium adjustment under reinsurance contracts	1	0	0	1	241
Provision for renewal commissions	0	145	0	145	568
Provision for unpaid incoming invoices	11,629	5,436	0	17,065	13,128
Other provisions	100,771	16,898	223	117,892	128,697
Total	**192,064**	**36,796**	**3,531**	**232,391**	**219,905**

Change	Book value 1.1.	Change in scope of consol.	Exchange rate	Amount used	Released	Additions	Book value 31.12.
in EUR '000							
Provision for unused vacation entitlements	27,404	894	99	–21,393	–5,972	29,147	30,179
Provision for anniversary payments	13,948	283	0	–457	–2,694	4,498	15,578
Other personnel provisions	1,760	240	4	–277	–307	406	1,826
Provision for derivatives trading	0	0	0	0	0	10,296	10,296
Provisions for customer support and marketing	26,318	0	1	–7,668	–18,650	30,231	30,232
Provision for variable salary components	6,110	56	2	–584	–168	1,050	6,466
Provision for legal and consulting fees	1,731	–4	0	–1,047	–304	1,394	1,770
Provisions for litigation	0	71	0	0	0	870	941
Provision for premium adjustment under reinsurance contracts	241	0	0	–240	–1	1	1
Provision for renewal commissions	568	0	2	–57	–438	70	145
Provision for unpaid incoming invoices from real estate	13,128	7,844	107	–10,503	–5,618	12,107	17,065
Other provisions	128,697	4,176	4,026	–33,850	–18,523	33,366	117,892
Total	**219,905**	**13,560**	**4,241**	**–76,076**	**–52,675**	**123,436**	**232,391**

Maturities	31.12.2006	31.12.2005
in EUR '000		
up to one year	101,773	122,684
from one to five years	60,261	12,252
from five to ten years	70,357	84,969
Total	**232,391**	**219,905**

24. LIABILITIES

Detail	Property/Casualty 31.12.2006	Life 31.12.2006	Health 31.12.2006	Total 31.12.2006	Total 31.12.2005
in EUR '000					
Underwriting	**345,350**	**240,257**	**7,009**	**592,616**	**617,106**
Liabilities from direct business	266,908	123,126	5,977	396,011	435,249
with policyholders	186,034	79,989	5,684	271,707	294,381
with insurance brokers	70,006	16,926	0	86,932	80,939
with insurance companies	10,868	196	293	11,357	8,982
under financial insurance contracts	0	26,015	0	26,015	50,947
Liabilities from reinsurance business	77,309	8,563	0	85,872	83,534
Deposits on ceded reinsurance business	1,133	108,568	1,032	110,733	98,323
Non-underwriting	**972,241**	**96,341**	**195,241**	**1,263,823**	**457,625**
Liabilities to banks	371,685	21,780	89,817	483,282	143,898
Miscellaneous liabilities	600,556	74,561	105,424	780,541	313,727
Total	**1,317,591**	**336,598**	**202,250**	**1,856,439**	**1,074,731**

Detail of miscellaneous liabilities	31.12.2006	31.12.2005
in EUR '000		
Tax liabilities	42,603	37,926
Liabilities for social security	10,827	10,316
Liabilities to property managers	272	276
Liabilities to employees	12,373	12,584
Bond liabilities	2,225	5,867
Other miscellaneous liabilities	712,241	246,758
Total	**780,541**	**313,727**

Maturities	Underwriting 31.12.2006	Non-underwriting 31.12.2006	Total 31.12.2006	Total 31.12.2005
in EUR '000				
up to one year	583,444	295,621	879,065	795,953
from one to five years	5,051	154,939	159,990	149,270
from five to ten years	4,121	813,263	817,384	129,508
Total	**592,616**	**1,263,823**	**1,856,439**	**1,074,731**

Miscellaneous liabilities are comprised primarily of liabilities from purchases of assets (EUR 13.421 million), financing liabilities (EUR 500.183 million), and interest on supplementary capital (EUR 3.475 million).

25. OTHER LIABILITIES

Detail	Property/Casualty 31.12.2006	Life 31.12.2006	Health 31.12.2006	Total 31.12.2006	Total 31.12.2005
in EUR '000					
Accrued liabilities	93,201	11,325	105	104,631	78,284
Miscellaneous other liabilities	1,521	11	0	1,532	4,409
Total	**94,722**	**11,336**	**105**	**106,163**	**82,693**

26. CONTINGENT LIABILITIES AND RECEIVABLES

Litigation

Litigation regarding coverage

In their capacity as insurance companies, the companies of the Vienna Insurance Group are involved in a number of court proceedings as defendants or have been threatened with litigation. In addition, there are proceedings in which the companies of the Vienna Insurance 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 Vienna Insurance Group, 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.

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 799,000 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 209,000 as well as a 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 129,000. There is a letter of comfort in the amount of EUR 7.410 million in favour of Central Point IT-Solutions GmbH. In addition, letters of comfort from Kooperativa pojišťovna, a.s. also exist respectively, in the amounts of EUR 2.729 million in favour of Unigeo, a.s. and EUR 273 thousand in favour of Kamen ostromer, s.r.o.

27. NET EARNED PREMIUMS

The premiums written and earned in the reporting period of 2006 and in the comparable period of 2005 are broken down by segments as follows:

Premiums written	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
in EUR '000				
GROSS				
Direct business	3,038,811	2,502,848	297,720	5,839,379
Austria	1,399,358	1,711,393	297,720	3,408,471
Czech Republic	783,686	259,513	0	1,043,199
Slovakia	246,392	141,215	0	387,607
Other CEE	547,210	212,116	0	759,326
Other markets	62,165	178,611	0	240,776
Indirect business	28,340	13,611	180	42,131
Premiums written	**3,067,151**	**2,516,459**	**297,900**	**5,881,510**
CEDED TO REINSURERS	–753,461	–38,415	–983	–792,859
Premiums written – retained	**2,313,690**	**2,478,044**	**296,917**	**5,088,651**

Net earned premiums	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
in EUR '000				
GROSS				
Direct business	2,979,545	2,502,410	297,324	5,779,279
Indirect business	28,937	13,586	180	42,703
Net earned premiums	**3,008,482**	**2,515,996**	**297,504**	**5,821,982**
CEDED TO REINSURERS	–743,778	–38,542	–984	–783,304
Net earned premiums – retained	**2,264,704**	**2,477,454**	**296,520**	**5,038,678**

Premiums written	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
in EUR '000				
GROSS				
Direct business	2,550,594	2,144,465	287,832	4,982,891
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
Other CEE	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**
CEDED TO REINSURERS	–696,397	–34,929	–873	–732,199
Premiums written – retained	**1,866,922**	**2,121,500**	**287,214**	**4,275,636**

Net earned premiums	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
in EUR '000				
GROSS				
Direct business	2,498,110	2,142,631	287,628	4,928,369
Indirect business	11,679	11,651	255	23,585
Net earned premiums	**2,509,789**	**2,154,282**	**287,883**	**4,951,954**
CEDED TO REINSURERS	–674,955	–35,255	–873	–711,083
Net earned premiums – retained	**1,834,834**	**2,119,027**	**287,010**	**4,240,871**

Gross premiums written – Property/casualty insurance	Gross 2006	Ceded to reinsurers 2006	Retained 2006	Gross 2005
in EUR '000				
Direct business				
Fire and business interruption due to fire	404,634	–263,603	141,031	339,467
Household insurance	165,942	–20,340	145,602	147,217
Other non-life insurance	251,912	–118,819	133,093	257,731
Motor vehicle liability insurance	903,947	–161,275	742,672	750,528
Other motor vehicle insurance	599,171	–51,732	547,439	481,621
Casualty insurance	214,307	–34,737	179,570	190,751
Liability insurance	209,641	–34,844	174,797	186,018
Legal expenses insurance	42,158	–344	41,814	39,957
Marine, aviation, and transport insurance	44,103	–25,319	18,784	38,323
Credit and guarantee insurance	35,007	–3,786	31,221	11,440
Other insurance	167,989	–25,761	142,228	107,541
Subtotal	3,038,811	–740,560	2,298,251	2,550,594
Indirect business				
Marine, aviation, and transport insurance	1,022	0	1,022	463
Other insurance	27,318	–12,901	14,417	12,262
Subtotal	28,340	–12,901	15,439	12,725
Total	**3,067,151**	**–753,461**	**2,313,690**	**2,563,319**

A portion of the earned premiums of EUR 28.937 million (EUR 11.679 million) from **indirect** property/casualty insurance **business** had been deferred one year before being recognised in the income statement. A portion of the earned premiums of EUR 13.586 million (EUR 11.651 million) from **indirect** life insurance **business** had been deferred one year before being recognised in the income statement.

Premiums written – Direct life insurance business	**2006**	**2005**
in EUR '000		
Regular premium policies	1,461,630	1,297,234
Endowment insurance, not including risk insurance	736,956	697,856
Risk insurance	132,241	59,834
Pension insurance	222,151	171,059
Unit-linked insurance	250,211	278,231
Index-linked insurance	1,866	0
Government-sponsored pension plans	118,205	90,254
Single premium policies	1,041,218	847,231
Endowment insurance, not including risk insurance	504,163	344,310
Risk insurance	27,465	12,425
Pension insurance	172,606	234,401
Unit-linked insurance	259,397	207,875
Index-linked insurance	49,696	43,788
Government-sponsored pension plans	27,891	4,432
Total direct life premiums written	**2,502,848**	**2,144,465**
of which:		
Policies with profit participation	1,646,190	1,477,766
Policies without profit participation	856,658	666,699
of which:		
Individual policies	2,290,767	2,034,293
Group policies	212,081	110,172

Please refer to the relevant individual financial statements for information on investments of unit- and index-linked life insurance.

Gross premiums written – Health insurance	**2006**	**2005**
in EUR '000		
Direct business	297,720	287,832
Individual policies	207,945	201,299
Group policies	89,775	86,533
Indirect business	180	255
Group policies	180	255
Total health premiums written	**297,900**	**288,087**

28. RESULT FROM SHARES IN AFFILIATED AND ASSOCIATED COMPANIES

Detail – income	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
in EUR '000				
Current income	3,111	23,864	6	26,981
Gains from disposal of investments	50	3,427	0	3,477
Total	**3,161**	**27,291**	**6**	**30,458**

Detail – income	Current income 2006	Gains from disposal of investments 2006	Total 2006
in EUR '000			
Shares in fully consolidated affiliated companies	0	3,434	3,434
Shares in unconsolidated affiliated companies	22,660	43	22,703
Shares in associated companies valued at equity	4,321	0	4,321
Total	**26,981**	**3,477**	**30,458**

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	Current income 2005	Other 2005	Total 2005
in EUR '000			
Shares in unconsolidated affiliated companies	3,197	0	3,197
Shares in associated companies valued at equity	4,379	4,668	9,047
Total	**7,576**	**4,668**	**12,244**

Detail – expenses	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
in EUR '000				
Depreciation on investments	291	20,931	0	21,222
Losses from disposal of investments	2,530	1,705	0	4,235
Total	**2,821**	**22,636**	**0**	**25,457**

Detail – expenses	Depreciation on investments 2006	Losses from disposal of investments 2006	Total 2006
in EUR '000			
Shares in unconsolidated affiliated companies	21,222	4,235	25,457
Total	**21,222**	**4,235**	**25,457**

Detail – expenses	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
in EUR '000				
Depreciation on investments	8	0	0	8
Losses from disposal of investments	666	3	0	669
Total	**674**	**3**	**0**	**677**

Detail – expenses	Depreciation on investments 2005	Losses from disposal of investments 2005	Total 2005
in EUR '000			
Shares in unconsolidated affiliated companies	8	669	677
Total	**8**	**669**	**677**

29. RESULT FROM OTHER INVESTMENTS

Detail – income	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
in EUR '000				
Current income	222,464	540,289	37,472	800,225
Income from write-ups	9,549	21,858	996	32,403
Income from the disposal of investments	36,751	166,715	10,489	213,955
Total	**268,764**	**728,862**	**48,957**	**1,046,583**

Detail – income	Current income 2006	Income from write-ups 2006	Gains from the disposal of investments 2006	Total 2006
in EUR '000				
Owner-occupied land and buildings	8,030	0	3,064	11,094
Third-party leased land and buildings	149,554	0	4,820	154,374
Shares of other companies in which an ownership interest is held	18,179	0	10,502	28,681
Loans	60,990	0	30	61,020
Financial investments held to maturity	13,193	0	0	13,193
Financial investments available for sale	457,592	0	181,010	638,602
Financial investments held for trading	14,041	28,418	7,473	49,932
Financial investments recognised at fair value through profit or loss	3,272	3,979	1,285	8,536
Other investments	62,215	6	1,170	63,391
Unit-linked and index-linked life insurance	13,159	0	4,601	17,760
Total	**800,225**	**32,403**	**213,955**	**1,046,583**

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 investments	50,043	108,778	5,833	164,654
Total	**151,077**	**638,614**	**38,456**	**828,147**

Detail – income	**Current income 2005**	**Income from write-ups 2005**	**Gains from the disposal of investments 2005**	**Total 2005**
in EUR '000				
Owner-occupied land and buildings	10,182	0	5,750	15,932
Third-party leased land and buildings	47,599	0	5,393	52,992
Shares in other companies in which an ownership interest is held	11,420	197	27,584	39,201
Loans	83,284	0	395	83,679
Financial investments held to maturity	10,935	0	0	10,935
Financial investments available for sale	407,309	5,561	85,151	498,021
Financial investments held for trading	9,326	24,212	40,173	73,711
Financial investments recognised at fair value through profit or loss	1,345	2,372	208	3,925
Other investments	35,855	195	0	36,050
Unit-linked and index-linked life insurance	13,701	0	0	13,701
Total	**630,956**	**32,537**	**164,654**	**828,147**

Detail – expenses	**Property/Casualty 2006**	**Life 2006**	**Health 2006**	**Total 2006**
in EUR '000				
Depreciation on investments	49,933	56,357	18,880	125,170
Exchange rate	1,694	660	–5	2,349
Losses from the disposal of investments	3,471	37,462	7,244	48,177
Interest expenses	43,341	31,732	6,459	81,532
Personnel provision	14,932	12,959	2,844	30,735
Interest on borrowings	28,409	18,773	3,615	50,797
Other expenses	56,399	19,170	2,338	77,907
Total	**154,838**	**145,381**	**34,916**	**335,135**

Detail – expenses	Depreciation on investments	Exchange rate changes	Losses from the disposal of investments	Total
	2006	2006	2006	2006
in EUR '000				
Owner-occupied land and buildings	7,060	0	188	7,248
Third-party leased land and buildings	94,816	0	162	94,978
Shares in other companies in which an ownership interest is held	1,999	0	194	2,193
Loans	4,016	–11	6	4,011
Financial investments held to maturity	0	732	0	732
Financial investments available for sale	4,180	–663	38,755	42,272
Financial investments held for trading	11,222	1,655	6,988	19,865
Financial investments recognised at fair value through profit or loss	1,573	124	448	2,145
Other investments	304	512	63	879
Unit-linked and index-linked life insurance	0	0	1,373	1,373
Total	**125,170**	**2,349**	**48,177**	**175,696**

Detail – expenses	Property/Casualty	Life	Health	Total
	2005	2005	2005	2005
in EUR '000				
Depreciation of investments	76,677	39,468	4,803	120,948
Exchange rate	–181	947	52	818
Losses from the disposal of investments	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 borrowings	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	Depreciation on investments 2005	Exchange rate changes 2005	Losses from the disposal of investments 2005	Total 2005
in EUR '000				
Owner-occupied land and buildings	9,147	0	463	9,610
Third-party leased land and buildings	101,004	0	645	101,649
Shares in other companies in which an ownership interest is held	2	0	162	164
Loans	398	37	0	435
Financial investments held to maturity	78	277	0	355
Financial investments available for sale	2,726	367	22,570	25,663
Financial investments held for trading	6,570	–372	3,079	9,277
Financial investments recognised at fair value through profit or loss	971	364	94	1,429
Other investments	52	145	52	249
Total	**120,948**	**818**	**27,065**	**148,831**

The interest expenses and other expenses result from items on the liabilities side of the balance sheet or from business operations and therefore cannot be directly allocated to an investment class.

30. OTHER INCOME

Detail	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
in EUR '000				
Other underwriting income	27,929	9,903	300	38,132
Other non-underwriting income	11,832	11,446	2	23,280
Total	**39,761**	**21,349**	**302**	**61,412**

The other income of EUR 7.091 million results primarily from current non-underwriting income from fully consolidated non-insurance companies. An additional EUR 11.566 million results from the payment of receivables written off in prior periods.

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**

31. EXPENSES FOR CLAIMS AND INSURANCE BENEFITS

Detail	Gross 2006	Ceded to reinsurers 2006	Retained 2006
in EUR '000			
Property/casualty insurance			
Expenses for insurance claims			
Claims payments	1,716,440	–354,442	1,361,998
Changes in provisions for outstanding claims	204,998	–61,540	143,458
SUBTOTAL	**1,921,438**	**–415,982**	**1,505,456**
Change in mathematical reserve	–70	46	–24
Change in other underwriting provisions	999	–3,889	–2,890
Expenses for the refund of premiums not dependent on profit	15,421	–177	15,244
TOTAL PAYMENTS	**1,937,788**	**–420,002**	**1,517,786**
Life insurance			
Expenses for insurance benefits			
Claims benefits	1,011,073	–14,373	996,700
Changes in provisions for outstanding claims	1,725	798	2,523
SUBTOTAL	**1,012,798**	**–13,575**	**999,223**
Change in mathematical reserve	1,289,309	–13,204	1,276,105
Change in other underwriting provisions	279	0	279
Expenses for the refund of premiums dependent to and not dependent on profit	158,966	–10	158,956
TOTAL PAYMENTS	**2,461,352**	**–26,789**	**2,434,563**
Health insurance			
Expenses for insurance claims			
Claims benefits	203,605	–709	202,896
Changes in provisions for outstanding claims	930	–8	922
SUBTOTAL	**204,535**	**–717**	**203,818**
Change in mathematical reserve	45,262	–183	45,079
Expenses for the refund of premiums not dependent on profit	12,074	0	12,074
TOTAL PAYMENTS	**261,871**	**–900**	**260,971**
TOTAL	**4,661,011**	**–447,691**	**4,213,320**

Detail	Gross 2005	Ceded to reinsurers 2005	Retained 2005
in EUR '000			
Property/casualty insurance			
Expenses for insurance claims			
Claims payments	1,344,293	–290,414	1,053,879
Changes in provisions for outstanding claims	175,448	–58,703	116,745
SUBTOTAL	**1,519,741**	**–349,117**	**1,170,624**
Change in mathematical reserve	–57	41	–16
Change in other underwriting provisions	943	433	1,376
Expenses for the refund of premiums not dependent on profit	8,617	–1,539	7,078
TOTAL PAYMENTS	**1,529,244**	**–350,182**	**1,179,062**
Life insurance			
Expenses for insurance benefits			
Claims benefits	913,694	–16,975	896,719
Changes in provisions for outstanding claims	14,077	–761	13,316
SUBTOTAL	**927,771**	**–17,736**	**910,035**
Change in mathematical reserve	1,160,860	209	1,161,069
Change in other underwriting provisions	8,188	0	8,188
Expenses for the refund of premiums dependent to and not dependent on profit	107,207	–10	107,197
TOTAL PAYMENTS	**2,204,026**	**–17,537**	**2,186,489**
Health insurance			
Expenses for insurance claims			
Claims benefits	198,952	–530	198,422
Changes in provisions for outstanding claims	82	104	186
SUBTOTAL	**199,034**	**–426**	**198,608**
Change in mathematical reserve	43,531	–235	43,296
Expenses for the refund of premiums not dependent on profit	10,956	0	10,956
TOTAL PAYMENTS	**253,521**	**–661**	**252,860**
TOTAL	**3,986,791**	**–368,380**	**3,618,411**

32. OPERATING EXPENSES

Detail	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
in EUR '000				
Commissions and other acquisition expenses				
Commission expense	390,206	256,850	6,259	653,315
Pro rata personnel expenses	128,242	53,538	8,926	190,706
Pro rata material costs	95,323	78,974	7,772	182,069
SUBTOTAL	**613,771**	**389,362**	**22,957**	**1,026,090**
Administrative expenses				
Pro rata personnel expenses	106,869	46,693	7,283	160,845
Pro rata material costs	76,238	50,712	5,958	132,953
SUBTOTAL	**183,152**	**97,405**	**13,241**	**293,798**
Reinsurance commissions received	–171,161	–12,212	–115	–183,488
Total	**625,762**	**474,555**	**36,083**	**1,136,400**

Detail	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
in EUR '000				
Commissions and other acquisition expenses				
Commission expense	299,567	184,403	5,726	489,696
Pro rata personnel expenses	98,896	47,873	9,680	156,449
Pro rata material costs	69,098	76,083	7,249	152,430
SUBTOTAL	**467,561**	**308,359**	**22,655**	**798,575**
Administrative expenses				
Pro rata personnel expenses	100,352	49,259	7,384	156,995
Pro rata material costs	70,112	34,416	5,159	109,687
SUBTOTAL	**170,464**	**83,675**	**12,543**	**266,682**
Reinsurance commissions received	–157,016	–16,332	–119	–173,467
Total	**481,009**	**375,702**	**35,079**	**891,790**

33. OTHER EXPENSES

Detail	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
in EUR '000				
Other underwriting expenses	77,963	36,990	992	115,945
Other non-underwriting expenses	21,529	8,362	16	29,907
Total	**99,492**	**45,352**	**1,008**	**145,852**

Other expenses consist primarily of other underwriting amounts and fees of EUR 47.592 million, value adjustments (not including investments) of EUR 15.988 million and current non-underwriting operating expenses of EUR 2.776 million.

Detail	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
in EUR '000				
Other underwriting expenses	87,737	29,462	981	118,180
Other non-underwriting expenses	17,094	6,751	0	23,845
Total	**104,831**	**36,213**	**981**	**142,025**

34. TAX EXPENSES

Detail – tax expense	2006	2005
in EUR '000		
Actual taxes	42,897	67,105
Actual taxes related to other periods	653	–4,740
TOTAL ACTUAL TAXES	**43,550**	**62,365**
Deferred taxes	13,096	–20,765
Total	**56,646**	**41,599**

Carry-over calculation	2006	2005
in EUR '000		
Expected tax rate in %	25%	25%
Profit before taxes	320,967	240,336
EXPECTED TAX EXPENSE	**80,242**	**60,084**
Adjusted for tax effects due to:		
Tax-exempt income from ownership interests	–29,234	–29,637
Non-deductible expenses	20,609	25,544
Income not subject to tax	–15,054	–19,266
Taxes from previous years	653	–4,740
Change in tax rates	–2,557	1,532
Adjustment for accumulated losses carried forward and other tax effects	1,987	8,082
EFFECTIVE INCOME TAX EXPENSE	**56,646**	**41,599**
Effective tax rate in %	**17.6%**	**17.3%**

The (Austrian) income tax rate of parent company WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP is used as the Group tax rate.

35. OTHER INFORMATION

Employee statistics	31.12.2006	31.12.2005
Austria	5,747	5,366
Field sales representatives	2,822	2,725
Office employees	2,925	2,641
Outside Austria	12,840	10,980
Field sales employees	6,548	4,982
Office employees	6,292	5,998
Total	**18,587**	**16,346**

Personnel expenses	2006	2005
in EUR '000		
Wages and salaries	334,539	263,600
Expenses for post-employment benefits and payments to company pension plans	8,358	5,881
Expenses for retirement provisions	14,054	9,837
Mandatory social security contributions and expenses	101,182	84,783
Other social security expenses	4,477	4,000
Total	**462,610**	**368,101**
of which field sales employees	215,218	171,760
of which office employees	247,392	196,341
Expenses for post-employment benefits and pensions for:		
Management Board members and senior management	8,291	7,732
remaining employees	14,121	12,986

Managing Board and Supervisory Board compensation (gross)	2006	2005
in EUR '000		
Management Board compensation	5,562	5,036
Supervisory Board compensation	157	133
Compensation for former Management Board members	974	1,016
Pension expense for		
Management Board members	2,163	1,347
former Management Board members	974	810

The members of the Managing Board also received special gross compensation in 2006 of EUR 9 million for the growth in value of the Group during the years 2001 to 2005, including the successful capital increase at the end of 2005.

The average number of employees in the **fully consolidated companies** (including cleaning personnel) was 17,746 (16,230). Of this 8,856 (7,690) were active in sales resulting in personnel expenses of EUR 214.046 million (EUR 171.401 million) and 8,890 (8,540) were in operations resulting in personnel expenses of EUR 243.935 million (EUR 193.964 million).

The average number of employees in the **proportionally consolidated companies** (including cleaning personnel) was 841 (116). Of this 514 (17) were active in sales resulting in personnel expenses of EUR 1.172 million (EUR 359,000) and 327 (99) were in operations resulting in personnel expenses of EUR 3.457 million (EUR 2.377 million).

The Supervisory Board is comprised of the following individuals:

Members elected by the Annual General Meeting:
(The years in brackets indicate the year that the individual was first appointed and the end of the current term of office)

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/until 25 May 2007)
Mag. Alois **Hochegger** (2005/2010)
Dipl.-Ing. Guido **Klestil** (1992/2010)
Prof. Komm.-Rat Walter **Nettig** (1992/2010)
Hofrat Dkfm Heinz **Öhler** (2002/2010)
Dr. Johann **Sereinig** (1992/2010)
Mag. Dr. Friedrich **Stara** (2002/2010)

Employee representatives:
Peter **Grimm**
Heinz **Neuhauser**
Franz **Urban**
Gerd **Wiehart**
Peter **Winkler**

All members of the Supervisory Board elected by the Annual General 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 2006 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 Annual General Meeting of 24 May 2005, the members of the Supervisory Board elected by the Annual General 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).

No loans were granted to Supervisory Board members in 2006.

No guarantees existed for Supervisory Board members as of 31 December 2006.

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 Managing 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 2006:

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 Managing Board is comprised of the following individuals:

Chairman:
Dr. Günter **Geyer**
General Manager, Chairman of the Managing Board
Member of the Managing Board since 1988

Members:
Dkfm. Karl **Fink**
Deputy General Manager
Member of the Managing Board since 1987

Mag. Christian **Brandstetter**
Member of the Managing Board since 2003
(until 31 December 2006)

Dr. Rudolf **Ertl**
Member of the Managing Board since 2001

Dr. Peter **Hagen**
Member of the Managing Board since 2004

Ing. Mag. Robert **Lasshofer**
Member of the Managing Board since 1999

Dr. Martin **Simhandl**
Member of the Managing Board since 2004

There were no loans outstanding to Managing Board members as of 31 December 2006.

No guarantees existed for Managing Board members as of 31 December 2006.

Compensation plan for Managing Board members:

The earnings of Managing Board members are comprised of a fixed (approximately 60%) and a variable (approximately 40%) 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 Managing Board does not participate in profits if the result from ordinary operations falls below certain thresholds. The standard employment agreement of a WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP Managing Board member includes a pension plan obligation which can equal at most 40% of the measurement basis if the member remains in the Managing Board until the age of 65 (the measurement basis is essentially equal to the fixed salary). The rules for Managing Board members with many years of prior employment differ in part. The rules for Managing Board members with many years of prior employment differ in that the percentage of the measurement basis based on past employment is higher (up to 55%), and increases can be awarded if the Supervisory Board would like a member to remain in the Managing Board after the age limit has been reached. A pension is received only if a Managing Board member's position is not extended through no fault of the member, or the Managing Board member retires due to illness or age.

The Managing Board agreements of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP 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, Managing 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 2006, the total expenses for post-employment benefits and pensions of EUR 22.412 million (2005: EUR 15.718 million) included post-employment benefit and pension expenses of EUR 8.291 million (2005: EUR 7.732 million) for Managing Board members and senior management according to § 80 (1) of the Austrian Stock Corporation Act (AktG).

In 2006, the members of the Managing Board received compensation equal to EUR 5.562 million (2005: EUR 5.036 million) for their services. The members of the Managing Board also received special gross compensation of EUR 9 million for the growth in value of the Group during the years 2001 to 2005, including the successful capital increase at the end of 2005. The total compensation paid to former members of the Managing Board (including surviving dependents) was EUR 974,000 in 2006 (2005: EUR 1.016 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** (until 30 June 2006)
Mag. Oskar **Ulreich** (starting 1 July 2006)
Substitute:
Dr. Bernd **Fletzberger** (until 31 December 2006)
Mag. Nicole **Plankenbüchler** (starting 1 January 2007)

36. RELATED PARTIES

Associated companies and Persons

Associated companies represent on the one hand the affiliated companies, joint ventures listed in point 4 and associated companies. In addition, the executive committees and supervisory boards of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP and those closely linked to them qualify as associates. Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung holds the majority of the voting rights in WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP. 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 Managing Board and the Supervisory Board. Likewise, no loans or guarantees existed as of 31 December 2006 and 31 December 2005.

Transactions with Associated companies

The Group provides Wiener Städtische Wechselseitige Versicherungsanstalt- Vermögensverwaltung with office premises at a charge. Other services (e.g. bookkeeping operations) are furnished by the Group.

Internal reinsurance relations, to a subordinated extent, as well as financial dealings in the real estate area and accounting operations (bookkeeping, personnel recruiting, data processing etc.) exist with consolidated affiliated companies.

It is mainly financial and accounting operations that exist with non-consolidated affiliated and associated companies.

Open entries at the end of the period under review	**31.12.2006**	**31.12.2005**
in EUR '000		
Receivables		
Receivables from insurance business	374	1,556
Other receivables	22,884	24,582
Subtotal	**23,258**	**26,138**
Liabilities		
Liabilities from insurance business	–947	–3,409
Other liabilities	–14,100	–28,849
Subtotal	**–15,047**	**–32,258**
Total	**8,211**	**–6,120**
Loans to non-consolidated affiliated companies	25,359	63,598
Loans to other associated companies	25,147	3,922

Significant events after the balance sheet date

The following events occurred during the period of 1 January 2007 to 31 March 2007:

• WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP strengthened its position in the Ukrainian insurance market. By means of a capital increase, the Group increased its interest in Kniazha from just over 50% to a current level of 80%. This company was not included in the consolidated financial statements of the Vienna Insurance Group in 2006.

• WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP has completed its acquisition of a majority interest in TU Polski Związek Motorowy S.A. (TU PZM). WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP subscribed for the shares of this Polish non-life insurance company during a capital increase after receiving approval from the Polish authorities. Registration in the Polish companies register will take place in the next few weeks. WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP holds a 75% interest in this insurance company. The remaining shares are held by the former majority shareholder, the Polish Automobile Association (PZM).

• WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP announced that it was planning to enter the Albanian insurance market. TBIH Financial Services Group N.V. (TBIH), in which WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP holds a majority interest (subject to official approval), signed a memorandum of understanding in this regard for the acquisition of a minimum of 60% of the shares of Sigma Sh.a., which is based in Tirana. Sigma Sh.a. is a non-life insurance company founded in 1998. The company has a subsidiary in Macedonia, a branch office in Kosovo, and currently has a total of approximately 160 employees.

• As shareholders of UNION Versicherungs-AG and Bank Austria Creditanstalt Versicherung AG, ERGO Versicherungsgruppe AG, WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP and Bank Austria Creditanstalt AG have reached mutual agreement to perform a merger of the two companies. WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP will take over management of the future insurance company BA-CA Insurance. Implementation of this agreement is conditional on receipt of the necessary approvals.

• The Vienna Insurance Group is entering the Turkish insurance market. TBIH Financial Services Group N.V. (TBIH), in which WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP holds a majority interest (subject to official approval), signed a memorandum of understanding in this regard for the acquisition of 58.2% of the shares of Ray Sigorta A.S. The shares will be purchased from the current majority owner, the Turkish company Dogan Sirketler Grubu Holding A.S. (Dogan), for USD 81.5 million (approximately EUR 62 million). Dogan, one of the largest industrial groups in Turkey, will continue to hold approximately 20% of the shares of Ray Sigorta A.S. The remaining shares are in free float.

DECLARATION BY THE MANAGING BOARD

The Managing Board hereby declares that the consolidated financial statements, prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU, give a true and fair view of the net assets, financial position and results of operations of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP and all companies included in the consolidation.

The Managing Board further declares that the Group management report, prepared in accordance with the requirements of the Austrian Commercial Code, presents the business development and performance of the Company so as to give a true and fair view of the net assets, financial position and results of operations of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP and the companies included in the consolidation, and describes the significant risks and uncertainties to which the Company is exposed.

The Managing Board:

Dr. Günter Geyer

Dkfm. Karl Fink

Dr. Rudolf Ertl

Dr. Peter Hagen

Mag. Robert Lasshofer

Dr. Martin Simhandl

Vienna, 6 April 2007

AUDITOR'S REPORT

We have audited the consolidated financial statements of

WIENER STÄDTISCHE Versicherung AG
VIENNA INSURANCE GROUP, Vienna,

for the fiscal year from 1 January to 31 December 2006. The consolidated financial statements consist of the consolidated balance sheet of 31 December 2006, the consolidated income statement, consolidated cash flow statement and consolidated statement of shareholders' equity for the fiscal year ended 31 December 2006, as well as a summary of the significant accounting policies used and other information in the notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

The preparation of consolidated financial statements which give a true and fair view of the Group's net assets, financial position and results of operations in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU is the responsibility of the Company's management. This responsibility includes: Design, implementation and maintenance of an internal control system insofar as this is important for the preparation of consolidated financial statements and for providing a true and fair view of the Group's net assets, financial position and results of operations, so that the consolidated financial statements are free of material misstatements due to intentional or unintentional errors; selection and use of suitable accounting policies and the preparation of estimates that appear appropriate under the given circumstances.

The auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with the statutory requirements applicable in Austria and the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These standards require that we follow the rules of professional conduct and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatements.

An audit involves procedures to obtain evidence about amounts and other disclosures in the consolidated financial statements. It is the responsibility of the auditor, in the proper exercise of his discretion, to select audit procedures taking into account his estimate of the risk of material misstatements due to intentional or unintentional errors. When estimating this risk, the auditor takes into account the internal control system insofar as this is important for the preparation of consolidated financial statements and for providing a true and fair view of the Group's net assets, financial position and results of operations in order to establish audit procedures that are suitable under the given circumstances, but not in order to give an opinion on the effectiveness of the Group's internal control system. An audit also includes assessing the appropriateness of the accounting policies used and significant estimates made by management as well as evaluating the overall presentation of the consolidated financial statements.

We believe that we established satisfactory and suitable auditing procedures, so that our audit provides a reasonable basis for our opinion.

Audit opinion

Our audit did not give rise to any objections. In our opinion, based on the findings of our audit, the consolidated financial statements comply with legal requirements and present a true and fair view of the net assets and financial position of the Group as of 31 December 2006, and of the results of operations and cash flows for the fiscal year from 1 January to 31 December 2006 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

Findings on the Group management report

The Group management report is to be audited based on the statutory requirements applicable in Austria to ensure that it is consistent with the consolidated financial statements and that the other information in the Group management report does not create a false impression of the situation of the Group.

The Group management report is in our opinion consistent with the consolidated financial statements.

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Michael Schlenk
Auditor

ppa. Friedrich Unterkircher
Auditor

Vienna, 6 April 2007

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board reports that it has taken the opportunity to thoroughly and comprehensively review the management of the Company, both acting as a body and also regularly through its Chairman and his Deputy. Detailed presentations and discussions during Supervisory Board and Supervisory Board Committee meetings were used for this purpose, as well as numerous meetings with the members of the Managing Board who provide exhaustive explanations and evidence relating to the management and financial position of the Group on the basis of accounting records, written materials and other documentation. The strategy, business performance and risk management of the Company were also discussed in these meetings.

The Supervisory Board formed four committees from among its members. Information on the responsibilities and members of these committees is available on the Company's website.

One ordinary Annual General Meeting of Shareholders and four Supervisory Board meetings were convened in 2006. One meeting of the Audit Committee, one meeting of the committee for decisions on urgent issues and two meetings of the committee for Managing Board matters were also held. The committee for decisions on urgent issues was contacted on a total of eighteen matters. The Supervisory Board was informed of any resolutions passed by the committees at the respective next Supervisory Board meeting.

The auditor attended the Audit Committee meeting, the Supervisory Board meetings that dealt with the audit of the annual financial statements and consolidated financial statements, as well as the Annual General Meeting of Shareholders. No agenda items were discussed in the Supervisory Board and committee meetings without participation by members of the Managing Board. No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings.

The management report from the Managing Board was received, reviewed and carefully examined by the Supervisory Board Audit Committee. The Supervisory Board Audit Committee also carefully reviewed the 2006 consolidated financial statements and Group management report. The proposal of the Managing Board for the appropriation of profits was also debated and discussed in the course of this review. At the conclusion of this review and discussion, a unanimous resolution was adopted recommending unqualified acceptance of these documents by the Supervisory Board. The committee chairman informed the Supervisory Board of the resolutions adopted by the committee.

The 2006 annual financial statements and management report, the 2006 consolidated financial statements and Group management report, as well as the proposal of the Managing Board for the appropriation of profits were then addressed, thoroughly discussed, and reviewed by the Supervisory Board. At the conclusion of this discussion and review, the Supervisory Board adopted a unanimous resolution to raise no objections to these documents, to approve the annual financial statements and consolidated financial statements prepared by the Managing Board, and to declare its consent to the proposal of the Managing Board for the appropriation of profits.

The 2006 annual financial statements have therefore been approved in accordance with § 125 (2) of the Austrian Stock Corporation Act.

The Supervisory Board would also like to inform the Annual General Meeting of Shareholders that the 2006 annual financial statements and management report, and the 2006 consolidated financial statements and Group management report were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, and that the auditor’s reports were discussed by the Audit Committee and by the full Supervisory Board together with KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft. The summary findings of the audit did not give rise to any objections. The Supervisory Board in turn declares that it has no comments to add to the auditor’s report.

The Supervisory Board therefore submits a motion to the Annual General Meeting of Shareholders

to decide on the appropriation of profits in accordance with the proposal of the Managing Board
and to give its formal approval to the actions of the Managing Board and of the Supervisory Board.

Vienna, April 2007

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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 and 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 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 UGB).

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 amortized 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, Slovenia, Slovakia, the Czech Republic, 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 profit 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, interim 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, forwards 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.

Enterprise Risk Management (ERM)
Risk and opportunity management. Identification, assessment, analysis and control of opportunities and risks.

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 gross 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.

Fair value
A security value calculated using a theoretical pricing model that takes into account factors on which the price depends.

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, unscheduled 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 ("net" is also used to mean "for own account"). 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.

HGB
Until 31 December 2006 Austrian Commercial Code
(Handelsgesetzbuch HGB)
(From 1 January 2007 Austrian Corporation Code
[Unternehmensgesetzbuch UGB])

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.

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.

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.

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.

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
Direct business 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.

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 amortized 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.

UGB
From 1 January 2007 Austrian Corporation Code (Unternehmensgesetzbuch UGB)
(Until 31 December 2006 Austrian Commercial Code [Handelsgesetzbuch HGB])

Underwriting provisions
These consist of the provision for outstanding claims, actuarial reserve, unearned premiums, provisions 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 policy-holder's risk. The investments 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.

Value at Risk (VaR)
A method of quantifying risk that can be used to estimate the potential loss that could result from a change in the market situation having a given probability of occurrence over a specified period of time.

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 short name for the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP.

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Notes

This annual report also includes forward-looking statements based on current assumptions and estimates that are made by the Management of the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP to the best of its knowledge. Information offered using the words "expectation" or "target" or similar formulations indicate such forward-looking statements. 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 materialise or if risks arise at a level that was not anticipated.

The annual report is available in the German and in the English languages and can also be downloaded in both languages as a pdf file from our website (www.wienerstaedtische.com) 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).

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

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 easy to read and as fluent as possible. For this reason, we have dispensed with formulations such as "he/she", "his/her", etc. It should be understood that the text always refers to women and men equally without discrimination.

In cases of doubt, the German version is authoritative.

Editorial deadline: 31 March 2007

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We are pleased with the growth we have achieved.

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